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| **Committee** | Audit and Governance Committee |
| **Date and Time** | 26 November 2026 10:00am |
| | Public |

# Internal Audit Performance Report 2026/27

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| **Cabinet Member** | Councillor Roger Evans – Portfolio Holder for Finance |
| **Lead Director** | Duncan Whitfield - Interim Section 151 Officer |
| **Service Area** | Internal Audit |
| **Report Author** | Barry Hanson - Head of Policy and Governance |
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| **Electoral Divisions Affected** | All Divisions |
| **Key Decision?** | Not a Key Decision |
| **Cabinet Forward Plan** | Not applicable |
| **Report considered by** | Not applicable |

## 1. Purpose of Report

1.1. This report supports the Committee in discharging its governance oversight responsibilities in relation to Internal Audit. By considering the reported performance against the approved Internal Audit Plan. By considering performance against the approved Internal Audit Plan, the Committee can assess the extent to which planned work is being delivered and whether it provides sufficient assurance over the Council's key risks, controls and governance arrangements.

1.2. This report also enables the Committee to assess the significance of audit outcomes and determine whether further comment or action is required, particularly in response to low assurance opinions and fundamental recommendations. This is critical where issues are repeated, as it supports appropriate management challenge and oversight of timely and effective remedial action.

## 2. Recommendations

2.1. The Committee is asked to:

- Note the reported performance against the 2026/27 Internal Audit Plan and approve the proposed revisions as set out in Appendix A.
- Consider whether any further action or assurance is required in response to low assurance opinions, particularly where issues are repeated.

## 3. Background

3.1. Management is responsible for the system of internal control and should put 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 and Governance Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.

3.2. The Internal Audit Plan supports delivery of the Council's internal audit responsibilities under the Accounts and Audit Regulations 2015 and is prepared with reference to the Global Internal Audit Standards (GIAS) and the accompanying UK public sector Application Note. The Accounts and Audit Regulations set 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, regulation 5(1) states:

> '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.'

3.3. The 2026/27 Internal Audit Plan was presented to and approved by the Audit and Governance Committee at its meeting on 5 February 2026, with subsequent revisions approved in September 2026. This report provides an update on progress made against the plan up to 31 October 2026 and includes revisions to the plan.

## 4. Summary of Main Proposals

4.1. Details of Internal Audit's performance are shown in **Appendix A**. Five final audit reports were issued during September and October 2026; three received reasonable assurance opinions (60%) and two received limited assurance opinions (40%). No good or unsatisfactory assurance opinions were issued during the period. The proportion receiving good or reasonable assurance was lower than in the equivalent period in 2025/26 (71%), but higher than the 2025/26 full-year outturn (52%).

4.2. The appendix also sets out proposed revisions to the 2026/27 Internal Audit Plan, bringing total planned activity to 1,533 audit days, an increase of 49 days compared with the revisions approved in September. Changes to the planned activity are required following the appointment of a Principal Auditor to fill the

vacancy. Audit delays and overruns on audits have also impacted delivery of the plan.

4.3. The results of completed and ongoing audit work will continue to be reported to the Committee and will contribute to the Chief Audit Executive's year-end opinion on the Council's governance, risk management and internal control environment.

## 5. Alternative Options

5.1. The Committee may approve the proposed revisions to the Internal Audit Plan or request amendments or further information before approval. It may also identify additional actions in response to the performance and assurance outcomes reported.

## 6. Key Risks and Opportunities

6.1. Through its independent, risk-based reviews, Internal Audit identifies weaknesses in risk management, control and governance arrangements that may expose the Council to financial, operational or reputational risk. By bringing these to management's attention, Internal Audit supports informed decision-making and contributes to the continuous improvement of the Council's overall control environment and organisational performance.

