

**Committee and Date**

Audit Committee

26th June 2025

10:00 am

Item

Public



Internal Audit Performance 2024/25

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

This report summarises Internal Audit's work in the final quarter of 2024/25 to inform the year end opinion. Lower assurances from reviews are highlighted, providing members with an opportunity to challenge.

2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by Internal Audit in the final two and a half months of the 2024/25 Internal Audit Plan. 96% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is in line with delivery records (95% 2023/24 and 94% 2022/23).
- 2.2. One good, three reasonable six limited and one unsatisfactory assurance opinions have been issued. The 11 final reports contained 109 recommendations, one of which was fundamental.
- 2.3. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment
- a) the performance of Internal Audit against the 2024/25 Audit Plan.
 - b) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated (paras 8.8 and 8.10).

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:
- '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'.
- 4.3. 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, is being managed proactively and activities undertaken to mitigate and manage this going forward. It should be noted for 2025/26 onwards the Global Internal Audit Standards (GIAS) as applied in the UK Public Sector will apply.
- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

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

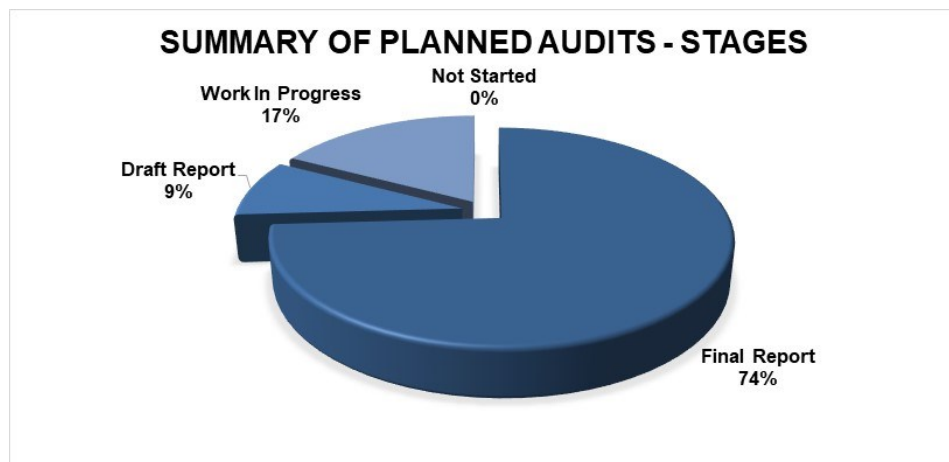
- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

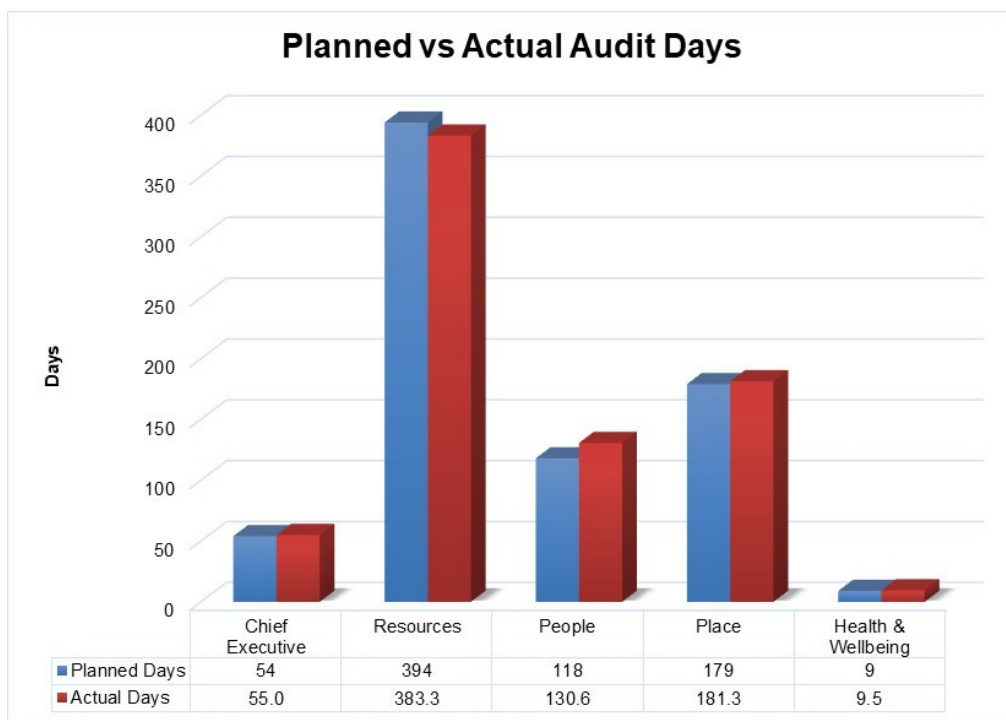
- 7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2024/25 Internal Audit Plan was presented to, and approved by the Audit Committee at the 17th July 2024 meeting, with adjustments being approved in September, November and February. This report provides an update on progress made against the plan up to 31st March 2025.

