



Committee and Date

Audit Committee

17th July 2024

10:00am

Item

Public



Internal Audit Annual Opinion 2023/24

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Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

This report provides a summary of Internal Audit's work over 2023/24. Based on 525 recommendations across 68 reports and supporting evidence the Chief Audit Executive's opinion provides '**Limited Assurance**' on the Council's framework for governance, risk and internal control.

2. Executive Summary

2.1. This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2024. It informs on delivery against the approved annual audit plan and includes the Chief Audit Executive's opinion on the Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS). This in turn, contributes to delivering the Accounts and Audit Regulations 2015 requirement to have internal audit, 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

2.2. Final performance has been good with the revised plan being delivered above the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. 41 good and reasonable assurances were made in the year accounting for 60% of the opinions delivered. This represents a 1%

increase in the higher levels of assurance compared to the previous year, offset by a 1% decrease in limited and unsatisfactory opinions. However, the number of unsatisfactory opinions has increased to 18% (11% 2022/23) and the number of good opinions reduced to 6% (16% 2022/23). The percentage split of recommendations has changed with 45% significant and fundamental in 2023/24 compared to 38% in 2022/23. It is prudent for me to consider this as a key factor in determining the year end opinion on the control environment.

- 2.3. Based on internal audit work completed, the overall opinion on the control environment has been “Limited” for the last five years. The evidence reviewed during 2023/24 indicates that there has been no notable improvement in the internal control environment. There is a significant risk that this position is accepted as the norm and puts further pressure on the achievement of the Councils aims and objectives as set out in the Shropshire Plan. It is therefore crucial that appropriate action is taken by the Council to reverse this position.
- 2.4. At this stage the impact of measures taken to ensure the Councils financial sustainability including voluntary redundancy programme (VR) are yet to be fully reflected in the control environment. In addition, the circa £51m identified spending reductions for 2023/24 were not fully delivered. It is accepted that there were many factors contributing to this position including economic and fiscal pressures and £41m represents the highest spending reduction in a single financial year ever achieved. Ultimately this was short of the required outcome with the difference being funded as a one off from reserves which was exceptional position and should not be repeated in 2024/25.
- 2.5. Based on the Internal Audit work undertaken, and management responses received, I can offer Limited assurance for the 2023/24 year that the Council’s framework for governance, risk management and internal control is sound and working effectively.
- 2.6. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. The year has continued to be challenging with the continued development of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings and increase income.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment
- a) the performance of Internal Audit against the 2023/24 Audit Plan.
 - b) That Internal Audit have evaluated the effectiveness of the Council’s risk management, control and governance processes, considering public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2023/24.
 - c) The Chief Audit Executive’s Limited assurance, year-end opinion, that the Council’s framework for governance, risk management and internal control is

sound and working effectively for 2023/24 based on the work undertaken and management responses received.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures. It is closely aligned to the Council's strategic and operational risk registers and is delivered in an effective manner; where Internal Audit independently and objectively examine, evaluate and report on the adequacy of its customers' control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses, and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss, poor value for money and reputational damage.
- 4.2. Internal Audit operates a strategic risk-based plan. The plan is revisited each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. This results in a comprehensive range of audits being undertaken in the year, supporting the overall opinion on the control environment. The plan contains a contingency provision which can be utilised during the year to respond to unforeseen work demands that may arise.
- 4.3. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental or equalities consequences of this proposal.
- 4.4. Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be positive.

5. Financial Implications

- 5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1. This report is the culmination of the work of the Internal Audit team during 2023/24 and seeks to provide:
- A summary of the internal audit work undertaken.
 - An annual opinion on the adequacy of the Council's governance arrangements.
 - Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.
- 7.2. As the Accountable Officer, the Executive Director of Resources (Section 151 Officer) has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the Council's assets, in accordance with local government legislation. This includes section 151 of the Local Government Act 1972 which requires the Council to plan for the proper administration of its financial affairs.
- 7.3. The Accounts and Audit Regulations 2015 require the Council to have internal audit to; 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. In addition, Internal Audit are expected to comply with the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.

Scope and Purpose of Internal Audit

- 7.4. The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can be used by the Council to inform its governance statement as part of the wider framework of assurances considered. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and incorporates a summary of the work in support of the opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This is in accordance with the requirements of the 2015 Accounts and Audit Regulations. In addition, Internal Audit has an independent and objective consultancy role to help line managers improve governance, risk management and control.
- 7.5. The purpose of Internal Audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and governance processes and their effectiveness in achieving the Council's agreed objectives.

