Shropshire Council
Legal and Democratic Services
Guildhall
Frankwell Quay
Shrewsbury
SY3 8HQ

Date: Thursday, 17 September 2026

Committee:
Audit & Governance Committee

Date: Friday, 25 September 2026
Time: 1.30 pm
Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click here to view the livestream* of the meeting on the date and time stated on the agenda.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel Here

Richard Phillips
Service Director- Legal & Governance (Monitoring Officer).

Members of Audit & Governance Committee

Sharon Ritchie-Simmons (Chair)
Kate Halliday (Vice Chairman)
Duncan Kerr
Malcolm Myles-Hook
Mark Owen
Duncan Borrowman
Nigel Lumby
Greg Ebbs
Brendan Mallon

Your Committee Officer is:

Michelle Dulson Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

When attending this meeting, Members are reminded of the three principles of the Jo Cox Foundation and Compassion in Politics Civility Pledge:

1. *Use a civil and constructive tone in debate*
2. *Act with integrity, honesty and compassion*
3. *Behave respectfully towards others, including those I disagree with*

*(Please note that while we strive to live stream meetings, technical issues may occasionally occur. In the event of a technical disruption, the meeting will be paused to try to resolve the issue. Should it not be possible to resume the live stream, the meeting will proceed as scheduled, and a backup recording will be made available after the meeting. Any disruption to the live stream does not affect the legality of the meeting).

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the previous meeting held on the 15 July 2026 (Pages 1 - 6)

The Minutes of the meeting held on the 15 July 2026 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

4 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on Monday 21 September.

5 Member Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on Monday 21 September.

6 First line assurance: Chief Executive Update (Pages 7 - 22)

The report of the Chief Executive is attached.
Contact: Tanya Miles (01743) 255811

7 First line assurance: Exceptional Financial Support: External Assurance Review (Pages 23 - 48)

The report of the Interim S151 Officer is attached.
Contact: Duncan Whitfield (01743) 254928

8 **Second line assurance: Annual Risk Management Update and Strategic Risks** (Pages 49 - 102)

The report of the Head of Policy and Governance is attached.
Contact: Barry Hanson 07990 086409

9 **Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2026/27** (Pages 103 - 128)

The report of the Head of Policy and Governance is attached.
Contact: Barry Hanson 07990 086409

10 **Governance Assurance: Annual review of Audit and Governance Committee Terms of Reference** (Pages 129 - 142)

The report of the Interim Section 151 Officer is attached.
Contact: Duncan Whitfield (01743) 254928

11 **Third line assurance: Internal Audit Charter and Mandate** (Pages 143 - 190)

The report of the Head of Policy and Governance is attached.
Contact: Barry Hanson 07990 086409

12 **Third line of assurance: External Audit: Shropshire County Pension Fund Annual Audit Findings (Information) 2025/26** (Pages 191 - 226)

The report of the Engagement Lead is attached.
Contact: Avtar S Sohal (0121) 232 6420

13 **Date and Time of Next Meeting**

The next meeting of the Audit Committee will be held on the 26 November 2026 at 10.00 am.

14 **Exclusion of Press and Public**

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

15 **Third line assurance: Contract Rules Exemptions Update (Exempted by Category 3)** (Pages 227 - 240)

The exempt report of the Monitoring Officer is attached.
Contact: Richard Phillips (01743) 256603

16 **Third Line Assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1, 3 and 7)** (Pages 241 - 248)

The exempt report of the Internal Audit Manager is attached.
Contact: Katie Williams 01743 255637

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Shropshire Council

Committee and Date

Audit & Governance Committee

25 September 2026

AUDIT & GOVERNANCE COMMITTEE

Minutes of the meeting held on 15 July 2026
In the Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
10.00 - 11.20 am

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present
Councillor Sharon Ritchie-Simmons (Chairman)
Councillors Kate Halliday (Vice Chairman), Duncan Kerr, Malcolm Myles-Hook, Mark Owen, Duncan Borrowman, Nigel Lumby, Thomas Clayton and Greg Ebbs

21 **Apologies for Absence / Notification of Substitutes**

No apologies were received.

22 **Disclosable Pecuniary Interests**

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

23 **Minutes of the previous meeting held on the 25 June 2026**

RESOLVED:

That the Minutes of the meeting of the Audit & Governance Committee held on the 25 June 2026 be approved as a true record and signed by the Chairman.

24 **Public Questions**

A public question had been received from Mr Graham Layton. The Chair read the question, and the Head of Policy & Governance provided the response on behalf of the Committee.

A full copy of the question and response provided are attached to the web page for the meeting.

25 **Member Questions**

There were no questions from Members.

26 **Second line assurance: Financial outturn report 2025/26**

The Committee received the Financial Outturn report for the year 2025-26, presented by the Section 151 Officer. The report outlined an overspend of approximately £50 million for the financial year, primarily due to significant pressures in both adult and children's social care, as well as in corporate areas where savings projections had been overly optimistic and ultimately unachievable. The overspend was supported by exceptional financial support (EFS) from the government, totalling £60 million. It was indicated that EFS would also be required for 2026-27 and subsequent years.

The situation was described as disappointing, with reserves having been drawn down over several years, resulting in critically low levels. The general fund balance at the end of March 2026 stood at £5 million, significantly below the target of £35 million, which represents 7.5% of the net budget. The Medium Term Financial Plan (MTFP) sets out a plan to recover the general fund balance to £35 million over a period of three to four years, but this would necessitate borrowing, incurring debt financing costs of approximately 10% for every pound borrowed. Earmarked reserves for financial risks, such as economic downturns and demand pressures in social care, were equally low. Rebuilding these reserves would depend on windfall budget benefits, which are currently unlikely given the Council's financial position.

A member raised concerns about the Council's low reserves and the difficulty of rebuilding them given ongoing financial pressures, asking whether there was a plan to build up reserves and whether this would be prioritised amid competing financial demands. The Section 151 Officer responded by outlining the government's encouragement for councils to reduce reserves in recent years, which was described as unwise for less well-funded authorities. The plan to recover the general fund balance to £35 million over three to four years was reiterated, acknowledging that this would require borrowing and associated debt financing costs. It was also explained that earmarked reserves would need to be reinforced, but there was no specific plan for achieving this due to the reliance on windfall benefits and the impact of EFS.

The Chair then asked about the unpredictability of care and wellbeing costs, specifically whether there was assurance regarding future forecasting and whether demographic modelling was being undertaken to mitigate shortfalls in future years. The Section 151 Officer explained that the £50 million variation was not strictly an overspend but rather an adverse variation based on unrealistic budgets. Structural deficits in adult social care were cited, where growth in demand had not been reflected in the budget, resulting in the service starting the year with a deficit.

It was stated that the 2026-27 budget would be a year of stabilisation, with growth, inflation, and pay now factored in, providing greater confidence in managing the budget. The importance of forecasting for future growth and managing price pressures was emphasised, particularly in sectors with limited supply such as residential care for children, where prices are driven up by market conditions. Confidence was expressed that starting from a more realistic base would enable better budget management, but it was noted that the effectiveness of this approach would be evident in the quarter one forecast to be presented to Cabinet in September.

RESOLVED:
to note the contents of the report.

27 Second line assurance: Annual Treasury Report

The Committee received the Annual Treasury Report for 2025-26 which presented the outturn of Treasury activities during the year, confirming that all Prudential and Treasury indicators were met in line with the Treasury strategy agreed by Full Council in February. New borrowing of £100 million was undertaken, with some borrowing maturing during the year, resulting in a net increase of £39.5 million. This included £61.8 million of borrowing specifically for exceptional financial support.

Investment activity was limited due to restricted cash balances, with daily investments maintained at around £20 million and investment income of £2.4 million secured. The Committee was informed that the inclusion of EFS borrowing was critical to the report.

RESOLVED:

1. To approve the actual 2025/26 prudential and treasury indicators in this report.

2. To note the annual treasury management report for 2025/26.

3. To note the inclusion of EFS borrowing in the 2025/26 position.

28 Overall assurance: Annual Governance Statement and Code of Corporate Governance 2025/26

The Committee received and considered the draft Annual Governance Statement (AGS) and Code of Corporate Governance for the financial year 2025-26. The AGS, a statutory requirement certified by the Leader and Chief Executive, was presented, which sits alongside the Statement of Accounts. The report highlighted the Council's governance arrangements, including strategic risks such as financial sustainability, economic downturns, and cyber security, and reflected the Council's current financial challenges, including the need for exceptional financial support.

The AGS featured a revised format, emphasising the Council's self-awareness of risks and its commitment to manage them. It was noted that a new risk management structure would be introduced at the September meeting.

During discussion, members raised concerns regarding the "reasonable" assurance judgment reached in the AGS. It was questioned whether this judgment was sufficiently evidence-based or relied too heavily on future plans and intentions rather than actual delivery and outcomes. Reference was made to optimism bias identified in previous years, statutory recommendations from external audit, and the history of unachievable budget savings. Members sought assurance that optimism bias had been addressed and that the AGS reflected a realistic assessment of governance arrangements.

The Head of Policy & Governance provided context, explaining that although his opinion for the year was "limited assurance", improvements and increased rigour were observed in the final quarter. It was clarified that the AGS triangulates activities from the statutory officers group and ongoing improvement work, with results to be monitored throughout the year. The Internal Audit Plan for the forthcoming year would focus on evidence-based assessment, and performance reports would be provided to the Committee.

A question was raised regarding the definition of “reasonable” and “limited” assurance, and whether the Committee had sufficient information to make a judgment. It was explained that the assessment is ultimately subjective and determined by the Leader and Chief Executive, as signatories to the AGS.

Further questions were raised about the inclusion of external audit recommendations in the AGS action plan. It was noted that while internal audit recommendations were referenced, external audit recommendations and statutory recommendations should also be included for completeness. The Committee requested that this omission be addressed.

Concerns were also expressed about the transfer of the risk function to sit alongside internal audit, with a request for assurance that an independent firewall would be maintained to avoid conflicts of interest.

It was proposed and seconded that the Committee formally express concern over the judgment of reasonableness in the AGS, noting that it may give too much weight to future plans rather than actual evidence of actions to date. The motion was carried by a majority vote.

RESOLVED:

to note the Draft Annual Governance Statement 2025/26 and Code of Corporate Governance.

to request that external audit recommendations be referenced in the action plan.

to express concern over the judgment of reasonableness and to invite the Leader and Chief Executive to the next meeting to explain their reasoning.

29 **Second line assurance: Approval of the Council's Draft Statement of Accounts 2025/26**

The Committee received the draft Statement of Accounts for the financial year 2025-2026. The importance of the accounts in demonstrating robust governance was emphasised, with recognition given to the timely production of the accounts by the statutory deadline, despite challenging circumstances including new requirements such as exceptional financial support and the accounting treatment for the North West Relief Road write-off.

The Committee was informed that the report outlined the Council’s financial activity for the year, provided a summary of the format of the draft statement, and detailed changes to accounting policies. The main change related to property, plant, and equipment, reflecting updates to the code of practice regarding valuation timing and indexation.

During discussion, questions were raised regarding the sensitivity of property valuations to optimism bias. It was clarified that valuations are conducted by external qualified valuers, independent of council influence, and are based on asset categories and market evidence. The process includes analytical comparisons and challenges from both finance and estates teams but ultimately relies on the professional judgement and certification of the valuers.

RESOLVED:

To approve the draft Statement of Accounts.

30 **Date and Time of Next Meeting**

Members noted that the next meeting of the Audit & Governance Committee would be held on Friday 25 September 2026 at 1.30pm.

31 **Exclusion of Press and Public**

RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 1, 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following item.

32 **Exempt Minutes of the previous meeting held on the 25 June 2026**

RESOLVED:

That the Exempt Minutes of the meeting of the Audit & Governance Committee held on the 25 June 2026 be approved as a true record and signed by the Chairman.

Signed ..... (Chairman)

Date: .....

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Audit and Governance Committee

25 September 2026

Public

Governance Improvement Update

Cabinet Member:	Heather Kidd – Leader
Lead Director:	Tanya Miles – Chief Executive
Service Area:	All Service Areas
Report Author	Tanya Miles – Chief Executive
Officer contact details	Tanya.Miles@shropshire.gov.uk 01743 255811
Electoral Divisions Affected	All Divisions
Key Decision?	Not Key Decision
Cabinet Forward Plan	Not Applicable
Report considered by	Not Applicable

1. Purpose of Report

1.1. This report provides Audit and Governance Committee with an update on the actions being taken to strengthen governance, risk management, internal control, assurance and organisational accountability across Shropshire Council.

1.2. The report builds on the Chief Executive report to Audit and Governance Committee in November 2025, the governance report subsequently considered by Full Council, and the further update provided by the Chief Executive to the Chair of Audit and Governance Committee in June 2026. The 2025 internal control report set out an initial response to the Chief Audit Executive's "Limited Assurance" opinion for 2024/25 and identified the need to strengthen the Council's framework for governance, risk and internal control.

1.3. The report also reflects the work now being taken forward through the Council's Improvement Plan, the actions to address the governance issues identified in the 2025/26 Annual Governance Statement, Internal Audit, External Audit, the Governance Group, Statutory Officers meetings, the Corporate Peer Challenge

(CPC) process, CIPFA review and the wider organisational improvement programme.

1.4. The draft 2025/26 Annual Governance Statement states that the Council's governance arrangements remain in transition, with credible governance responses established through the Improvement Plan, People Plan, Improvement Board, enhanced financial control environments and strengthened scrutiny arrangements.

2. Recommendations

2.1. The Committee is recommended to:

- Note the progress made in strengthening the Council's governance, risk management, internal control and assurance arrangements.
- Note the Chief Executive's continued commitment to leading the Council towards stronger governance, improved accountability and a culture of compliance, openness and constructive challenge.
- Note the next phase of governance improvement activity set out in this report.
- Continue to receive regular assurance on the delivery, impact and sustainability of governance improvement actions.

3. Background

3.1. Over the summer, we have successfully recruited to five of the six new corporate senior leadership roles.

3.2. A report to Council will shortly seek endorsement of the appointments of the Director of Adult Social Services (DASS), Corporate Director for Change and Improvement, Corporate Director for Growth and Connected Communities, Service Director for Housing, and Service Director for Education.

3.3. These appointments are essential in building the right level of senior leadership capacity and capability across the organisation. They will provide the leadership support required to drive cultural change, deliver the Improvement Plan and Financial Sustainability and Recovery Strategy, strengthen accountability and governance, and lead key transformation programmes. Importantly, they will ensure the Council has the senior leadership resilience needed to support me as Chief Executive in leading the next phase of our organisational improvement and financial recovery journey and delivering our ambitions for Shropshire residents and communities.

3.4. The recruitment process to the new corporate senior leadership roles is nearing completion. Implementation of the new structure will support the renewed governance arrangements. A reset of expectations of our managers will take place in October through the 'Role of the Manager' work to ensure that clarity and consistency exists, development and support is provided where required but consequences and formal action is taken where non-compliance exists.

3.5. The Committee is asked to recognise that the Internal Audit Limited Assurance annual opinion reflects significant and long-standing weaknesses in the Council's governance, risk management and internal control environment, and that these cannot be fully addressed through short-term corrective action alone. The Council has put in place a strengthened governance response, including increased Chief Executive oversight, statutory officer grip, a new Governance Group, refreshed audit planning and stronger tracking of recommendations. However, members should expect improvement to be progressive and evidence-based, with the focus during 2026/27 on embedding new arrangements, securing consistent compliance across services, addressing root causes and demonstrating measurable impact over time, through relevant performance metrics and indicators.

3.6. The Committee's ongoing role will therefore be to maintain constructive challenge, seek assurance on delivery and impact, and recognise that moving from limited assurance to a stronger assurance position will require sustained leadership attention, organisational discipline and continued member oversight.

3.7. Strengthening governance is one of my foremost priorities as Chief Executive. Good governance is essential to lawful decision-making, sound financial management, effective services, public confidence and sustained organisational improvement are built.

3.8. The Council's financial position, the findings of Internal Audit and External Audit, the Corporate Peer Challenge, the Annual Governance Statement and the subsequent Best Value context all reinforce the same point: Shropshire Council must have stronger governance, clearer accountability, improved assurance and a culture where compliance, transparency and professional challenge are expected as standard.

3.9. In my letter to the Chair of Audit and Governance Committee in June 2026, I set out that since September 2025 the Council had focused on strengthening the fundamentals of good governance, increasing organisational oversight, improving accountability and embedding a culture of transparency, professional challenge and continuous improvement. That remains the core purpose of this work.

3.10. My ambition is for Shropshire Council to move beyond responding to historic weaknesses and towards becoming an organisation where good governance is embedded in how we lead, manage, decide, deliver and account for our work every day.

3.11. This is not simply about new meetings, revised documents or additional reporting. It is about changing the way the organisation works. It is about ensuring that managers understand their responsibilities, that statutory officers are properly engaged, that risks are escalated early, that audit recommendations are implemented, that decisions are transparent, and that there are consequences where basic governance requirements are not met.

3.12. As Chief Executive and Head of Paid Service, I am personally committed to leading this work. The Council cannot deliver financial sustainability, transformation, service improvement or improved public confidence without a strong platform of good governance at its core.

4. Summary of Main Proposals

4.1. The Council has received a “Limited Assurance” opinion on its governance, risk and internal control framework for seven years. This reflects historic weaknesses in the internal control environment and insufficient organisational focus on ensuring consistent compliance with governance requirements. Strengthening adherence to those requirements has therefore become an operational priority for both the Administration and Leadership Board.

4.2. The 2025/26 Annual Internal Audit Opinion report identified key concerns including insufficient accountability and unsatisfactory action to promptly implement audit recommendations. It also noted that just under half of all internal audit assurance opinions made during 2025/26 were rated Limited or Unsatisfactory.

4.3. The Council has therefore had to move at pace to strengthen governance arrangements, while also responding to significant financial pressures, delivery risks, organisational capacity issues and increased external scrutiny.

4.4. The Council’s improvement work has been deliberately framed around governance, financial sustainability, culture, capacity, assurance and delivery. These are not separate issues; they are interdependent. Weak governance affects financial control, decision-making, risk management, service delivery and public trust.

4.5. The Council’s 2025/26 Annual Governance Statement recognises that governance arrangements remain in transition during a period of material financial stress and organisational change, but also identifies defined actions to address weaknesses, particularly in financial sustainability and control limitations.

4.6. Since September 2025 the Council has taken a number of significant steps to strengthen governance and internal control. These include:

- restructuring and strengthening of the corporate leadership team
- strengthened leadership and statutory officer oversight through the introduction of fortnightly Statutory Officers meetings
- establishment of a Governance Group, chaired by the Chief Executive
- regular engagement between the Chief Executive and External Auditor
- enhanced corporate governance arrangements, including clearer escalation routes, improved decision-making processes and more robust assurance mechanisms
- increased Chief Executive oversight through regular meetings with Directors and senior managers focused on performance, risk, governance and delivery
- regular communication of expectations to the wider Senior Leadership Forum (SLF)
- stronger focus on delivery of the Council’s Improvement and Recovery Plan, with governance and organisational effectiveness established as key priorities
- further work to refresh the Internal Audit Plan so that assurance activity is focused on organisational priorities, highest risks, financial sustainability, transformation and key areas of governance concern.

4.7. This marks a deliberate move from reactive governance improvement towards a more structured corporate approach to assurance, accountability and organisational control.

4.8. My priorities for governance improvement are clear:

Strengthening corporate grip and leadership oversight
Ensuring governance risks, audit findings, compliance issues and delivery concerns are visible at the right level, escalated early and owned by senior leaders rather than left within individual services.

Embedding clear accountability for delivery and compliance
Making sure agreed actions, audit recommendations, statutory duties and governance requirements have named owners, realistic deadlines, regular monitoring and consequences where progress is not made.

Improving the internal control and assurance framework
Strengthening the way the Council gains assurance that controls are working, recommendations are implemented, risks are managed and evidence of improvement is available to senior officers, members and auditors.

Resetting risk management as a leadership discipline
Moving risk management beyond registers and reporting, so that strategic and operational risks actively inform leadership decisions, budget choices, transformation activity and service planning.

Embedding the revised Constitution, scheme of delegation and decision-making arrangements
Ensuring officers and members understand how decisions should be made, recorded, challenged and implemented, with clearer guidance, training and compliance monitoring.

Building a culture of openness, professional challenge and lawful decision-making
Reinforcing that transparency, compliance, escalation and constructive challenge are expected behaviours, not optional corporate processes.

Linking governance directly to financial sustainability and Best Value
Ensuring governance improvement supports stronger budgetary control, realistic savings delivery, transformation, value for money and the Council's response to external scrutiny.

Strengthening manager ownership of governance
Making governance part of everyday management practice through manager re-induction, clearer expectations, service planning, performance management and support from enabling services such as Legal, Finance, HR, Risk and Audit

Statutory Officer Oversight

4.9. One of the most important improvements has been the strengthening of statutory officer oversight. Fortnightly Statutory Officers meetings have been introduced,

bringing together the Chief Executive, Section 151 Officer, Monitoring Officer and other key governance leads.

4.10. The breadth of issues now being considered through this route, including the Annual Governance Statement, action log review, complaints oversight, business continuity planning, establishment of the Governance Group, constitution review, scheme of delegation, open data compliance, financial monitoring, strategic risk management, internal and external audit recommendations, complaints handling and member conduct issues. This is important because it ensures that governance risks are considered corporately and that the Council's statutory officers have a shared line of sight on the issues that require leadership attention.

4.11. The statutory officer approach is also helping to move governance from being a periodic reporting exercise to an active leadership discipline, enabling current issues and challenges to be addressed quicker.

Governance Group

4.12. A new Governance Group has been established and is chaired by the Chief Executive. Membership of the group is the whole of Leadership Board. This will be reviewed at the end of 2026 when the new corporate leadership structure is in place.

4.13. The purpose of the Governance Group is documented within its Terms of Reference; to provide strategic oversight of the Council's corporate governance arrangements, monitor key governance risks and assurance activity, and ensure effective delivery of agreed improvement actions. This purpose is reflected in the Governance Group standing agenda.

4.14. The Group's remit includes reviewing and monitoring the effectiveness of corporate governance policies, practices and procedures, undertaking an annual review of the Local Code of Corporate Governance, reviewing the Annual Governance Statement and monitoring progress on the completion of actions relating to significant governance issues identified.

4.15. The July 2026 Governance Group confirmed the Terms of Reference and standing agenda to consolidate oversight of governance issues, with monthly meetings to review lines of inquiry and monitoring, supporting high standards of corporate governance across the Council. I am encouraged by the level of engagement from Leadership Board with a collective resolve to move forward at pace.

4.16. This is a significant development. Historically, issues such as audit recommendations, risk management, business continuity, complaints, information governance, constitutional compliance, standards and transparency have been considered separately and inconsistently. The Governance Group brings these into a single senior oversight framework. The Group will help ensure that issues are identified earlier, escalated appropriately and acted on with clear senior ownership.

Culture, Accountability and Compliance

4.17. The most important governance improvement is cultural. Structures, meetings and documents are important, but lasting improvement depends on changing organisational behaviours. Statutory Officers, the improvement Programme 8 (Getting the Basics Right) and Governance Group have identified continuing concerns relating to operational and strategic risk management, service continuity planning, implementation of Internal Audit recommendations, FOI and SAR response rates, complaints handling, reporting and escalation, and meeting committee report deadlines.

4.18. A summary report to Statutory Officers from Internal Audit identified root causes including reliance on bespoke systems and manual workarounds, processes dependent on individual people rather than system controls, loss of key staff, undocumented knowledge, inconsistent understanding of rules, capacity and capability pressures, and a culture of non-compliance and lack of clear accountability. These issues go to the heart of governance improvement. They demonstrate that the Council must focus not only on frameworks but on management practice, capability, systems, training and consequences for non-compliance.

4.19. The next phase of work will therefore focus on:

- re-inducting managers into core governance responsibilities;
- strengthening the role of managers in setting expectations and ensuring compliance;
- embedding governance within leadership development and organisational development activity;
- ensuring enabling services such as Legal, Finance and HR have a stronger role in challenging non-compliance;
- improving service planning so that service plans are aligned to the Corporate Plan, Improvement Plan and Financial Sustainability and Recovery Strategy, supported by clear performance metrics;
- strengthening oversight of audit recommendations, inspections, complaints and compliance;
- ensuring non-compliance is escalated and addressed.

4.20. Phase 2 of Improvement Programme 8 activity needs to deliver the constitution, training and rollout, to ensure understanding across the organisation; re-induct managers; strengthen oversight functions; invest in training; reset assurance roles; integrate Governance Programme learning into the role of the manager; and overhaul the corporate risk management framework. Governance improvement will not be sustained unless the Council is clear about where the weaknesses are and what needs to change.

Internal Audit and Assurance

4.21. Internal Audit remains a fundamental part of the Council's governance and assurance framework. The Council's internal control environment has been an area of significant concern, with the Chief Audit Executive's Limited Assurance opinion forming a central part of the original governance improvement work since September 2025. The 2025/26 Internal Audit Annual Opinion Report states that weaknesses remained within the internal control environment, while also noting

that current executive leadership acknowledged the improvement required and that there were signs of improvement in the final quarter of 2025/26, with no unsatisfactory audit assurance opinions and no fundamental recommendations made in that period.

4.22. The Internal Audit Performance Report for September 2026 concludes that 29 final Internal Audit reports were issued between 1 April and 31 August 2026, with 58% receiving good or reasonable assurance and 42% receiving limited or unsatisfactory assurance. This indicates an improved position compared with the same reporting period in 2025/26, although the movement should be interpreted with caution given the relatively early stage of the reporting cycle and the number of audits completed to date.

4.23. The focus now is on ensuring that audit recommendations are implemented, overdue actions are escalated, and learning is used to address root causes rather than individual symptoms. I am overseeing this through the Governance Group.

4.24. The Internal Audit plan flexes to respond to changes to the risk environment. These changes to the plan are agreed with the S151 Officer and presented to the committee. The revised planned work alongside other audit activity helped provide the appropriate assurance to the Council. This ensures that assurance work is aligned with the Council's changing risk environment, transformation programme, Improvement Plan, Corporate Plan, financial sustainability work and external scrutiny.

Risk Management

4.25. Strengthening risk management is a core governance priority. Statutory Officers recognise the need to undertake a complete refresh of the Council's approach to corporate risk management. Part of this change will see risk management moving under the Head of Policy and Governance areas of responsibility. I must be clear that appropriate safeguards will be in place to ensure that independence will not be compromised. Whilst this role will have management oversight of the corporate risk management function, responsibility for the management and mitigation of risks identified within the corporate registers will rest with the relevant Corporate/Service Directors. A new structure is being formed and interim risk management support is being sourced to support the risk management improvement activity.

4.26. A full strategic risk workshop was undertaken by Leadership Board followed by a further review by Statutory Officers in August 2026. A new Risk Management Strategy/Framework has been drafted and will be implemented during the Autumn. The initial focus is on strategic risks followed by operational and project risk registers.

4.27. The Governance Group will provide a stronger route for oversight of risk management, ensuring that strategic risks, operational risks and governance risks are considered within a single corporate assurance framework.

Constitution, Scheme of Delegation and Decision-Making

4.28. A major review of the Council's Constitution and related governance framework is underway as part of the Improvement Plan Programme 8 (Getting the Basics Right). This is required because clear, accessible and consistently applied constitutional arrangements are fundamental to lawful decision-making, effective delegation, democratic accountability and public confidence. In the context of the Council's wider governance improvement work, the review will help address ambiguity in roles, responsibilities and decision-making routes, strengthen the scheme of delegation, improve transparency and ensure that officers and members understand how decisions should be made, recorded, challenged and implemented. The purpose is not simply to update the document, but to ensure that the revised Constitution is embedded in day-to-day practice and supports stronger governance, clearer accountability and more consistent compliance across the Council.

4.29. This work is critical. A clear, accessible and understood constitution is central to effective governance. It provides the rules by which decisions are made, responsibilities are discharged and democratic accountability is maintained. The next phase must ensure that the revised Constitution is not simply approved, but understood, embedded and applied consistently.

4.30. Members and Officers will be consulted extensively prior to implementation, and Audit and Governance Committee will be consulted on the final draft ahead of the report going to Full Council for approval. Once adopted, training sessions will be offered to Members and Officers to ensure that the benefits of new ways of working and more straightforward decision making are fully understood.

Financial Governance and Budgetary Control

4.31. Governance improvement is critical for financial sustainability. The Council's financial position has exposed weaknesses in governance, financial management, challenge, budget monitoring and organisational grip.

4.32. The April 2026 update to the Audit and Governance Committee Chair on financial management and budget monitoring set out a range of activity in response to the External Auditor's statutory recommendation, including spend control arrangements, a spend control board, workforce board, strengthened budget monitoring, the Business Transformation and Change Review Panel, statutory officer monitoring, financial stability work through the Improvement Plan, and monthly updates through the Improvement and Assurance Board.

4.33. Formal Budget Oversight and Scrutiny Sessions supported the development of a more realistic 2026/27 budget including work to remove optimism bias, and the development of a financial sustainability strategy. Governance improvement must therefore support better budget ownership, earlier financial escalation, stronger forecasting, realistic savings delivery, transparent reporting and clearer accountability. The Council cannot restore financial stability without strong governance. Equally, strong governance must be judged partly by whether it improves financial control and decision-making.

Complaints, Information Governance and Business Continuity

4.34. The Council is strengthening oversight of complaints, information governance and business continuity as part of the broader governance improvement programme, against a backdrop of increasing volumes and complexity. Complaints, information governance and business continuity arrangements are important indicators of organisational governance health. They provide evidence about responsiveness, transparency, resilience, learning and management control.

4.35. From April 2026 the Council has adopted the new Ombudsman Complaint Handling Code as part of its wider work to strengthen complaints oversight, organisational learning and accountability. This will require a more consistent corporate approach to complaint handling, clearer timescales, improved quality assurance, stronger escalation where responses are delayed, and better use of complaints data to identify themes, service risks and opportunities for improvement. Implementation of the Code should therefore be treated not simply as a procedural compliance exercise, but as an important governance improvement measure that supports transparency, responsiveness, learning from residents' experience and public confidence in the Council's willingness to address concerns fairly and effectively.

4.36. The Council has also taken steps to strengthen information governance as part of the wider governance improvement programme. An additional two Information Governance Officer roles have been added to the central team to provide professional support across the council. There is now increased senior oversight of Freedom of Information and Subject Access Request performance, clearer escalation of delayed responses, greater focus on open data compliance, and improved use of information governance reporting to identify service pressures, recurring issues and areas requiring management intervention. These improvements are intended to move information governance from a narrow compliance function to a stronger corporate assurance discipline, supporting transparency, lawful information handling, timely responses to residents and regulators, and greater organisational accountability for the way information is managed across the Council.