8. Performance Against the Plan 2024/25

- 8.1. The 2024/25 plan provides for a total of 1,266 audit days. Over the year there have been changes to planned audit activity which has been adjusted to reflect changes in resources and risks.
- 8.2. Performance is in line with previous delivery records at 96% (95% 2023/24 and 94% 2022/23). The team has achieved the target to deliver a minimum of 90% of the revised annual plan by the year end.
- 8.3. In total, 11 final reports have been issued in the period from 13th January to 31st March 2025, all are listed with their assurance rating and broken down by service area at paragraph 8.5. The year-to-date position is shown at **Appendix A, Table 2**. The following chart shows performance against the approved Internal Audit Plan for 2024/25:



8.4. Audits have been completed over several service areas as planned:

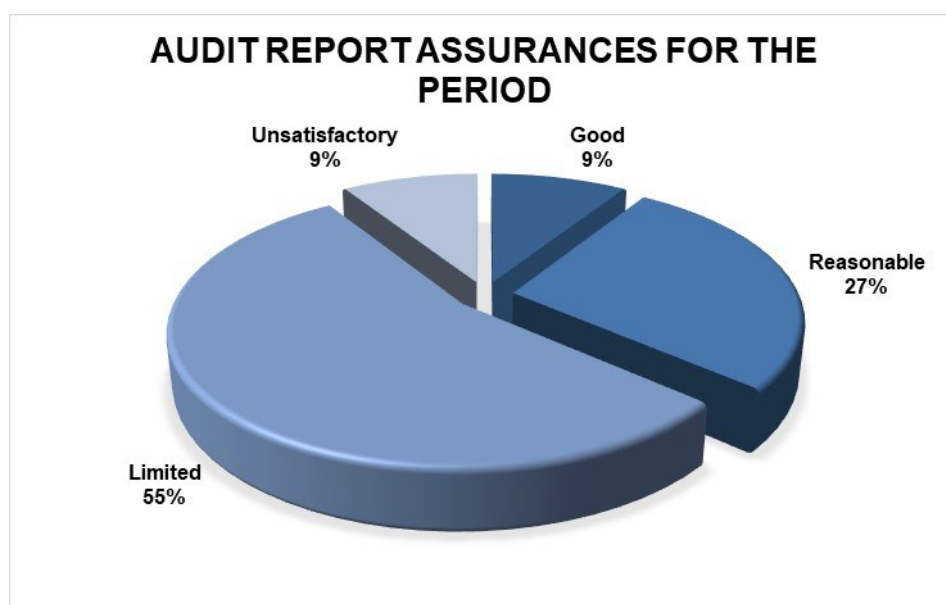


8.5. The following audits have been completed in the period:

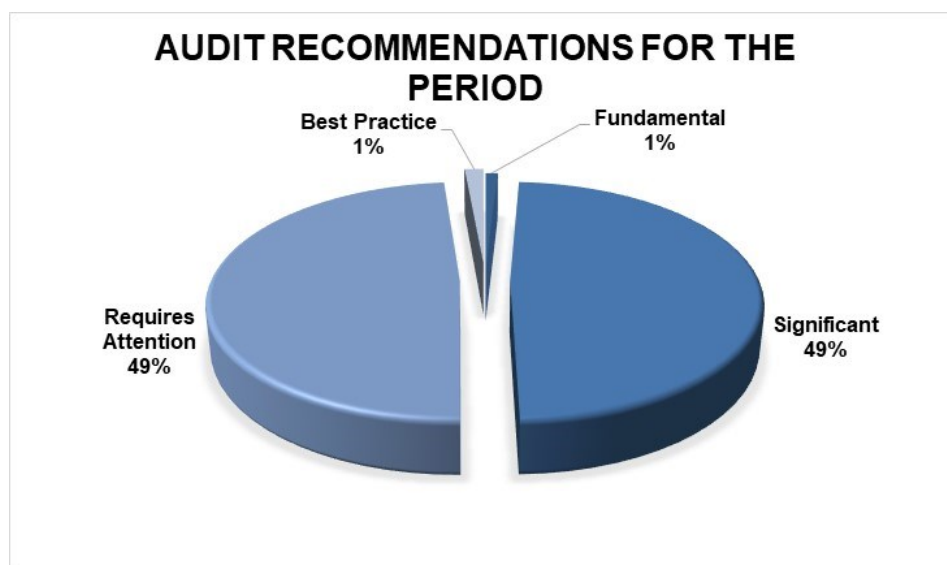
Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Ethical Framework			1		1	6	6	1
	0	0	1	0	1	6	6	1
People - Adults								
Continuing Healthcare Funding			1			7	1	1
	0	0	1	0	0	7	1	1

	Audit Opinion					Recommendations			
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice
Audit Name									
People - Children									
Children's Social Care Budget Management			1				5	2	
	0	0	1	0		0	5	2	0
Place									
Environmental, Social and Governance (including Climate Change Strategy)		1					3	5	
Housing Client Side			1				4	2	
Other, including added value and briefing notes							9		
	0	1	1	0		0	16	7	0
Resources - Finance and Technology									
Unit4 Business World (Enterprise Resource Planning (ERP) System)	1							1	
General Ledger		1					5	9	
IT Incident Management		1					3	4	
Purchase Ledger			1				1	16	
	1	2	1	0		0	9	30	0
Resources - Workforce and Improvement									
Travel and Subsistence			1				4	1	
Agency and Consultancy Staff				1			6	6	
	0	0	1	1		0	10	7	0
Total	1	3	6	1		1	53	53	2
Percentage	9%	27%	55%	9%		1%	49%	49%	1%

8.6. The assurance levels awarded to each completed audit area appear in the graph below:



- 8.7. The overall spread of recommendations agreed with management following each audit review are as follows:



In the period 13th January to 31st March 2025, four reports have been issued providing good or reasonable assurances and accounting for 36% of the opinions delivered. This represents a decrease in the higher levels of assurance for this period, compared to the previous year outturn of 60 %. This is reflected in a corresponding increase in limited and unsatisfactory assurances, currently 64% for the period compared to the previous year outturn of 40%. Whilst this is the picture for this period, the annual report presented at this meeting concludes that 42% of audit assurances issued across the full 2024/25 year were limited or unsatisfactory which is comparable with the 2023/24 outturn of 40%, however it is pleasing to note there has been a small reduction in unsatisfactory audit opinions from 18% in 2023/24 to 13% in 2024/25.

- 8.8. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 3**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 4 and 5** and provides a glossary of common terms, **Table 6**.

Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?

- 8.9. Seven draft reports, awaiting management responses, will be included in the next performance report. Work has also been completed for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.
- 8.10. A total of 109 recommendations have been made in the 11 final audit reports issued during this period; these are broken down by service area at paragraph 8.5, the year-to-date position is shown at **Appendix A, Table 2**. One fundamental recommendation has been identified which is detailed below:

- **Ethical Framework**

Recommendation - Ensure there is a robust process in place for ensuring that both staff and members have read and understood the code of conduct. This should be essential for all new members and staff coming into the Council, however ensuring there is a process to periodically attest adherence to the codes would also ensure greater understanding and compliance with the ethical framework.

Risk - Staff and Members are not aware of their responsibilities under the code of conduct increasing the likelihood of potential breaches and actions/decisions being undertaken that do not reflect good practice in local government.

Management Response - Members: All new Members will be invited to Code of Conduct training within the first few weeks of being elected. Annual refresher training will be offered to all members and a record reported to Standards Committee on who has and has not attended. Ultimately, we cannot force members to read the Code and we certainly can't be sure that they have understood it but we will explore with Standards Committee how it can be most effectively promoted.

Employees: Induction to be reviewed with ability for employees to confirm they have read and understood. Employee Declaration of Interest Form on ERP being developed will make reference to Code of Conduct.