8. Internal Audit Work Undertaken in 2023/24

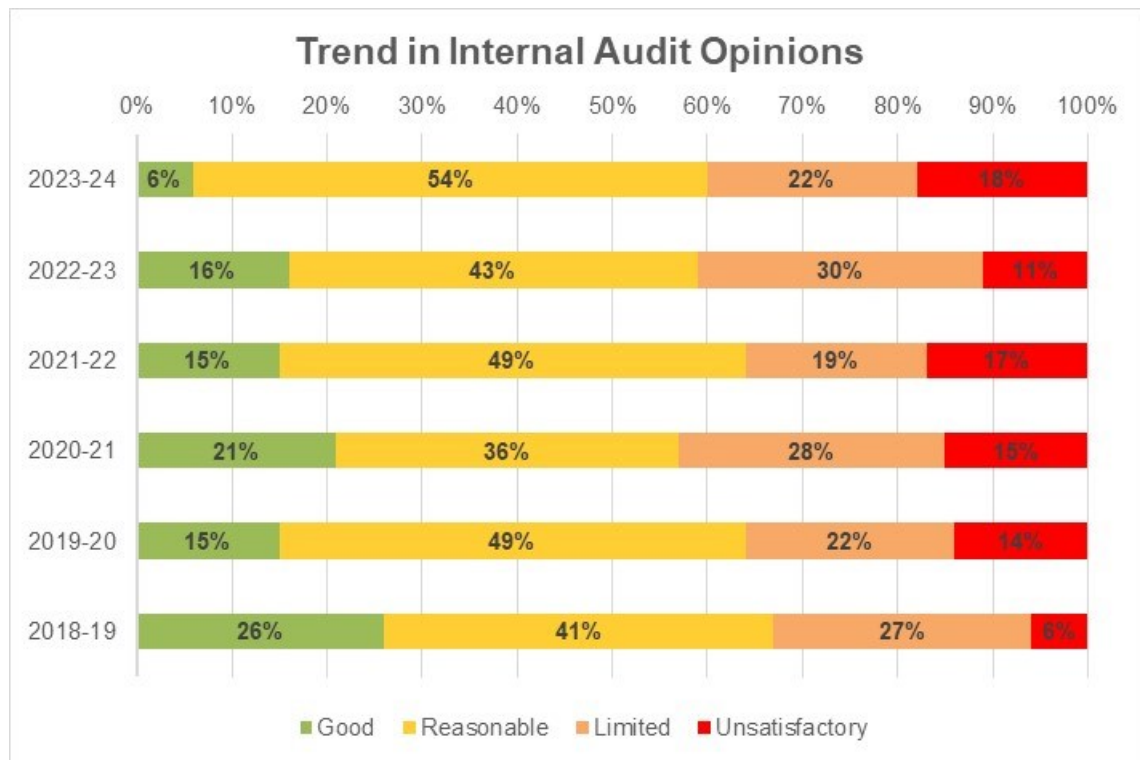
- 8.1. The Internal Audit Plan 2023/24 was considered and approved by Audit Committee at its meeting on the 14th February 2023. The plan provided for a total of 1,799 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to 1,239 days. Revisions were necessary to respond to changes to the Council's key risks and requirements.
- 8.2. The Chief Audit Executive can confirm that the service has been free from interference throughout the year. Activity provided sound coverage for the opinion,

which is explored later in this report. Final performance has been good and the target to deliver 90% of the annual plan has been achieved. **Appendix A, Table 1.**

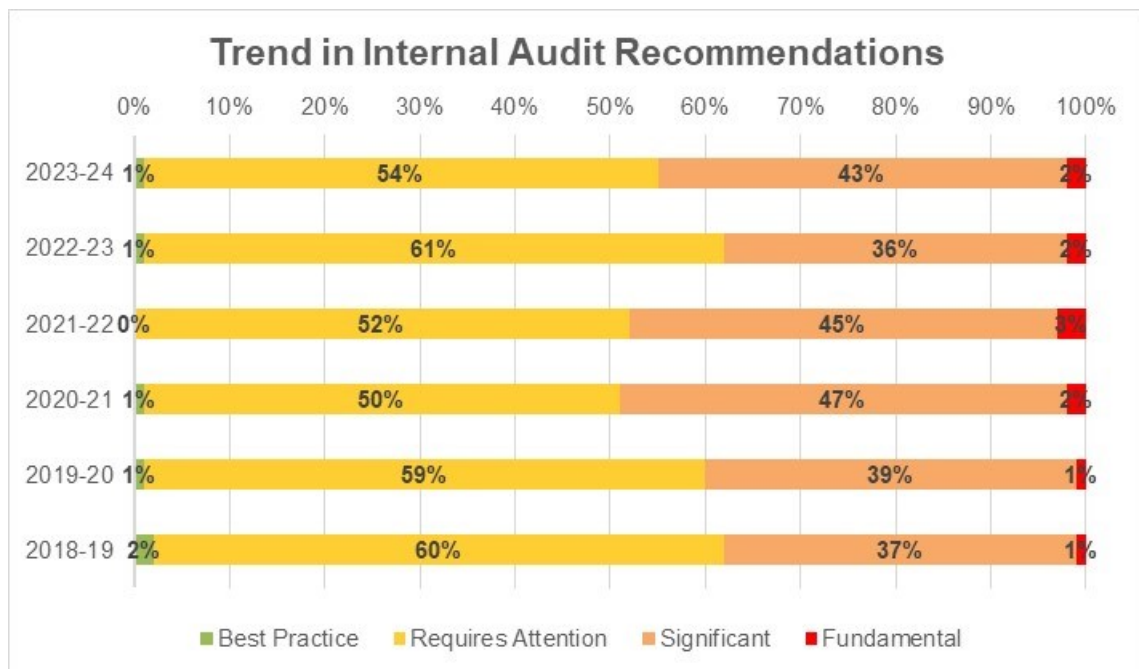
8.3. The audit findings and performance of audit have been set out in summary reports which have been presented to the Audit Committee during the year. In total 68 final reports have been issued in 2023/24, all are listed with their assurance rating and broken down by service area at **Appendix A, Table 2 and 3.**

8.4. The following set of tables and graphs compare the assurance levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.