4.37. Business Continuity remains a key element of the Council's resilience framework. During the year, work has focused on reviewing and updating Service Recovery Plans and strengthening links between Risk Management, Business Continuity and Emergency Planning. While business continuity arrangements are in place, audit findings have identified capacity pressures and the need for continued improvement in plan assurance, exercising and training. Business cases are therefore being developed to strengthen resilience capacity, reduce single points of failure and support the Council in meeting its statutory and corporate resilience responsibilities.

4.38. The Governance Group will provide a route to ensure that these areas are not treated as isolated compliance matters, but as part of a wider system of assurance, learning and organisational improvement.

External Challenge and Assurance

4.39. The Corporate Peer Challenge (CPC) Progress Review in May 2026 showed that the Council has made significant progress against the original CPC recommendations. The peer team found that the Council was demonstrating a much stronger grip on its financial position, with clear progress in financial management and governance arrangements. The Progress Review also acknowledged that the Council remains at a relatively early stage in its improvement journey, which will be a sustained and challenging one. There is a need to ensure that transformation programmes are developed and implemented at pace, that financial sustainability is clearly mapped and achieved over time, and that organisational capacity and governance is positioned to deliver and support lasting change.

4.40. The Council received a Best Value Notice in July 2026. Government has recognised the improvements already made and the positive progress underway and increased monitoring and engagement from MHCLG will further support our improvement journey. The notice is also a clear reminder of the seriousness of our financial position. Our budget challenge sessions began in July 2026 across each portfolio area and examined spending in detail.

4.41. The CIPFA assurance report commissioned by MHCLG was published in August. This contained 22 recommendations. The management responses to these recommendations are currently being considered by Statutory Officers. Once agreed, the implementation of the recommendations will be tracked on an ongoing basis.

4.42. I have actively engaged with External Audit, Internal Audit, the Improvement Board and, following the Best Value Notice, MHCLG oversight. My position is clear: external challenge must be welcomed, not resisted. It helps the Council test its assumptions, strengthen plans and demonstrate credible progress.

Annual Governance Statement

4.43. The Annual Governance Statement remains a key mechanism through which the Council assesses the effectiveness of its governance arrangements.

4.44. The 2025/26 AGS states that the effectiveness review draws on management assurances against the Local Code and CIPFA/SOLACE principles, Internal Audit work and annual opinion, External Audit commentary and statutory recommendations, peer challenge and Improvement Board oversight, financial monitoring reports and Council decisions relating to the financial emergency.

4.45. The AGS conclusion recognises that the Council’s governance arrangements remain in transition, but that credible governance responses are being established through the Improvement Plan, People Plan and Improvement Board, enhanced financial controls and strengthened scrutiny. The challenge for 2026/27 is to ensure that these arrangements are not only in place but applied consistently across the Council.

5. Alternative Options

5.1. As this report is presented for consideration and endorsement rather than decision, there are no alternative options requiring evaluation. The Committee may, however, request further information, make comments, or identify additional actions in response to the content reported.

6. Key Risks and Opportunities

6.1. The risks associated with this report arise from the scale, pace and complexity of the Council's governance improvement programme. The Chief Executive's update makes clear that the Council has strengthened corporate oversight since September 2025 through increased Chief Executive grip, fortnightly Statutory Officers meetings, the establishment of a Governance Group chaired by the Chief Executive, refreshed risk management arrangements, improved tracking of audit and external recommendations, and closer alignment between governance improvement, financial sustainability and organisational accountability. However, the report also recognises that the Council's governance arrangements remain in transition, and that sustained leadership attention, consistent management grip and continued member oversight will be required to embed improvement and demonstrate measurable impact over time.

6.2. The table below summarises the principal risks and opportunities arising from the Chief Executive's governance improvement update. It focuses on the risks to embedding stronger governance, accountability, assurance, risk management and compliance across the Council.

Risk	Mitigation	Link to Strategic Risk
Governance improvement does not become embedded consistently across services, resulting in continued variation in compliance, escalation and accountability.	Chief Executive oversight, the Governance Group, Statutory Officers meetings, manager re-induction, clearer expectations for the role of managers, and regular reporting to senior officers and members.	Governance, assurance and value for money.
Weaknesses in financial governance, budget ownership and delivery of savings continue to affect financial sustainability and Best Value assurance.	Strengthened budget monitoring, spend control arrangements, the Improvement Plan, financial sustainability work, Business Transformation and Change Review Panel oversight, and regular scrutiny through senior leadership, members and external assurance routes.	Achieving long-term financial sustainability.
Strategic and operational risks are not identified, escalated or managed early enough to inform leadership decisions and service planning.	Refresh of the corporate risk management strategy and framework, review of strategic risks by Leadership Board and Statutory Officers, clearer ownership by Corporate and Service Directors, and stronger Governance Group oversight.	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
Audit, external review and governance recommendations are not implemented at pace or with sufficient evidence of impact.	Strengthened recommendation tracking, named ownership, deadline monitoring, escalation of overdue actions, Governance Group oversight and continued Audit and Governance Committee challenge.	Effective internal control framework.
The revised Constitution, scheme of delegation and decision-making arrangements are approved but not fully understood or applied in practice.	Constitution review, clearer guidance and training, embedding decision-making requirements into manager expectations, and monitoring compliance through statutory officer and governance routes.	Governance, assurance and value for money.
Cultural change is not sustained, meaning openness, compliance, transparency and constructive challenge do not become normal management behaviours.	Chief Executive communications, People Plan and organisational development activity, manager re-induction, stronger enabling service challenge, leadership expectations and escalation where non-compliance persists.	Workforce capacity and capability.
Capacity and capability pressures reduce the pace of improvement or weaken assurance over delivery.	Recruitment to new senior leadership roles, interim support where required, targeted capacity in priority areas, clearer prioritisation through the Improvement Plan and ongoing oversight by Leadership Board and the Improvement and Assurance Board.	Workforce capacity and capability.
The opportunity to build public, member, auditor and government confidence is not fully realised if improvement activity is not evidenced clearly.	Regular reporting to Audit and Governance Committee, Improvement and Assurance Board oversight, engagement with External Audit and MHCLG, clearer success measures, and a stronger focus on evidence of delivery, outcomes and sustained impact.	Governance, assurance and value for money.

6.3. The report also identifies significant opportunities. The strengthened governance arrangements provide a route to move from reactive improvement activity to a more disciplined corporate assurance framework, in which risks, recommendations, compliance issues, complaints, information governance, business continuity and decision-making concerns are considered together and escalated appropriately.

6.4. If embedded effectively, this approach should support better financial control, clearer accountability, stronger risk management, improved transparency, more consistent compliance and greater confidence among members, residents, auditors and government that the Council is taking credible and sustained action to address historic weaknesses.

7. Council Priorities

7.1. All noted 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.

8. Financial Implications

8.1. This report provides assurance to the Committee, Council and the public that funds are being properly safeguarded and supports the Council in maintaining sound financial management and governance arrangements.

9. Legal and HR implications

9.1. There are no direct legal or human resource implications arising from this report; however, the improvement works supports the Council in maintaining compliance with relevant legislation, policies and employment practices, and in identifying and addressing any issues 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. However, the work reported to the Committee will look at these aspects relevant to the governance, risk management and control environment.

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, 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. Corporate Plan 2026-2030
14.2. Improvement Plan
14.3. CIPFA Report August 2026

14.4. GT AAR 2024/25
14.5. Best Value Notice July 2026
14.6. Annual Opinion Report of the CAE to the June 2026 Audit and Governance Committee

15. Appendices

None.

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Committee

Council
24th September 2026

Audit & Governance Committee
25th September 2026

Public

Exceptional Financial Support: External Assurance Review

Cabinet Member:	Councillor Heather Kidd, Leader Councillor Roger Evans, Finance
Lead Director:	Tanya Miles, Chief Executive Duncan Whitfield, Section 151 Officer
Service Area:	Corporate/Finance
Report Author	Duncan Whitfield – Executive Director and 151 Officer Paul Clarke – Service Director (Strategy & Change)
Officer contact details	duncan.whitfield@shropshire.gov.uk paul.clarke@shropshire.gov.uk
Electoral Divisions Affected	All Divisions
Key Decision?	Not Key Decision
Cabinet Forward Plan	Not Applicable
Report considered by	Full Council – 24 September 2026 Audit & Governance Committee – 25 September 2026

1. Purpose of Report

1.1. To share the report of an 'Assurance Review' undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) in April 2026 on behalf of MHCLG as part of the arrangements associated with the Council receiving Exceptional Financial Support (EFS) from the Government, and the initial management response to its recommendations. The Assurance Review report (**Appendix A**) has been considered by both Finance & Improvement Overview and Scrutiny Committee and Cabinet. A summary of how the Council is responding, or planning to respond, to each of the report's recommendations is attached at **Appendix B** for

Full Council review and agreement, with the intention that it will form part of a response to MHCLG, required by the end of September 2026.

2. Recommendations

2.1 **Full Council (24/09/26)** is recommended to:

(a) Note the findings, conclusions and recommendations contained within the CIPFA External Assurance Review attached at **Appendix A**.

(b) Review and support the initial management response to the report and its recommendations summarised at **Appendix B,** which will be used as the basis for a response to MHCLG.

(c) Note that many of the recommendations align with priorities already being addressed through the Council's Improvement Plan and Financial Sustainability and Recovery Strategy.

2.2 The **Audit and Governance Committee (25/09/26)** is recommended to:

(a) Note and agree the findings, conclusions and recommendations contained within the CIPFA External Assurance Review attached at **Appendix A.**

(b) Note and support the initial response to the report and its recommendations summarised at **Appendix B,** considered by Full Council, which will be used as the basis for a response to MHCLG**.**

(c) Note the existing governance, assurance and scrutiny arrangements for monitoring and oversight (summarised in Section 3), including regular progress reporting to the Improvement Board, Cabinet and Finance and Improvement Overview and Scrutiny, and suggest any further arrangements the Committee thinks the council should consider.

3. Background and context

3.1. The Assurance Review provides an independent assessment of the Council's financial resilience, governance arrangements, service transformation activity and organisational capacity. It was undertaken in April 2026 as part of the Council's Exceptional Financial Support (EFS) arrangements, with a focus on 2025/26, and as such represents the Council's position at that time.

3.2 The Review recognises the scale of the financial challenge facing the Council and concludes that significant action and activity is required if financial sustainability is to be achieved. It acknowledges that the Council has already taken a number of important steps following the declaration of a financial emergency in September 2025, including the development of an Improvement Plan, establishment of an independently chaired Improvement Board, strengthened governance and compliance arrangements, strengthened financial management and budget monitoring arrangements and an increased focus on transformation, savings delivery and financial sustainability.

3.3 The Review makes 22 recommendations across the following areas:

- Quality of financial management and financial processes
- Financial sustainability and risk
- Service reform, delivery and transformation

- Governance, culture and leadership

3.4 The recommendations are broadly consistent with themes already identified through the LGA Corporate Peer Challenge, External Auditor recommendations and previous CIPFA resilience work. Consequently, the Council is already responding to many of the recommendations already through its Improvement Plan and associated programmes, and the Financial Sustainability and Recovery Strategy.

3.5 Plans and progress against the recommendations will be overseen and scrutinised by the Improvement Board and MHCLG, who have requested a formal progress update on implementation of the recommendations by the end of September 2026. That timeline has meant this report going to Full Council ahead of the Audit and Governance Committee. The update will be followed by routine quarterly reporting meetings. These arrangements sit alongside existing reporting requirements associated with Improvement Plan delivery, EFS and the Best Value Notice process.

Initial response and next steps

3.6 Whilst the findings of the review are significant and should not be underestimated, it is important to recognise the Review represents a point-in-time assessment undertaken during April 2026 and reflects a period in which many governance, improvement and transformation arrangements were still being established and embedded. Since April further progress has been made, including:

- Work to review the CIPFA recommendations and assess them against current actions and plans to inform any additional or accelerated activity and priorities to be addressed. **Appendix B** provides a summary of the initial response to the recommendations.
- Continued delivery of the Improvement Plan – overseen by the Improvement Board - including programmes focussed on strengthening financial management with a stronger approach to budget monitoring – ensuring more grip and understanding of the in-year financial position.
- Development of a Financial Sustainability and Recovery Strategy – approved at Cabinet as part of a revised Medium Term Financial Plan on 08/07/26
- Further development of the Council's transformation, change and improvement portfolio – facets of which have been reported to Cabinet, including Children's Transformation (10/06/26) and Digital Roadmap (05/08/26). Other major transformation programmes, including Adult Social Care Transformation and the Assets and Corporate Landlord programmes will be reported accordingly.
- A budget and business planning approach – including an initial round of budget challenge sessions with each Director over the summer - to understand and identify opportunities for efficiencies, savings, income and service improvement.
- Continued embedding of the Budget, Transformation and Change Review Panel approach – to challenge proposals for transformation and change, and consideration of projects and activity that will require investment of corporate support and resources to deliver.
- Changes to the Improvement Board, including a new Chair and additional members who will bring specific experience and critical friend challenge on Children's Services and Adult Social Care.

- A strengthened internal control environment with new processes introduced including a full review of all outstanding recommendations and service director ownership, leading to a significant reduction in these.

3.7 Whilst progress has been made, several recommendations remain that require substantial further work – including the further development of detailed transformation delivery plans, quantified savings trajectories and longer-term financial recovery arrangements remain a work in progress. This is a key action within the Improvement Plan, a key facet of the Financial Sustainability and Recovery Strategy approved by Cabinet in July 2026, and a component of the 'flightpath' to financial sustainability included in the Improvement Plan update report presented to the Finance & Improvement Overview and Scrutiny Committee on 08/06/26 and Cabinet on 10/06/26.

3.8 The Improvement Plan will be reviewed and refreshed (by December 2026), providing an opportunity to ensure activity that addresses the Assurance Review recommendations is subsumed into one overall plan and programme for organisational improvement and optimisation, along with other anticipated external reviews and recommendations including the External Audit Annual Report.

Oversight and Scrutiny: Monitoring our response

3.9 An update on implementation progress will be provided to MHCLG by the end of September 2026 in accordance with the requirements set out in the EFS arrangements and Best Value Notice process. After that, progress and delivery will be closely monitored by MHCLG officials, through a regular monitoring meeting with the Council.

3.10 In addition, the Improvement Board will maintain its focus on the delivery of our Improvement Plan, and the programmes that form the transformation, change and improvement portfolio and improve the Council's overall financial position. The Board, including all political group leaders, meets monthly and receives updates on the financial position and progress in developing and delivering plans for improvement. An update of delivery against the Improvement Plan is periodically reported to Cabinet and the Finance and Improvement Overview and Scrutiny Committee and will incorporate the response to the Review recommendations.

3.11 Together, these arrangements provide multiple layers of assurance and oversight and create a robust framework through which implementation of the Review's recommendations can be monitored, challenged and reported. The role of the Audit and Governance Committee needs to be considered in the context of these oversight arrangements.

4. Alternative Options

4.1. Responding to the CIPFA Review recommendations is a requirement of the EFS arrangements and will be monitored by MHCLG as part of the Best Value Notice process. As such there is an essential need to respond to the recommendations, and no alternative options have been considered. There will, though, be a range of ways in which to respond to the recommendations and these are currently being

considered, with a focus on adapting and accelerating existing plans and programmes where most appropriate to do so.

5. Key risks and Opportunities

5.1. The External Assurance Review highlights significant risks relating to financial sustainability, organisational capacity, transformation delivery and governance. These risks are reflected within the Council's risk management arrangements and are monitored through established governance structures. The principal risk remains the pace at which financial recovery and transformation activity can be delivered whilst maintaining service delivery and meeting statutory responsibilities.

6. Council Priorities

6.1 The Review and its recommendations are linked to the Corporate Plan strategic ambition of being a *financially sustainable council, with clear priorities and purpose, and a workforce that is supported to excel*. Taking action in line with the CIPFA recommendations will help strengthen the quality of financial management and financial processes, and the delivery of transformation, and the governance, culture and leadership required to do that.

7. Financial Implications

7.1. The review does not, of itself, create any direct financial implications. However, implementation of the recommendations forms an important element of the Council's wider financial recovery activity and supports the objective of reducing future reliance on Exceptional Financial Support.

8. Legal and HR implications

8.1. In light of the Council's ongoing engagement with MHCLG, the Exceptional Financial Support arrangements and the Best Value Notice process, it is essential that the Council gives proper consideration to the findings and recommendations contained within the CIPFA External Assurance Review. The Council is under a continuing statutory duty to secure Best Value under section 3 of the Local Government Act 1999, requiring continuous improvement in the way its functions are exercised, having regard to economy, efficiency and effectiveness. The recommendations within the Review will therefore need to be considered through the lens of delivering sustainable services, sound governance and long-term financial resilience. Legal Services will provide ongoing advice and support as specific proposals are developed and brought forward for decision, to ensure compliance with the Council's statutory duties, decision-making framework and applicable legal requirements.

8.2. There are no direct staffing reductions arising from this report. However, implementation of some recommendations and future transformation activity may lead to organisational change proposals, which would be subject to the Council's established workforce policies, consultation arrangements and governance processes.

8.3. The Review identifies the importance of organisational capacity, capability and leadership in supporting the Council's financial recovery and long-term sustainability. Implementation of the Review recommendations will require continued focus on

ensuring the Council has sufficient workforce capacity and the appropriate skills in key areas including finance, transformation, programme management, commercial activity, commissioning and change management. The Council already have a number of arrangements to address these, including delivery of the People Plan, management development activity, strengthened performance management arrangements, refreshed organisational values and investment in key capacity within finance, strategy and transformation functions.

9. Electoral Division Implications

9.1. Future decisions arising from the implementation of recommendations, particularly those relating to service transformation, asset management, financial sustainability or service delivery models, may have implications for individual electoral divisions. Where this is the case, such implications will be considered and reported as part of the relevant decision-making process.

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

10.1. This report has no direct health, social or economic implications. Implementation of recommendations arising from the External Assurance Review is intended to strengthen the Council's financial sustainability and organisational effectiveness, supporting the continued delivery of services and outcomes for residents, communities, children and young people, and the local economy. Any specific proposals, including transformation proposals, arising from the Council's response will be subject to appropriate impact assessment and decision-making processes.

11. Equality and Diversity Implications

11.1. The Review and this report have no direct equality, diversity or social inclusion implications. However, future actions arising from the recommendations, particularly those relating to transformation, service redesign and financial sustainability, may require detailed assessment of impacts on residents, service users and staff. Such impacts will be considered through the Council's established Equality, Social Inclusion and Health Impact Assessment processes and relevant governance arrangements.

12. Climate Change, Biodiversity and Environmental Implications

12.1. This report has no direct climate change or biodiversity implications. Any future proposals arising from the Council's response to the External Assurance Review will be subject to the Council's normal assessment processes and will consider climate change and biodiversity impacts where relevant.

13. Background Papers

1. Shropshire Council Improvement Plan
2. Shropshire Council Financial Sustainability and Recovery Strategy

14. Appendices

APPENDIX A – CIPFA External Assurance Review Report – published here: Shropshire_External_Assurance_Review_2026.pdf

APPENDIX B – Summary of response to the CIPFA External Assurance Review Report and its' recommendations

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DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
Quality of financial management and financial processes				
1. There is an embedded culture in the council of weak compliance with regard to the internal control environment that has undermined financial governance. This is actively being addressed by the current leadership, but it will take time to remedy and risks delaying effective actions to address the structural gap in the council's finances.	1. The council should develop a clear action plan **in the next few months** that sets out who is responsible for resolving each of the weaknesses in the control environment and target completion dates.	The Improvement Plan continues to drive a range of activity to strengthen the internal control environment. This includes a set of actions within the Improvement Plan Programme 2: Strengthening financial management and practice, and Programme 8: Getting the Basics Right (improving governance and compliance). Activity delivered and planned includes: • Strengthened approach to budget monitoring: this has seen a sustained improvement in budget holders completing the required monthly monitoring requirements – increasing confidence and robustness in the in-year (2026/27) position being reported. • Improving responsiveness to Internal audit recommendations: A new process includes regular principal auditor and service director meetings, a live dashboard tracking recommendations and responses, and more statutory officer oversight. • Embedding expectations about good governance and compliance with statutory requirements into day-to-day management, including team meetings, 'role of the manager' toolkit, and 'good conversations' framework. • The continuation of Spend and Workforce Board arrangements, at a service level, to ensure visibility and control on expenditure during the year. • A new budget and business planning approach rolled out over the summer (from August), including an initial round of 'budget challenge' sessions with each director – focussing on	Head of Paid Service and Head of Audit	December 2026

DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
		understanding the make-up of budgets, and the opportunities for income, savings and efficiencies. Further actions and activity will be developed and included in refreshed Improvement Plan (December 2026), ensuring all recommendations regarding internal controls from recent external and internal reviews are addressed. Each activity will have an identified responsible officer.		
2. Without sufficient skilled resources within the finance team, it is difficult for the council to forecast accurately, thereby undermining its ability to set realistic budgets and to monitor performance effectively.	2. The council should review the job descriptions for each finance post **as soon as possible** and identify what training and support is needed for existing staff to address any skills gaps.	A review and restructure of the Finance Service is being undertaken. CIPFA are supporting the Council to review job roles. Additional capacity to support and co-ordinate restructure secured (August 2026). Implementation of the new structure is estimated to be complete March 2027. Training activity has included: • Budget monitoring training (June/July) for budget holders, supported by a new monitoring dashboard to inform monitoring and management of budgets • Financial management training for senior managers (July-October) has focussed on strengthening challenge and curiosity in monitoring and forecasting and identifying practice improvements.	Corporate Director (Finance & Governance – s151) and Deputy 151 Officer	March 2027 and ongoing
3. The high dependency on a small number of key individuals in finance and the staffing gaps in key areas leaves the council's	3. The council should, **over the next few months**, explore the costs and benefits of employing further interims in finance to mitigate the risks	Additional capacity is being sourced, including several interim roles and the recent recruitment of an interim Director for Financial Improvement role (started 17th August). Additional capacity to support restructure is being provided by CIPFA.	Corporate Director (Finance & Governance – s151) and Deputy 151 Officer	September 2026

DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
financial management at risk if further individuals leave.	if key staff were to leave.			
4. The lack of resources available in the council and the possibility that external candidates will be aware of its financial situation might make it difficult to recruit sufficiently experienced and capable finance staff.	4. Given the difficulties faced with recruitment, the council should explore the feasibility, **by December 2026,** of collaborating with other authorities, such as through a shared service to find the resources required.	Shared services opportunities arguably not as available or viable in Shropshire as in other areas, partly due to geography. There have been previous explorations of opportunities and potential – including counter fraud and emergency planning. Additional joint ICB roles are also being explored. The Budget and Business Planning approach adopted prompts directors and service managers to consider opportunities for different models of service delivery, the Future Council principles prompt consideration of opportunities to work in partnership with others. The Council remains open to collaboration with partners.	Leadership Board / Directors	December 2026
5. The risk management arrangements that have been put in place are more structured and robust, but given the reluctance of some individuals to report concerns,	5. The council should, i**n the next six months,** consider the feasibility of a training programme or guidance for staff on the importance of raising issues timeously that	A review of risk management arrangements is being undertaken, including a new Risk Management Strategy and Framework to be presented to Audit & Governance Committee on 25/09/26. There will need to be a programme of activity to support the implementation of the new strategy and framework including awareness raising, training and guidance for staff on the importance of raising issues timeously. This activity will form part of the refreshed improvement plan. We will also use existing practice to embed the culture of risk awareness and escalation, including through the 'Role of the Manager' work and Senior Leaders Forum (SLF) sessions, and	Head of Policy & Governance	January 2026

DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
it will be important that staff are encouraged to raise issues timeously	require risk management.	the 'Good Conversations' framework that supports one-to-ones between manager and employee/teams. Service workforce and spend control boards are also opportunities to raise risks, curiosity and challenge. These arrangements will be overseen and reviewed periodically by a governance group has established with oversight of risks and the statutory officer group has oversight of strategic risk.		
Financial sustainability and risk				
6. Previous actions to deliver savings have been undermined by a lack of detailed plans that set out how savings will be delivered and this could be repeated unless granular plans are developed this time. The council has the basics of a clear strategy for how it will reduce costs in adult social care but this is not yet underpinned by reliable estimates of the potential financial	6. The council needs to develop detailed delivery plans to underpin its transformation projects that include risk-based assessments of the potential costs and savings profiled over time. These plans should be stress tested by the council's Budget Transformation and Change Panel as well as its Improvement Board **by December 2026.**	An overall portfolio of transformation, improvement and change is being developed based on six key programmes: • Children's Reforms • Adults Transformation • Assets and Corporate Landlord • Digital Programme • Income and Commercial • Organisational Improvement The projects and delivery plans within those are at various stages of development and delivery. All project proposals will be submitted through the Budget Transformation and Change Panel to ensure: • Strategic alignment with council priorities (Improvement Plan, Corporate Plan, Financial Plan) • Relevant and proportionate investment and resources are available and committed to deliver programmes • Benefits and return on investment are articulated and quantified at the outset, with financial benefits/savings profiled across the medium term	Corporate Director (Change & Improvement) and Service Director (Strategy & Change) Director of Adult Social Services (DASS) Assistant Director (Children's Services Reforms) Service Director (Place Shaping) Head of Automation and Technology Head of Commercial	December 2026

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
impact. Without such information it is difficult to assess what savings it might generate. Similarly, plans are being developed in children's services albeit they are currently at an earlier stage of development. As with adult social care, unless these are underpinned by reliable estimates of the financial impact it will be difficult to assess what savings it might generate.		A summary of the portfolio will be included with the Medium-Term Financial Plan presented to Cabinet in November 2026. Not every facet of the portfolio and its delivery will be fully developed by December 2026, and it is unlikely that there will be detailed delivery plans for every programme and project. Capacity and capability issues in both service areas and key enabling functions (such as finance and corporate PMO) will constrain and limit the council's ability and pace to do this. There is also a need to undertake discovery and diagnostic work (e.g. Adults and Assets) to inform a fully developed portfolio with quantifiable opportunities. While some key programmes of service transformation (Children's and Adults) will be defined, other facets of the portfolio, by their nature, will be a prioritised programme of reviews and projects, informed by ongoing and annual activity such as budget and business planning. The full Adult Social Care Transformation programme will be informed by an external consultancy diagnostic commissioned in September 2026. Additional expertise and practitioner perspective – including a serving local authority DASS and DCS - has been added to Improvement Board to provide critical friend challenge 'stress testing' to service transformation proposals. (See response to recommendation 17) The Income and Commercial part of the Portfolio will be informed by work being undertaken by the Interim Head of Commercial Recruited who will recommend a prioritised programme of reviews of the Council's traded services and companies.		
7. Despite the issues the council experienced with its	7. The council should explore, **by December 2026,** how	There has been some restructuring of the leadership of the organisation. Recruitment concluded September 2026, with new directors expected to join the council from November 2026.	Leadership Board	December 2026 and ongoing

DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
previous initiatives to restructure how it operates, it cannot afford to abandon such efforts. Any savings from adults and children's services are likely to take time to materialise and are unlikely to be sufficient to bridge the gap.	services might be restructured to reduce costs. This should include options previously considered, such as digitisation, as well as the potential for collaboration with other authorities or outsourcing.	There are various restructures planned or in progress across the organisation – including finance, highways, planning and assets. Given the need to build organisational capacity and capability, some of these restructures are not driven by cost savings but have an objective of building capacity. The impact of some previous workforce reductions is having to be reviewed and addressed. A proposed programme of sprint reviews, as part of the Improvement Plan, and focussing on process efficiency and digitisation to increase productivity will help to mitigate further workforce growth and additional demands on the budget that brings. Greater productivity and efficiency will help embed previous 'resizing' changes that were implemented and ensure services continue to meet required standards, outputs and outcomes. Our Future Council principles drive how we transform, improve and change as a council – including a focus on both digitisation and working in partnership with others as a means of delivery services and outcomes at less cost to the council.		
8. Whilst the council should focus on those areas where the greatest savings can be made, it cannot afford to ignore any other potential opportunities, such as	8. The plans should consider the minimum viable service delivery obligations for the council, so that the options of scaling back or stopping activities are considered as well as initiatives to improve efficiency.	The business and budget planning approach – and budget challenge sessions in particular – are positioned to consider some of this. The approach challenges Service Directors to think differently, and to consider minimum viable service delivery. The transformation, improvement and change portfolio focusses beyond the transformation of adults and children's services on the need to the identification of opportunities to scale back or stop services and modernise policy and practice to improve efficiency as part of continuous improvement, supported by business-as-usual processes such as business planning, the Budget, Transformation & Change Panel, and Commissioning Boards.	Leadership Board / Directors	Ongoing

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
stopping those activities it is not obliged to deliver.		There are several areas where services have recently been scaled back, or where there is likely to be proposals to do so – including Adults Day Services, Cultural services and Libraries. In terms of understanding the understanding costs of service provision, there has been extensive work undertaken since 2023/24 to understand both statutory and non-statutory service provision and resourcing levels. This included a series of savings and cabinet decision papers to reduce or remove non statutory services, and review of workforce. Reviews supported by the LGA have taken place across the organisation, including benchmarking and baselining service levels (e.g. Children's Services, Adult Social Care and Revs & Bens). A summary of this was presented to the Improvement Board in February 2026. Work will continue to review all spend across the Council through the Budget and Business Planning Process, and Business Transformation and Change Review Panel.		
9. The longer it takes to develop realistic plans to transform service delivery in order to reduce costs, the more the council will need to borrow to fund its existing gap	9. The council should set a clear timeline that transformation plans across adults, children's services and all other areas of the council should be developed and submitted to the council's Budget Transformation and Change Panel **by**	The activity in response to recommendation 6 regarding the development of the Transformation, Improvement and Change portfolio also responds to this recommendation. A number of transformation plans have been submitted to the Budget, Transformation and Change Panel including Children's Reforms, Adults Transformation (some projects), and Digital programme. External consultancy support is being commissioned to help further define and quantify the Adult Social Care Transformation programme, and the opportunities for demand prevention and savings beyond what has already been developed, with detailed project proposals submitted to the Panel after that.	Service Director (Strategy & Change) Leadership Board / Directors	December 2026 and ongoing