Date to be Actioned – September 2025

Question 2: Do Members wish to receive any updates from managers regarding the fundamental recommendation?

8.11. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 7** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

Performance Measures

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

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 2024/25 – Audit Committee 6th February 2025

Internal Audit Performance and Revised Annual Audit Plan 2024/25 – Audit Committee 28th November 2024

Internal Audit Performance and Revised Annual Audit Plan 2024/25 – Audit Committee 27th September 2024

Draft Internal Audit Risk Based Plan 2024/25 - Audit Committee 17th July 2024

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 1st April to 31st March 2025.

Table 2: Final audit report assurance opinions and recommendation summary 1st April to 31st March 2025.

Table 3: Unsatisfactory and limited assurance opinions in the period 13th January to 31st March 2025.

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Recommendation follow up process (risk based)

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 31st March 2025

	Original Plan	Revised Plan	31 st March 2025 Actual	% of Original Complete	% of Revised Complete
Chief Executive	52	54	55.0	106%	102%
Health and Wellbeing	34	9	9.5	28%	106%
People	76	118	130.6	172%	111%
Adult Services	25	50	58.9	236%	118%
Children's Services	31	59	63.3	204%	107%
Education and Achievement	20	9	8.4	42%	93%
Place	127	179	181.3	143%	101%
Resources	287	394	383.3	134%	97%
Finance and Technology	175	262	250.7	143%	96%
Legal and Governance	51	46	46.9	92%	102%
Workforce and Improvement	61	86	85.7	140%	100%
S151 Planned Audit	576	754	759.7	132%	101%
Contingencies and other chargeable work	336	307	232.1	69%	76%
Total S151 Audit	912	1,061	991.8	109%	93%
External Clients	224	205	229.7	103%	112%
Total	1,136	1,266	1,221.5	108%	96%

Table 2: Final audit report assurance opinions and recommendation summary - 1st April to 31st March 2025

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance 2023/24		1						
CCTV Follow up 2023/24			1			10	7	
Ethical Framework			1		1	6	6	1
Social Media				1		6	1	
Embedding the Shropshire Plan				1	1	7	3	1

Audit Name	Audit Opinion					Recommendations			
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice
	0	1	2	2		2	29	17	2
Health and Wellbeing									
Community Safety Partnership Responsibilities 2023/24		1					1	2	
Private Water Supplies		1					2	3	
	0	2	0	0		0	3	5	0
People - Adults									
Individual Service Funds Follow Up	1						1		
Abbots Wood Comfort Fund		1					2	4	
Albert Road Comforts Fund		1					2	4	
Greenacres Comfort Fund		1					3	3	
Greenacres Trading Account		1					1	5	
Continuing Healthcare Funding			1				7	1	1
	1	4	1	0		0	16	17	1
People - Children									
Together for Children Partnership - Performance Audit		1					3	2	
Section 17 Payments Children 2023/24			1				7	7	1
Foster care 2022/23			1				5	5	
Children's Social Care Budget Management			1				5	2	
Direct Payments Children 2022/23				1			8	1	
Short Breaks Service 2023/24				1		2		1	
	0	1	3	2		2	28	18	1
Place									
Blue Badge Scheme Follow Up	1							2	
Section 106 Agreements 2023/24	1							4	
Licensing Follow up 2023/24		1						3	
Tree Safety Follow up 2023/24		1					2	2	
Dog Wardens Follow Up 2023/24		1					6	1	
Leisure Services Contract Follow up 2023/24		1					1	4	1
External Catering Contracts		1				1			
School Planning and Transport Arrangements		1					1	2	
Theatre Ticketing and Online Booking Application		1					1	8	
Environmental, Social and Governance (including Climate Change Strategy)		1					3	5	
ASC Pre-Planned Maintenance Contract Follow Up			1				2	1	
Highways Maintenance - Term Maintenance - Kier 2023/24			1				5	6	
Much Wenlock Sports Centre- Joint Use Follow up			1				4	11	
Partnerships 2023/24			1				4	1	
Security of Council Buildings			1				4	3	
Highways Other Major Contracts Follow Up			1				2		