8.5. The assurance levels awarded to each completed audit area for 2023/24 are:



8.6. The overall spread of recommendations agreed with management following each audit review for 2023/24 appear in the following chart:



8.7. 41 good and reasonable assurances were made in the year accounting for 60% of the opinions delivered. This represents a 1% increase in the higher levels of assurance compared to the previous year, offset by a 1% decrease in limited and unsatisfactory opinions. 12 unsatisfactory opinions and 15 limited assurance opinions were issued. There is a concerning upward trend in the number of unsatisfactory assurance opinions increasing from 11% of audit reports issued in 2022/23 to 18% in 2023/24. It is prudent for me to consider this as a key factor in determining the year end opinion on the control environment.

8.8. A total of 525 recommendations have been made in the 68 final audit reports issued in the year; these are broken down by audit area and have been reported in more detail in performance reports to the Committee throughout the year. The percentage split of recommendations has changed with 45% significant and fundamental compared to 38% last year, with a corresponding decrease in requires attention and best practice recommendations.

8.9. The number of fundamental recommendations has remained static at 2% of the total number of recommendations. They were made on the following audits and have been reported to the Audit Committee throughout the year for awareness and appropriate management challenge:

- Children’s Residential Care Contract Management
- Bishops Castle Community College
- Highways Other Major Contracts
- Northwest Relief Road
- Disposal of IT Equipment
- IT Contract Management
- IT Contract Management Follow Up
- Whatsapp

8.10. It is management’s responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 6** sets out the approach adopted to following up recommendations highlighting Audit Committee’s involvement.

- 8.11. During 2023/24, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI), the results of which will be reported to a later committee, and several internal audit reviews have been conducted to ensure appropriate controls are in place and are operational to counter the risk of fraud, see **Appendix A, Table 2**.
- 8.12. Counter fraud activities were further supported by learning following individual investigations. Where internal control weaknesses have been identified, results are reported in a management report and recommendations made and agreed to help reduce a repeat of any inappropriate activity.
- 8.13. Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. Contingencies are provided in the plan to allow for such activities and review areas reprioritised based on risks. Details of the added value work have been reported to the Audit Committee throughout the year in the performance reports, headlines of which appear in **Appendix A Table 2**.
- 8.14. Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.

An Annual Opinion on the Adequacy of the Council's Governance Arrangements

- 8.15. When considering an annual audit opinion, it should be noted that assurances given can never be absolute. The Internal Audit service can however provide the Council with a level of assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes, **Appendix A Table 7** shows opinion criteria.
- 8.16. The matters raised in this report are only those which came to Internal Audit's attention during its internal audit work and are not necessarily a comprehensive statement of all the strengths or weaknesses that exist, or of all the improvements that may be required.
- 8.17. In arriving at his opinion, the Chief Audit Executive has taken the following matters into account:
- Results of all audits undertaken during the year ended 31 March 2024;
 - Results of Corporate Governance review (reasonable assurance) and Risk Management (reasonable assurance);
 - Results of fundamental audit reviews, self-assessments and their direction of travel; **Appendix A, Table 3**.
 - Implementation of recommendations of a fundamental nature;
 - Assurance levels provided and their direction of travel, and those of the recommendation ratings, compared against the risk appetite of the Council;
 - Fundamental recommendations not accepted by management and the consequent risks;
 - Effects of any material changes in the organisation's objectives or activities;
 - Matters arising from previous reports to the Audit Committee and/or Council;
 - If any limitations have been placed on the scope of internal audit;
 - Whether there have been any resource constraints imposed which may have impinged on Internal Audit's ability to meet the full internal audit needs of the Council, and
 - Proportion of the Council's internal audit needs that have been covered to date.

8.18. Further consideration of the assurance levels of completed audits shows:

- i. The plan continued to flex to respond to changes to the risk environment, , these were approved in September 2023, November 2023 and February 2024 by the Audit Committee. The revised planned work alongside other audit activity has helped provide the appropriate assurance to the Council. Some of the other areas contributing to the opinion appear in **Appendix A, Table 2**.
- ii. There are concerns that unsatisfactory assurances have increased (18% of total assurances delivered in 2023/24) whilst it is recognised that complex areas take time to turn around, there has been a focus on addressing these by escalating to Executive Directors for appropriate action.
- iii. The updated Target Operating Model was being refined during 2023/24 but is yet to be formally adopted.
- iv. Cyber security continues to be key, and the Council's reliance on digital systems significant. Audit reviews in these areas have identified increased areas of risk that require investment in the control environment.
- v. Given the overall proportion of assurance levels of key systems and delays in delivering improved controls (some of which were fundamental and significant), the level of assurance the Chief Audit Executive can provide to the Council is impacted upon.
- vi. The 2023/24 Payroll audit resulted in a limited assurance opinion.
- vii. It is planned to revisit unsatisfactory audits and fundamental recommendations in 2024/25.