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
and the bigger the financial challenge becomes	**the end of December 2026.**	While some key programmes of service transformation (Children's and Adults) will be defined, other facets of the portfolio, by their nature, will be a prioritised programme of reviews and projects, informed by ongoing and annual activity such as budget and business planning. There will need to be a continuous pipeline of proposals presented to the Panel beyond December 2026.		
10. Until the council has well structured, quantified transformation and other savings plans to reduce its expenditure, it is difficult to quantify the scale of any remaining gap and whether further increases in council tax above the 4.99% threshold should be sought.	10. The council needs to develop a clear financial recovery strategy **by December 2026** that sets out how it plans to bridge the gap. This should take into account the transformation and other savings plans currently being developed as well as an estimate of any further council tax increases needed to bridge the remaining gap.	A Financial Sustainability and Recovery Strategy was approved by Cabinet as part of a refreshed Medium Term Financial Plan in July 2026. The Strategy sets out eleven ways the council will become financially sustainable. While transformation and reviewing Council Tax levels are both part of the Strategy there is not necessarily an interdependency as both will be required to achieve financial recovery and sustainability. The Strategy also includes a focus on improving tax collection, enhancing efficiency, rebuilding reserves, and optimising debt and capital expenditure. Alongside these, the Council will continue advocating for fairer government funding and promoting economic growth. Together, these actions aim to deliver a resilient financial position, reduce costs and demand, and secure long-term sustainability for the organisation. A refreshed Medium Term Financial Plan due to presented to Cabinet in November 2026 will give an updated position and forecast and demonstrate a year-on-year reduction in EFS requirement and include Council Tax requirement. It is unlikely to bridge the entire gap with quantifiable plans at this point in time.	Corporate Director (Finance & Governance – s151) (Resources) Corporate Director (Change & Improvement) and Service Director (Strategy & Change)	November 2026

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
11. Unless the council can bring forward significant savings plans or increase the timing and quantum of its capital receipts it is very exposed to the uncertainties in geo-politics for the costs of its borrowing.	11. The council should make clear to Members **in the next iteration of the medium term financial strategy,** the costs of borrowing associated with exceptional financial support and the risks of changes in interest rates to support the drive to find further savings and assets that can be sold.	The refresh of the Medium-Term Financial Plan in November will include this.	Corporate Director (Finance & Governance – s151) and Deputy 151 Officer	November 2026
Service reform, delivery and transformation				
12. Without advocating a 'fire sale' the council cannot afford delays to its asset disposals. Exploring the development of the Shirehall building prior to sale will create additional risks, necessitate further borrowing in	12. The council should **as soon as possible** set a clear, short deadline for any feasibility work underway on the future of Shirehall and seek to sell the asset as soon as possible.	The sale of Shirehall was agreed by Cabinet on 14/07/25. It was agreed to take steps to move urgently and in principle to the marketing for disposal of the site. A further update report, including the draft prospectus for sale, will be presented to Cabinet in the Autumn.	Service Director (Place Shaping) and Corporate Director (Resources)	As soon as possible

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
the interim and delay the receipt of much needed funds.				
13. Until the council has a clear strategy for which assets can be released, their potential market value and when any sale best be achieved it is difficult to assess the financial impacts and the costs of borrowing continue to mount. The council cannot afford to take out further borrowing to enable Cornovii Development Ltd to purchase its lan or buildings for development	13. The council should identify those assets that can be sold and develop a strategy for how this can be done to secure best value. This work needs to be **completed by December 2026** alongside transformation plans so that there is a clear financial recovery plan and an understanding of any further council tax increases that might need to be sought.	An Assets Disposal and Corporate Landlord programme is a key facet of the Financial Recovery and Sustainability Strategy presented to Cabinet in July 2026. The programme resets how the Council's property is governed and managed. Following an initial focus to review the current disposals pipeline, a refreshed Asset Management Strategy will be developed, and the assessment, design and implementation of a new Corporate Landlord model. Phase 1 of the disposal pipeline review is now complete. The action plan and disposal completions to date for 2026/27 are being consolidated to provide assurance on disposal capital receipts and future disposals. Several decisions have been taken by Cabinet regarding asset disposal – including: the disposal of St Andrews, Shifnal (10/06/26), Bridgnorth Youth Centre (08/06/26), and the in-principle disposal of Whitchurch Civic Centre (09/09/26) While transformation, assets disposal and reviewing Council Tax levels are all part of the Financial Sustainability and Recovery Strategy there is not necessarily an interdependency as all will be required to achieve financial recovery and sustainability, given the scale of the challenge.	Service Director (Place Shaping) and Corporate Director (Finance & Governance – s151)	December 2026 and ongoing
14. Without a clear, structured	14. The council should, **in the next six**	A key facet of the Council's Financial Sustainability and Recovery Strategy is once again reviewing, rationalising and	Corporate Director (Finance & Governance – s151)	February 2027

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
prioritisation process it is difficult for the council to assess the potential risks and benefits of any changes to the capital programme.	**months,** review its governance arrangements for the capital programme and establish a more structured approach to assessing the revenue and capital costs and benefits of additions, removals or significant slippage on projects.	refreshing the capital programme. This is over and above the Annual Capital Programme reviews. It will ensure that the programme continues to contain identification and earmarked resourcing for statutory, health and safety and contractually committed works that are necessary and unavoidable. It will also be reprioritised and extended over a ten year period to allow for maximum visibilty of future unavoidable commitments. Given current circumstances, there will need to be clear reference to the funding or likely funding sources for the critical work. Other schemes in the programme will be deemed unaffordable and therefore undeliverable without positive business cases and identification where possible of alternative funding. The HRA will be able to make firmer commitments given its ring-fenced nature, subject the HRA business plan which has been overhauled and will be updated each February. A new structure will be created under the leadership of the s151 officer that will give closer oversight and scrutiny of the programme. This will include clear accountability and provide regular checks on progress of schemes and any hurdles that impact on deliverability. The structure will also determine funding allocations including capital receipts, section 106, CIL, grant funding, etc. The Council has already refreshed its capital programme in February 2026 to end and pause some projects. This will repeat with a new capital programme reported alongside a refreshed Medium-Term Financial Plan. As part of refreshed programme there is likely to be a need to cancel some paused projects as they are no longer affordable. This will be based on clear criteria and rationale.	and Deputy 151 Officer	

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
15. Whilst the council has cut back its capital programme largely to grant funded schemes only, its experience with the North West Relief Road demonstrates the financial risk of grant claw back when works do not proceed as planned.	15. **From here on,** the assessment of any proposed capital projects dependent on grant funding should consider the financial risks of claw back and the adequacy of project management arrangements to mitigate such risks.	See response to recommendation 14 above. The Budget, Transformation and Change Panel should consider all grant funding opportunities and test them against a range of criteria including financial risks including claw back, liabilities, and organisational capacity to service and support the grant arrangement and delivery against its requirements.	Corporate Director (Finance & Governance – s151) and Deputy 151 Officer	**ongoing**
16. The growth in demand for adult and children's services in recent years has contributed to the increased costs of these services in Shropshire compared to its statistical neighbours.	16. The council should supplement its transformation plans it is developing in children's and adult services with other short term cost cutting initiatives in order to alleviate the more immediate financial pressures. These	The transformation, improvement and change portfolio being finalised includes the proposed transformation of Children's and Adults Social Care services. These are based on early intervention and the prevention and reduction of demand, the financial benefits of which will not be immediately realised. A range of shorter-term savings opportunities for 2026/27 and 2027/28 are being identified through budget and business planning and the Budget, Transformation and Change Panel. Additionally spend control measures remain in place, and robust financial monitoring is also an opportunity to identify opportunities for one-off savings. Progress in terms of in-year delivery of the 2026/27 savings opportunities was reported to Finance & Improvement Overview and Scrutiny Committee and Cabinet in September 2026 as part of the Quarter 1 Financial Monitoring Report, which stated 90.92% of savings are forecast to be delivered by the end of the financial year.	Leadership Board Director of Children's Services (DCS) Director of Adult Social Services (DASS)	November 2026

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
Until such trends are abated, growing demand will continue to increase the financial gap facing the council. The focus on early intervention to stem the growing numbers requiring care will take time to have a significant financial impact. Short term impact is dependent on policies to facilitate step down or to find alternative support to those already in care.	plans need to be developed **by November 2026**.	Achieving financial recovery is not just about reducing current expenditure; it also requires managing the underlying demand, cost and inflationary pressures that would otherwise continue to increase the Council's spending requirements year after year. A range of actions are being delivered and planned across the council, including Children's and Adults Services to mitigate in-year pressures to ensure the Council lives within its budget for 2026/27.		
17. The 'good' and 'outstanding' assessments of adult social care and children's services in Shropshire should	17. The council should, **as soon as possible**, encourage the Improvement and Assurance Board to bring in external	The membership of the Improvement Board has been updated and will take effect in September 2026. Changes include a new Chair and serving Director of Children's Services (DCS) and Director of Adult Social Care Services (DASS) added to the membership of the Board. This will better enable the Board to provide practitioner perspective and critical friend challenge to the Council's transformation, improvement and change proposals, informed by direct experience.	Chief Executive	September 2026

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
minimise the need for further investment, but it does not necessarily mean that efficiencies can be secured. The absence of specialists in these areas on the Improvement Board limits the opportunities to identify and challenge existing practices	representatives with direct experience of children's services and adult social care.			
18. The council's improvement plan is underpinned by a clear set of projects to transform services. They are very much work-in-progress at present and until the potential impact is known it is unclear what difference they will make to the	18. **By December 2026**, the council should identify the potential financial impacts of each initiative so that those projects likely to make the biggest contributions to resolving the financial gap can be resourced and expedited.	Programme 6 of the Improvement Plan is focussed on the development of a transformation programme more aligned to the financial recovery of the Council and including the initiatives (e.g. service transformation) that will have the biggest contribution to make to resolving the financial gap. The Council is not only facing a financial recovery journey, it needs to improve and modernise the organisation in parallel and that is the focus of the Improvement Plan which will be refreshed to respond to the recommendations from this CIPFA Assurance Review, Annual Audit Report, and leaning from the delivery of the Improvement Plan to date. A refreshed Improvement Plan (and People Plan) will be supported by defined projects that will improve how the organisation operates. Those projects need to be robustly	Corporate Director (Change & Improvement) and Service Director (Strategy & Change) Director of Adult Social Services (DASS) Assistant Director (Children's Services Reforms) Service Director (Place Shaping)	**December 2026**

DRAFT **APPENDIX B – Recommendations and Response**

Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
council's financial recovery plans Many of the anticipated benefits are about service improvements. Whilst these are important, there is a risk that initiatives to reduce cost will not necessarily be prioritised		scoped, defined, resourced and managed through clear activity, milestones and measures that help demonstrate impact and benefits.	Head of Automation and Technology Head of Commercial	
19. Existing transformation plans have not been quantified yet, but there is a very high risk that they will be insufficient to bridge the financial gap forecast by the council. The focus to date has been on efficiency improvements and more radical options,	19. As part of the development of a financial recovery plan **by December 2026,** the council should explore the feasibility of alternative methods of service delivery, whether through outside organisations, digitalisation or collaboration with other authorities.	The responses to recommendations 4, 6 and 9 also form the response to this recommendation. The 'future council' principles – set out in the Improvement Plan - and budget & business planning approach are prompting directors to think about alternative approaches to service delivery including digitalisation and working with and through partners. This needs to be a feature of how we plan our role as a council, rather than a definitive one-off list of opportunities. The principles intended to guide how we work and provide a basis for our continued development into a council that is financially sustainable and equipped to deliver, enable, and influence for Shropshire and its residents in the most effective, efficient and economical way – and include: 1. Agility & adaptability 2. Early Intervention and prevention 3. Working with others in partnership 4. Digitally enabling and automation 5. Resident and customer focus	Service Director (Strategy & Change) Leadership Board / Directors	December 2026 and ongoing

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
such as sharing services with other authorities to achieve economies of scale have not been explored.		6. Data, insight and demand management		
On governance, culture and leadership				
20. The change in leadership has led to a much greater focus on governance and decision-making processes and while the direction of travel is encouraging, much is dependent on actions over the next few months. The extensive reporting and assurance requirements are important, but they risk	20. The council should address the gaps in leadership needed to drive progress and appoint an Executive Director responsible for transformation and change **as soon as possible.**	There has been significant recruitment activity throughout July and August, to several leadership positions, including the new post of Corporate Director for Change and Improvement.	Chief Executive	November 2026

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
absorbing capacity that should be deployed on delivery				
21. Discussions and papers at the Improvement and Assurance Board have been too focused on process and lacked an analytical challenge	21. **From here on**, the Improvement and Assurance Board should be re-named as a Financial Recovery Board to demonstrate its focus. Its Membership and agendas need to be centred on the need to drive the delivery of initiatives to bridge the financial gap.	There is no current intention to change the name of the Board from Shropshire Council Improvement Board (SCIB). The Council is not just on a financial recovery journey, there is a need to improve and develop the organisation at the same time, and one cannot be delivered without the other. It is important the Board remains positioned to challenge, support, and provide assurance on the Council's plans and delivery of both financial recovery and organisational improvement. A new chair has been appointed, providing a timely opportunity to review the terms of reference of the Board, the roles it performs and the balance between scrutiny and support.	Chief Executive and Chair of the Shropshire Council Improvement Board (SCIB)	November 2026
22. Financial responsibility and ownership will be critical to future sustainability. Unless staff comply with the financial regulations and manage their budgets appropriately, planned savings will not be delivered	22. **Over the next six months,** the council should explore the feasibility of mandatory training, guidance and other support for its budget holders and wider staff on the importance of financial management. Failure to participate or to	The Improvement Plan has a current programme focussed on strengthening financial management practice, and additional activity will be considered as both Improvement Plan and People Plan are reviewed and refreshed Recent activity has included: • Budget monitoring training (June/July) for budget holders, supported by a new monitoring dashboard to inform monitoring and management of budgets • Financial management training for senior managers (July-October) has focussed on strengthening challenge and curiosity in monitoring and forecasting and identifying practice improvements. There is follow up activity scheduled for October, focussed on pragmatic	Corporate Director (Finance & Governance – s151) Deputy 151 Officer and Director of People and Culture	January 2027

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Key finding / risk	CIPFA Recommendation	Council's current position and/or planned actions	Lead / Responsible Officer(s)	Timescale / Target date
	pass an associated test should lead to follow up action.	improvements to managing budgets, and provision for coaching/mentoring support where required.		

Committee

Audit and Governance Committee

25th September 2026

Public

Annual Risk Management Update and Strategic Risks

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield – Interim Section 151 Officer
Service Area:	Risk Management
Report Author	Barry Hanson, Head of Policy and Governance
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Electoral Divisions Affected	All
Key Decision?	Non Key
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 risk management. By considering and endorsing the annual risk management update and strategic risks report, the Committee confirms that it has reviewed the Council's approach to identifying, assessing, managing and reporting significant risks, and whether these arrangements provide sufficient assurance over the Council's key priorities, controls and governance arrangements.

1.2. This report also enables the Committee to assess the Council's current strategic risk profile and consider whether the risks, controls, mitigations and planned actions reported provide sufficient assurance that significant exposures are being appropriately managed. This is particularly important where risks remain high, are increasing, or require cross-Council ownership and escalation, as it supports

effective challenge, timely action and clear accountability for managing risks that could affect delivery of the Council's priorities.

2. Recommendations

2.1. The Committee is asked to consider and endorse:

- Current risk position, and steps that are being taken to strengthen risk management arrangements at Shropshire Council.

3. Background

3.1. Corporate risk management is particularly important in the Council's current position, where significant financial, operational and governance pressures require clear visibility of the risks that could affect delivery of priorities, statutory responsibilities and service outcomes. A strengthened risk management framework will support the Council to identify emerging issues earlier, clarify ownership, assess the adequacy of controls and ensure that mitigating actions are monitored and escalated where necessary. In this way, risk management is intrinsically linked to improvement of the overall control environment, as it provides the structure through which weaknesses can be identified, prioritised and addressed, and through which Members and senior officers can gain assurance that key risks are being actively managed.

3.2. The need to strengthen corporate risk management has been reinforced through a range of recent assurance and improvement activity, including external audit findings, CIPFA expectations and the Corporate Peer Challenge. These have collectively highlighted the importance of clearer risk ownership, more consistent reporting, stronger escalation routes and better evidence that key risks, controls and mitigating actions are being actively managed. Responding to these findings provides an opportunity to embed risk management more firmly within the Council's governance framework and improvement activity, ensuring that strategic and operational risks are visible, understood and subject to appropriate oversight by senior officers and Members.

3.3. Management is responsible for identifying, assessing and managing risks that may affect the delivery of the Council's priorities, services and statutory responsibilities. Effective risk management arrangements should support informed decision-making, proportionate controls, clear ownership and timely escalation of significant issues. The Audit and Governance Committee has delegated responsibility under the Constitution to consider the effectiveness of the Council's risk management arrangements and to provide appropriate challenge and assurance in relation to the Council's strategic risk profile.

3.4. CIPFA guidance on audit committees in local authorities describes audit committees as a key component of an authority's governance framework, providing independent and high-level focus on the adequacy of governance, risk and control arrangements. In relation to risk management, this requires the Committee to receive sufficient information to understand the Council's strategic risk profile, seek assurance that risks are being identified and managed effectively, and provide constructive challenge where risk exposure, mitigation, ownership or escalation is unclear.

3.5. That oversight is particularly important because Statutory Officers have recognised that the Council's corporate risk management arrangements have not consistently provided a sufficiently proactive or comprehensive view of the organisation's risk profile. This position was reflected in the annual Internal Audit review of risk management 2025/26, which gave a limited assurance opinion and made six significant recommendations. The findings indicate the need to strengthen the Council's risk management framework, including clearer ownership, improved escalation, more consistent reporting, and stronger assurance that key strategic and operational risks are being actively managed.

3.6. Plans to implement a Council-wide Risk Assurance Model for the review of operational risks from January 2025 were not progressed due to organisational restructuring, capacity limitations and resource constraints. The proposed model is now misaligned with the current structure.

4. Summary of Main Proposals

Management Arrangements

4.1. Over the past two years, there have been several changes in senior management within the Risk & Business Continuity Team, which now reports to the Strategy & Scrutiny Manager. These changes, alongside the formation of the Leadership Board in early 2025, have influenced governance and reporting arrangements. A decision has been made by the Statutory Officers to move the risk management function to Legal and Governance under the Head of Policy and Governance. This transition is due to take place effective from 1 October 2026.

4.2. To maintain appropriate independence and objectivity, the Head of Policy and Governance will not provide Internal Audit assurance over risk management arrangements, this work will be completed by the Internal Audit Manager and reported to the committee separately. The risk management function will be responsible for supporting the development, maintenance and reporting of the Council's risk management framework. This will ensure that management responsibility for risk is distinguished from independent assurance over the adequacy and effectiveness of the Council's risk management arrangements. This move will enable the longer term aim to align corporate risk management with Internal Audit which will support the wider internal control improvements required.

4.3. Improving the Council's risk management culture will take time and will need to be supported by sustained leadership, consistent expectations and practical engagement across services. While the revised framework, clearer ownership arrangements and additional capacity will strengthen the formal risk management process, cultural change will depend on risk being routinely considered as part of service planning, decision-making, performance management and assurance activity. Progress should therefore be viewed as a staged improvement journey, with the aim of embedding risk management as a proactive management tool rather than a periodic reporting requirement.

Resourcing

4.4. A documented proposal to realign the risk management function was presented to, and approved by, the Budget, Transformation and Change Panel. As part of this

realignment, a new Risk Manager post has been created to provide dedicated leadership of the corporate risk management function. Interim recruitment is taking place during September 2026 for a six-month period, covering the remainder of the 2026/27 financial year, while recruitment to the permanent post is progressed. An additional Risk Management Officer post will also be recruited to increase capacity and resilience, and to support more consistent identification, reporting, escalation and oversight of strategic and operational risks across the Council.

4.5. Consideration is being given to adding a Risk and Internal Control Improvement Specialist role into the new risk management team. Acting as a proactive improvement resource to work directly with service areas to help mitigate known risks, support on the implementation of known required control improvements in readiness for inspection either internally via the internal audit team or external inspection. This role will work closely with the internal audit team but will not be constrained by the independence required of Internal Auditors. This means a more hands on supporting role in establishing new controls and building resilience in service delivery and corporate plan. Provision this new role will be considered as part of the budget setting for the 2027/28 financial year.

Risk Management Strategy and Framework

4.6. A key recommendation in the 2025/26 Internal Audit report was to fully review the current Opportunity Risk Management Strategy and Framework which has not been fully redrafted since 2022. This is currently being undertaken and will be finalised by Statutory Officers in the coming weeks. This work is in collaboration with the Leadership Board Governance Group and aligned with the Corporate Plan in 2026-30. This will be reviewed on an annual basis. The draft framework can be found at **Appendix E**.

4.7. There will need to be a programme of activity to support the implementation of the new strategy and framework including awareness raising, training and guidance for staff on the importance of raising issues timeously that require risk management. This activity will form part of the refreshed improvement plan.

4.8. The new framework will implement a ten by ten scoring matrix for all risks which will offer more granularity on risks identified. All operational risk registers will be reassessed using the new framework by December 2026, the results of which will be considered as part of the 2026/27 Annual Governance Statement process.

Strategic Risk Management

4.9. The exceptional position described in the 2025/26 Annual Governance Statement, and the strategic risks identified through that process reflect the Council's current operating environment. Significant financial, governance, capacity and delivery pressures remain evident and require sustained corporate oversight, clear ownership and effective mitigation. The strategic risk register therefore provides a structured mechanism for monitoring these exposures, confirming whether controls remain appropriate, and ensuring that further action is escalated where risks could affect the Council's ability to deliver its priorities, statutory responsibilities and improvement commitments.

4.10. In August 2026, the strategic risk environment was reviewed through a Leadership Board workshop, informed by the significant governance issues identified in the 2025/26 Annual Governance Statement, external assurance reports from CIPFA, CPC and External Audit led by the S151 Officer. Following this review, Statutory Officers assumed ownership of the Council's strategic risks, with additional control owners responsible for reviewing and confirming that planned controls are appropriate, deliverable and sufficient to mitigate the associated risk exposure. A further dedicated Statutory Officer review will be undertaken to clarify the additional controls and scoring.

4.11. Assurance levels of the additional mitigating controls are documented in line with the IIAs Three Lines of Assurance Model. This approach helps organisations identify and manage risks effectively by creating three distinct levels of control and oversight as shown at **Appendix A**.

4.12. As at 11 September 2026 there are 12 strategic risks recorded on the strategic risk register, which are overseen by the statutory officers group. These are detailed in **Appendix B**.

Operational Risk Management

4.13. Operational risks are reviewed on a bi-annual basis. As part of the wider risk management review and in readiness for the new risk management framework all operational risk registers have been updated during the summer. These risks recorded on the Risk Management SharePoint site which enables risks to be more pro-actively managed in a 'live' environment enabling PowerBI reports to be provide a 'real time' overview of our risk position.

4.14. Emerging operational risks, or themes are considered as part of the strategic risk review. Strategic risks have been added to the strategic risk register as a result of risks raised through operational risk reviews.

4.15. As at 9 September 2026 there are 82 operational risk registers in place across the organisation containing 1062 risks in total. The diagram in **Appendix C** demonstrates our current overall operational risk exposure along with the current plotting matrix.

4.16. Between October and December 2026, all operational risks will be fully reviewed and scored using the new methodology. The results from which will feed into the review of the Strategic risk exposure documented within the AGS for 2026/27.

Project Risk Management

4.17. The corporate risk management function continues to support key projects that are currently underway, or which are due to be commenced.

4.18. There is a robust risk management process in place for project related risks. A risk register is developed at the commencement of projects and held within SharePoint. Risks are allocated to appropriate project board members for management and review. The direction of travel for projects is monitored to give an indication as to how well risk is managed.

4.19. PowerBI reports are available on current risk exposure across any project. As at 11 September 2026 there are 460 live project risks. Current project risk exposure is demonstrated in **Appendix D** shows the current overall risk exposure and a plotting matrix for the risk scoring.

4.20. Automated emails are sent every quarter to project risk owners reminding them to update and review their risks. If risks are not reviewed automated escalation emails are then sent to the project manager and the risk management officer for follow up.

5. Alternative Options

5.1. As this report is presented for consideration and endorsement rather than decision, there are no alternative options requiring evaluation. The Committee may, however, request further information, make comments, or identify additional actions in response to the performance and assurance outcomes reported.

6. Key Risks and Opportunities

6.1. Through effective corporate risk management arrangements, the Council seeks to identify, assess, manage and monitor the key risks that may affect delivery of its priorities, services and statutory responsibilities. Clear risk ownership, proportionate controls, timely escalation and regular reporting support informed decision-making and help ensure that significant financial, operational, governance and reputational exposures are understood and managed. This contributes to the continuous improvement of the Council's overall control environment and organisational performance.

6.2. In considering this report, Members should take assurance from the steps being taken to strengthen the Council's corporate risk management arrangements and improve the visibility, ownership and escalation of key risks. The strategic and operational risks reported are intended to provide a clearer view of the Council's current risk exposure, the controls and mitigations in place, and the further actions required to manage risks to an acceptable level. Risks that are critical to the Council's priorities, services or statutory responsibilities will continue to be reviewed, monitored and escalated through the appropriate governance routes, including Statutory Officers, Leadership Board and the Audit and Governance Committee. Key risks associated with the effectiveness of corporate risk management are identified in the table below.

Risk	Mitigation	Link to Strategic Risk
Failure to maintain an effective corporate risk management framework.	Review and update the Risk Management Strategy and Framework, with approval by Statutory Officers and annual review thereafter.	Governance, assurance and value for money.
Strategic and operational risks are not identified, escalated or reported consistently.	Implement consistent risk reporting, clearer ownership, escalation routes and routine review through Statutory Officers, Leadership Board and	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
	the Audit and Governance Committee.	
Risk actions and additional controls are delayed or not delivered.	Track planned actions, confirm accountable owners, monitor delivery timescales and escalate overdue or high-impact actions for management and Committee challenge.	Governance, assurance and value for money.
The Council does not have sufficient assurance over the effectiveness of risk controls and mitigations.	Use the Three Lines Model to clarify management controls, oversight arrangements and independent assurance activity, including targeted Internal Audit work where appropriate.	Governance, assurance and value for money.
Capacity or skills shortages limit delivery of the risk management improvement programme.	Recruit to the Risk Manager and Risk Management Officer posts, provide clear work priorities and use interim support to maintain progress during transition.	Governance, assurance and value for money. Workforce Capacity and Capability.

6.3. The strengthening of corporate risk management arrangements provides an opportunity to improve the Council's ability to respond to emerging risks and changing priorities in a timely and structured way. Clearer ownership, improved escalation routes, more consistent reporting and alignment with the Three Lines Model will support better-informed decision-making and provide greater assurance that key controls and mitigations are operating effectively. This will help embed risk management as a proactive tool for organisational improvement, rather than a periodic reporting exercise.

7. Council Priorities

7.1. Corporate risk management 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. By providing a clearer understanding of the Council's strategic and operational risk profile, the risk management framework supports informed decision-making, prioritisation and accountability. This helps ensure that key risks to the delivery of Council priorities are identified, assessed, escalated and managed effectively, supporting the Council's ambition to be sustainable, resilient and efficient.

8. Financial Implications

8.1. The Risk Management service operates within an approved budget agreed by the Council, and its activities are planned to maximise the value of this resource in providing risk based assurance.

8.2. Through strengthened risk management arrangements, the Council will be better able to identify, assess and manage financial risks at both strategic and operational levels. Clearer risk ownership, more consistent reporting and improved escalation will support earlier recognition of issues that could affect financial

sustainability, budget delivery, value for money or the effective use of resources. This will provide management, the Committee and the Council with greater visibility of the financial risks facing the organisation and the actions being taken to mitigate them

9. Legal and HR implications

9.1. There are no direct legal or human resource implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that may affect compliance with legislation, policies, statutory duties and employment-related responsibilities. Strengthened risk ownership, escalation and reporting arrangements will help ensure that legal and workforce-related risks are identified at an appropriate level and managed through the relevant governance and management routes.

10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from this report, as it relates to the 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. However, the work reported to the Committee will look at these aspects relevant to the governance, risk management and control environment.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that could affect fair access to services, compliance with equality legislation, and the consistent application of policies and procedures. Strengthened risk ownership, escalation and reporting arrangements will help ensure that equality-related risks are considered through the Council's governance framework and managed through the appropriate service and corporate routes.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report. However, effective corporate risk management supports the Council in identifying, assessing and managing risks that may affect environmental compliance, climate-related responsibilities, biodiversity considerations and the delivery of sustainability objectives. Strengthened risk ownership, escalation and reporting arrangements will help ensure that relevant environmental risks are considered through the Council's governance framework and managed through the appropriate service and corporate routes.

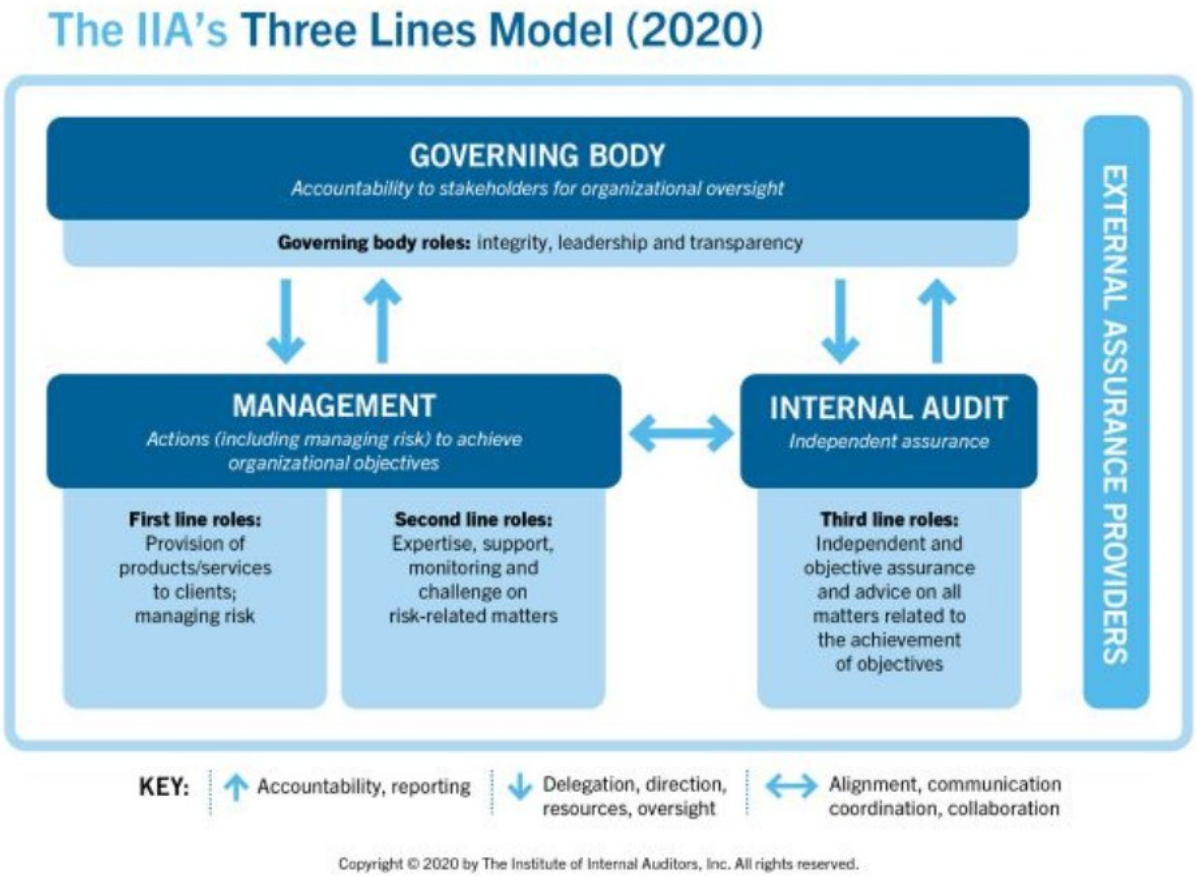
14. Background Papers

14.1. Second line assurance: Strategic Risks Update – Audit and Governance Committee, 5 February 2026

15. Appendices

Appendix A – Three Lines Model
Appendix B - Strategic Risks
Appendix C – Operational Risks
Appendix D – Project Risks
Appendix E – Draft Risk Management Framework 2026

Appendix A



Appendix B

The following table details the current strategic risks along with the description detail and owner.