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Housing Client Side			1			4	2	
The Lantern Follow Up				1		13	8	
Section 38 Road Adoption				1		9	8	
Other, including added value and briefing notes						9		
	2	8	7	2	1	70	71	1
Resources - Finance and Technology								
Treasury Management 2023/24	1						4	1
Unit4 Business world (Enterprise Resource Planning (ERP) System)	1						1	
Firewall Management Follow Up 2023/24		1				1	4	
IT Service Delivery Management 2023/24		1				2	4	
Microsoft Dynamics CRM Application Follow Up 2023/24		1				2		
Third Party Contractor Access Controls Follow Up 2023/24		1				2	1	
Security Management and Cyber Response 2023/24		1				1	8	
Business Continuity and Disaster Recovery 2023/24		1				1	4	
Council Tax Collection		1				3	5	
Physical and Environmental Controls		1				3	3	
Information Security Management Follow up		1				1		
General Ledger		1				5	9	
IT Incident Management		1				3	4	
VAT 2023/24			1			4	2	
Purchase Ledger			1			1	16	
WhatsApp Follow Up				1		5		
	2	11	2	1	0	34	79	1
Resources - Workforce and Improvement								
Risk Management		1				2	2	
Recruitment Arrangements Follow up 2023/24			1			3	1	
Travel and Subsistence			1			4	1	
Agency and Consultancy Staff				1		6	6	
	0	1	2	1	0	15	10	0
Resources - Legal and Governance								
IT Security Policy 2023/24	1						2	1
GDPR/DPA/Freedom of Information Follow up		1				4	1	
	1	1	0	0	0	4	3	1
Total	6	29	17	8	5	199	220	7
Percentage	10%	48%	29%	13%	1%	46%	51%	2%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 13th January to 31st March 2025¹

Unsatisfactory assurance

Resources – Agency and Consultancy Staff (Limited 2019/20)

- Previous audit recommendations have been implemented.
- The Council has a clear policy in place regarding the engaging and use of temporary workers.
- The Council has oversight of all agency workers and consultants engaged within the Council to ensure compliance with policy.
- The Council has clear procedures in place regarding the engaging and use of temporary workers.
- There are adequate procedures in place to monitor and manage performance in a timely manner.
- There are adequate controls in place to ensure that payments made are correct and appropriately authorised.

Limited assurance

Chief Executive – Ethical Framework

- There is communication from the top of organisation on promoting positive ethical practices within the organisation.
- The Council has appropriate arrangements in place to monitor compliance with the organisation's ethical/cultural framework and addresses areas of identified non-compliance.
- Staff and members are trained on the key components of the Council's ethical framework (e.g. constitution) to ensure familiarity with expectations.

People– Children's Social Care Budget Management

- Children's Social Care Budgets are properly controlled by effective periodic monitoring of financial out-turns against detailed budgets.
- Savings targets and the impacts of extraordinary events are controlled by effective monitoring and reporting.
- Strategic and Operational risks are recorded on the relevant risk registers and are monitored, reviewed and updated as per the Councils Risk Management Strategy.

People – Continuing Healthcare Funding (CHC)

- Procedures are in place to ensure compliance with the National Framework for NHS Continuing Healthcare and NHS-funded Nursing Care.
- Funding arrangements are recorded accurately to ensure the correct payment is made.
- A dispute resolution process is in place between Shropshire Council and the ICB.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- Management information is produced on a regular basis and is subject to independent review in a timely manner.

¹ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

Place – Housing Client Side (Reasonable 2018/19)

- There is a formal agreement in place to define the performance criteria between Shropshire Council and STaRH.
- The Council has defined its governance arrangements for overseeing the management of the Housing Management Service including the establishment of the Asset Assurance Board.

Resources – Purchase Ledger (Limited 2021/22)

- The recommendations made in the previous audit have been implemented.
- There are appropriate policies and procedures in place for the operation of the creditors system.
- Orders are raised in accordance with Financial Rules.
- Appropriate input controls are in place and are operated effectively.
- Payments made are accurate, complete, have not been previously paid and are made at the optimal time.
- Management information in respect of payments to creditors is timely and adequate.
- There are appropriate arrangements in place for the prevention and detection of fraud. Suspected or attempted fraudulent activity is investigated and action taken where appropriate.

Resources – Travel and Subsistence (Limited 2022/23)

- Travel and subsistence payments are appropriately controlled and actioned in an accurate and timely manner.

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.
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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: Glossary of terms**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Chief Audit Executive Annual Opinion

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 7: 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.