8.19. When considering the points above, the Chief Audit Executive can offer Limited Assurance for 2023/24 in his year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively.

8.20. All assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the Internal Audit work management responses received; I can offer limited assurance for the 2023/24 year on the Council's framework for governance, risk management and internal control. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. The year has continued to be challenging with the continued development of key fundamental line of business systems (financial and human resources – Unit4 ERP), changes of key managerial posts, alongside a challenge to deliver savings and increasing income. The Council has set out its strategy within the Shropshire Plan and service plans are being aligned to the identified priorities. Work with the strategic partner PwC has continued and been refined throughout 2023/24 to help deliver the plan, however the full impact of this engagement is yet to be fully realised.

Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.

8.21. Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the

previous twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee’s delivery of its responsibilities and feedback gained from customer satisfaction surveys.

Aspect of measure	Target 2023/24	Actual 2023/24
Percentage of revised plan delivered	90%	95%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	87%

- 8.22. Internal Audit employ a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting audit assignments. All work has been performed in accordance with PSIAS. To ensure the quality of the work performed, a programme of quality measures is used, which includes:
- Supervision of staff conducting audit work;
 - Review of files of working papers and reports by managers and partners;
 - Receipt of formal feedback from managers to audit findings and recommendations;
 - Follow up reviews for reports attracting low assurance levels and recommendation follow up processes;
 - The use of satisfaction surveys for each completed assignment;
 - Annual appraisal of audit staff and the development of personal development and training plans, and
 - The maintenance of guidance and procedures.
- 8.23. There have been no instances during the year which have impacted on Internal Audit’s independence and/or have led to any declarations of interest.
- 8.24. An annual review of Internal Audit is conducted in the form of a self-assessment and confirmed compliance with the Public Sector Internal Audit Standards. The self-assessment forms part of another report on this agenda: ‘Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2023/24. In addition, an external assessment conducted by CIPFA and reported on to the February 2022 meeting of this committee demonstrated compliance with the PSIAS, the external assessment will be repeated in 2027.
- 8.25. Internal Audit recognises the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. The Service continually focuses on delivering high quality audit to clients – seeking opportunities to improve where possible.
- Commitment to quality begins with ensuring that appropriately skilled and experienced people are recruited and developed to undertake audits.
 - Audit practice includes ongoing quality reviews for all assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

- A Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. The quality of audits is evidenced through performance and delivery, feedback from our clients and an annual self-assessment.
- There is a corporate financial commitment to training and developing staff the budget for which is managed centrally. Training provision is reviewed continually through the new Personal Development Plans (PDP) process and regular meetings with individual auditors. Individual training programmes are developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

8.26. Customers are asked for feedback on their audit experience and quality of the service after most reviews. This helps to ensure that audit work meets client expectations and that quality is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 8** and remain above our target, but we are not complacent. The percentage of customers scoring the service as high or excellent has decreased slightly (97% to 88%). Where individual ratings are low, or showing a downward trend, we do value the opportunity to explore the reasons for these with our customer to identify the key issues and improve where appropriate and possible.

8.27. During 2023/24 several compliments and comments have been received in respect of the service from both questionnaires and directly, a selection of these appears at **Appendix A, Table 9**. Most comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients and making the client comfortable and the process as easy as possible whilst still delivering the service. All other comments are followed up with the author to identify where lessons can be learnt and improvements made.

8.28. All Internal Audit work has been completed in accordance with the agreed plan and the outcomes of final reports have been reported to the Audit Committee.

Review of the effectiveness of Internal Audit work by the Audit Committee

8.29. The Council had a well-established Audit Committee in place which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members received regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates.

8.30. The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.

8.31. The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a few reports, an example is the Payroll system.

9. Conclusions

- 9.1. The Internal Audit Service has completed enough independent activity for the Chief Audit Executive to provide an annual opinion on the adequacy of the Council's framework for governance, risk management and internal control, the overall opinion is Limited.
- 9.2. Information on the performance of Internal Audit demonstrates compliance with the PSIAS and no areas of significant concern.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 22nd February 2024

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 23rd November 2023

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 28th September 2023

Draft Internal Audit Risk Based Plan 2023/24 - Audit Committee 14th February 2023

Public Sector Internal Audit Standards (PSIAS)
Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2023/24

Table 2: Final audit report assurance opinions issued in 2023/24

Table 3: Audit opinions made on fundamental systems 2023/24

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Recommendation follow up process (risk based)