Risk Title	Risk Description/Detail	Risk Owner
Transformation programmes and significant projects	Transformation programmes and significant projects are delayed, deferred or fail to deliver on their objectives leading to loss of opportunities and adverse financial impacts.	Statutory Officers
Major emergency, pandemic or climate related events	A catastrophic physical, climatic or pandemic event severely disrupts the delivery of Council services and compromises the Council's ability to meet statutory requirements.	Statutory Officers
Breakdown of critical contracts, providers or strategic partnerships	Breakdown of major contract or partnership arising from provider insolvency, poor performance, workforce shortages, contractual disputes or market instability, resulting in service disruption, financial loss, reputational damage and additional management costs.	Statutory Officers
Governance, performance and financial weaknesses.	External scrutiny and threat of intervention. A consequence of EFS is an increased likelihood of external scrutiny over and above the Improvement Board arrangements established in November 2025. There remains an ongoing risk of Government intervention, including the appointment of envoys or commissioners.	Statutory Officers

Risk Title	Risk Description/Detail	Risk Owner
Challenging financial position compromising decision making and governance arrangements	The necessity to deliver significant savings, reduce expenditure and reliance on EFS may limit strategic flexibility and increase the risk that decisions prioritise immediate financial outcomes over longer-term service sustainability and demand prevention. Robust governance, decisive and transparent decision making and effective scrutiny arrangements will be essential.	Statutory Officers
Workforce capacity and capability	Workforce capacity and capability must be in place to deliver existing services to minimum standards but also to support the significant transformation and improvement activity required to address the Council's financial challenges.	Statutory Officers
Maintaining cyber resilience and information security	Cyber security remains as an ongoing threat to all organisations, not least the public sector and local government, in terms of the impact of lost, corrupted or stolen data with serious implications for potential financial loss and reputational damage.	Statutory Officers
Increasing demand for services and economic uncertainty	The national and global economy remains volatile and new demands on statutory services continues to present significant financial risks to the Council.	Statutory Officers
Achieving long-term financial sustainability	Despite a three-year settlement, government funding continues to reduce as a proportion of public sector investment in real terms and continues to transfer additional burden to local taxpayers.	Statutory Officers
Impact of financing Exceptional Financial Support (EFS)	Exceptional Financial Support (EFS) incurs costs of debt for both interest and principal of a fixed number of years and creates an additional overhead over and above the costs of additional demands for services and the inflation that goes with it.	Statutory Officers
Governance, assurance and value for money	The external auditor issued statutory recommendations as part of their annual audit for 2024/25 which cast doubt on the integrity of the Council's value for money arrangements.	Statutory Officers
Effective internal control framework	The Council has reported Limited Assurance on the Internal Audit Control Framework for seven years, limiting confidence in the standards of governance in place within the organisation.	Statutory Officers

Appendix C

The following diagram shows the spread of operational risks over the last three years. As at 11 September 2026 there are 1063 live operational risks.

The following diagram shows the scoring matrix for current operational risks.

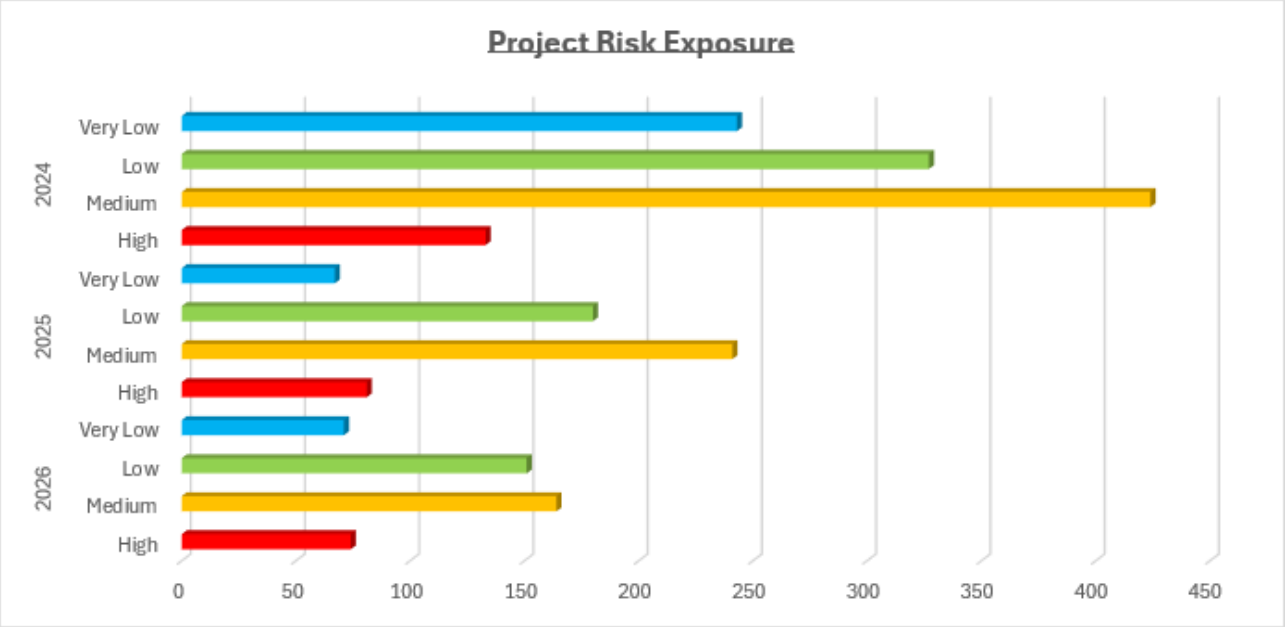
Operational Risk plotting matrix 11/9/26

Likelihood Score

Impact Score	1	2	3	4	5
1	19	36	42	38	16
2	5	99	124	64	11
3	4	63	161	77	17
4		19	71	82	6
5	3	23	36	18	29

Appendix D

The following diagram shows the spread of project related risks over the last three years. As at 11 September 2026 there are 460 live project risks.



Project Risk Plotting Matrix (11/9/26)

Likelihood Score

Impact Score	1	2	3	4	5
1	6	5	1		
2	30	43	20	8	9
3	29	76	62	15	9
4	8	25	40	26	7
5	4	5	9	5	18

Risk Management Framework 2026

Document Details:

Owner/Lead Officer: Head of Policy and Governance (Chief Audit Executive)

Date: August 2026

Review Arrangements: Review due by August 2028

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Contents

Date approved	
Date of last review	Head of Policy and Governance Statutory Officers Group
Date of next review	August 2028
Version number	1.0

1. Introduction

This document sets out how Shropshire Council's risk management framework should be applied in practice. It is designed to support a consistent approach to identifying, assessing, recording, monitoring and reporting risks that may affect delivery of the Council's priorities, services and statutory responsibilities. Risk management is important to Shropshire Council because it supports informed decision-making, strengthens accountability and helps the Council protect essential services, public resources and outcomes for local communities. Effective risk management helps the Council make informed decisions, manage uncertainty, protect service delivery and identify opportunities to improve outcomes.

The benefits to the council of the risk management process are to:

- Increase the likelihood of achieving corporate and business objectives;
- Alert the council to new/increasing risks that may impact on the council's ability to serve its community;
- Enable significant risks to be effectively managed to ensure that risk is taken seriously, and
- Use a single process that can be applied to any type of risk that the council faces, including opportunity (positive risk).

Statement from the Chief Executive:

The Council's Members and Executive Management Team support and endorse the work of the Risk Management Team in embedding an Risk Management culture across all levels of the Council's operations. The importance of integrating Risk Management techniques in decision making and business planning process is recognised and acknowledged, as is the need to raise general awareness and understanding of risk. The strategy sets out how the Council intends to do this and the process for moving forward. The Leader of the Council, Council Members, Senior Management Team, and I, are fully committed to this strategy and see it as part of our responsibility to deliver excellent public services.

Signed: Tanya Miles, Chief Executive, Shropshire Council

Tanya Signature

Date: September 2026

2. Risk Management Framework

2.1. Risk Management Policy and Strategy

Shropshire Council's risk management framework provides the structure through which risks are identified, assessed, managed, monitored and reported across the organisation. It brings together the Council's risk management policy, strategy, roles, governance arrangements, reporting routes and supporting tools to promote a consistent and proportionate approach. The framework helps ensure that risk management is embedded within decision-making, service planning, performance management and day-to-day operational activity, supporting the Council to deliver its priorities and statutory responsibilities effectively.

Risk Management Framework

How risk is identified, assessed, managed, recorded, reported and assured across the Council

1. Strategic context Corporate Plan, Improvement Plan, Financial Plan, People Plan, service plans, statutory duties and partnership priorities define what must be delivered and where uncertainty may arise.	**2. Risk identification** Risks and opportunities are identified through service planning, budget setting, key decisions, projects, change activity, incidents, audit findings, benchmarking and risk workshops.	**3. Assessment and appetite** Impact and likelihood are scored using the corporate methodology. Current and future risk scores are considered against appetite and tolerance to determine the required response.	**4. Mitigation and control** Responses may include accepting, minimising, transferring, ceasing activity or taking an opportunity. Actions should have owners, target dates, controls and review frequencies.
5. Recording Risks are recorded on the relevant corporate, directorate, service, project, partnership or specialist risk register, with SharePoint acting as the main system record.	**6. Monitoring and review** Risk owners and risk champions review risks regularly, update scores and actions, confirm whether controls remain effective and identify new or emerging risks.	**7. Reporting and escalation** Significant, worsening or cross-cutting risks are escalated through management and governance routes so that senior leaders and members can consider exposure and action.	**8. Roles and support** Elected members, senior leaders, directors, managers, risk champions, the Risk Manager, specialist functions and employees all contribute to ownership, challenge and delivery.

Assurance and feedback loop

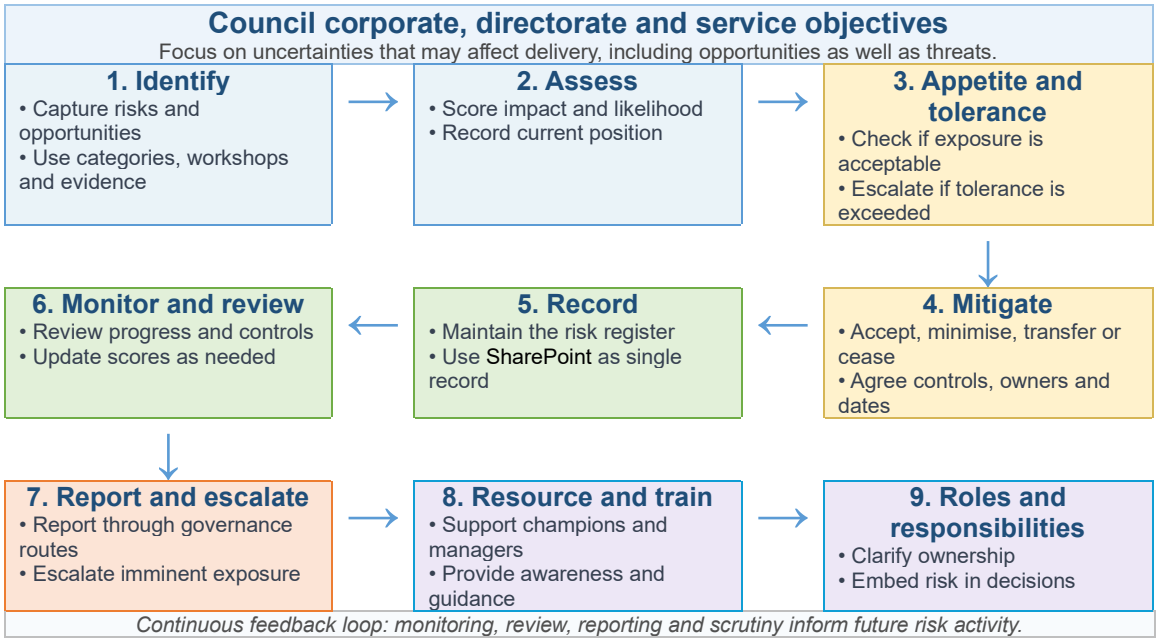
Internal audit, external audit, scrutiny, performance information, incidents, lessons learned, specialist advice and management challenge provide assurance over whether risks are understood, controls are effective and the framework remains proportionate, current and embedded.

The framework is cyclical: review, reporting, assurance and learning feed back into strategic planning, operational decision-making and future risk identification.

Key strategic plans, priorities and values		
Plan / framework	**Relevance to risk management**	**Link**
Corporate Plan 2026–2030	Sets the Council's strategic direction, priorities and intended outcomes. Risks should be considered against delivery of these objectives.	Corporate Plan
Improvement Plan	Identifies improvement priorities and delivery activity. Risks should be used to support delivery confidence and escalation where improvement activity is at risk.	Improvement Plan
Financial Plan / Medium Term Financial Strategy	Provides the financial context for decisions and service delivery. Financial sustainability risks should be identified, managed and reported alongside wider corporate risks.	Financial Plan
People Plan	Supports workforce capacity, capability, culture and leadership. Workforce and change risks should be considered as part of service and corporate risk activity.	People Plan
Corporate priorities and values	Provide the behaviours and priorities against which decisions, controls and risk responses should be considered.	Corporate Plan

3. Risk Management Process

This section explains the practical steps that should be followed to manage risk consistently across the Council. The process begins with clear objectives and then moves through risk identification, assessment, consideration of appetite and tolerance, mitigation, recording, monitoring, reporting and escalation. Risk management should be treated as a continuous cycle, with risks reviewed and updated as circumstances change, controls are implemented, or new information becomes available. This ensures that risks and opportunities are understood, owned and managed in a timely and proportionate way.



3.1. Risk Identification

What situations give rise to risk?

Risks to the achievement of the council's corporate and business objectives should be identified. These risks may arise through:

- Normal day to day operational activities
- Taking a key decision
- Before or during the implementation of change or new initiative
- A significant project
- Implementation of new policies or procedures
- Relationships with partnerships and contractors
- During business planning and budget setting processes

Managers and staff responsible for these areas within the council must identify the potential risks that may affect their ability to undertake the tasks above.

Opportunity risk management

The council should also consider opportunities that would improve the chance of achieving the council's aims and objectives. The opportunity risk assessment process is contained in appendix (ii).

Different types and categories of risk

In order to identify potential risks to the achievement of corporate or business objectives it is useful to consider the different types of risks. Risk can arise from a number of external and internal factors and risk can be either strategic or operational in nature. In this council we categorise risks in 2 stages. Risk category 1 is the high level risk category and displayed below:

- Financial
- Legal and regulatory
- Operational
- Staffing and culture
- Reputational
- Economic

Risk category 2 which helps identify the main risk themes running through the council's different risk registers are displayed in appendix (iii).

How to identify risks

It is sometimes difficult to start the risk identification process. Therefore once you have the strategic or business objectives it is easier to consider:

- What are the risks that may impact the achievement of these (consider the different categories above and see appendix (iii) for further risk categories).
- When considering risk, departments should focus their attention on the following;
  - Risks that could prevent the service from meeting its key objectives
  - Risks relating to significant service disruption or non-delivery
  - Major safety risks relating to that service
  - Major financial risks e.g. in excess of £50,000
  - Risks relating to overriding issues of corporate concern

- It is also important to ensure that risks have been articulated correctly to ensure that all stakeholders would understand the risk being identified (try to keep abbreviations and jargon to a minimum). Therefore you may find it useful to consider the risk description rationale, outlined in appendix (iii).
- Risk identified should then be captured on a 'Risk identification, assessment and control' template (see appendix (iv)).

Additional sources of risk information

Prior to starting the risk identification process, the risk champion should identify any other sources of risks that should be shared during the risk identification workshop. These may include but are not limited to:

- Claims/past losses

- Accidents/incidents/near misses
- Loss information from other local authorities
- Any recent internal audit, other audit and inspection reports
- Feedback from external auditors
- Benchmarking with peers
- Staff/team meetings
- Association of Local Authorities Risk Managers (ALARM)

Different techniques to facilitate risk identification

Risk workshops - There are different methods of identifying risks. The most common method used in the council is a risk identification workshop. The workshop consists of a team of relevant personnel identifying the risks to the achievement of their particular objective or activity. The Risk Manager is also available to provide resource and training in workshop facilitation as required.

Others - There are other approaches to risk identification including structured interviews, incident investigation, auditing and inspection. However these approaches have their limitations and we would advocate the use of a workshop-based approach if at all possible.

Appointing risk owner

Each risk identified should have an appropriate risk owner identified. A risk owner is someone who has the appropriate responsibility, authority and knowledge of the risk to manage that risk.

3.2. Risk Assessment

Once risks have been identified, we must measure the potential importance of the risk to the council. As with the risk identification stage, the assessment should consider the potential importance to the council as it affects the achievement of the relevant aims and objectives. This will consider both the **impact** to the council if the risk was to occur, and the **likelihood** of the risk occurring with that level of **impact**.

There are many techniques to assess risks. The council-wide risk assessment steps in the risk assessment methodology are outlined in the steps below. **These steps should be read in conjunction with the risk assessment methodology (see appendix (vi) for full scale impact and likelihood assessment):**

How to assess risk

- Ensure that all risks identified have been articulated adequately and that all participants understand the risks. This is crucial to enable accurate scoring of each risk.
- Taking each risk in turn, decide what the potential impact is if the risk was to occur based on the assessment criteria below. Consider each of the potential impact categories, choose the category most relevant to the risk and score it against that category: ‘what is the potential negative impact of this threat if it was taken by the business?’
- For each risk, decide what is the likelihood of the risk occurring which would result in the impact scored above. Use the likelihood assessment criteria below: ‘What is

the likelihood of the threat having this negative impact if it happened to the business?'

- Once you have scored all risks by impact and likelihood you may now plot these on the council's risk matrix below.

This is known as the **current risk assessment**. That means the assessment of the risk at the current point in time, with existing controls in place.

There is another level of risk assessment called **controlled/future risk assessment**. Further details of this can be found below. Once the risk mitigation has been decided upon the risk can be re-assessed assuming the new controls have been implemented to determine whether the new controls identified are adequate to reduce the risk down to a tolerable level.

3.3. Risk Appetite and Tolerance

The council has set its risk tolerance. This is displayed in the risk matrix below. The risk matrix will then help you assess the importance of each risk. As a general rule of thumb:

Risk rating	What this means	Expected management response	Monitoring and escalation
🟢 **Green/ Low risk**	The risk is within tolerance and can normally be managed through existing controls.	Maintain existing controls and keep under routine review. Further action is usually only needed if the risk changes.	Review at least quarterly, or sooner if circumstances change.
🟡 **Yellow/ Moderate risk**	The risk is broadly manageable but may need additional control or closer oversight.	Consider whether further controls are needed to reduce likelihood or impact. Confirm ownership and planned actions where appropriate.	Monitor regularly through service-level risk review arrangements. Escalate if the score increases or actions are not progressing.
🟠 **Amber/ Significant risk**	The risk is above normal tolerance and requires active management.	Put proportionate mitigating actions in place, assign clear owners and target dates, and track progress.	Review regularly and report through departmental or directorate risk arrangements. Escalate where progress is limited or exposure remains high.
🔴 **Red/ Key risk**	The risk is outside tolerance and may have a serious impact on the Council's objectives, services, finances, reputation or statutory responsibilities.	Take urgent action to mitigate the risk as soon as possible. Ensure senior ownership and clear action planning.	Escalate to senior management for consideration and maintain ongoing monitoring until the risk is reduced to a tolerable level.

Shropshire Council Corporate Risk Assessment Matrix

Likelihood

Impact	1	2	3	4	5	6	7	8	9	10
10	55	64	72	79	85	90	94	97	99	100
9	45	54	63	71	78	84	89	93	96	98
8	36	44	53	62	70	77	83	88	92	95
7	28	35	43	52	61	69	76	82	87	91
6	21	27	34	42	51	60	68	75	81	86
5	15	20	26	33	41	50	59	67	74	80
4	10	14	19	25	32	40	49	58	66	73
3	6	9	13	18	24	31	39	48	57	65
2	3	5	8	12	17	23	30	38	47	56
1	1	2	4	7	11	16	22	29	37	46

RISK RESPONSE GUIDE

GREEN / LOW RISK (1-14)

Monitor through routine management arrangements.

YELLOW / MODERATE RISK (15-39)

Review controls and manage through service plans.

AMBER / SIGNIFICANT RISK (40-79)

Active management and mitigating action required.

RED / KEY RISK (80-100)

Immediate attention, escalation and continued monitoring required.

3.4. Department and service level risk tolerance

As an absolute minimum, each department should follow the council's tolerance for risk. However, there will be certain cases where, due to the nature of the risk and other factors the department may feel that their tolerance to risk is actually much lower than the council's tolerance. For instance, in children's services it may be determined that any score with an impact of '5' for life and limb is intolerant regardless of the likelihood of occurrence. Therefore their tolerance may be lower than that of the council as a whole.

During the risk identification and risk assessment process for departments and service lines, you should ask the question 'Are we comfortable with this risk assessment?' If the answer is no, then regardless of the council risk tolerance it will be appropriate for the individual department or business line to decide to immediately and actively reduce the assessment score for an individual risk.

4. Risk Mitigation

This section explains how risks should be managed once they have been identified, assessed and considered against the Council's risk appetite and tolerance. Risk mitigation involves deciding the most appropriate response to reduce, control, transfer, accept or, where necessary, cease the activity giving rise to the risk. Mitigating actions should be proportionate to the level of risk, clearly owned, time-bound and capable of reducing the risk to a tolerable level where possible. Effective mitigation helps ensure that risks are actively managed rather than simply recorded.

4.1. Risk Mitigation Techniques

There are five main categories of risk mitigation technique approaches:

Accept and manage – the risk exposure may be tolerable without any further action being taken. For high scoring risks, it may also be the case that despite the risk exposure being high there is nothing that can be done about a particular risk and the council will just have to 'live with it'.

Minimise – controls are implemented to reduce the risk to an acceptable level without ceasing the activity giving rise to the risk.

Transfer – for some risks there will be the opportunity to transfer the risk or the financial aspect of that risk. For instance, you may be able to transfer an exposure to a contractor on a major project, or you may be able to transfer the financial consequence of the risk of a building fire to insurance. However, care should be taken when considering risk transfer as the risk's potential reputational impact may remain with the council regardless of where the risk was transferred to.

Cease activity – in exceptional circumstances, the council may decide to cease the activity giving rise to the risk as the risk exposure is too great for the council to accept. However there are activities in the council that, regardless of the risk involved, would have to continue to provide a service to the community.

Take the opportunity – when an opportunity has been identified through the risk identification process, depending on its potential positive exposure a decision may be made to exploit the opportunity.

NB: It may be that a combination of the above mitigation techniques will be used.

4.2. Choosing the Correct Risk Mitigation Technique

This will depend in part on the tolerance to each risk identified as outlined in section 3 above. Generally, we should consider the following type of control for each of the different levels of risk assessment. These are only guidance and it may be that different or increased levels of mitigation are required, dependent on the risk itself.

GREEN / LOW RISK

Accept and manage

YELLOW / MODERATE RISK

Accept and manage or possibly minimise (with additional controls), or

AMBER / SIGNIFICANT RISK (40-79)

Minimise (with additional controls) or transfer the risk

RED / KEY RISK

Minimise (with additional controls), transfer or in extreme situations consider ceasing the activity that creates the risk.

4.3. Action Planning

Once you have decided on the correct form(s) of mitigation then for those risks which will require any of the treatments above, other than 'Accept and manage', an action plan must be developed.

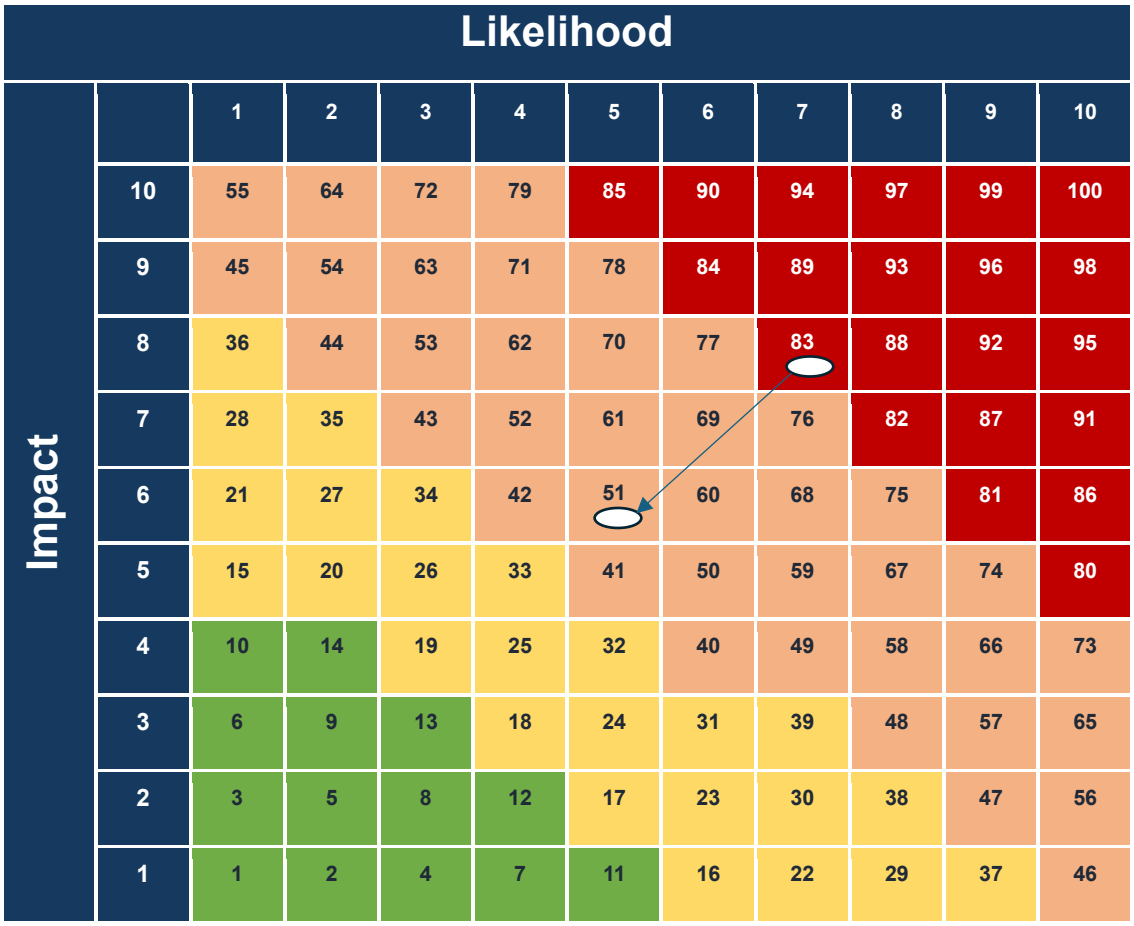
Each action plan must include:

- Risk reference
- Control actions
- Control action owner (each control can have a different control owner)
- Deadline for each control
- Frequency of review

See appendix (iv) (Risk identification & assessment template) for sample template to capture data.

4.4. Controlled/Future Risk Assessment

Once new controls have been identified to reduce the risk, these should help reduce the risk score. A re-assessment of the impact and likelihood (using the assessment methodology in section 2 above) should be made to ensure that the level of new controls identified will reduce the risk down to a tolerable level. See mini-diagram below:



5. Risk Recording

This section explains how risk information should be recorded once risks have been identified, assessed and appropriate mitigating actions agreed. Risk recording provides a clear and documented record of the risk, its causes and consequences, current controls, assessment score, ownership, further actions and review arrangements. Maintaining accurate and up-to-date risk records helps ensure that risks are visible, consistently managed, monitored over time and reported through the appropriate governance routes.

5.1. Risk Register

Once the above steps have been completed the risk information may now be called a risk register. This is simply a list of risks for a particular area which have been assessed and control action plans identified – the completed appendix (iv) – Risk identification, assessment and control template.

5.2. Inputting the Risk Register onto the Risk Management System

The council has a risk management system on the SharePoint platform that stores and helps to manage the council's various risk registers.

The risk register needs to be populated on the SharePoint risk management system. Please contact the Risk Manager to arrange for access to the Risk Management SharePoint system and the necessary training.

Further information on the SharePoint system and how it is used by the council is available from appendix (vii) – user manual.

6. Risk Monitoring and Review

This section explains how risk registers should be maintained, reviewed and updated to ensure they provide an accurate and current picture of risk across the Council. Monitoring and review are essential to confirm whether risks remain relevant, whether controls are operating effectively, whether mitigating actions are progressing, and whether risk scores need to be revised. Regular review also helps identify new, emerging or escalating risks and ensures that risks are reported or escalated through the appropriate governance routes when required.

Each risk register should be reviewed and updated regularly to ensure that it is as far as possible there is an up to date picture of the council's risk profile at a point in time. Therefore, there are specific tasks to be completed to ensure that this happens:

6.1. Monthly Risk Register Review on SharePoint

At least monthly, the risk champion should review progress on risk and control actions, and where there are items outstanding to liaise with the appropriate risk owner or control owner to update the risk management system.

6.2. Quarterly Detailed Risk Register Review

At least quarterly the risk champion should facilitate the review of all risks on the risk register. This should include:

- **Risk description** – do they need to be revised?
- **Risk assessment scores** – for example, has progress towards implementing controls changed the risk score?
- **Risk controls** – are the controls being implemented, do we need additional controls, are the controls identified still relevant?
- **New risks** – have there been any significant changes within the area of work that may give rise to a new risk or significantly increased risk?
- **Old risks** – should risks be removed from the risk register because they are no longer a risk to the council?

6.3. Annual Risk Register Challenge for Operational Risks

At least annually and as part of the business planning cycle, each area should carry out a new risk identification exercise. The existing risk register will be used to support this process but it is important to ensure that there is an identification of any new risks and significant changes aligned to the corporate or business objectives.

Further information on the risk identification process is available in section 1 and 2 above.

6.4. Risk Monitoring and Review for Other Risk Areas

Projects, programmes, live events etc risk monitoring frequency should be based on the changing risk environment, and may be required to be reviewed far more frequently.