6.2. Internal Audit activity is risk-based and planned to provide sufficient coverage to support the Chief Audit Executive's annual opinion. Critical risks identified through audit work will be reported promptly, with agreed actions monitored through established follow-up and escalation arrangements. Areas to be audited within the plan have been considered using risk register information at both operational and strategic levels in addition to liaison with key members and officers. In this way, Internal Audit contributes to assurance over the Council's strategic risks, proportionate to the scope of the approved plan. Key risks associated with the performance of Internal Audit are identified in the table below.

| Risk | Mitigation | Link to Strategic Risk |
|---|---|---|
| Failure to deliver the approved Internal Audit Plan. | Regular monitoring of progress, reprioritisation of work, and escalation of resourcing issues. | Governance, assurance and value for money. |
| Insufficient internal audit coverage of key strategic, financial or operational risks. | Regular refresh of the audit plan and continued alignment to strategic and operational risk priorities. | Governance, assurance and value for money. |
| Delayed implementation of agreed actions. | Recommendation tracking, deadline monitoring, and escalation of overdue high-risk actions. | Governance, assurance and value for money. |
| Persistent control weaknesses remain unresolved, exposing the Council to recurring | Formal management responses, targeted follow-up, and Audit and Governance | Governance, assurance and value for money. |

| Risk | Mitigation | Link to Strategic Risk |
|---|---|---|
| risks and adverse audit findings. | Committee challenge where issues persist. | |
| Resource and skills constraints within Internal Audit. | Workforce planning, training, resilience arrangements, and use of specialist support where needed. | Workforce capacity and capability. |

6.3. Internal Audit findings can highlight opportunities to strengthen processes, improve efficiency and enhance value for money.

6.4. Retaining an advisory contingency enables Internal Audit to respond to emerging risks and provide timely independent advice on new initiatives, control design and risk mitigation.

## 7. Council Priorities

7.1. Internal Audit activity is aligned to the Council's Corporate Plan 2026–2030 and supports its core ambitions of financial sustainability, organisational improvement and effective use of resources. Through its risk-based work, Internal Audit provides assurance over governance, control and transformation activity, helping ensure that key priorities are delivered effectively, risks are managed, and the Council operates in a way that supports its ambition to be sustainable, resilient and efficient.

## 8. Financial Implications

8.1. The Internal Audit service operates within an approved budget agreed by the Council, and its activities are planned to maximise the value of this resource in providing independent assurance. The proposed revisions to the Internal Audit Plan can be delivered within the approved service budget.

8.2. Through its programme of risk-based audit work, the team contributes directly to financial assurance by evaluating the effectiveness of financial controls, identifying weaknesses, and making recommendations to prevent loss, inefficiency or non-compliance. This provides assurance to management, the Committee, the Council and the public on the effectiveness of arrangements for safeguarding public funds and supports the Council in maintaining sound financial management and governance arrangements.

## 9. Legal and HR Implications

9.1. There are no legal or human resource implications arising from this report; however, the work of Internal Audit supports the Council in maintaining compliance with relevant legislation, policies and employment practices, and in identifying and addressing any control weaknesses that could give rise to legal or workforce-related risks.

## 10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from this report, as it relates to the corporate governance, risk management and internal control arrangements of the Council as a whole rather than impacts on specific localities.

## 11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. This report does not have any direct health, social or economic implications. Internal Audit considers these matters where relevant to the governance, risk management and control arrangements within the scope of its work.

## 12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report; however, effective internal audit activity supports the Council in ensuring that its policies, procedures and controls operate fairly and consistently, including compliance with equality legislation and the promotion of inclusive practices across all services.

## 13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report; however, through its risk-based approach, Internal Audit may review and provide assurance over areas such as environmental compliance, climate-related risks and sustainability initiatives, thereby supporting the Council's wider environmental objectives and statutory responsibilities.

## 14. Background Papers

14.1. Internal Audit Performance Report and Revised Internal Audit Plan 2026/27 – Audit and Governance Committee, 25 September 2026
14.2. Draft Internal Audit Risk Based Plan 2026/27 – Audit and Governance Committee, 5 February 2026
14.3. Global Internal Audit Standards (Institute of Internal Auditors 2024)
14.4. Application Note Global Internal Audit Standards in the UK Public Sector – Relevant Internal Audit Standard Setters, December 2024 (reviewed November 2025)
14.5. The Accounts and Audit Regulations 2015 (as amended)
14.6. Internal Audit Charter and Mandate

## 15. Appendices

**Appendix A** - Internal Audit Performance Report