Table 7: The principles and assurance criteria applied to the Chief Audit Executive's opinion

Table 8: Customer Feedback Survey Forms

Table 9: Summary of compliments and comments 2023/24

Appendix B - Audit plan by service – annual report 2023/24

APPENDIX A

Table 1: Summary of actual audit days delivered against plan 2023/24

	Original Plan	Revised Plan	31 st March 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	28	33	27.4	98%	83%
Health and Wellbeing	25	27	29.0	116%	107%
People	123	178	167.2	136%	94%
Adult Services	28	33	21.3	76%	65%
Children's Services	54	97	69.0	128%	71%
Education and Achievement	41	48	76.9	188%	160%
Place	219	203	186.3	85%	92%
Resources	325	368	357.7	110%	97%
Finance and Technology	235	237	217.5	93%	92%
Legal and Governance	38	42	40.1	106%	95%
Workforce and Improvement	52	89	100.1	193%	112%
S151 Planned Audit	720	809	767.6	107%	95%
Contingencies and other chargeable work	880	192	174.0	20%	91%
Total S151 Audit	1,600	1,001	941.6	59%	94%
External Clients	199	238	232.7	117%	98%
Total	1,799	1,239	1,174.3	65%	95%

Table 2: Final audit report assurance opinions issued in 2023/24

Summary

Audits 2023 / 24	Assurance	%	Direction of travel ¹	Audits 2022 / 23	%	Audits 2021 / 22	%
4	Good	6	↓	7	16	7	15
37	Reasonable	54	↑	19	43	23	49
41	Sub total	60	↑	26	59	30	64
15	Limited	22	↑	13	30	9	19
12	Unsatisfactory	18	↓	5	11	8	17
27	Sub total	40	↑	18	41	17	36

¹ Based on percentages

Audits 2023 / 24	Assurance	%	Direction of travel ¹	Audits 2022 / 23	%	Audits 2021 / 22	%
68	Overall total	100		44	100	47	100

Full Details

	Audit	Assurance
1.	Property Sales and Acquisitions 2022/23	Good
2.	Construction Industry Tax Deduction Scheme (CIS) 2022/23	Good
3.	Medium Term Financial Strategy	Good
4.	Electoral Registration System	Good
5.	Strategic Transformation Partner Framework	Reasonable
6.	Communications - Brand Roll Out 2022/23	Reasonable
7.	Strategic Framework Project - Customer Service Spending Reduction	Reasonable
8.	Strategic Framework Project - Reablement and Care Home Projects	Reasonable
9.	Strategic Framework Project - Shire Services	Reasonable
10.	Community Safety 2022/23	Reasonable
11.	Health and Wellbeing Board Governance 2022/23	Reasonable
12.	Personal Allowances 2022/23	Reasonable
13.	Education Access Service	Reasonable
14.	Planning 2022/23	Reasonable
15.	Trading Standards 2022/23	Reasonable
16.	Grey Fleet 2022/23	Reasonable
17.	Shropshire Archives	Reasonable
18.	Asset Management Strategy	Reasonable
19.	Disability Facility Grants / Major Adaption Grants	Reasonable
20.	Debt Recovery 2022/23	Reasonable
21.	Sales Ledger 2022/23	Reasonable
22.	Budget Management and Control 2022/23	Reasonable
23.	Insurance 2022/23	Reasonable
24.	End User Computing 2022/23	Reasonable
25.	Internet Security follow up 2022/23	Reasonable
26.	Management of Log Files 2022/23	Reasonable
27.	Housing Benefits 2022/23	Reasonable
28.	Northgate - Revenues and Benefits Application 2022/23	Reasonable
29.	Antivirus Controls	Reasonable
30.	IT Change Management	Reasonable
31.	Disposal of IT Equipment Follow Up	Reasonable
32.	EDRM SharePoint	Reasonable
33.	IT Business Administration Follow Up	Reasonable
34.	Legacy Infrastructure and Systems Follow Up	Reasonable
35.	Microsoft Applications - Deployment and Control	Reasonable
36.	Microsoft Azure (Office 365)	Reasonable
37.	Mobile Device Management - Phones and Tablets Including Billing	Reasonable