6.5. Ongoing Monitoring and Review

Various internal and external factors can impact on a risk register. Therefore any such changes should be identified and if they are likely to affect the risk register (e.g. a new risk or a significant increase in risk score) updates should be made to the risk register as soon as possible.

7. Risk Reporting and Escalation

This section sets out how risk information should be reported, escalated and scrutinised through the Council's governance arrangements. Effective reporting ensures that managers, senior leaders and members have timely and relevant information about significant risks, emerging issues, progress with mitigating actions and any areas where risk exposure exceeds agreed tolerance. Escalation should be proportionate to the level of risk and should ensure that risks requiring senior oversight, cross-council coordination or urgent action are brought to the attention of the appropriate decision-makers without delay.

7.1. Risk Reports

The risk management system is set up to generate a number of general reports for those involved in risk management. These can be accessed via SharePoint. For a specific report request please contact the Risk Manager.

7.2. Reporting and Escalation

- **Audit and Governance Committee –** receives regular risk management reports to support its role in monitoring the effective development and operation of the Council's risk management arrangements. Reports should provide assurance on the operation of the framework, highlight key corporate risks, summarise significant changes in risk exposure, identify risks outside agreed tolerance, and set out progress with mitigating actions. The Committee should also receive the annual risk management update and be asked to consider key risk management documents, including the risk management framework, strategy, policy statement and any significant changes to risk methodology or reporting arrangements.
- **Strategic Directors –** risk champions report to strategic directors on key departmental risks on at least a quarterly basis.
- **The Corporate Management Team –** receive a regular report on the council's key corporate risks.

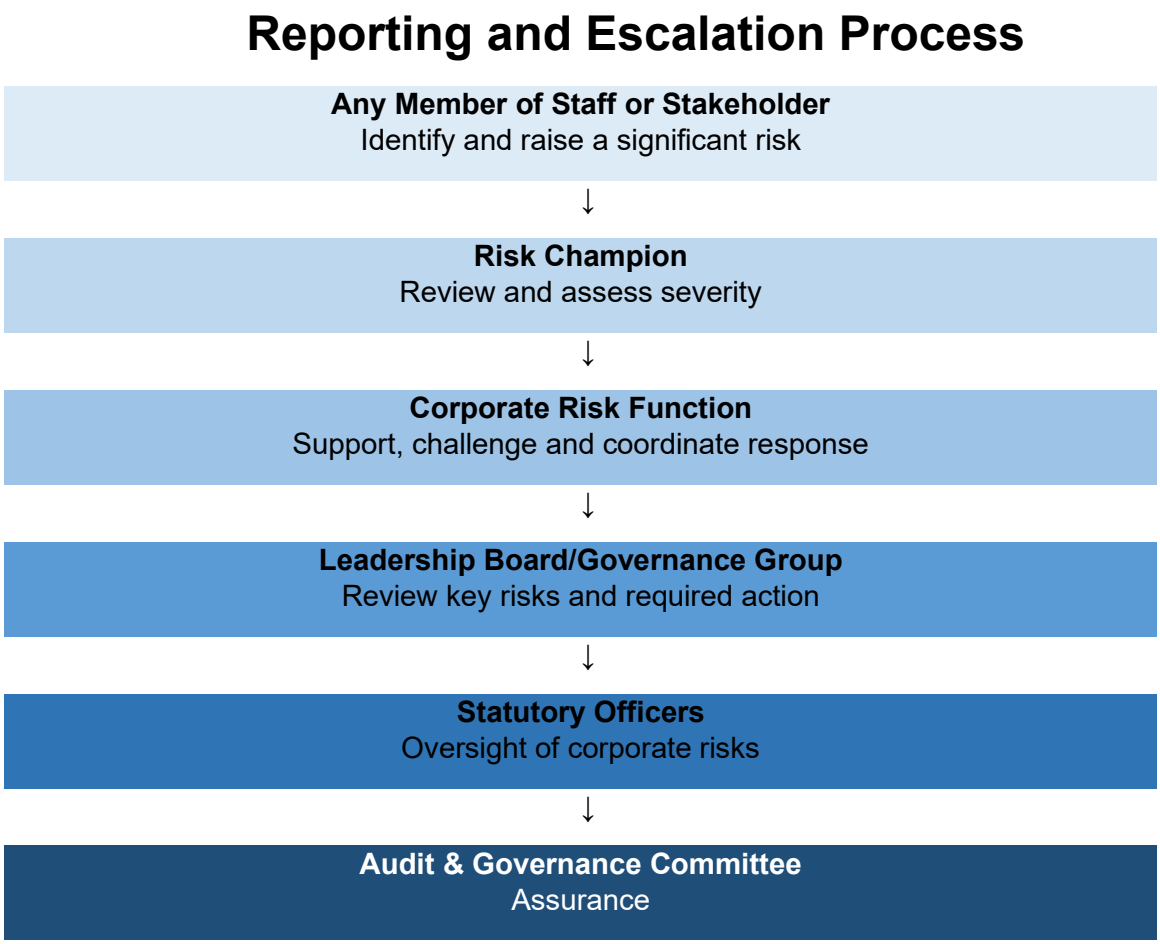
Risk reports to the Audit and Governance Committee should focus on oversight, assurance and constructive challenge rather than operational management of individual risks. The purpose of reporting is to help members understand whether the Council's risk management arrangements are operating effectively, whether key risks are being managed within agreed tolerance, and whether further escalation, action or assurance is required.

Risk reports to Audit and Governance Committee	
Area	**Expected coverage**
Frequency	A formal risk management update should be presented at least annually, with additional reports provided where there are significant changes to the corporate risk profile, risk framework or wider governance arrangements.
Corporate risk profile	Summary of key corporate risks, including new, escalating, reducing and closed risks, together with the overall direction of travel and any significant cross-cutting themes.
Risks outside tolerance	Identification of red/key risks and any other risks where the current exposure exceeds agreed tolerance, including the actions being taken, ownership and expected review points.
Framework assurance	Updates on the effectiveness of the risk management framework, including completion of risk reviews, quality of risk records, training, engagement with risk champions and progress against planned improvements.
Committee challenge	Reports should support members to test whether significant risks are clearly described, appropriately scored, actively managed, linked to Council priorities, and subject to proportionate assurance.

7.3. Emergency Escalation Process

If any member of staff feels that they have identified a significant risk that could have a substantial negative impact on the council they should approach their departmental risk champion. However, if they remain concerned or the risk is such that the council is exposed to imminent loss then the individual should contact the council risk champion – Corporate Director S151 Officer.

The diagram below outlines the reporting and escalation process:

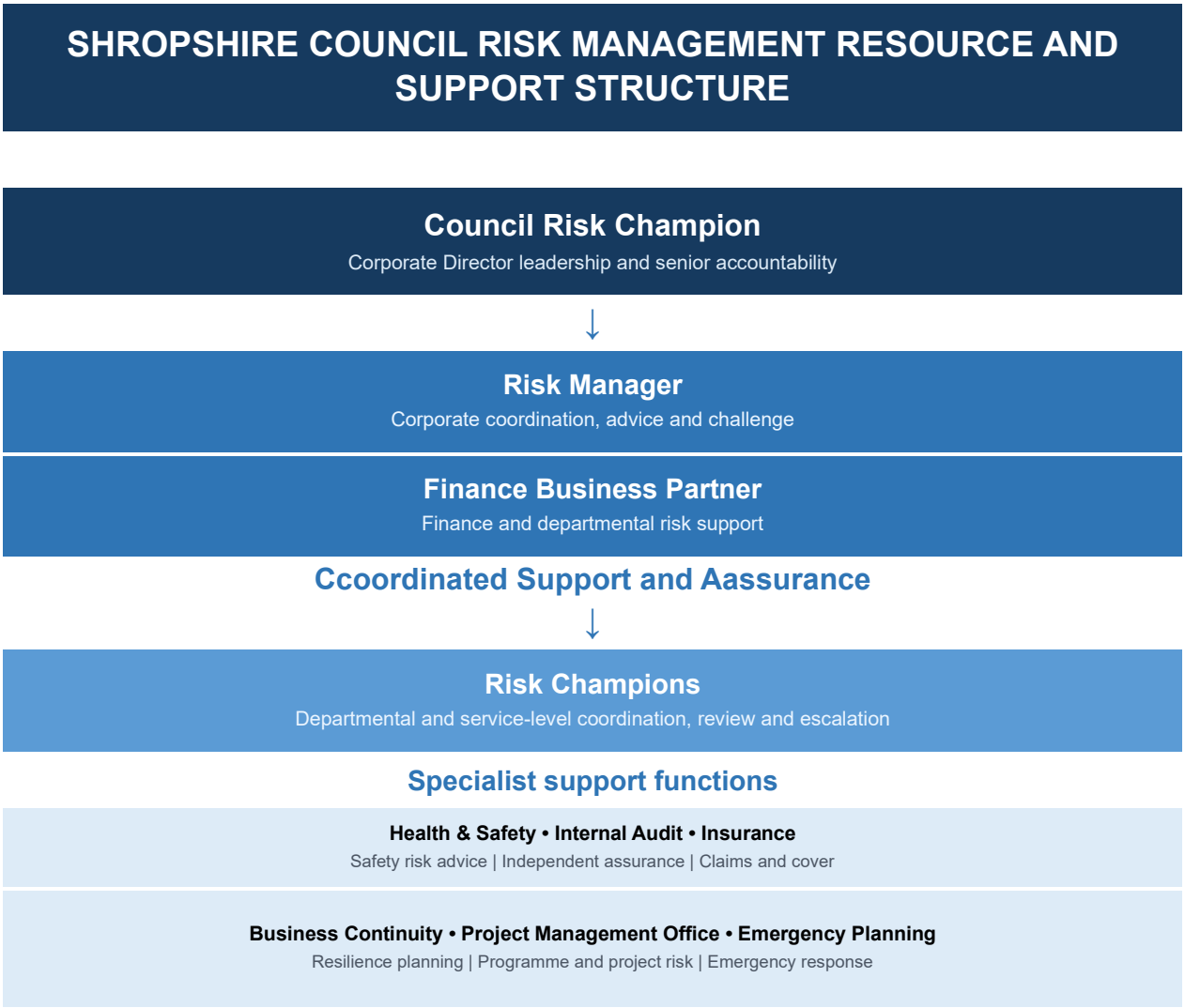


8. Resource and Training

This section explains the resources, support arrangements and training available to help embed effective risk management across the Council. Clear support structures, accessible guidance and appropriate training are essential to ensure that officers, managers, risk champions and members understand their responsibilities and are able to apply the Council's risk management process consistently. Effective resourcing and training help build risk awareness, strengthen ownership, and support informed decision-making at corporate, directorate and service level.

8.1. Risk Management Resource

The diagram below outlines the operating and reporting structure of risk management resource:



8.2. Training

- **Member** – Members receive training as required and in line with their responsibilities.
- **Senior management** – Risk management training is provided, as required.
- **Risk champions** - Specific risk training is available to risk champions on an ad-hoc or regular basis depending on their individual requirements.
- **Other employees** – other employees are able to attend the half day risk management course via the council's learning programme.

8.3. Communication and Support Information

Risk management information can be accessed on the council's intranet site via the following link Risk and business continuity | Shropshire Council Intranet.

9. Roles and Responsibilities

This section sets out the key roles and responsibilities for risk management across the Council. Effective risk management depends on clear ownership, leadership and accountability at all levels, from elected members and senior managers through to service managers, risk champions and individual employees. By understanding their responsibilities, each role can contribute to identifying, assessing, managing, monitoring and escalating risks in a consistent and timely way, ensuring that risk management is embedded within governance, decision-making and day-to-day service delivery.

9.1. Elected Members

- Oversee the effective management of risk by officers
- Monitor and challenge risks and the strategic directors on management of risk
- Agree the proposed risk management strategy put forward by officers
- Monitor and review the effectiveness of risk management in the council

Note:

- Cabinet is responsible for the operation of the council's risk management function
- The Audit and Governance Committee is responsible for monitoring the effective development and operation of risk management in the council
- A cabinet member will hold specific responsibility for risk management

9.2. Corporate Management Team

- Take the lead in identifying and managing the risks and opportunities that face the authority
- Determine the risk strategy, framework and process
- Establish the council's risk appetite and priorities
- Identify and assess strategic risks
- Provide reports to members on the effectiveness of risk management
- Monitor risks and challenge officers on the management of risk

9.3. Risk Champions

- Provide support and guidance to management and staff and co-ordinate risk management activity within their departments
- Review new policies and procedures

9.4. Risk Manager

- Manages the implementation of strategy, framework and process on behalf of the council and its management team
- Provides support and guidance to management and staff and co-ordinates risk management activity throughout the Council
- Submits reports to senior management and members on the effectiveness of the risk management process

9.5. Corporate/Service Directors

- Responsible for encouraging good risk management practices, and sharing with every manager within the council the responsibility for managing the risks inherent in their operational areas. They will discharge this responsibility by:
  - Identifying, assessing, evaluating and managing all risks
  - Ensuring newly identified significant risks are reported using the council's risk management system
  - Regularly reviewing and monitoring reported risks
  - Reviewing the adequacy and effectiveness of controls and updating as necessary

9.6. Employees

- Are risk aware and understand the purpose and importance of controls
- Understand their accountability for particular risks
- Understand how they can enable continuous improvement of risk management
- Understand that risk management is a key part of the council's culture
- Report immediately and systematically to senior management any new risks or failures of existing control measures

9.7. Ownership of Risks

There are six categories of ownership:

- Corporate responsibility, e.g. failure of corporate systems such as ERP, or failure to set council tax
- Strategic Director responsibility, e.g. major service failing
- Heads of service responsibility, e.g. divisional specific issue including business continuity planning
- Business manager responsibility, e.g. business unit specific issues
- Officer responsibility, e.g. role specific issues
- Heads of profession, e.g. those with overall responsibility for a particular area, including legal, human resource, IT and business continuity.

10. Risk Management in Specialist Areas

This section provides additional guidance on how risk management applies to specific areas of Council activity and related disciplines. It should be read alongside the main risk management process set out earlier in these procedures and used where risks arise in major projects, partnerships, audit and scrutiny activity, emergency planning, business continuity, health and safety, financial governance, data protection, insurance and other specialist areas. These arrangements help ensure that risk management is applied consistently across different contexts while recognising that some areas may require additional controls, reporting routes or professional guidance.

10.1. Major Projects

Risks are identified and assessed and captured broadly using the methodology outlined above.

Individual project risks are captured on a risk log using the project management Prince II methodology and this then feeds into the key risk register at project and programme level.

10.2. Partnership Risk Management

Risk management enables the partnership to manage strategic-decision-making, service planning and delivery effectively to safeguard the well-being of its stakeholders and is crucial to the achievement of all its objectives. It is important, therefore, that adequate risk management arrangements are in place.

Key risks to the partnerships should be considered at both the outset of a partnership and also on an ongoing basis. Risks should be managed to support the partnership's ability to achieve its aims and objectives. Therefore, it is important that all partnerships consider risk at a level commensurate with their relative significance as defined in appendix – 'Partnership significance assessment matrix'. A partnership with limited significance may not require a formal risk management process, whilst a partnership with moderate or major significance will require formal risk identification, assessment and monitoring of risks and opportunities to ensure that they are successfully controlled and any risk register updated.

10.3. Audit and Scrutiny

- **Audit and Governance Committee -** Responsible for reviewing risk management arrangements, receiving an annual report on risk management and ad-hoc challenge on risk matters as required. In addition, the committee reviews the risk-based audit plan that considers key risks to the council when formulating the specific audits to carry out.
- **External Audit** - Will as necessary audit the council's risk management arrangements.
- **Internal Audit** - May request, review and challenge risk registers. Any recommendations made by internal audit should be considered and appropriately scored against the risk criteria.
- **Overview and scrutiny committees** - May as required request information on the council risk management arrangements in scrutinising a decision taken by Cabinet.

10.4. Related Disciplines

The risk-related disciplines such as internal audit, health and safety, insurance, emergency and business continuity planning, financial governance and data protection all contribute to the council's risk management process.

Emergency Planning and Business Continuity Planning - Key risks that may result in the council's emergency arrangements being invoked, are contained within the council's risk register. The council has emergency and business continuity plans in place to reduce the potential impact to the council if these risks were to materialise.

Health and Safety - The Shropshire Council Health and Safety service (Health and Safety - Home) has placed the identification of risk control strategies to eliminate or control hazards, at the centre of our health and safety arrangements and processes.

Internal Audit - Internal audit is an assurance function that provides an independent and objective opinion on risk management, control and governance. Through its review of the control environment, it contributes to the organisation's use of resources and helps to add value to and improve operations. The review of controls also provides a challenge to mitigating controls, to ensure these are operating as expected. The review of high level risks demonstrates that the plan, as a whole, will consider all aspects of the risks involved. The associated risks have been linked to the relevant audit to incorporate in the scoping meetings for those assignments. This also includes fraud risks from the fraud risk register which may also feed into the audit planning process.

Financial Governance - The role of this section is to improve financial governance arrangements in place across the council, in terms of processes and procedures, systems and culture, to help ensure that the finance director is able to meet his statutory responsibility for proper financial administration. The risk register may inform them of any potential control weaknesses and areas of new and changing risks where financial governance may have to consider new processes and controls.

Data Protection - Key risks relating to data protection are considered, and as appropriate, included in the council's risk register. The council has a system and process in place to manage data protection risks in line with legislative requirements.

Insurance - There will be occasions where it is appropriate to take measured levels of risk in furtherance of the council's strategic aims and objectives. Where it is feasible and cost effective to do so, the financial impact of risks may be minimised by insurance or other third party indemnities. The council's insurance arrangements cover a wide range of risks and situations. The council is effectively self-insured for the majority of these because of the large excesses on our policies. The council's Insurance Fund meets the majority of the day to day losses, with the council's insurers providing cover for catastrophic losses and a claims handling service in respect of liability claims. All departments contribute to the Insurance Fund, the cost of external catastrophe insurance and external claims handling costs.

Appendix i – Risk Management Policy Statement and Strategy

Risk Management Policy Statement

Shropshire Council believes that managing risk, both opportunity and threat, is essential to effective local government. The council takes a proactive approach to the management of risks to support its strategies, day to day operations and overall achievement of the Council Plan and associated activities.

A certain amount of risk is necessary and unavoidable, but risk can be a positive force in developing and improving our services. However, risks need to be managed and maintaining a robust system of risk management supports the council in delivering its fairer future commitments. In implementing this policy, the council will:

- Safeguard our residents, clients, service users, employees, members, pupils and all other persons to whom the council provides services and has a duty of care.
- Protect our property, buildings, data, IT and other equipment, vehicles and all other assets and resources.
- Ensure statutory compliance, and update practices when necessary.
- Maintain and strengthen the services we deliver.
- Maintain effective and efficient control of public funds by reducing waste, minimising our exposure to fraud and corruption, and delivering value for money.
- Support the sustainability of the environment and minimise negative impacts.
- Increase the likelihood of change initiatives being implemented effectively and in a timely manner.
- Respond effectively in the event of an emergency.

Our success in dealing with risk has a major impact on achieving our key objectives and delivering our services. The risk management strategy sets out our approach to managing risks and how risk management will be applied across the council. This document should be read in conjunction with the risk management procedures.

Risk Management Strategy

Introduction

Shropshire Council is at a pivotal moment. Our financial position means we need to live within our means, while we build a stronger future for our county and its communities. We are setting a new direction for the Council over the next four years, rooted in realism, responsibility and ambition. Our plan reflects both the challenges we face and the opportunities we must grasp. It is focused on rebuilding Shropshire together. Financial sustainability underpins this Plan. We must be honest about the resources available to us and disciplined in how we use them. That means being focused on needs, not wants, and ensuring that every pound we spend delivers the greatest possible benefit and impact for our residents and communities. The Corporate Plan therefore goes hand-in-hand with our Improvement Plan and Financial Plan, providing a single, coherent direction for the Council.

Risk management is important to Shropshire Council because it supports informed decision-making, strengthens accountability and helps the Council protect essential services, public resources and outcomes for local communities. Effective risk management helps the Council make informed decisions, manage uncertainty, protect service delivery and identify opportunities to improve outcomes.

Risk Management

Risk is the uncertainty of an event occurring that could have an impact on the achievement of objectives, and is measured in terms of impact and likelihood.

For Shropshire Council, risk management is the process whereby the council methodically addresses these risks to the council achieving its vision, corporate and operational objectives.

Effective risk management is also an essential and integral part of effective corporate governance. It is not a separate process. Instead, it is at its most effective as an integral part of the council's business process and culture.

This risk management strategy outlines how the council will achieve its risk management objectives, whilst the detailed risk management procedures are contained in a separate document.

Risk Management Objectives

The risk management objectives are:

1. To continue to support the strategic aims and operational objectives of the council as defined through the Corporate, Improvement and People Plans by supporting the management of risks.
2. To ensure that risk management is embedded into all key council activities, including business planning and the budget process.
3. To embed and extend risk management procedures to include key partnerships.
4. To ensure that there is a transparent and prompt escalation and communication process through the council on risk management to key decision-makers, enabling them to make considered risk decisions. These will include the decision whether to eliminate where possible any unacceptable risk exposures.

5. To consider not only the risks that may affect the achievement of strategic aims and objectives but also to consider opportunities (positive risks) that may help improve the chances of succeeding in achieving those aims and objectives.
6. To achieve standards in risk management which are best practice in both the public and private sector, exceeding regulatory requirements.

Achieving Our Risk Management Objectives

The following points set out how we will achieve our risk management objectives. The risk management procedures provide further detail to the following where necessary.

Embedding risk management

The risk management process is embedded through the business planning, budgeting and performance review process, and is also applied if there is a major organisational change or key project.

Risk register

The council maintains risk registers that capture the key departmental and corporate risks to the council, including areas of risk opportunity. Key risks are held on the SharePoint system.

Risk identification and assessment

Risks are identified at least annually and are reviewed at least quarterly by each department, and consistently assessed using the council-wide risk assessment methodology. Risks are identified under the following risk categories: economic, financial, operational, staffing and culture, reputation and legal and regulatory compliance.

Risk assessment is measured by likelihood of occurrence and by potential impact. Impact to the council is measured under the key areas of ‘life and limb’, customer service, staffing and culture, compliance with regulations/ law, reputation and financial.

Risk opportunities

During the risk identification process, risk opportunities (positive risks) may also be identified. The risk management process enables opportunities to be managed alongside negative risks. Following initial identification of opportunities it may be appropriate to move these opportunities to other council business processes to maximise their positive impact.

The council’s risk appetite

At department level, risks are assessed based on each department’s individual tolerance to risk. At corporate level, risks are identified based on the council’s overall tolerance to risk as outlined in the risk management procedures document.

In addition, systems are in place to escalate risks to senior management level in situations where the risk is assessed above a pre-approved risk tolerance which is detailed as part of the risk assessment framework.

Risk control

The council maintains an effective control framework designed to manage risks. Any risks that are an unacceptable exposure to the council are mitigated as far as possible. Where a proposed activity or venture has a residual risk that is considered unacceptable and there is no means of reducing the risk to an acceptable level the activity may be rejected. However, there may be occasions where there is a statutory obligation to undertake the activity despite the risk exposure.

There will be occasions where it is appropriate to take measured levels of risk in furtherance of the council's strategic aims and objectives. Where it is feasible and cost effective to do so, the financial impact of risks may be minimised by insurance or other third party indemnities.

Risk monitoring and review

Risks are monitored and progress against them reviewed through the performance review and challenge process. Chief officers also monitor and review key council risks on a regular basis, and corporate risks are reported to the audit, governance and standards committee on an annual basis. Further details are contained within the risk management procedures.

Risk and Issue escalation and reporting

There are procedures in place to ensure that chief officers and relevant cabinet members receive the necessary information to monitor key risks and issues (those risks that materialise) and take considered decisions. Further details are contained within the risk management procedures.

Programme and project management

All key projects will incorporate risk assessment at the project initiation phase and regularly through the life-time of the project. The council's accepted robust project management methodology is used across the council to support the project management process including a requirement to identify and monitor risks.

Partnerships and contracts

Partnerships are an area of increasing importance to how the council operates and as such there may be key risks within the partnerships that could potentially have an adverse effect on the council. Therefore, the council will be working increasingly with partnerships to develop and implement robust risk identification and assessment arrangements. These can be recorded and monitored on the SharePoint system.

Key contractual arrangements also form part of the risk identification and assessment process.

Emergency planning and business continuity planning

Key risks that may result in the council's emergency arrangements being invoked are contained within the council's risk register. The council has emergency and business continuity plans in place to reduce the potential impact to the council if these risks were to materialise.

Health and Safety

The Health and Safety policies place the identification of risk control strategies to eliminate or control hazards at the centre of our arrangements and processes. Significant risks identified are recorded on the SharePoint system.

Performance management and external scrutiny

The risk management process will be regularly audited against industry best practice by internal audit. In addition, external audit will be undertaken by Grant Thornton. The process will be continuously improved in line with this feedback. In addition key risk management documents will be presented to the audit, governance and standards committee for formal review.

Risk management resource

Sufficient resources are devoted to risk management to ensure that it is effectively undertaken. The corporate Risk Manager reports to the Head of Policy and Governance who reports to the Service Director, Legal and Governance.

The network of departmental risk champions supports the corporate risk manager.

The risk-related disciplines such as internal audit, health and safety, insurance, emergency and business continuity planning, performance management and project management all contribute to the council's risk management process.

At departmental level the risk management process is supported and actively promoted by a network of departmental risk champions. Risk champions across the council meet quarterly to discuss risk and update the corporate risk and insurance manager with any risk-related developments within the department.

Risk management training is available to council staff and members commensurate with their role and their responsibility for risk management.

Responsibility and ownership for risk

The authority for and responsibility to take decisions involving risk will be appropriate to the level of risk and is defined and communicated within the risk management procedures document. There is a council wide risk champion at senior officer level. The senior officer risk champion is currently the Corporate Director S151. It should be noted in the context of the corporate restructure currently underway, the roles of risk champion and cabinet member responsibility will be reviewed and this document updated as appropriate.

The senior officer risk champion has responsibility for overseeing risk management and has delegated specific responsibilities for components of the risk management process. Risk is aligned to the council's performance review and challenge process, with relevant lead cabinet members and Corporate Directors taking ownership of, and being held accountable for the delivery of the Corporate plan measures and milestones including the mitigation of risk that would limit achievement of priority outcomes.

The risk management policy statement and strategy are submitted to the council's Audit and Governance Committee for review and comment.

The information contained above forms part of the overall governance of the council. In addition, a report is presented to the audit, governance and standards committee each year, to provide an annual update on key risks, and other reports on risk management are presented as needed.

Appendix ii – Opportunity Risk Management

How to identify and assess opportunity?

The same basic process that is used to manage risk may also be used to help identify and consider opportunities.

Opportunities that could help the council better achieve its corporate and departmental objectives should also be identified through the risk management process.

In order to identify potential opportunities to the achievement of corporate or business objectives it is useful to consider the different types of opportunities. As with risk, these are not all financial and may also consider reputational and operational enhancements.

Opportunity assessment should be measured using the following assessment framework:

The positive impact can be scored from 1 (lowest) to 10 (highest) positive impact using the table below.

Opportunity Impact Score	Description
10	Over £100m gain and/ or significant positive impact to council across one of the other impact categories.
9	Between £50m and £100m gain and/ or minor positive impact to council across one of the other impact categories.
8	Between £20m and £50m gain and/ or positive impact to council across one of the other impact cats.
7	Between £10m and £20m gain and/ or positive impact to council across one of the other impact cats.
6	Between £5m and £10m gain and/ or positive impact to council across one of the other impact cats.
5	Between £3m and £5m gain and/ or positive impact to council across one of the other impact cats.
4	Between £1m and £3m gain and/ or positive impact to council across one of the other impact cats.
3	Between £500k and £1m gain and/ or positive impact to council across one of the other impact cats.
2	Between £100k and £500k gain and/ or positive impact to council across one of the other impact cats.
1	Up to £100k gain and/ or little or no positive impact to council across one of the other impact categories.

The likelihood of the opportunity arising may also be scored from 1(lowest likelihood of success) to 10 (highest likelihood of success) using the table below:

Score	Range	Example likelihood criteria (not to be followed strictly)
10	Extremely likely	Numerous, highly credible sources indicate that this event is imminent.
9	Very likely	Numerous, highly credible sources indicate that this event will occur soon.
8	Fairly likely	Numerous, highly credible sources indicate that this event will occur in the future.
7	Likely	A single highly credible source or multiple less credible sources suggest that this event is imminent.
6	More likely	A single highly credible source or multiple less credible sources suggest that this event will occur soon.
5	Less likely	A single highly credible source or multiple less credible sources suggest that this event will occur in the future.
4	Unlikely	A small number of unreliable indicators suggest that this event is imminent.
3	Fairly unlikely	A small number of unreliable indicators suggest that this event will occur soon.
2	Very unlikely	A small number of unreliable indicators suggest that this event may occur in the future.
1	Extremely unlikely	A single unreliable source suggests that this event may occur in the future.

It may then be plotted on a mirror image of the existing risk matrix to show the increasing level of opportuniy as shown below:

Positive Impact	Likelihood									
	1	2	3	4	5	6	7	8	9	10
10	55	64	72	79	85	90	94	97	99	100
9	45	54	63	71	78	84	89	93	96	98
8	36	44	53	62	70	77	83	88	92	95
7	28	35	43	52	61	69	76	82	87	91
6	21	27	34	42	51	60	68	75	81	86
5	15	20	26	33	41	50	59	67	74	80
4	10	14	19	25	32	40	49	58	66	73
3	6	9	13	18	24	31	39	48	57	65
2	3	5	8	12	17	23	30	38	47	56
1	1	2	4	7	11	16	22	29	37	46

Note: Opportunities should be considered based on their relative positive impact and likelihood of succeeding, and whether they align to the council's plan and objectives.

Appendix iii – Risk Categorisation and Risk Description Guidance

Risk Category 1

- Economic
- Financial
- Operational
- Legal and Regulatory
- Staffing and Culture
- Reputational

Risk Category 2

- Structural/ organisation
- Technology
- Service Delivery
- Health and safety (staff)
- Health and safety (service users)
- Recruitment and retention
- Resource capacity
- Environmental Issues
- Media Coverage
- Manifesto/ Corporate plan
- Consultation
- Data protection
- National/ local political priorities
- External scrutiny
- Partnership arrangements
- Contractual/ supplier
- Democratic process
- Government policy
- Litigation
- Legislation
- Economic
- Anti-fraud
- Audit and control
- Capital
- Consultation
- Financial
- Funding (including budget issues)
- Governance
- Legal and regulatory compliance
- Reputation
- Staffing and culture

Appendix iv – Risk Identification and Control Template

Risk Description Rationale

The risk description should describe the hazard, the risk and the immediate consequence.

