

**Committee**

Audit Committee
6th February 2025

Item

Public



First Line Assurance – The Lantern Management Update

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1. Synopsis

This report updates Audit Committee on the 2024/25 follow-up audit of The Lantern, assessing progress on the 2021/22 audit, setting out next steps to improve the assurance level.

2. Executive Summary

2.1. Background

The Lantern is a multi-purpose facility in Shrewsbury offering services including a Community Library, IT Suite, Meeting Rooms, and a Community Hall. The previous 2021/22 audit provided an Unsatisfactory assurance level due to several control weaknesses in financial management, income processing, and governance procedures.

2.2. Current Audit Findings (2024/25)

The 2024/25 follow-up audit found limited progress, with 21 recommendations identified:

- 13 Significant recommendations
- 8 Requires Attention recommendations.
- 0 Fundamental or Best Practice recommendations

Key concerns include:

- **Income Management:** Lack of reconciliations, incorrect ledger postings, and non-compliance with financial procedures.
- **Budget Monitoring:** Inadequate budget oversight and variance analysis.
- **Payroll & Staff Hours:** Lack of clear documentation and potential non-compliance with working time regulations.
- **System Controls & Cyber Risks:** Continued reliance on an ineffective booking system and security concerns over access management.
- **Public Liability Compliance:** Failure to collect evidence of hirers' insurance coverage, posing financial and legal risks.

2.3. Assurance Level

Assurance Level: UNSATISFACTORY (No improvement from the previous audit).

2.4. The current situation is all recommendations are either complete or in progress of completion based on the implementation of the new booking system with assurance audits in place. The new booking system will provide the new structure and framework for all internal and external bookings across the Shropshire Councils entire portfolio of properties.

2.5. 67% of recommendations are complete from the audit.

2.6. 28% of recommendations are in progress with an interim procedure and assurance monitoring in place while the new booking system is implemented. These recommendations are directly impacted by its implementation.

2.7. One recommendation has been completed only so far as is reasonably practicable.

3. Recommendations

3.1. That the Audit Committee notes the corrective actions already undertaken and planned.

3.2. That the responsible officer reports back on progress within six months of this report to provide management assurance of improvements in governance and financial control to finalise the improvements with the new booking system implemented.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. The audit has highlighted high financial and operational risks, particularly in:

- Financial control weaknesses, leading to potential losses or mismanagement of income.
- Governance failures in budget monitoring, income tracking
- Staff payroll compliance.

4.2. Addressing these risks presents an opportunity to:

- Improve financial resilience through tighter controls on income processing.
- Enhance operational efficiency by resolving staffing and procedural inconsistencies.
- Strengthen compliance with public sector financial governance standards.

4.3. Risk table

<i>Risk</i>	<i>Mitigation</i>
Financial Control	Management Audits which review every booking in place while new booking system is implemented
Budget Monitoring	Call off logs created for all invoicing
Staff Payroll Compliance	Procedure reviewed and implemented to remove risk

5. Financial Implications

- 5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for with the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.

5.2. The audit found financial inefficiencies in the management of The Lantern's operations:

- Income collection remains inconsistent, with missing reconciliations and posting errors.
- Payroll documentation is incomplete, creating risks of incorrect staff payments.
- Budget monitoring processes require improvement to prevent financial misstatements.

5.3. Failure to address these issues may lead to

- Increased financial losses from uncollected income.
- Regulatory risks due to non-compliance with financial policies.
- Inefficient use of resources, requiring additional taxpayer funding

5.4. This report sets out the measures that have both been implemented and are planned to substantially reduce the risks set out in in section 5.

6. Climate Change Appraisal

6.1. There are no anticipated climate change or environmental impacts associated with the recommendations in this report.

7. Background

7.1. Full detail of recommendations has been summarised in appendix 1 in should be read in conjunction with this section.

7.2. Recommendations 3, 5, 6, 7, 8, 9, 13, 14, 15, 16, 17, 18, 20 and 21 are complete.

7.3. Recommendations 1, 2 & 4 are in progress with an interim procedure put in place to provide assurance while the new booking system is implemented. A new procedure will be required along with the implementation of the new booking system.

7.4. Recommendations 10, 11, 12 are complete with ongoing monitoring to provide assurance until the new booking system is implemented. As per 7.2. a new procedure will be required once the new booking system is live.

7.5. Recommendation 19 is complete so far as is reasonably practicable.

8. Conclusions

8.1. A structured action plan (Appendix 1) outlines specific corrective measures taken and planned, responsible persons, and deadlines.

8.2. Progress will be reviewed with an update report submitted to the Audit Committee within 6 months of this report.

8.3. Highest risks recommendations where immediately dealt with either at the time of the audit and were complete before the final audit was issued, or swiftly before the target completion date.

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

8.1. Internal Audit Report The Lantern 2021/22

8.2. Internal Audit Report The Lantern 2024/25

Local Member:

Appendices 1 - Audit Recommendations Table