	Audit	Assurance
38.	Sickness Management and Other Leave 2022/23	Reasonable
39.	Occupational Health 2022/23	Reasonable
40.	Annualised Hours 2022/23	Reasonable
41.	Risk Management	Reasonable
42.	Private Water Supplies 2022/23	Limited
43.	Comforts Funds Review - Albert Road 2022/23	Limited
44.	Brockton Primary School	Limited
45.	Children's Residential Care Contract Management	Limited (FR)
46.	Blue Badge Scheme 2022/23	Limited
47.	Licensing 2022/23	Limited
48.	School Planning and Transport Arrangements 2022/23	Limited
49.	Security of Council Buildings - Health and Safety	Limited
50.	Physical & Environmental Controls	Limited
51.	Out of County IT Equipment Delivery	Limited
52.	Privileged User Security	Limited
53.	Diversity Arrangements 2022/23	Limited
54.	Recruitment Arrangements 2022/23	Limited
55.	Travel and Expenses 2022/23	Limited
56.	Payroll System	Limited
57.	Comforts Fund Reviews - Abbots Wood 2022/23	Unsatisfactory
58.	Comforts Fund Reviews - Aquamira 2022/23	Unsatisfactory
59.	Bishops Castle Community College	Unsatisfactory (2 FR)
60.	Montagu Evans Contract Management	Unsatisfactory
61.	Leisure Services Contracts	Unsatisfactory
62.	Highways - Other Major Contracts 2022/23	Unsatisfactory (FR)
63.	Much Wenlock Sports Centre- Joint Use	Unsatisfactory
64.	Northwest Relief Road	Unsatisfactory (2 FR)
65.	Disposal of IT Equipment	Unsatisfactory (FR)
66.	IT Contract Management 2022/23	Unsatisfactory (FR)
67.	IT Contract Management Follow Up	Unsatisfactory (FR)
68.	WhatsApp	Unsatisfactory (FR)

	Other areas contributing to the opinion	
1.	Supporting Families Grant	Grant
2.	Green Homes Grant Phase 2	Grant
3.	HUG 1 Grant	Grant
4.	HUG 2 Grant	Grant
5.	LAD 3 Grant	Grant
6.	Local Transport Capital Block Funding Grant (Integrated Transport and Highways Maintenance Blocks)	Grant
7.	Local Authority Bus Subsidy (Revenue) Grant	Grant
8.	Annual Governance Statement	Consultancy
9.	Financial Evaluations	Consultancy
10.	National Fraud Initiative	Consultancy
11.	Schools Financial Value Standard	Consultancy
12.	Schools Self-Assessment	Consultancy
13.	Payroll Data Analytics	Consultancy

Other areas contributing to the opinion		
14.	Payroll Verification to Establishment	Consultancy
15.	Weekly Travel Claim Review	Consultancy
16.	NAFN Covid Grants Review	Consultancy
17.	Room Booking Systems Project Group	Consultancy
18.	Housing – Software procurement/implementation project	Consultancy

Key

Text in blue	High risk from an internal audit perspective.
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Table 3: Audit Opinions made on fundamental systems

Fundamental system	Direction of travel	Level of assurance given
Budget Management and Control 2022/23	=	Reasonable
Corporate Governance	=	Reasonable
Debt Recovery 2022/23	↑	Reasonable
Housing Benefits 2022/23	↓	Reasonable
Medium Term Financial Strategy	=	Good
Payroll	↑	Limited
Risk Management	↓	Reasonable
Sales Ledger 2022/23	=	Reasonable
<i>Treasury Management (Draft)</i>	=	<i>Good</i>

Table 4: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 5: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 6: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

Table 7: The principles and assurance criteria applied to the Chief Audit Executive’s opinion:

Principles applied to the opinion:

1. Authentic: Opinions are fair, reliable and honest
2. Transparent: Opinions are qualified with evidence or professional judgement
3. Strategic: Macro level information without undue detail
4. Insightful: Information is engaging and generates discussion
5. Resolute: Opinion is delivered with courage and conviction

Assurance criteria applied:

Opinion	Indication of when this type of opinion may be given ²	Traditional Opinion
Substantial	Limited number of medium risk related weaknesses identified but generally only low risk rated weaknesses have been found in individual assignments/ observations. No one area is classified as high or/ critical risk	Unqualified
Reasonable	Medium risk rated weakness identified in individual assignments/ observations that are not significant in aggregate to the system of governance, risk management or control.	

² Indicators refer not only to Internal Audit reviews, but wider assurance providers and intelligence from across the business that is evidenced, an example would be peer reviews.

Opinion	Indication of when this type of opinion may be given ²	Traditional Opinion
	High risk rated weaknesses identified in individual assignments/ observations that are isolated to specific systems, processes and services None of the individual assignment reports/ observations have an overall high or critical risk.	
Limited	Medium risk related weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected and/or High risk rated weaknesses identified in individual assignments/ observations that are significant in aggregate but discrete parts of the system of internal control remain unaffected, and/or Critical risk rated weaknesses identified in individual assignments/ observations that are not widespread to the system of internal control, and More than a minority of the individual assignment reports/ observations may have an overall report classification or rating of high or critical risk.	
No Assurance	High risk rated weaknesses identified in individual assignments/ observations that in aggregate are widespread to the system of internal control and/or; Critical risk rated weaknesses identified in individual assignments/ observations that are widespread to the system of internal control or; More than a minority of the individual assignment reports/ observations have an overall report classification of either high or critical risk; Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk.	Qualified
Disclaimer	An opinion cannot be issued because insufficient internal audit work has been completed due to either: -restrictions in the agreed audit programme, which means that audit work would not provide enough evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather enough evidence to conclude on the adequacy of arrangements for governance, risk management and control.	Qualified

Table 8: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2021/22	2022/23	2023/24	Direction of Travel
Pre-audit arrangements	85%	93%	88%	↓
Post-audit briefing	86%	88%	86%	↓