Hazard: The trailing wire **Risk:** Tripping over the trailing wire **Consequence:** Spraining ankle

Risk Description: A person trips over a trailing wire resulting in an ankle sprain

Risk Description	Hazard	Risk	Consequence
The Eligibility Criteria Review results in reduced support to substantive number of claimants causing significant reputational damage.	Review of the eligibility criteria.	Reduces support to substantive number of claimants.	Significant Reputation damage/ adverse media attention.
A child or young person will be seriously injured or killed as a result of a failure of council service, resulting in significant reputational damage and reduction in Joint Area Review (JAR) score or other external scrutiny.	A failure of council service to children.	A child or young person will be seriously injured or killed.	Significant reputational damage and reduction in JAR score or other external scrutiny.
Incidents of Death, injury, Anti-social behaviour (ASB) or civil disturbance arising from violent crime, drug related activity, or group activity due to a failure of our partnerships and processes and the associated increase in the fear and perception of crime and loss of reputation.	Failure of Partnership.	Violent crime, drug related activity or group related activity.	Incidents of death, injury, ASB or civil disturbance, reputational damage.
In achieving the agreed £5 million (budget savings £2.3m, efficiencies to balance the budget £2.7m) in savings programme and resultant reduction in staffing complement impacts performance ratings and staffing capacity.	Achieving the agreed £5 million (budget savings £2.3m, efficiencies to balance the budget £2.7m) in savings.	Reduction in staffing complement.	Impacts on performance ratings and staffing capacity.

Appendix V - Risk identification, assessment and control template

Risk Description	Risk Category	Risk Owner	Existing Controls	Current Impact Score	Current Likelihood Score	Current Risk Score	New Controls	Target Impact Score	Target Likelihood Score	Target Risk Score

Appendix vi – Risk Assessment Scoring Methodology

Score	Range	Example likelihood criteria (not to be followed strictly)
10	Extremely likely	Numerous, highly credible sources indicate that this event is imminent.
9	Very likely	Numerous, highly credible sources indicate that this event will occur soon.
8	Fairly likely	Numerous, highly credible sources indicate that this event will occur in the future.
7	Likely	A single highly credible source or multiple less credible sources suggest that this event is imminent.
6	More likely	A single highly credible source or multiple less credible sources suggest that this event will occur soon.
5	Less likely	A single highly credible source or multiple less credible sources suggest that this event will occur in the future.
4	Unlikely	A small number of unreliable indicators suggest that this event is imminent.
3	Fairly unlikely	A small number of unreliable indicators suggest that this event will occur soon.
2	Very unlikely	A small number of unreliable indicators suggest that this event may occur in the future.
1	Extremely unlikely	A single unreliable source suggests that this event may occur in the future.

Shropshire Council Corporate Risk Assessment Matrix

Impact \ Likelihood	1	2	3	4	5	6	7	8	9	10
10	55	64	72	79	85	90	94	97	99	100
9	45	54	63	71	78	84	89	93	96	98
8	36	44	53	62	70	77	83	88	92	95
7	28	35	43	52	61	69	76	82	87	91
6	21	27	34	42	51	60	68	75	81	86
5	15	20	26	33	41	50	59	67	74	80
4	10	14	19	25	32	40	49	58	66	73
3	6	9	13	18	24	31	39	48	57	65
2	3	5	8	12	17	23	30	38	47	56
1	1	2	4	7	11	16	22	29	37	46

Score	Range	'Life and Limb'	Customer Service	Staffing and Culture	Compliance with regulations/Law	Reputation	Financial
10	Catastrophic	Multiple fatalities and wide-spread serious injuries.	Severe, prolonged impact on customer service affecting whole Council with process change required.	Severe impact on employee motivation leading to Council-wide prolonged dissatisfaction and industrial unrest.	Major breach leading to suspension / discontinuance of business or outsourcing/ privatisation of core services and/or functions long term.	Very substantial adverse media comment at National level with long-term impact such as resignation of key senior staff and/or Audit Commission enquiry.	Over £100m
9	Critical	More than one fatality and multiple serious injuries.	Severe, & prolonged impact on customer service affecting whole Council.	Severe impact on employee motivation leading to short-term Council-wide dissatisfaction and industrial unrest.	(as above for medium period of time).	(as above for medium term).	£50m to £100 m
8	High/ critical	Multiple serious injuries and/ or one fatality.	Severe impact on customer service affecting whole Council for short term	Significant impact on employee motivation, poor quality service delivery across Council short-term.	(as above for short period of time).	(as above for short term).	£20m to £50 m
7	Very high	Individual fatality and separate serious injury.	Serious impact on customer service affecting majority of Departments for short period of time.	Significant impact on employee motivation resulting in poor quality service delivery majority of Deptments.	Serious breach causing intervention, sanctions, legal action and threat of suspension etc (as above).	Serious short-term damage to reputation, with prolonged adverse media comment at regional level.	£10m to £20m

Score	Range	'Life and Limb'	Customer Service	Staffing and Culture	Compliance with regulations/Law	Reputation	Financial
6	High	Individual fatality.	Serious disruption to service delivery from more than one department.	Significant impact on employee motivation resulting in poor quality service delivery at more than one Department.	Serious breach causing intervention, sanctions, and legal action.	Serious short-term damage to reputation, with adverse media comment at regional level.	£5m to £10m
5	High/ medium	More than one serious injury.	Serious disruption to service delivery from one department prolonged period.	Significant impact on employee motivation resulting in poor quality service delivery at one Department.	Significant breach leading to sanctions and legal action.	Adverse media comment at regional level.	£3m to £5m
4	Medium/ high	Serious injury.	Serious disruption to service delivery from one department for short period of time.	Moderate impact on employees motivation at single department level.	Significant breach leading to sanctions and/or legal action.	Significant, adverse local media comment/public perception - long term impact.	£1m to £3m
3	Medium	Moderate number non- life threatening injuries.	Moderate impact on customer service at single divisional level.	Moderate impact on employees motivation at single divisional level.	Significant breach leading to reprimand or sanctions, legal action.	Significant, adverse local media comment/public perception – medium term.	£500k and £1m
2	Low/ medium	Small number minor injuries.	Moderate impact on customer service at business unit level.	Affects motivation of small groups of employees.	Moderate impact leading to warning, threat of sanctions.	Minor, local adverse media comment/public perception, short term.	£100k and £500k
1	Low	Small number superficial injuries.	Minor impact on customer service e.g. small number of complaints.	Impact limited to individuals at business unit level.	Minor impact only, no reprimand, sanction, or legal action.	Damage very localised, does not result in adverse media comment.	Up to £100k

Appendix vii – Partnership Management Matrix

The Council recognises the important roles and contribution its partners make to the achievement of its priorities and outcomes.

As we evolve and implement new efficient ways of delivering our services, our expectations and reliance upon our partners will be extensive. We need to embrace the opportunities to develop partnership arrangements and initiatives and work collaboratively and effectively with all our partners.

Opportunity Risk Management plays a vital role in ensuring that these partnerships are successful and that they do not expose the Council to unnecessary risks.

How robust our partners and contractor's business continuity arrangements are, is also key to ensuring that our arrangements with them, and expectations of them, are not compromised. Therefore, attention has to be paid to the business continuity arrangements that are in place and how these are reviewed and tested. This further reduces the Council's vulnerability within the partnership or contractual arrangements.

Managers need to identify their key contracts/ partners and risk assess these arrangements in relation to the reputational, financial or service delivery impact if these arrangements should fail. Where there is reliance on consultants to help deliver new ways of working, managers must ensure that these arrangements are also risk assessed in a similar vein. It is key that their business continuity arrangements are checked to ensure these are robust to protect the interest of the authority

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Committee

Audit and Governance Committee

25th September 2026

Public

Internal Audit Performance Report 2026/27

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
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Non Key
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 and endorsing reported performance against the approved Internal Audit Plan, the Committee confirms that it has reviewed the extent to which audit 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 ensures that management is appropriately challenged, remedial actions are timely and effective, and significant control weaknesses are not allowed to persist, thereby strengthening the Council's overall control environment.

2. Recommendations

2.1. The Committee is asked to consider and endorse:

- The reported performance against the internal audit plan and proposed revisions for 2026/27 to date.
- Any comments or actions the Committee wishes to make or take in response to low assurance levels and fundamental recommendations, 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 Annual Plan satisfies the Global Internal Audit Standards (GIAS), CIPFA's Application Note on the GIAS and the Accounts and the 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.'

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 meeting with the caveat that further adjustments may be necessary. This report provides an update on progress made against the plan up to 31st August 2026 and includes revisions to the plan.

4. Summary of Main Proposals

4.1. Details of Internal Audit Performance are shown in **Appendix A**. 29 final Internal Audit reports were issued between 1 April and 31 August 2026, with 58% receiving good or reasonable assurance and 42% receiving limited or unsatisfactory assurance. This indicates an improved position compared with the same reporting period in 2025/26, although the movement should be interpreted with caution given the relatively early stage of the reporting cycle and the number of audits completed to date. The appendix also sets out proposed revisions to the 2026/27 Internal Audit Plan, resulting in 2,025 planned audit days. 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. As this report is presented for consideration and endorsement rather than decision, there are no alternative options requiring evaluation. The Committee may, however, request further information, make comments, or 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. In considering this report, Members should be assured that Internal Audit activity is linked to the Council's key risks and provides enough coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. Risks identified as being critical to the Council's operations will be reported and rectified where possible and viable. 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 respect the work of Internal Audit contributes to assurance against all of the Council's strategic risks. 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.
Repeated low assurance opinions and fundamental recommendations.	Formal management responses, targeted follow-up, and Audit Committee challenge where issues persist.	Governance, assurance and value for money.
Resource and skills shortages within internal audit.	Workforce planning, training, resilience arrangements, and use of specialist support where needed.	Workforce capacity and capability.

6.3. contributes to the continuous improvement of the Council's overall control environment and organisational performance.

6.4. Retaining internal audit advisory contingency provides an opportunity to respond flexibly to emerging risks and management priorities throughout the year, enabling timely independent input on new initiatives, control design and risk mitigation, thereby strengthening the Council's overall risk management framework.

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.

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, Council and the public that funds are being properly safeguarded and supports the Council in maintaining sound financial management and governance arrangements.

9. Legal and HR implications

9.1. There are no direct 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. However, the work reported to the Committee will look at these aspects relevant to the governance, risk management and control environment.

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. Draft Internal Audit Risk Based Plan 2026/27 – Audit and Governance Committee, 5 February 2026
14.2. Global Internal Audit Standards (Institute of Internal Auditors 2024)
14.3. Local Government Application Note for the United Kingdom Global Internal Audit Standards, CIPFA 2025
14.4. The Accounts and Audit Regulations 2015 (as amended)
14.5. Internal Audit Charter and Mandate

15. Appendices

Appendix A -Internal Audit Performance Report

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Shropshire Council

Internal Audit Performance Report

April to August 2026

1. Introduction

1.1. This report provides the Audit and Governance Committee with an update on Internal Audit activity between April and August 2026. It summarises progress in delivering the approved 2026/27 Internal Audit Plan, highlights revisions required in response to changes in resources, risk and Council priorities, and reports the outcomes of completed audit work, including assurance opinions and recommendation themes. The report supports the Committee in maintaining oversight of internal audit delivery and in considering whether the work undertaken to date is sufficient, proportionate and appropriately focused on the Council's key risks, governance arrangements and control environment. The results of completed and ongoing audit work will contribute to the Chief Audit Executive's year-end opinion.

2. Revisions to the 2026/27 Plan

2.1. The original Internal Audit Plan for 2026/27 was approved by the Audit and Governance Committee in February 2026 with the caveat that changes to the plan may be required in year.

2.2. The Internal Audit Plan is intended to remain responsive throughout the year so that audit resources continue to be directed to the areas of greatest risk and value to the Council. Revisions may therefore be required where there are changes in available resources, emerging risks, changes to Council priorities, delays or overruns in planned audit work, or requests for additional advisory, project or assurance support. Any proposed changes are considered in the context of maintaining sufficient and appropriate audit coverage to support delivery of the plan and enable the Chief Audit Executive (CAE) to provide a robust year-end opinion on the Council's governance, risk management and control environment.

2.3. Revisions to the 2026/27 plan provide for a total of 2,025 audit days, a decrease of 377 days from those originally approved. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion. Changes to the planned activity are required following the resignation of a Principal and Senior Auditor. An initial recruitment activity in March 2026 was unsuccessful and a new recruitment campaign is currently underway for a Principal Auditor.

2.4. Delays and overruns on audits have also impacted delivery of the plan. Results of all audit work undertaken will be reported to the Committee following completion and will contribute directly to the CAE's year end opinion.

2.5. The revisions to the 2026/27 Internal Audit Plan have been determined following a review of available audit resources, progress against planned work, delays and overruns on individual assignments, emerging issues identified through completed audit activity, and consultation with senior officers on areas of greatest risk and organisational priority. The review also took account of the S151 Officer request that the plan be reassessed to ensure audit resources remain focused on the areas of greatest value to the Council. This was undertaken during May and June in consultation with all Service Directors.

2.6. The updated strategic risks identified through the Annual Governance Statement review have been considered and continue to be reflected in the revised audit plan. Overall, the revised plan continues to provide coverage across the Council's key strategic risk areas, including financial sustainability, governance and decision making, information

governance, ICT and cyber resilience, safeguarding, health and safety, contract and project management, and delivery of transformation and improvement activity. Although reduced audit capacity requires careful prioritisation, the revised coverage is considered sufficient and proportionate to support the CAE's year-end opinion, subject to ongoing monitoring and further adjustment if significant new risks emerge.

2.7. Recruitment to the vacant Principal Auditor position is currently underway. Once complete, the audit plan will be updated to reflect the change in resources available.

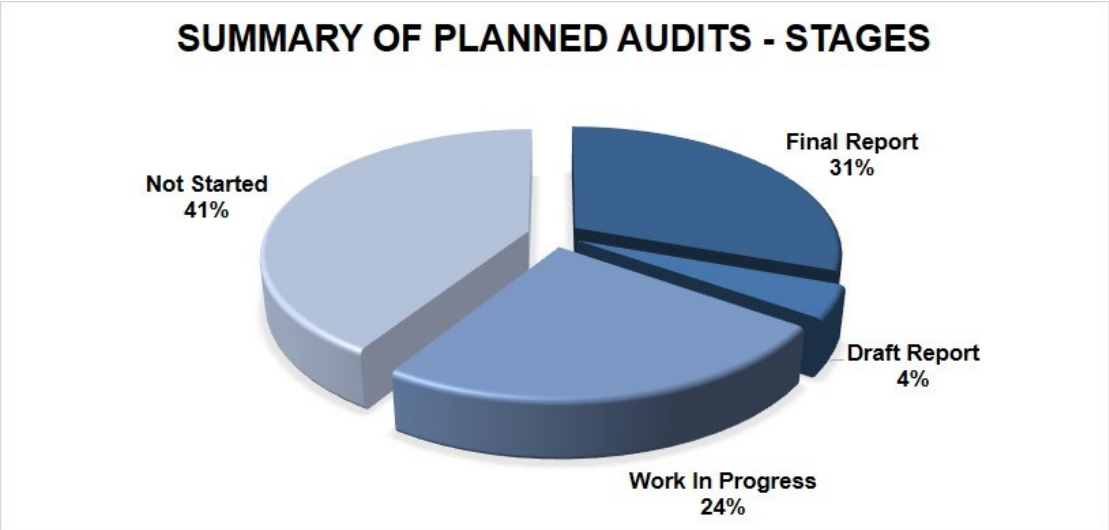
3. Performance Against the Plan 2026/27

3.1. In total, 29 final reports have been issued in the period from 1st April 2026 to 31st August 2026, all are listed with their assurance rating, recommendation ratings and direction of travel below:

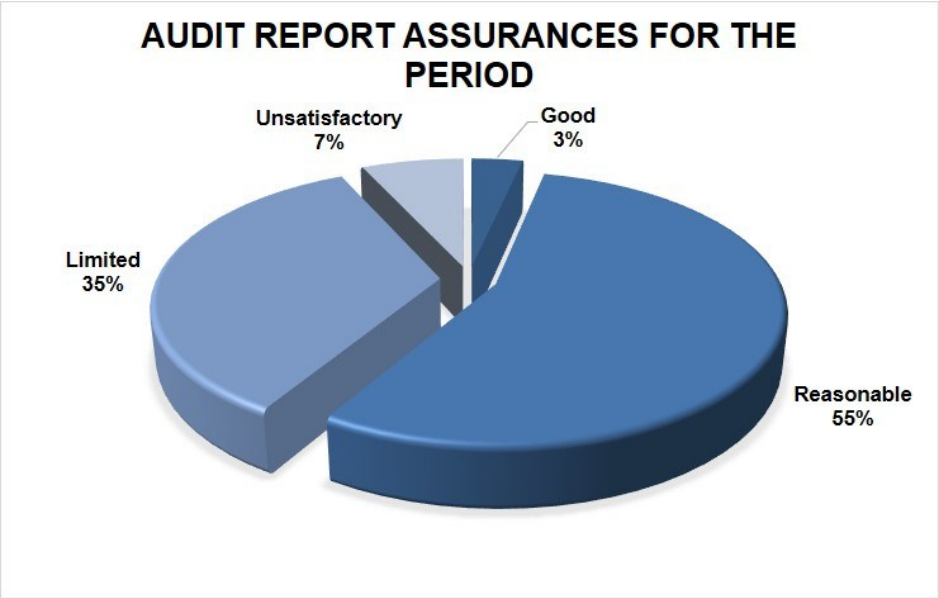
	Audit Opinion					Recommendations				
Audit Name	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
Assistive Technologies 2025/26		1					3	4		N/A
Children's Direct Payments 2025/26				1			8	3		ßà
Magic Notes AI 2025/26		1					3	4		N/A
Purchasing Cards - Children's Residential Homes			1				5	5		N/A
Bishops Castle Community College 2025/26			1			1	6	8		á
Monitoring of Schools Deficit and Surplus Budgets				1		1	6	3		N/A
Direct Payments Briefing Note							4	1		N/A
Homelessness Follow Up 2025/26			1				2	7		ßà
Emergency Planning 2025/26		1					4	4		ßà
Food Standards & Hygiene		1					1	3		â
IDOX IT Application 2025/26		1					1	4		ßà
Corporate Governance 2025/26		1						9		ßà
Health and Safety Governance 2025/26			1				7	3		â
BluPrint - Print Unit Operations 2025/26			1				4	4		ßà
Database Access, Admin and Management Follow Up		1						3		á
ICT Project Financing and Recharges 2025/26			1				4	1		ßà
Public Sector Network (PSN) Accreditation 2025/26		1					1	1		N/A
Remote Support 2025/26		1					2	2		á
Shirehall Data Centre - Decommissioning Project		1					2	4		N/A
Payroll System Follow Up 2025/26			1				12	15		ßà

Audit Name	Audit Opinion					Recommendations				Direction of Travel
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice	
Highways Maintenance - Term Maintenance - Kier Contract Follow up 2025/26		1					1			á
Shrewsbury Riverside Redevelopment Programme 2025/26			1				7	6		N/A
Chipside and MI Permit Systems - Application Review 2025/26		1						4		á
Freedom of Information (FOI), Subject Access Requests (SAR) and Environmental Information Regulation Requests (EIR)	1							1		á
NFI - Declarations of Interest Review 2025/26							1			N/A
Committee Reporting and Management		1					3	4		N/A
Members Allowances and Expenses		1					1	2		ßà
Members Development Training 2025/26			1				4			N/A
ASC Outturn 2025/26			1				4	1		N/A
Warm Homes Local Grant							2	6		N/A
Social Media		1						2		á
Performance Management Framework 2025/26		1					2	6		N/A
Total	**1**	**16**	**10**	**2**		**2**	**100**	**120**	**0**	
Percentage	3%	55%	35%	7%		1%	45%	54%	0%	

3.2. The following chart shows performance against the approved Internal Audit Plan for 2026/27:



3.3. The assurance level awarded to each completed audit in this period appear in the chart below:



3.4. The breakdown of recommendation classifications made as part of each audit in this period appear in the chart below:

3.5. In the period up to the 31st August 2026, 17 reports have been issued providing good or reasonable assurances and accounting for 58% of the opinions delivered. This represents a significant increase in the higher levels of assurance for this period, compared to 35% in the same reporting period for 2025/26 and the previous year outturn of 52%. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 42% for the period compared to 65% in the same period for 2025/26 and the previous year outturn of 48%. Whilst it is early in the 2026/27 reporting cycle, the reduction in lower assurances delivered is encouraging.

3.6. The proportion of audits receiving Good or Reasonable assurance has increased compared with the same reporting period in 2025/26. However, given the relatively small number of completed audits at this stage of the year, this movement should be interpreted with caution and should not, at this point, be regarded as evidence of a

statistically significant change in the overall control environment. The position will continue to be monitored as more audits are completed during the year.

3.7. 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 below:

Unsatisfactory and limited assurance opinions issued in the period from 1st April 31st August 2026

Listed below against each audit are the management controls that were reviewed and found either not to be in place or operating satisfactorily.

Unsatisfactory assurance

Children and Young People– Children's Direct Payments 2025/26 (Unsatisfactory 2022/23)

- The recommendations made in the previous audit have been implemented.
- The system is operated in accordance with up-to-date policies, procedures, Financial Rules, statutory regulations and legislation, to which relevant staff have access.
- Contractual agreements are in place between all parties involved in the scheme.
- Appropriate processes are in place to set up and assist new users of Direct Payments.
- Expenditure is monitored on a regular basis and the recovery of surplus funds made where appropriate.
- Relevant staff have DBS clearance.
- Management information is produced on a regular basis and is subject to independent review in a timely manner.

Children and Young People – Monitoring of Schools Deficit and Surplus Budgets 2026/27

- Management of school deficits operates in accordance with up-to-date policies, procedures, financial regulations, and statutory requirements, and these are accessible to all relevant staff.
- Governance arrangements provide clear reporting arrangements to senior management, Schools Forum and elected members, with roles and responsibilities defined.
- Processes in place to identify potential deficits, including the use of census data and forward projections. Planned deficits must be licensed and submitted to the local authority within the specified timescales.
- Deficit recovery plans demonstrate realistic and sustainable pathways to financial recovery and are subject to ongoing oversight and review.
- The deficit licensing and approval process is appropriately controlled, ensuring that planned deficits are authorised, and supported by credible financial plans aligned with the Scheme for Financing Schools.
- Management monitoring and oversight arrangements are in place for receiving, reviewing, and challenging financial monitoring received from schools.
- Management information relating to deficit and surplus positions is accurate, produced regularly, and is used to inform strategic decision making and reporting to relevant governance bodies.

Limited assurance

Children and Young People – Purchasing Cards - Children's and Residential Homes

- Policy and guidance in place for the use of purchasing cards, specifically in relation to Children's residential settings.
- Process in place for the control and management of cardholders, including approvals, limits, usage and the issuing of, holding, revoking and return of purchasing cards.
- There is suitable review, approval and oversight arrangements in place for the use of purchasing cards.
- Appropriate budget monitoring and spend analysis arrangements in place.

Children and Young People – Bishops Castle Community College (Unsatisfactory 2023/24, Limited 2021/22, Unsatisfactory 2019/20)

- Previous audit recommendations have been implemented.
- Regular budget monitoring is performed, and any significant variations are investigated.
- Budget income is identified, collected and banked in accordance with procedures.
- Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
- The school fund is operated in accordance with the school fund notes of guidance.

Communities and Customer– Homelessness Follow Up 2025/26 (Limited 2025/26)

- Recommendations relating to performance on the Homelessness Strategy being reviewed by Cabinet have been implemented.
- Recommendations relating to income being received in respect of temporary accommodation being credited to the correct account in a timely manner have been implemented.
- Recommendations relating to appropriate IT arrangements being in place to ensure that risks regarding information technology are being suitably mitigated have been implemented.
- Recommendations relating to management information being produced on a regular basis and being subject to independent review in a timely manner have been implemented.

Enabling – Health and Safety Governance 2025/26

- The recommendations made in the previous audit have been implemented.
- There is a Health and Safety Management System and Policy which provides a structure for the overall management of activities and the management of risks.
- There is an approach where planning enables the implementation of health, safety and welfare arrangements.
- A management structure and arrangements for delivering the Health and Safety policy are in place including communication, competence of employees, operational control to manage risks and consultation.
- Health and Safety performance is measured and checked against agreed standards to identify where improvement is needed.
- There is a review of performance based on data from monitoring and from independent audits of the Health and Safety Management System.

Enabling– BluPrint – Print Unit Operations 2025/26 (Limited 2017/18)

- The recommendations made in the previous audit have been implemented.
- The objectives and performance measures for the Print Unit are defined.
- Print Unit data and communications are securely managed in line with internal policy and legislation (Data Protection Act 1998 / GDPR).
- Procurement of out-sourced printing services is undertaken in line with current procurement rules.

Enabling – ICT Project Financing and Recharges 2025/26 (Limited 2017/18)

- Recommendations from previous audit have been addressed and resolved in an appropriate manner.
- ICT Project Financial management is clearly defined and appropriately documented.
- Project costs and charges are set in advance of project commencing and undergo an appropriate monitoring process throughout the project.
- All project variances are identified, reported and managed appropriately.

Enabling – Payroll System Follow Up 2025/26 (Limited 2023/24, Unsatisfactory 2021/22 and 2020/21)

- Previous audit recommendations have been implemented.
- Employee pay is calculated accurately and is aligned to their authorised position and working hours.
- Temporary variations including sick pay and maternity pay are appropriately controlled.
- Deductions are correctly made from staff and are appropriately paid over to the relevant bodies.
- Leavers are promptly processed and not paid beyond their last day of employment.

Infrastructure – Shrewsbury Riverside Development Programme 2025/26

- To ensure that robust governance structures are in place and operating effectively to oversee the Riverside Development Phase 1, with clear accountability and transparent decision making.
- To ensure procurement activity complies with Contract Procedure Rules and relevant regulations, and that contracts provide appropriate protection, value for money, and clarity of obligations.
- To ensure contractor and consultant performance is effectively managed, with mechanisms in place to monitor quality, progress, and achievement of milestones.

Legal and Governance – Members Development and Training 2025/26

- There is a Member training and development framework that is aligned to constitution requirements to ensure Members fulfil their roles effectively.
- The effectiveness of training and development activities is assessed through ongoing monitoring and evaluation of the methods and resources used.
- Mechanisms exist to capture feedback and lessons learned, and to implement improvements to the training and development programme.
- Training and development of elected members is subject to strategic oversight.

S151 Finance – Adult Social Care Outturn 2025/26

- The recommendations made in the Adult Social Care Budget Outturn Variance Briefing Note 2024-25 have been implemented:

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

3.8. A total of 222 recommendations have been made in the 29 final audit reports issued during this period; the breakdown of these by audit and recommendation rating are shown at paragraph 3.1. Two fundamental recommendations have been made which are detailed below:

Monitoring of Schools Deficit and Surplus Budgets

Six schools were forecasting a deficit budget position in 2025/26, five of these had not formally notified the Council of an expected deficit by the required deadline of 1 February 2025. Whilst all schools had subsequently prepared and approved budget plans for the 2025/26 year, supporting Deficit Recovery Plans (Annex B) and applications for licensed deficit budgets were often absent, incomplete or prepared significantly after budget approval. Where schools had not complied with the requirements of the deficit budget process, there was no evidence that the Council's formal escalation arrangements had been applied. There is limited assurance that deficit budgets are being managed consistently and that schools are being held accountable for compliance with the Council's financial management requirements.
Recommendation: The Council should strengthen the oversight of schools' compliance against the Scheme for the Financing of Schools and the Deficit Budget Protocol to ensure that schools operating with or forecasting a deficit position comply with the approved process.
Risk: Schools may operate with unmanaged or unapproved deficit budgets without appropriate scrutiny, challenge or intervention, leading to non-compliance with the Deficit Budget Protocol, weakened financial governance and an increased risk of deficits escalating without timely corrective action.
Management Response: Appoint responsible officers for alerting management when a deficit arises or is projected. Ensure collaborative working and communication between Finance and Education Quality and Safeguarding in order to follow the Deficit Protocol fully and ensure robust communication with Heads and Governors of schools with concerns.
Target Implementation Date: 31st December 2026

Bishops Castle Community College
A signed deficit recovery plan has only been in place since October 2025 despite a historic deficit over a long period of time. The plan does not give any clear requirements of how the school will reduce the deficit and what reporting will take place to Shropshire Council. The three year budget plan has been approved by the Governing Body but shows an increase of the deficit to approximately £1 million in 2027/28. The Head Teacher confirmed discussions are being held with local MATs with the possibility of joining, with a special Governor meeting to be held in June with a local MAT.
Recommendation: The college should consider any future proposals from the MAT and confirm their decision to secure the future of the college.
Risk: Failure to join a MAT could lead to continuing budget pressures resulting in a reduction of teaching standards and a negative impact on staff and pupils at the College.
Management Response: A signed agreement is in place with Shropshire LA that indicates that the schools should aim to reduce the deficit by £10,000 per financial year. The school has completed the EPS process to reduce staffing costs due to unfunded pay increases. This will result in significantly increased class sizes and reduced curriculum flexibility for the 2026-27 academic year and beyond. The EPS process has resulted in a 4.3 FTE reduction in teaching staff, and 75 hours of non-teaching staff reduction (affecting 4 staff). Conversations with TrustEd Multi-Academy Trust are ongoing. The issue will be whether the MAT can absorb the deficit.
Target Implementation Date: 31st March 2027

Question 2: Do Members wish to receive any updates from the service areas in relation to the fundamental recommendations?

3.9. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. Details of the approach adopted to

following up recommendations highlighting Committee's involvement is included later in this report at page 19.

3.10. Four draft reports are awaiting management responses, which will be included in the next performance report. Work has also commenced for external clients in addition to the drafting and auditing of financial statements for external clients and the certification of grant claims for Shropshire Council.

3.11. The following demonstrates areas where internal audit have added value with unplanned, project or advisory work, not included in the original plan.

