



Committee and Date

Audit Committee

6th February 2025

10:00am

Item

Public



Internal Audit Annual Plan 2025/26

Responsible Officer:	Barry Hanson		
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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, Corporate Resources and Communities		

1. Synopsis

A risk based Internal Audit Plan will be developed in line with the strategic objectives of the organisation once the current recruitment campaign.

2. Executive Summary

- 2.1. This report provides Members with the proposed approach for the risk based Internal Audit Plan for 2025/26. Significant organisational restructure is currently underway with a full consultation with those affected progressing. This is likely to have implications for the Councils existing strategic and operational risks, the extent of which will not be known until the new structure is finalised. It is therefore proposed that a full plan will be brought back to the Audit Committee in July for approval once the new Council structure has been determined and confirmed.

3. Recommendations

- 3.1. The Committee is asked to accept the position as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Under the Audit Committee's terms of reference, reviewing the risk-based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.
- 4.3. The Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015 part 2. The latter sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

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 adaption. However, the work of the Audit Team will look at these aspects relevant to the governance, risk management and control environment of the Council. The majority of audit work will continue to be carried out remotely thereby reducing fuel consumption.

7. Background

- 7.1. The provision of a risk based Internal Audit Plan consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's internal controls, risk exposure and governance framework. The audit plan is usually presented to Audit Committee in advance of the start of the financial year, however, due to imminent and significant changes to the Councils structure and

operating model a full plan will not be developed until the relevant consultations have concluded and confirmed.

- 7.2. The internal audit risk assessment will be reviewed with the Chief Executive, Executive Directors including the s151 Officer and Assistant Directors to ensure that it is robust and relevant to the needs and risk profile of the Council moving forwards. The detailed plan will be developed from this risk assessment and resources aligned to the plan.
- 7.3. Whilst a formal plan has not been brought to the Committee for approval a draft plan is in place for work to be completed between April and July 2025 as follows:
- Completion of the remaining work in progress 2024/25;
 - Follow up audits with low assurance levels and fundamental recommendations.
 - Audits not completed in 24/25
 - Matters arising of a significant nature requiring independent review / comment by Internal Audit.
- 7.4. During 2024 several Assistant Directors (three) took voluntary redundancy with a further one from 31/3/2025 (total of four). Further review of the Senior Management structures as part of a new operating model, a further reduction is planned with one Executive Director taking voluntary redundancy and a further reduction in the number of Assistant Directors. This is currently in formal consultation stage and due to take effect from 1 March 2025. As part of the council wide Voluntary Redundancy Programme three Heads of Service (reporting to Assistant Directors) have also left the organisation during the financial year.
- 7.5. Given the significant senior leadership change, a new Council operating model and Council structure is to be defined over the next two months it is not possible to complete a full short-term assessment. It is therefore prudent to wait for this to be completed before undertaking a full audit needs assessment for the 2025/26 financial year. This will allow Internal Audit resources to be targeted on high priority / high risk areas as defined by the new structures.
- 7.6. As previously reported to the Committee, there are several vacancies within the Internal Audit team. Therefore, any audit plan at this stage would be subject to significant revision. It is therefore a more prudent use of current resources to produce a fully informed plan once resources for the year can be aligned to the new operating model and Council structure once finalised.
- 7.7. Members will be aware of the ongoing work to right size the organisation for the future. Part of this identified areas where opportunities exist across the Council to reduce the number of posts within the structure overall. This is required to meet the immediate financial challenges that the Council faces. One post has been identified within the Internal audit Structure to contribute to this. Given the number of vacancies held within the team, it will be one of those that is removed from the structure ensuring that the remainder of the team and the remaining four vacancies will remain. I would not ordinarily want to diminish the capacity of Internal Audit but in my view the removal of this vacant post will have a minimal impact overall.

- 7.8. Full consideration will be given to realigning the Internal Audit team to the new Council structure and operating model, taking into account updated strategic and operational risks in addition to the new Council priorities. This will ensure that the work of the Internal Audit team covers key council deliverables and outcomes, providing assurance on the areas of highest risk.
- 7.9. The slight delay in the development of the audit plans for 2025/26 will also allow for consideration of any additional business risk areas highlighted as part of the budget setting process for the next financial year and any changes in strategic risks.

8. Conclusions

- 8.1. To develop a fully informed internal plan for 2025/26 based on the new Council operating model and updated structure. The Internal Audit team will then be realigned to the new Council. This has been considered by the S151 Officer, and he agrees with the proposed approach.

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

Audit universe and resources analysis
Public Sector Internal Audit Standards
CIPFA Audit Committees, Practical Guidance for Local Authorities and Police, 2022 edition
Accounts and Audit Regulations
Risk in Focus – Hot topics for Internal Auditors ECIA 2023

Local Member: N/A

Appendices