Item Being Scored	2021/22	2022/23	2023/24	Direction of Travel
Audit coverage/scope of the audit	89%	85%	86%	↑
Timeliness of production of report	90%	91%	81%	↓
Accuracy and clarity of report	88%	90%	90%	↔
Practicality of recommendations	84%	82%	80%	↓
Professionalism of approach	98%	98%	95%	↓
Communication skills	99%	98%	97%	↓
Timeliness, competence, manner	88%	91%	89%	↓
Number of forms returned	34	34	58	↑
% of forms scored as excellent and good	94%	97%	88%	↓

Table 9: Summary of compliments and comments 2023/24³

- I would like to take this opportunity to thank the auditor for her professionalism, understanding and organisation in conducting this audit. I am relatively new in post and this being my first audit I was impressed with the level of clarity and speed of response to questions and the way in which instructions and request were conveyed. The process was especially beneficial as a tool for seeing things from a ‘backward looking’ overall management perspective rather than from the ‘in the now’ viewpoint usually associated with completing the procedures and protocols when processing acquisitions and disposals, which are usually conducted with the added pressure of time constraints.
- Some of the recommendations are beyond the control of the team being audited and would require structural and budgetary alterations at a higher level to be able to implement them.
- Having had an audit each year for the last years we have found that the process to be helpful in ensuring that WM ADASS as hosted by Shropshire and also representing the 14 DASS in the region has assisted us in terms of our transparency and also in building our reputation as a well-managed organisation. The report will assist us in producing our Improvement Programme for 2023/24 and allocating and accounting for the funding that we have available. Having recently under gone a review of our governance arrangements it will be helpful to consider these arrangements when we are next audited to see how the recommendations made have assisted us in meeting Shropshire Council Standing orders and also in further building our reputation with funding partners.
- Professional service with very helpful and proactive support.
- Given the subject of the audit it feels it would have been more appropriate for it to be an Assets and Estates audit rather than ICT. The subject in question is in the majority the responsibility of Estates and PSG, not ICT.

³ Depersonalised for public reporting

- A very comprehensive audit which has highlighted concerns not only around potential fraudulent activity but around lack of governance in the organisation through line managers. Auditor has been very helpful and responsive throughout.
- The timing of the audit (over a condensed closedown timetable) made it very difficult to respond in a robust nature as day to day will often be paused during April/May to concentrate on meeting closedown deadlines and caught up with after closedown has finished. The layout of the report is difficult to use – we would prefer the points under 3 to be separated out as not all points we feel are significant e.g. 2b, where we would suggest is just a requires attention.
- The audit process was professional and supportive as it always is. There is one recommendation which I don't believe is relevant which was discussed with the auditor, however as it relates to HR it was for them to comment on – my concern is that it is telling people to follow a process which gives no value – we do not use the data people record in ERP as we don't trust it, as such I don't think it is a good use of time for people to be reminded to do this. This concern was shared with HR and Audit.
- Overall I found the audit process very useful and informative. Both Catherine and Sophie provide useful suggestion on how we could improve areas where it was identified as weaknesses. Some of the recommendations may be difficult to fully implement due to staffing restrictions, work schedules or time restraints, but we will work to find the best solution.
- I confirm I have marked timeliness as 1 as the internal audit service was very efficient, the delays in the audit were caused by the external auditors of the Funds pooling company LGPS Central and by the pooling company to finalise their responses to the recommendations raised. These issues have been fed directly back to LGPS Central and therefore do not impact the score given. The Auditor kept us informed throughout the process so despite the delays so there was no overall impact by the timing of the final report.
- I think the audit process was really useful, particularly as I have just taken over budget management and XX has only recently taken over the day to day responsibility for admin and finance. We have been working through the processes but it was very timely to have a review and audit. It was good to be able to send information in advance to the auditor and I'd like to thank her for her professionalism and helpfulness, especially in following up issues where we were unclear.
- I just wanted to note that the auditor carried out his part in the audit very professionally and was very patient with me when I struggled to get responses back to him on time .I think it would help managers to understand if there is a standard framework for all audits, regardless of service area. Overall, the experience and outcome has been helpful and will be another way to inform our SEF and deliver plan, thank you.
- I strongly believe in the importance of Audit processes and think the external, independent view is extremely valuable and that the process generates important learning.
- We agree with and support the purpose of internal audit. The audit did seem to take a long time to complete which was acknowledged at various stages of discussions. We did not agree with some of the findings and ratings. Some areas identified were related to organisational wide arrangements.
- The auditor was a pleasure to deal with, helpful and knowledgeable.