- **Deprivation of Liberty Safeguards (DoLS) Briefing Note**
  The planned 2026/27 Internal Audit review of Deprivation of Liberty Safeguards (DoLS) has been deferred following a Supreme Court judgment issued in June 2026 which significantly altered the legal framework governing DoLS assessments. As the ruling necessitates substantial changes to policies, procedures and operational practices, it was agreed that the review would be postponed until revised arrangements have been implemented and embedded, ensuring that future audit work provides meaningful assurance against the updated legal requirements.
- **Garden Waste Follow Up Briefing Note**
  A follow-up review of Garden Waste Collections found that, while some progress has been made in implementing agreed actions, key contracts and system arrangements remain incomplete. As a result, Internal Audit cannot yet confirm that the previously identified risks have been mitigated, and the original Limited assurance opinion remains unchanged.
- **The Lantern Follow Up Briefing Note**
  Internal Audit completed a follow-up review of The Lantern and concluded that the assurance opinion remains Unsatisfactory. Despite the introduction of a new booking and income collection system, longstanding weaknesses relating to income collection, reconciliation, record keeping, insurance compliance and management oversight remain unresolved. Limited evidence was available to demonstrate that previous audit recommendations have been fully implemented or that identified risks have been effectively mitigated. The review highlighted the need for stronger management oversight, accountability and embedded controls to address risks that have been repeatedly reported since the original 2019/20 audit.
- **Schools Financial Value Standard (SFVS)**
  Completed forms are reviewed by Internal Audit to inform the programme of audit work. Any areas of concern are discussed with the school and a summary of the results provided to the Director for Children's Services to inform their assurance programme work.
- **Payroll Data Analytics 2025/26 Q4**
  Analysis of payroll data was undertaken to identify data quality improvements. This information was shared with the HR/Payroll Manager to enable the HR Business Partners to support those not using the system correctly. Analysis shows an improvement in data quality over the course of 2025/26.
- **Payroll Root Cause Briefing Note**
  The Payroll Root Causes Review, completed following a Limited Assurance audit opinion, identified that payroll control weaknesses are driven by systemic issues across processes, systems, governance and accountability. Key themes include management non-compliance, ERP system limitations, weak oversight and reporting, inconsistent authorisation and record keeping, outdated guidance, and unclear responsibilities across Payroll, HR and Finance. The review recommends

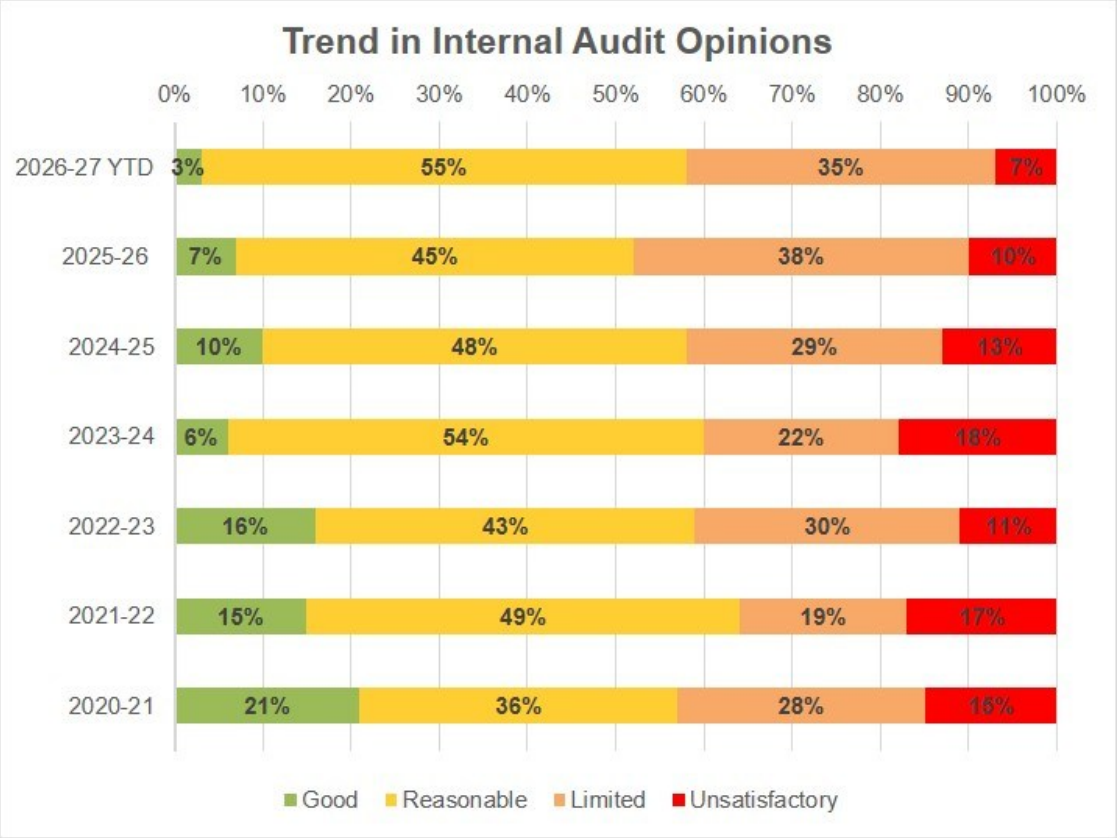
a coordinated improvement programme focused on system enhancements, stronger accountability, improved management information and clearer governance arrangements to address the underlying causes of control weaknesses.

- **Direct Payments Root Cause Briefing Note**
  Internal Audit's review of Adults' and Children's Direct Payments identified common weaknesses in governance, DBS compliance, performance monitoring, risk management and manual processes. The findings indicate a need for greater alignment between services, strengthened oversight and improved systems and management information to support effective delivery of Direct Payments and inform future service redesign.
- **Multiple Same Day Purchase Order Briefing Note**
  Internal Audit completed a data analytics review of multiple same-day purchase orders and identified 2,068 instances, with a total value of £125.1m, including 386 cases where combined order values exceeded authorisation limits. The review highlighted risks relating to compliance, financial reporting and efficiency, together with evidence of unused or partially utilised purchase orders. Further work will be undertaken with service areas to understand the causes and identify opportunities to strengthen controls and improve purchasing processes.
- **NFI Declarations of Interests Review**
  A review of National Fraud Initiative data identified a small number of potential conflicts of interest requiring further investigation and found that only 48% of staff had completed the Council's new declaration of interests process. The review also highlighted weaknesses in the quality of declarations and has resulted in a significant recommendation to strengthen guidance, improve data quality and increase compliance across the Council.
- **Recommendation Status Briefing Note**
  The briefing note reported substantial progress in addressing the historic backlog of significant and fundamental audit recommendations, with overdue actions reducing from 181 in October 2025 to five by 28 April 2026. However, 228 actions had been closed based on management assurance without independent audit verification, while 156 were not yet due, reflecting extended or revised implementation dates. Internal Audit follow-up work found that 54% of reviewed actions remained only partially implemented or had been repeated, demonstrating continuing residual risk and the need for sustained management focus to ensure that agreed controls are fully implemented, embedded and operating effectively.
- **Grants Lessons Learnt Briefing Note**
  Following lessons learned from delays in the HUG Grant audit sign-off, a briefing note was issued to strengthen grant governance and improve future audit assurance processes. The note emphasises the need for robust evidence retention, clear documentation of compliance with grant conditions, effective financial reconciliation, and documented communications with grant providers to reduce the risk of delays, non-compliance and potential grant clawback. A Grant Administrators Checklist has been developed to support consistent and audit-ready grant management arrangements across the Council.
- **Savings – Vehicle Fleet**
  A review of vehicle fleet procurement found no evidence of vehicles being purchased, leased or hired outside the approved Passenger Transport Team route during 2025/26, providing assurance that current arrangements are operating as intended. One historic exception relating to a minibus and previous use of a non-approved rental supplier was identified, but no current concerns

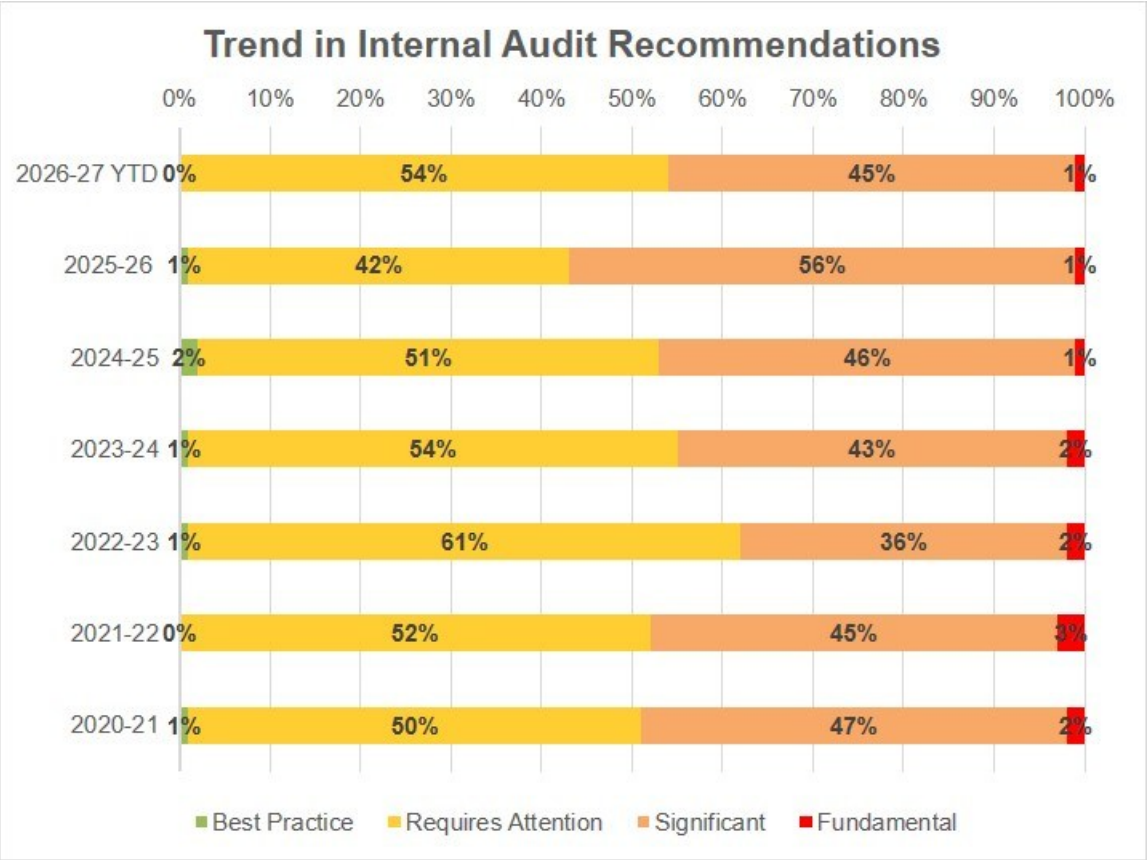
were found. The review emphasised the importance of maintaining approved procurement routes to support compliance, insurance requirements and effective fleet management.

4. Direction of travel

4.1. The number of lower-level assurances to date, 42%, is lower than the outturn for 2025/26 of 48%, this is encouraging.



4.2. The breakdown of recommendation classifications for the year to date is shown below. The recommendation profile should be interpreted alongside the assurance opinions and the nature of audits completed to date. Most recommendations fall within the Significant and Requires Attention categories, which indicates a continuing need to strengthen control design, compliance and management oversight across a range of service areas. Although only two Fundamental recommendations have been raised, the overall volume of recommendations means that timely implementation and effective follow-up remain important. At this stage of the year, it would be premature to draw firm conclusions about a sustained trend, but the current pattern supports continued Committee oversight of high-priority recommendations and recurring themes emerging from limited and unsatisfactory assurance reviews.



4.3. Lower assurance opinions are currently concentrated in areas involving schools and Children and Young People services, follow-up reviews, project and contract management, and operational financial controls. The recurring themes are less about isolated process failures and more about the need to strengthen governance, accountability, management information, compliance with agreed procedures and escalation arrangements. Several areas have also received lower assurance previously, suggesting that the Committee may wish to maintain focus on whether agreed actions are being fully implemented and embedded, rather than simply closed.

4.4. Full details of the audits completed and their assurance opinions can be found at the Audit Plan Performance table on the following page of this report.

5. Performance Measures

5.1. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Committee. Performance is also assessed through progress against the revised audit plan, timely issue of final reports, management response and implementation of recommendations, completion of follow-up work, and the continued alignment of audit activity to key Council risks and priorities. This ensures that the Committee receives assurance not only on delivery of audit work, but also on whether audit activity is contributing to improvements in governance, risk management and internal control.

AUDIT PLAN PERFORMANCE REPORT FROM 1st APRIL TO 31st AUGUST 2026

Audit Name	Original Plan Days	August Revision	Revised Plan Days	31st August 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
							Fundamental	Significant	Requires Attention	Best Practice	
ASC Outturn Follow Up 25/26					Complete	Limited		4	1		N/A
Assistive Technologies 25/26					Complete	Reasonable		3	4		N/A
Shrewsbury Riverside Development 25/26					Complete	Limited		7	6		N/A
Bishops Castle Community College Follow up 25/26					Complete	Limited	1	6	8		↑
BluPrint - Print Unit Operations 25/26					Complete	Limited		4	4		←→
Chipside Parking System Application Review 25/26					Complete	Reasonable			4		↑
Corporate Governance 25/26					Complete	Reasonable			9		←→
Children's Direct Payments Children 25/26					Complete	Unsatisfactory		8	3		←→
Emergency Planning 25/26					Complete	Reasonable		4	4		←→
Health and Safety Governance 25/26					Complete	Limited		7	3		↓
Highways Maintenance - Term Maintenance -Kier 25/26					Complete	Reasonable		1			↑
Homelessness Follow Up 25/26					Complete	Limited		2	7		←→
ICT Project Financing and Recharges 25/26					Complete	Limited		4	1		←→
IDOX Application 25/26					Complete	Reasonable		1	4		←→
Magic Notes AI 25/26					Complete	Reasonable		3	4		N/A
Members Development Training 25/26					Complete	Limited		4	0		N/A
Payroll System Follow up 25/26					Complete	Limited		12	15		←→
Performance Management Framework 25/26					Complete	Reasonable		2	6		N/A
Public Sector Network (PSN) Accreditation 25/26					Complete	Reasonable		1	1		N/A
Remote Support 25/26					Complete	Reasonable		2	2		↑
The Lantern Follow Up 25/26					Complete	Briefing Note					N/A
Garden Waste Collections Follow Up 25/26					Complete	Briefing Note					N/A
Direct Payments Root Cause Briefing Note	0	1	1	1.3	Complete	Briefing Note		4	1		N/A
DOLS Deprivation of Liberty Safeguards	10		10	5.0	Complete	Briefing Note					N/A
Monitoring of Schools Deficit/Surplus Budgets	8	9	17	16.8	Complete	Unsatisfactory	1	6	3		N/A
Purchasing Cards - Children's Residential Homes	8	14	22	21.8	Complete	Limited		5	5		N/A
SFVS - Schools Financial Value Statement	2		2	1.6	Complete	N/A					N/A
Food Standards and Hygiene	10		10	8.9	Complete	Reasonable		1	3		↓
Annual Governance Statement (AGS) 25/26	0		0	0.4	Complete	N/A					N/A
Statutory Officers - Recommendation Status Briefing Note	0		0	0.3	Complete	Briefing Note					
Database Access, Admin and Management	0	8	8	7.0	Complete	Reasonable			3		↑
Shirehall Data Centre Decommissiong Project	10		10	9.4	Complete	Reasonable		2	4		N/A
Payroll Data Analytics (IDEA) Q4 25/26	1		1	1.3	Complete	N/A					N/A
Payroll Root Cause Briefing Note	0		0	0.0	Complete	Briefing Note					N/A
Committee Reporting and Management	10		10	10.3	Complete	Reasonable		1	2		N/A
NFI Declarations of Interest Review	0		0	0.6	Complete	Briefing Note		1			
Multiple Same Day Orders	0		0	1.4	Complete	Briefing Note					
Freedom of Information (FOI) and Subject Access Requests (SAR)	10	-1	9	8.4	Complete	Good			1		↑

Audit Name	Original Plan Days	August Revision	Revised Plan Days	31st August 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
							Fundamental	Significant	Requires Attention	Best Practice	
Members Allowances and Expenses	8	2	10	9.4	Complete	Reasonable		1	2		←→
Grant Lessons Learnt	0		0	0.3	Complete	Briefing Note					N/A
Warm Homes Local Grant	0		0	4.1	Complete	N/A		2	6		N/A
Savings 2026/27 – Vehicle Fleet	0		0	3.0	Complete	Briefing Note					N/A
Social Media	10	4	14	14.0	Complete	Reasonable			2		↑
Agency and Consultancy Staff 25/26					Draft						
Adoption Process Including Allowances	0	19	19	18.2	Draft						
HR Casework and Employee Relations - Framework Design and Consistency	15		15	13.6	Draft						
HR Casework and Employee Relations - Data Analysis	0	20	20	18.1	Draft						
Savings Briefing Note – Cleaning	0		0	11.6	Draft						
Aquamira Comforts Fund	3		3	0.9	In Progress						
Adult Social Care - Systems and Forecasting	0	18	18	17.0	In Progress						
Schools Self Assessments (Audit Provided)	8		8	0.1	In Progress						
SEND Statutory and Regulatory Framework	0	15	15	12.9	In Progress						
Financial Evaluations	30		30	7.6	In Progress						
Supported Living Contract Management	8		8	1.5	In Progress						
Regulator for Social Housing Compliance	10		10	1.2	In Progress						
All Staff Communication Verification	0	5	5	2.8	In Progress						
Best Value Framework	0	10	10	7.4	In Progress						
Chatbots and Microsoft Power Apps Development and Management	10		10	1.5	In Progress						
Digital Mailroom	8		8	0.7	In Progress						
Digital Transformation Board	5		5	0.3	In Progress						
Management of Recruitment and Retention of New Employees	8		8	3.2	In Progress						
IT Asset Management	8		8	7.6	In Progress						
Out of County IT Equipment Delivery	5	2	7	5.8	In Progress						
Payroll Data Analytics (IDEA) Q1	1		1	2.2	In Progress						
Property Sales and Acquisitions	10		10	4.3	In Progress						
Employment Vetting	6		6	0.5	In Progress						
Remote Access, Citrix & VPN	8		8	1.7	In Progress						
Unified Communications	7		7	4.7	In Progress						
CONFIRM-Highways Management System	10		10	2.5	In Progress						
Grey Fleet	8		8	3.1	In Progress						
Transport Contract Payments	0	8	8	1.7	In Progress						
Street Scene	10		10	0.5	In Progress						
Counter Fraud Work	20		20		In Progress						
Housing Tenancy Fraud Review	0		0	0.7	In Progress						
Contract Management Counter Fraud Review	0		0	7.9	In Progress						
Payroll - Leaver and Sickness Verification	0		0	0.2	In Progress						
Counter Fraud, Policies and Training	4		4		In Progress						
Anti Money Laundering Policy Review	0		0	0.4	In Progress						

Audit Name	Original Plan Days	August Revision	Revised Plan Days	31st August 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
							Fundamental	Significant	Requires Attention	Best Practice	
Fraud Risk Assessment	0		0	2.7	In Progress						
National Fraud Initiative (NFI)	20		20		In Progress						
NFI Main Exercise 2024/25	0		0	3.6	In Progress						
Property Services Group (PSG)	0	15	15	0.5	In Progress						
Community Covenant	10		10	3.4	In Progress						
Business Rates / NDR	20		20	0.5	In Progress						
Finance - Final Grant Claims	8		8		In Progress						
Income Collection	8		8	3.4	In Progress						
Savings Projects	12	13	25	0.3	In Progress						
Savings 2026/27 – Leases	0		0	0.3	In Progress						
Savings 2026/27 – Software Licenses	0		0	0.4	In Progress						
Savings 2026/27 – Taxi Usage	0		0	4.8	In Progress						
Treasury Management	8	4	12	10.7	In Progress						
Business Continuity Planning (Guildhall)	10		10	0.7	In Progress						
Data Quality Strategy	5		5	2.4	In Progress						
Pyrolysis Project Governance	0	15	15	9.0	In Progress						
Transformation and Improvement Contingency	150	-140	10		In Progress						
Role of the Manager Sprint Reference Group	0		0	0.6	In Progress						
Role of the Manager Stakeholder Group	0		0	0.3	In Progress						
Transformation and Improvement Contingency - Improvement Plan Project 8 Work	0		0	1.3	In Progress						
Adults with Learning Disabilities Day Services	10		10		Not Started						
Controcc Application	15		15		Not Started						
Direct Payments Children	5		5		Not Started						
Home to School Transport and SEND Transport	15		15		Not Started						
Contracts Register System Implementation	8		8		Not Started						
Personal Budgets - Deferred Payments	10		10		Not Started						
Procurement Act Compliance	10		10		Not Started						
Annual Governance Statement (AGS)	1		1		Not Started						
Corporate Governance	8		8		Not Started						
Ethics / Culture	10		10		Not Started						
Back-up arrangements	5		5		Not Started						
BluPrint - Print Unit Operations	6		6		Not Started						
Corporate Networking - Active Directory	10		10		Not Started						
Cyber Security Contract Management (Normcyber / WAN / Data Centre)	10		10		Not Started						
Cyber Threat / Incident Response Plan	10		10		Not Started						
Digital Transformation Plan	10		10		Not Started						
Disaster Recovery	5		5		Not Started						
Diversity Arrangements	4		4		Not Started						
Holiday Pay Follow Up	0	4	4		Not Started						
Microsoft Azure (Office 365)	10		10		Not Started						

Audit Name	Original Plan Days	August Revision	Revised Plan Days	31st August 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
							Fundamental	Significant	Requires Attention	Best Practice	
Nutanix Data Centre Solution	10		10		Not Started						
Payroll Data Analytics (IDEA) Q2	1		1		Not Started						
Payroll Data Analytics (IDEA) Q3	1		1		Not Started						
Robotic Process Automation (RPA)	5		5		Not Started						
Security of Council Buildings Health & Safety	10		10	0.3	Not Started						
Shirehall Disposal	7		7		Not Started						
Telecommunications - Contracts, Procurement and Monitoring	10		10		Not Started						
Travel and Subsistence	8		8		Not Started						
WhatsApp	3		3	0.0	Not Started						
BSOG Grant Bus Subsidy	2		2		Not Started						
WSP Contract	6		6		Not Started						
Coroners and Mortuary Service	5		5		Not Started						
NFI Declarations of Interest Follow Up	0	5	5		Not Started						
Payroll Leaver and Sickness Verification	0	8	8		Not Started						
Information Classification / Handling / Data Loss	10		10		Not Started						
Section 38 Road Adoption	6		6		Not Started						
ASC Outturn Follow Up	0	5	5		Not Started						
Capital - Management and Monitoring	8		8		Not Started						
Sales Ledger	15		15	0.2	Not Started						
Spend Control Board Review	0	8	8		Not Started						
Corporate Plan - Service Plans	12	3	15		Not Started						
Improvement Plan	15		15		Not Started						
PMO Project Management	12		12		Not Started						
Power BI Reporting and Development	7		7		Not Started						
Power BI Data Validation	0	12	12		Not Started						
Risk Management	10		10		Not Started						
CQC Continuous Improvement Plan	12	-12	0		Cut						
Shropshire Carers Support Team	10	-10	0		Cut						
Bishops Castle Community College	10	-10	0		Cut						
Care Leaver Allowances	10	-10	0		Cut						
Domiciliary & Respite Services (Short Breaks)	8	-8	0		Cut						
Early Help	10	-10	0		Cut						
Elective Home Education	10	-10	0		Cut						
Foster Care Project	10	-10	0		Cut						
Stepping Stones	12	-12	0		Cut						
Key Supply Contracts	10	-10	0		Cut						
Parking - Enforcement and issue of NPOs & Fixed Penalty Notices	10	-10	0		Cut						
Private Renters Rights Act	10	-10	0		Cut						
Code of Practice for Statutory Officers	8	-8	0		Cut						
Improvement and Assurance Framework for Local Governance	8	-8	0		Cut						
Partnerships	12	-12	0		Cut						

Audit Name	Original Plan Days	August Revision	Revised Plan Days	31st August 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
							Fundamental	Significant	Requires Attention	Best Practice	
Growth and Skills Levy	10	-10	0		Cut						
Conditional Access	8	-8	0		Cut						
Human Resources - Workforce Planning	10	-10	0		Cut						
Organisational Workforce Resilience	15	-15	0		Cut						
Privileged Account Management	5	-5	0		Cut						
Resourcelink- HR Application Review	8	-8	0		Cut						
Service Accounts	10	-10	0		Cut						
Economic Growth Projects	10	-10	0		Cut						
Highways Development Control	10	-10	0		Cut						
Project Management	12	-12	0		Cut						
Planning Service Review	12	-12	0		Cut						
CIPFA Financial Management Self Assessment	10	-10	0		Cut						
Debt Recovery	15	-15	0		Cut						
Purchase Ledger P2P	26	-26	0		Cut						
Revenues and Benefits Service Delivery	8	-8	0		Cut						
Complaint Handling Code	10	-10	0		Cut						
New Operating Model	10	-10	0		Cut						
Performance Data	12	-12	0		Cut						
Total Shropshire Council Planned Work	**1,216**	**-265**	**951**	**333.1**							
CONTINGENCIES											
Advisory Contingency	20	0	20	9.7							
Fraud Contingency	150	0	150	68.8							
Unplanned Audit Contingency	60	0	60	91.9							
Other non audit Chargeable Work	166	-7	159	58.6							
CONTINGENCIES	**396**	**-7**	**389**	**229.0**							
Total for Shropshire	**1,612**	-272	**1,340**	**562.1**							
EXTERNAL CLIENTS	**158**	**-14**	**144**	**43.8**							
Total Chargeable	**1,770**	**-286**	**1,484**	**605.9**							

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.

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.

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).

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.

Committee

Audit and Governance Committee

25th September 2026

Public

Annual Review of the Audit and Governance Committee's Terms of Reference

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield – Section 151 Officer
Service Area:	Internal Audit
Report Author	Duncan Whitfield – Section 151 Officer
Officer contact details	Duncan.Whitfield@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Non Key
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. The purpose of this report is to support the Audit and Governance Committee in reviewing and confirming the continued appropriateness of its Terms of Reference. This includes ensuring that the Committee's role, responsibilities and authority remain aligned with relevant legislation, guidance and best practice, and are sufficient to enable effective oversight of the Council's governance, risk management and internal control framework. The annual review provides an opportunity to reflect any changes in regulatory requirements or organisational arrangements, and to recommend updates where necessary to ensure the Committee can continue to discharge its responsibilities effectively.

2. Recommendations

2.1. The Committee is asked to:

- Consider the Audit and Governance Committee Terms of Reference attached at **Appendix A**, comment as appropriate, and agree the proposed amendments.

- Refer the updated Terms of Reference to Council for approval.

3. Background

3.1. Part of the responsibility of this Committee is to review annually its Terms of Reference, making any recommendations for significant changes in them to Full Council.

3.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines the purpose of an Audit Committee as providing those charged with governance with an independent and high-level focus on the adequacy of governance, risk and control arrangements. By doing this and overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3.3. The Council's Audit and Governance Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.'

3.4. In addition, Section 151 of the Local Government Act 1972 requires the Council to, 'make arrangements for the proper administration of its financial affairs'. In discharging sound financial management, the Section 151 Officer requires an effective Audit Committee and an internal audit service which evaluates the effectiveness of its risk management, control and governance processes. Both elements are enshrined in the Global Internal Audit Standards and the supporting Local Government Application Note.

3.5. Effective Audit Committees bring many benefits to the Council. They can:

- Increase public confidence in the objectivity and fairness of financial and other reporting.
- Reduce the risk of illegal or improper acts.
- Reinforce the importance and independence of internal and external audit and any other review processes that report to the Committee.
- Provide a sharper focus on financial reporting, both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting.
- Assist the co-ordination of sources of assurance and, in so doing, make management more accountable.
- Provide additional assurance through a process of independent and objective review.
- Raise awareness of the need for internal control and the implementation of audit recommendations.

3.6. It is therefore important that the Terms of Reference are reviewed to ensure that best practice guidance is incorporated.

4. Summary of Main Proposals

4.1. The Audit and Governance Committee's Terms of Reference reflect guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in their: Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition.

4.2. The annual review has considered the Committee's Terms of Reference against relevant legislation, CIPFA guidance, the Global Internal Audit Standards and the Local Government Application Note. The review confirms that the Terms of Reference remain fit for purpose and continue to provide an appropriate framework for the Committee's oversight of governance, risk management, internal control, audit and financial reporting. Amendments have been made to clarify the committee's role in some aspects of the governance framework. The Terms of Reference have also been updated to reflect anticipated legislative changes relating to the appointment of an independent member requirements as part of English devolution and community engagement legislation. All changes proposed are shown in bold, italic and underlined text.

4.3. Following the resignation of the previous independent member in January 2026, the Council intends to commence recruitment shortly to appoint a suitably qualified replacement. Any appointment made through the appropriate governance route. The Section 151 Officer has delegated authority to appoint to this position.

5. Alternative Options

5.1. The alternative option would be not to review or update the Terms of Reference. This could increase the risk that the Committee's responsibilities become outdated or misaligned with current legislation, professional guidance and good governance practice.

6. Key Risks and Opportunities

6.1. The annual review of the Audit and Governance Committee's Terms of Reference supports the Council's risk management framework by ensuring that the Committee's oversight responsibilities for risk, control and governance remain clear, robust and aligned to best practice. By confirming the Committee's role in scrutinising risk management arrangements, the review helps ensure that key risks are identified, assessed and appropriately managed across the organisation.

Risk	Mitigation	Link to Strategic Risk
Terms of Reference become outdated or misaligned with legislation/guidance.	Annual review against CIPFA guidance, GIAS and the Local Government Application Note.	Governance, assurance and value for money.
Committee oversight is weakened because responsibilities are unclear.	Clear Terms of Reference setting out remit, responsibilities and reporting lines.	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
Any significant changes are not referred through the correct governance route.	Any significant changes to be referred to Full Council for approval.	Governance, assurance and value for money.
Independent Member vacancy reduces independence and objectivity within the Audit Committee.	Undertake recruitment to appoint to the Independent Member role and consider expanding the Committee terms of reference to include two members in line with CIPFA's recommended best practice.	Governance, assurance and value for money.
The Independent Member vacancy may reduce the Committee's access to specialist skills, knowledge and independent expertise	Recruit an independent member to supplement the Committee's collective skills base and support this with a structured induction and ongoing training programme for all members. Review outcomes of Audit Committee self assessment of effectiveness and skills evaluation against CIPFA's best practice guidance.	Governance, assurance and value for money.

6.2. The annual review of the Committee's terms of reference also presents an opportunity to strengthen oversight arrangements, enhance the effectiveness of risk reporting and embed a more proactive, risk-aware culture, supporting improved decision-making and the Council's overall governance and organisational resilience.

6.3. There is also an opportunity to consider, as part of future governance development, whether the Committee's membership arrangements should be amended to include two suitably qualified independent members with relevant expertise in audit, finance, governance or risk, in line with CIPFA's recommended best practice.

7. Council Priorities

7.1. The annual review of the Audit and Governance Committee's Terms of Reference supports the delivery of the Council's Corporate Plan 2026–2030 by ensuring that the Committee's role, responsibilities and oversight arrangements remain effective in underpinning strong governance, financial sustainability and organisational improvement. By confirming that the Committee is appropriately constituted and aligned with best practice, the review helps ensure that robust challenge, assurance and accountability arrangements are in place to support effective decision-making, the efficient use of resources and the management of risk, thereby contributing to the Council's ambition to operate as a sustainable, resilient and well-governed organisation.