APPENDIX B

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2023/24

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31st March 2024 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE								
Governance	28	10	-5	0	33	27.4	98%	83%
CHIEF EXECUTIVE	28	10	-5	0	33	27.4	98%	83%
RESOURCES								
Finance and Technology								
Finance Transactions	20	13	0	0	33	33.4	167%	101%
Finance and S151 Officer	63	-21	-4	-6	32	27.6	44%	86%
Financial Management	36	-18	0	0	18	12.0	33%	67%
ICT	100	30	-20	8	118	115.6	116%	98%
Information Governance	16	4	0	0	20	18.5	116%	93%
Revenues and Benefits	0	4	0	0	4	4.2	0%	105%
Treasury	0	12	0	0	12	6.2	0%	52%
	235	24	-24	2	237	217.5	93%	92%
Workforce and Improvement								
Risk Management	10	1	0	0	11	10.1	101%	92%
Human Resources	42	33	-8	7	74	86.3	205%	117%
Occupational Health & Safety	0	4	0	0	4	3.7	0%	93%
	52	38	-8	7	89	100.1	193%	112%
Legal and Governance								
Procurement	38	0	-6	0	32	29.9	79%	93%
Elections	0	10	0	0	10	10.2	0%	102%
	38	10	-6	0	42	40.1	106%	95%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31st March 2024 Actual	% of Original Complete	% of Revised Complete
RESOURCES	325	72	-38	9	368	357.7	110%	97%
PEOPLE								
Joint Commissioning								
Commissioning and Governance	8	-8	0	0	0	0.0	0%	0%
Community and Partnerships	0	18	0	0	18	17.7	0%	98%
Business Support	5	-5	0	0	0	0.0	0%	0%
	13	5	0	0	18	17.7	136%	98%
Adult Social Care	15	8	-8	0	15	3.6	24%	24%
Education and Achievement								
Education and Achievement	8	11	0	0	19	19.3	241%	102%
Primary/Special Schools	33	-14	0	0	19	19.1	58%	101%
Secondary Schools	0	10	0	0	10	38.5	0%	385%
	41	7	0	0	48	76.9	188%	160%
Children's Social Care and Safeguarding								
Children's Placement								
Services & Joint Adoption	40	31	-10	8	69	44.5	111%	64%
Assessment & Looked After Children	0	12	0	0	12	6.2	0%	52%
	40	43	-10	8	81	50.7	127%	63%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31st March 2024 Actual	% of Original Complete	% of Revised Complete
Early Help, Partnership and Commissioning	14	2	0	0	16	18.3	131%	114%
PEOPLE	123	65	-18	8	178	167.2	136%	94%
PLACE								
Business Enterprise and Commercial Services								
Property and Development	26	7	-10	0	23	23.2	89%	101%
	26	7	-10	0	23	23.2	89%	101%
Economy and Place								
Business Growth and Investment	8	14	3	0	25	21.3	266%	85%
Development Management Environment and Sustainability	0	8	0	0	8	8.5	0%	106%
Project Development	5	-5	0	0	0	0.3	6%	0%
	15	-14	0	0	1	1.1	7%	110%
	28	3	3	0	34	31.2	111%	92%
Infrastructure and Communities								
Highways	68	-22	9	-5	50	46.0	68%	92%
Public Transport	10	-2	0	0	8	8.5	85%	106%
Library Services	10	-10	0	0	0	0.0	0%	0%
	88	-34	9	-5	58	54.5	62%	94%
Homes and Communities								

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31st March 2024 Actual	% of Original Complete	% of Revised Complete
Superintendent Registrar Business and Consumer Protection	10	-10	0	0	0	0.0	0%	0%
Bereavement	8	12	0	0	20	10.0	125%	50%
Leisure Services	15	-15	0	0	0	0.0	0%	0%
Theatre Severn and OMH	18	9	8	0	35	40.0	222%	114%
Visitor Economy	10	-10	0	0	0	0.0	0%	0%
Housing Services	8	-8	11	0	11	10.6	133%	96%
	8	14	0	0	22	16.8	210%	76%
	77	-8	19	0	88	77.4	101%	88%
PLACE	219	-32	21	-5	203	186.3	85%	92%
HEALTH AND WELLBEING								
Public Health								
Public Health	25	-10	-10	0	5	4.5	18%	90%
Ecology and Pest Control	0	12	0	0	12	13.6	0%	113%
Community Safety	0	10	0	0	10	10.9	0%	109%
	25	12	-10	0	27	29.0	116%	107%
HEALTH AND WELLBEING	25	12	-10	0	27	29.0	116%	107%
Total Shropshire Council Planned Work	720	127	-50	12	809	767.6	107%	95%
CONTINGENCIES								
Advisory Contingency	60	-40	-10	0	10	5.8	10%	58%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31st March 2024 Actual	% of Original Complete	% of Revised Complete
Fraud Contingency	50	0	0	0	50	54.1	108%	108%
Unplanned Audit Contingency	573	-573	0	0	0	0.0	0%	0%
Other non audit Chargeable Work	197	-65	0	0	132	114.1	58%	86%
CONTINGENCIES	880	-678	-10	0	192	174.0	20%	91%
Total for Shropshire	1,600	-551	-60	12	1,001	941.6	59%	94%
EXTERNAL CLIENTS	199	41	-1	-1	238	232.7	117%	98%
Total Chargeable	1,799	-510	-61	11	1,239	1,174.3	65%	95%