8. Financial Implications

8.1. The annual review of the Audit and Governance Committee's Terms of Reference does not in itself give rise to direct financial implications; however, it supports the effective oversight of the Council's financial governance arrangements. By ensuring that the Committee's roles and responsibilities remain clearly defined and aligned to best practice, the review helps strengthen scrutiny of financial management, risk and control, contributing to the safeguarding of public funds, the efficient use of resources and the Council's wider objective of achieving financial sustainability.

8.2. There are no direct financial implications arising from the annual review itself. However, the appointment of an independent member may give rise to costs associated with any agreed allowance or remuneration, recruitment, training and induction, equipment, and system access.

9. Legal and HR implications

9.1. The annual review of the Audit and Governance Committee's Terms of Reference does not in itself give rise to direct legal or human resource implications; however, it supports the Council's compliance with statutory requirements and recognised governance standards. By ensuring that the Committee's responsibilities are clearly defined, appropriately delegated and aligned with relevant legislation and guidance, the review helps maintain effective oversight of legal compliance and employment-related risks. This, in turn, supports the Council in meeting its statutory duties, managing workforce-related matters appropriately, and reducing the risk of legal challenge or non-compliance.

9.2. The legal position should be confirmed by Legal Services once the final statutory requirements and commencement arrangements are clear regarding English devolution and community engagement legislation.

10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from the review of the Audit and Governance Committee's Terms of Reference, as it relates to the Council's corporate governance arrangements rather than service delivery within specific geographic areas. However, maintaining clear and effective Terms of Reference supports robust oversight, transparency and accountability across all Council activities, which underpin consistent service provision and outcomes for residents in all electoral divisions.

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

11.1. There are no direct health, social or economic implications arising from the review of the Audit and Governance Committee's Terms of Reference; however, the Committee's role in overseeing governance, risk management and internal control supports the Council's wider Health in All Policies approach. By ensuring robust scrutiny and effective decision-making arrangements, the Committee helps promote the efficient use of resources, the delivery of sustainable services and the

management of risks that may impact on the health, wellbeing and economic outcomes of Shropshire's communities.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from the review of the Audit and Governance Committee's Terms of Reference; however, the review supports the Council's commitment to equality, inclusion and fair decision-making. By ensuring that the Committee's governance, scrutiny and assurance role remains clear and effective, it helps provide oversight of arrangements that promote compliance with equality legislation, consistent application of policies and equitable outcomes across all services, thereby contributing to an inclusive and well-governed organisation.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from the review of the Audit and Governance Committee's Terms of Reference; however, the review supports the Council's wider governance framework, which includes oversight of environmental risks, sustainability commitments and compliance with relevant legislation and strategies. By ensuring the Committee's responsibilities remain clear and effective, it contributes to robust scrutiny of how the Council manages climate-related risks and environmental impacts, supporting its ambition to operate in a sustainable and responsible manner.

14. Background Papers

14.1. Annual Review of Audit and Governance Committee Terms of Reference, Audit and Governance Committee, 26 September 2025
14.2. Chartered Institute of Public Finance and Accountancy (CIPFA), Audit Committees: Practical Guidance for Local Authorities and Police, 2022 Edition
14.3. Global Internal Audit Standards (Institute of Internal Auditors 2024)
14.4. Local Government Application Note for the United Kingdom Global Internal Audit Standards, CIPFA 2025
14.5. Local Government Act 1972
14.6. The Accounts and Audit Regulations 2015 (as amended)
14.7. Council's Corporate Plan 2026–2030

15. Appendices

Appendix A – Audit and Governance Committee Terms of Reference

APPENDIX A

AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

Purpose

1. ***The Chartered Institute of Public Finance and Accountancy (CIPFA) defines the purpose of an Audit Committee as providing those charged with governance with an independent and high-level focus on the adequacy of governance, risk and control arrangements. By doing this and overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.***

2. ***The Council's Audit and Governance Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.'***

3. ***In addition, Section 151 of the Local Government Act 1972 requires the Council to, 'make arrangements for the proper administration of its financial affairs'. In discharging sound financial management, the Section 151 Officer requires an effective Audit Committee and an internal audit service which evaluates the effectiveness of its risk management, control and governance processes. Both elements are enshrined in the Global Internal Audit Standards and the supporting Local Government Application Note.***

Membership

4. ***The Audit and Governance Committee should act independently, avoid conflicts of interest, and provide objective challenge in the interests of good governance.*** It must display unbiased attitudes, treating auditors, the executive and management equally. It can also challenge the Leader and the Head of Paid Service when required. The Audit and Governance Committee will comprise:

   a) Nine Members in accordance with the current political balance rules who may be represented by designated substitutes in their absence. Any designated substitute must be appropriately trained. None of the Members should be Members of the Executive, Scrutiny Chairs or Vice Chairs.

   b) ***The Section 151 Officer and the Chief Audit Executive (CAE)[1] or nominated deputy will attend every meeting. Executive Directors or Leadership Board Directors will attend regularly for key governance, risk, Annual Governance Statement (AGS) or major assurance items.*** In addition, should

[1] CAE is the Head of Policy and Governance

the Section 151 Officer feel there is an item on the agenda which would benefit from the Leader's presence, or the presence of a Portfolio Holder, the Chair of the Audit and Governance Committee would be informed and they could invite the Leader or Portfolio Holder to attend.

5. ***The Committee will appoint an independent member in line with the requirements of the English Devolution and Community Engagement Act 2026 legislation.***

6. There will be a standing invitation to the External Auditor to attend all meetings and they should attend the Audit and Governance Committee at least twice a year to report on the findings of the audit of the Council.

7. Members should champion sound internal controls including standards and ethics.

Meetings

8. The Audit and Governance Committee will meet at least four times a year. The Chairman of the Audit and Governance Committee may convene additional meetings as they deem necessary.

9. The Head of the Paid Service, the Section 151 Officer, or the CAE may ask the Audit and Governance Committee to convene further meetings to discuss issues on which they want the Committee's advice.

10. The Audit and Governance Committee, CAE and External Audit have the opportunity for private discussions without the Section 151 Officer or other executive directors being present if issues need exploring in this forum.

11. The Monitoring Officer is responsible for ensuring the Audit and Governance Committee is serviced with all necessary papers and support to enable it to fully discharge its responsibilities.

CORE FUNCTIONS

Governance Risk and Control

12. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

13. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, considering Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and assurances on how effectively the Seven Principles of Public Life are supported[2].

14. ***To review arrangements for standards, ethical governance and the Seven Principles of Public Life.***

15. To consider the Council's arrangements for securing value for money, supporting standards and ethics and review assurances and assessments on the effectiveness of these arrangements.

16. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

17. To monitor the effective development and operation of risk management in the Council.

18. ***To monitor progress in addressing risk-related issues reported to the committee:***

    a) ***reviewing the risk management framework;***

    b) ***monitoring strategic risk arrangements;***

    c) ***seeking assurance on risk-related actions;***

    d) ***escalating unresolved significant risks.***

19. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

20. To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.

21. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.

22. To review the governance and assurance arrangements for significant partnerships or collaborations.

[2] https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2

Internal Audit

23. To approve the Internal Audit Charter ***and Mandate*** incorporating ***the internal audit function's purpose, mandate, organisational position, reporting lines, and scope of work.***

24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

25. To approve, but not direct, the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

26. To approve significant interim changes to the risk based internal audit plan and resource requirements, including approval of significant additional consulting services.

27. To make appropriate enquiries of both management and the CAE to determine if there are any inappropriate scope or resource limitations.

28. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the CAE. To approve and periodically review safeguards to limit such impairments.

29. To consider reports from the CAE on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include:

    a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand following Internal Audit work.

    b) Reports on the results of the Quality Assurance and Improvement Programme.

    c) Reports on instances where the Internal Audit function does not conform to the Global Internal Audit Standards and Local Government Application Note, considering whether the non-conformance should be included in the Annual Governance Statement.

30. To consider the CAE's annual report, specifically:

    a) The statement of the level of conformance with the Global Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.

    b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

31. To consider summaries of specific internal audit reports as requested.

32. To receive reports outlining the action taken where the CAE has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

33. To contribute to the Quality Assurance and Improvement Programme and to the external quality assessment of Internal Audit that takes place at least once every five years.

34. To support the development of effective communication with the CAE.

External Audit

35. To support the independence of the External Auditor through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the Public Sector Audit Appointments (PSAA); consider and comment on the selection and rotation of the External Auditor.

36. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.

37. To consider specific reports as agreed with the External Auditor and other inspection agencies.

38. To support the quality and effectiveness of the external audit process and to comment on the scope and depth of external audit work to ensure it gives value for money and complies with ethical standards.

39. To commission additional work from external audit as required.

40. To review and advise on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial Reporting

41. To review and if necessary, approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. When required, to approve the Annual Statement of Accounts

42. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury Management

43. To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet and Full Council, ensuring that controls are satisfactory.

44. To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity[3].

45. To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management in accordance with best practice.

Accountability Arrangements

46. ***The Committee is accountable to Full Council for its work and the Committee's annual report should include an assessment of impact, effectiveness and any areas requiring council attention.***

47. To publish an annual report on the work of the Committee by reporting annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements.

48. To report to Council where the Audit and Governance Committee wish to raise concerns within their remit, have added value, improved or promoted the control environment and performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.

Work Plan

49. In carrying out the core functions the Audit and Governance Committee will approve an annual work plan. This will enable members to consider, review and, as appropriate, approve: -

a) An annual review of the Terms of Reference for the Audit and Governance Committee, making any recommendations for significant changes in them to Full Council.

b) Any proposals for the revision of the Internal Audit Charter ***and Mandate***.

c) The CAE's Annual Report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

d) Regular performance reports on the work completed by Internal Audit and the progress made by directorates in implementing recommended actions.

e) Revisions to the annual audit plan as advised by the CAE and agreed by the Section 151 Officer.

[3] Clause 3 Treasury Management Code of Practice

f) The Council's Statement of Accounts when required or before submission to Full Council for such approval.

g) A report on the review of the adequacy of the Council's corporate governance arrangements.

h) A report on the Internal Audit system and ongoing Quality Assurance and Improvement Programme.

i) A report on the strategic risks of the Council and a review of the adequacy of the Council's risk management arrangements.

j) The Council's Annual Governance Statement.

k) The External Auditor's work plan, including comments on the scope and depth of external audit work to ensure it gives value for money.

l) The External Auditor's Progress and Findings; and Annual Reports following completion of the annual audit of the Accounts.

m) Reports on any joint projects undertaken by Internal and External Audit.

n) Reports on Internal Audit investigations including frauds and consideration of recommendations for strengthening internal controls.

o) The annual review and re-affirmation of the Council's Counter Fraud, Bribery and Anti-Corruption Strategy to ensure on-going training and awareness of all staff regarding Counter Fraud and Anti-Corruption measures.

p) Any issues within the remit of the Audit and Governance Committee referred to it by the Head of the Paid Service, the Section 151 Officer, Monitoring Officer or any Council body for determination.

q) Treasury Strategy Reports including the Annual Investment Strategy and Minimum Revenue Provision Policy before submission to Full Council.

r) The mid-year Treasury Strategy Report and Annual Treasury Report before submission to Full Council.

Powers of the Audit and Governance Committee

50. The Committee will have no delegated powers, other than those assigned from Council to approve the Statement of Accounts when required, but can require relevant officers, members and agencies to attend at any meeting where such attendance would be expedient to the work of the Committee.

51. ***The Committee may request reports, information and explanations needed to discharge its responsibilities.***

Audit and Governance Committee Competency Framework

52. All Members of the Audit and Governance Committee should have, or acquire as soon as possible after appointment: -

a) An understanding of the objectives and current significant issues facing the Council.

b) An understanding of the Council's structure including key relationships with external partner organisations.

c) An understanding of the Chartered Institute of Public Finance and Accountancy's (CIPFA), Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition.

d) An understanding of any relevant legislation or other rules governing the operation of the Council.

e) A broad understanding of the local government environment, its accountability structures and current, major initiatives.

53. ***The Committee will complete an annual self-assessment. The results from this and any associated actions should be reported to the committee.***

54. CIPFA recommends that the Audit Committee should corporately possess an appropriate level of knowledge/skills/experience in: -

a) The Council's governance and regulatory frameworks.

b) Understanding of the wider governance environment in which the Council operates and the accountability structures within that environment.

c) Financial management and accounting including accounting concepts and standards.

d) Risk management.

e) Audit.

f) Counter fraud.

g) Treasury management.

Provision will be made for up to three Audit and Governance Committee training sessions each year. The training agenda will be informed by the Committee's annual self-assessment, including members' assessment of their collective skills and knowledge against relevant guidance. This will help ensure that development activity remains proportionate, targeted and responsive to identified needs, while allowing flexibility to reflect emerging issues and changes in the Committee's remit or operating environment.

Reviewed September 2026

Committee

Audit and Governance Committee

25th September 2026

Public

Internal Audit Charter and Mandate

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
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Non Key
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. The purpose of this report is to present the Internal Audit Charter and Mandate for review and approval by the Audit and Governance Committee. The Charter defines the purpose, authority and responsibilities of the Internal Audit function, including its organisational independence, access rights and reporting arrangements, in line with the Global Internal Audit Standards (GIAS).

1.2. Approval of the Charter confirms that Internal Audit is appropriately positioned within the Council's governance framework and is operating in compliance with GIAS, enabling the Committee to be assured that the service has a clear, up-to-date and standards-compliant mandate to provide independent and objective assurance over the Council's governance, risk management and internal control arrangements.

1.3. Annual review of the Charter and Mandate forms part of the ongoing requirement to ensure that the Charter remains up to date, reflects current professional

standards and organisational arrangements, and continues to provide a clear and appropriate mandate for the delivery of independent assurance.

2. Recommendations

2.1. The Committee is asked to:

- Consider and approve the Internal Audit Charter and Mandate (**Appendix A**).

3. Background

3.1. The requirement to maintain an Internal Audit Charter and Mandate is set out in the GIAS, which require the purpose, authority and responsibility of the internal audit function to be formally defined and periodically reviewed. The Charter forms a key component of the Council's governance framework, setting out the position of Internal Audit within the organisation, including its independence, access to information and reporting lines to senior management and the Audit and Governance Committee.

3.2. The Internal Audit Charter sets out the core requirements of the GIAS, including Internal Audit's purpose, authority, responsibilities, organisational independence, individual objectivity, professional competence, due professional care and arrangements for quality assurance and improvement.

3.3. In applying these requirements locally, the Charter explains how Internal Audit operates within the Council's governance framework. It describes the scope and nature of audit work, planning and reporting arrangements, rights of access, the approach to advisory work, fraud and corruption responsibilities, and the way in which Internal Audit contributes to assurance, accountability and continuous improvement.

4. Summary of Main Proposals

4.1. The scope of Internal Audit activity is set out in **Appendix A**. The senior management and board representatives for Internal Audit's client organisations are set out in **Annex B** of the Charter. There are no significant changes proposed; any amendments are shown in bold, underlined and italic font.

4.2. There is no change to the areas of potential conflict identified in previous years, the details of which are repeated here. The role of Head of Policy and Governance has operational responsibility for Information Governance. In addition, it is proposed that the Council's corporate risk management function will move under the remit of Head of Policy and Governance imminently. The Internal Audit Manager post adds a layer of independence from the Chief Audit Executive (CAE) in the operational management of the audit team on a day-to-day basis. This is in line with CIPFA guidance on the Role of the Head of Internal Audit.[1]

4.3. The Internal Audit Manager has direct access to the Chief Executive, Chairman of the Audit and Governance Committee, Leader of the Council, S151 Officer and Monitoring Officer to ensure independence is maintained. In addition, the post

[1] The role of the head of internal audit | CIPFA

holder is required to be CCAB qualified and therefore bound by their professional body code of ethics as well as the general requirement to adhere to the Nolan principles on standards in public life.

5. Alternative Options

5.1. As this report seeks approval of the Internal Audit Charter and Mandate, the alternative option would be not to approve it. This is not recommended, as it may weaken the formal authority, independence and visibility of Internal Audit and reduce assurance that the Council's arrangements comply with professional standards.

6. Key Risks and Opportunities

6.1. The Audit and Governance Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function and complies with the GIAS.

6.2. 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.

Risk	Mitigation	Link to Strategic Risk
The Charter is outdated and does not reflect current professional standards.	Review the Charter regularly against the Global Internal Audit Standards, CIPFA guidance and current organisational arrangements, and update it where necessary before seeking Committee approval.	Governance, assurance and value for money.
The Charter does not clearly define Internal Audit's purpose, authority and responsibilities.	Ensure the Charter clearly sets out Internal Audit's purpose, authority, responsibilities, scope of work, access rights and reporting arrangements.	Governance, assurance and value for money.
The Charter does not adequately safeguard Internal Audit's independence and objectivity.	Confirm in the Charter the functional reporting relationship to the Audit and Governance Committee, appropriate administrative reporting lines, and protections for auditor objectivity and independence.	Governance, assurance and value for money.
The Charter is not approved or maintained	Present the Charter annually to the Audit and Governance Committee for review and	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
as a current mandate for Internal Audit.	approval, ensuring it remains aligned to GIAS and current organisational arrangements.	

6.3. Internal Audit findings can also identify opportunities to strengthen processes, improve efficiency and support value for money. This enables managers to address control weaknesses early and make better use of assurance activity to improve service resilience and performance.

6.4. Review and approval of the Internal Audit Charter provides an opportunity to reinforce Internal Audit's independence, authority and visibility within the Council's governance framework. An up-to-date Charter, aligned with GIAS, clarifies the scope of assurance and advisory work, strengthens the link between audit activity and the Council's risk management arrangements, and supports greater organisational understanding of Internal Audit's role in improving control, transparency and continuous improvement.

7. Council Priorities

7.1. The Internal Audit Charter and Mandate support delivery of the Council's Corporate Plan 2026–2030 by ensuring that Internal Audit is positioned to provide independent assurance over governance, risk management and the effective use of resources, all of which are central to financial sustainability and organisational improvement. By formalising Internal Audit's authority, independence and scope in line with GIAS, the Charter helps align audit activity to the Council's priorities and transformation programmes, supporting robust oversight of the controls and risks that underpin sustainable, efficient and resilient services for Shropshire's communities.

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.

8.2. The review and approval of the Internal Audit Charter and Mandate does not give rise to direct financial implications. However, it supports effective use of the Council's resources by ensuring that Internal Audit is appropriately authorised, independent and aligned to professional standards. A clear and up-to-date mandate enables Internal Audit to provide assurance over financial systems, controls and governance arrangements, helping to identify inefficiencies, prevent loss and support value for money.

9. Legal and HR implications

9.1. There are no direct legal or human resource implications arising from this report; however, it supports the Council's compliance with statutory requirements and recognised governance standards. By formally defining the purpose, authority and responsibilities of Internal Audit, the Charter helps ensure appropriate oversight of legal compliance, employment practices and organisational conduct. In doing so, it

strengthens assurance over the Council's adherence to relevant legislation, policies and workforce-related procedures, reducing the risk of legal challenge, regulatory non-compliance and unmanaged employee 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. However, by supporting effective governance, risk management and internal control, the Charter contributes to the arrangements that underpin sound decision-making and effective service delivery across the Council, including services that affect wider health, social and economic outcomes.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report. However, the Charter supports transparency, accountability and effective governance across Council services, which contributes to fair and evidence-based decision-making.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report; however, it supports the Council's wider governance and assurance framework, including oversight of environmental risks, sustainability commitments and compliance with relevant legislation and policy requirements.

14. Background Papers

14.1. Global Internal Audit Standards (Institute of Internal Auditors 2024)
14.2. Local Government Application Note for the UK Public Sector Internal Audit Standards / Global Internal Audit Standards, CIPFA 2025
14.3. Internal Audit Quality Assurance External Assessment, February 2022
14.4. The Accounts and Audit Regulations 2015 (as amended)
14.5. Shropshire Council Constitution, including Financial Rules
14.6. Internal Audit Risk-Based Plan 2026/27 Audit and Governance Committee 5th February 2026.
14.7. CIPFA guidance on the role of the Head of Internal Audit
14.8. Internal Audit Charter and Mandate Audit and Governance Committee 27th November 2025.

15. Appendices

Appendix A - Internal Audit Charter and Mandate, including annexes A, B, C

Shropshire Council

Internal Audit Charter and Mandate 2026

Mission Statement

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

www.shropshire.gov.uk
General Enquiries: 0345 678 9000

INTERNAL AUDIT CHARTER AND MANDATE

INTRODUCTION

1. The Global Internal Audit Standards (GIAS) consist of five Domains, which encompass 15 guiding principles, supported by individual standards thereafter that include requirements, considerations and examples of application.

2. The 5 Domains are:

   • (I) Purpose of the Internal Auditing.

   • (II) Ethics and Professionalism.

   • (III) Governing the Internal Audit Function.

   • (IV) Managing the Internal Audit Function.

   • (V) Performing Internal Audit Services.

3. This Internal Audit Charter is compliant with the requirements of Domain I of the Standards in that it sets out the following minimum requirements:

   • Purpose of Internal Auditing.

   • Commitment to adhering to the Global Internal Audit Standards.

   • Mandate, including Authority and scope and types of services to be provided.

   • Organisational position and reporting relationships.

4. This charter establishes Internal Audit's position within the Council, including functional reporting relationships with the Audit and Governance Committee[2], authority to access personnel, records, and physical properties relevant to the undertaking of its engagements[3]; and defines the scope of the Internal Audit activity. Final approval of this Charter rests with the Audit and Governance Committee[4].

COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS

5. The Council's Internal Audit function will adhere to the mandatory elements of the Global Internal Audit Standards in the UK Public Sector. The Head of Policy and Governance will report annually to the Audit and Governance Committee and senior management regarding the Internal Audit function's conformance with the Standards, which will be assessed through a Quality Assurance and Improvement Programme (QAIP).

[2] See glossary for translation of the terms used in the Global Internal Audit Standards in respect of Shropshire Council's Internal Audit activity and those of its external clients.
[3] Engagement is the term in the GIAS used to represent audit work.
[4] The Audit and Governance Committee is referenced in the GIAS as the Board.

6. The basis of internal financial administration within the Council lies in the Financial Rules contained in the Council's Constitution. This Charter should be read in conjunction with the relevant sections of these Financial Rules.

7. The authority and requirement for an internal audit function derives from two pieces of legislation: *Section 151 of the Local Government Act 1972,* requires that authorities 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The *Accounts and Audit Regulations 2015* require that a relevant body must 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Any officer or member of a relevant body shall if the body requires-make available such documents, records and information and explanations as are considered necessary by the internal auditors.

8. The Financial Rules (Part 4, Appendix C2) state the Section 151 Officer has a 'statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit'.

9. In accordance with good practice, The Audit and Governance Committee will review this Charter annually after consultation with senior management[5].

MISSION AND MANDATE OF INTERNAL AUDIT

10. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

11. The mandate of Internal Audit is prescribed by the council's Financial Procedure Rules under the obligation and intention to provide assurance to the Council about its financial and business systems and control arrangements. Responsibility The Chief Executive, (in consultation with the Executive Director (S151 Officer) and Monitoring Officer) must make provision for an internal audit function which is an independent review of the accounting, financial and other operations of the Council. The Head of Policy and Governance will report directly to the Chief Executive, the Chair of the Audit and Governance Committee or the External Auditor in any circumstance where the functions and responsibilities of the Executive Director (S151 Officer) are being reviewed. (Other than routine reporting of work carried out).

12. The Head of Policy and Governance will provide a written summary of the activities of the Internal Audit function to the Audit and Governance Committee at least three times per year and an Annual Report produced for consideration by the Audit and Governance Committee, including an audit opinion on the adequacy and effectiveness of the Council's risk management systems and internal control environment.

[5] Senior management comprises of the Head of the Paid Service, Monitoring Officer, Section 151 Officer and directors.

INTERNAL AUDIT PURPOSE AND RESPONSIBILITIES

Purpose

13. The purpose of Internal Audit as defined by Domain I of the Standards is:

    'To strengthen the organisation's ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight and foresight.'

    Internal auditing is most effective when:

    - It is performed by competent professionals in conformance with the GIAS, which are set out in the public interest.
    - The internal audit function is independently positioned with direct accountability to the board (Audit and Governance Committee).
    - Internal auditors are free from undue influence and committed to making objective assessments.

14. Internal Audit risk based planning is aligned with the strategic objectives of the Council as set out in the Shropshire Council Corporate Plan 2026-2030[6]. The Internal Audit team supports the Council in achieving its vision through the delivery of the Internal Audit plans and consultancy activities.

Principles

15. Internal Audit, the auditors and the internal audit activity, comply with the following principles in delivering and achieving internal audit's mission:
    - Demonstrates integrity.
    - Demonstrates competence and due professional care.
    - Is objective and free from undue influence (independent).
    - Aligns with the strategies, objectives, and risks of the organisation.
    - Is positioned appropriately and resourced adequately.
    - Demonstrates quality and continuous improvement.
    - Communicates effectively.
    - Provides risk-based assurance[7].
    - Is insightful, proactive, and future-focused.
    - Promotes organisational improvement.

Objectives

16. Internal Audit's objective is to give assurance and an opinion to the Section 151 Officer, Audit and Governance Committee and the Council, on the adequacy of the Council's risk management, governance and control environment and the extent to

[6] ***The Shropshire Council Corporate Plan 2026-2030 | Shropshire Council***

[7] Assurance opinions and recommendation categories are defined in Annex A

which it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015.

Responsibilities

17. Internal Audit is responsible for conducting an independent appraisal of all the Council's (and that of its external clients) activities, financial or otherwise, including services provided in partnership or under contract with external organisations. It provides this service to the Council and all levels of management.

18. Internal Audit complies with the requirements of the Global Internal Audit Standards (GIAS) including the Definition of Internal Auditing, the Principles and the Code of Ethics (see **Annex A**) and other relevant guidance; including those issued by individual auditors' professional bodies.

19. The scope of internal audit includes:
    - reviewing, appraising and reporting on the following;
    - the soundness, adequacy and application of internal controls;
    - the extent to which the Council's assets are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance, inefficient administration, poor value for money or other causes;
    - the suitability and reliability of financial and other management data developed within the Council;
    - conducting selected value for money reviews of the efficiency and economy of the planning and operation of the Council's functions;
    - providing a responsive, challenging and informative internal advice and consultancy service for committees and services;
    - undertaking any non-recurring studies as directed by the Section 151 Officer;
    - advising on or undertaking fraud investigation work, except for benefit fraud, in accordance with the Council's Fraud Investigation procedure, prosecutions policy and the disciplinary guide;
    - participating in the National Fraud Initiative; and
    - Periodically undertaking an audit needs assessment taking into consideration the authority's risk management process.

20. Internal Audit also conduct special reviews or assignments where requested by management, which fall outside the approved work plan and for which a contingency is included in the audit plan.

INDEPENDENCE AND OBJECTIVITY

21. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out their responsibilities in an unbiased manner.

22. The role of Head of Policy and Governance has operational responsibility for Information Governance. ***It is proposed that the Council's corporate risk management function will move under the remit of Policy and Governance***

imminently. The Internal Audit Manager post adds a layer of independence from the CAE in the operational management of the audit team on a day-to-day basis.

23. Objectivity is an unbiased mental attitude that allows internal auditors to perform audit reviews in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not allow their judgement on audit matters to be influenced, distorted, or subordinated by others.

24. Threats to objectivity and independence must be managed at the individual auditor, audit, functional and organisational levels.

25. Internal Audit has no executive responsibilities and is independent of the activities that it audits to enable Auditors to provide impartial and unbiased professional evaluations, opinions and recommendations. Internal Audit is free to plan, undertake and report on its work as the CAE deems appropriate, in consultation with relevant managers. Counter fraud is a responsibility of the CAE but remains independent of the services from where counter fraud controls are operating.

26. The CAE has direct access to the Section 151 Officer, Monitoring Officer, Chief Executive, the External Auditor, senior managers, the Leader, Audit and Governance Committee and other members as required.

27. The CAE fosters constructive working relationships and mutual understanding with management, external auditors and with other review agencies.

28. The CAE supports the Statutory Officers in the collation of evidence documenting the Annual Governance Statement (AGS).

29. Constructive working relationships make it more likely that internal audit work will be accepted and acted upon, although the internal auditor does not allow their objectivity or impartiality to be impaired.

30. Internal auditors are required to have an impartial, unbiased attitude characterised by integrity and objectivity in their approach to work. They avoid conflicts of interest and a register of interests is maintained. Audit reviews are planned to ensure potential conflicts are avoided. To ensure integrity and objectivity are not impaired, auditors will not audit areas of previous responsibility for a period of at least twelve months after the responsibility ended. Auditors should not allow external factors to compromise their professional judgement and must maintain confidentiality in their work.

31. The CAE cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate risk management processes, control systems, accounting records, financial processes and governance arrangements i.e. the control environment, exist without depending on internal audit activity to identify weaknesses.

32. The CAE is to be consulted about significant proposed changes in the internal control system and the implementation of new systems and shall make recommendations on the standards of control to be applied.

33. This need not prejudice the audit objectivity when reviewing the systems later.

COMPETENCIES AND STANDARDS

34. Audits must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

35. The CAE holds a relevant professional accountancy/audit qualification and is suitably experienced. In addition, the CAE must maintain a team of staff who are properly trained to fulfil all their responsibilities and continue to enhance their knowledge, skills and competencies through continuing professional development.

36. Internal auditors are expected to:
    - exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
    - apply confidentiality as required by law and best practice and
    - obtain and record sufficient audit evidence to support their findings and recommendations.

INTERNAL AUDIT PLANNING

37. The CAE produces the Council's annual risk-based audit plan, in consultation with the Section 151 Officer, to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The plan considers the Accounts and Audit (England) Regulations 2015, the management of risk, previous internal/external audit work, discussions with the Head of the Paid Service and senior managers, external networking intelligence, local and national risks, comments from the Audit ***and Governance*** Committee and any requirements of the External Auditor.

38. The Plan is subject to regular reviews and revisions as required to reflect changes to the risk environment and these changes are approved when significant. The Plan includes an element of contingency to allow Internal Audit to be responsive to changing risks and requests for assistance from managers. It is the responsibility of the Section 151 Officer to ensure that the budget[8] and resources allocated to Internal Audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit and Governance Committee. The Audit and Governance Committee agree the annual risk based plan and any significant change to the plan during the year.

39. The Internal Audit team has retained a suitable mix of skills in finance, information technology, contract management, governance, establishments, systems, counter fraud, investigations and project management. To help supplement the internal

[8] The budget, including the remuneration the Audit Service Manager is approved by Council.

resources and respond to demand during periods of change, additional audit time will be purchased from external contractors to deliver the plan.

NATURE OF WORK

40. The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

41. The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
    - promoting appropriate ethics and values within the organisation;
    - ensuring effective organisational performance management and accountability;
    - communicating risk and control information to appropriate areas of the organisation;
    - coordinating the activities of, and communicating information among, the Audit and Governance committee, external and internal auditors and management;
    - the internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

Risk Management

42. Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:
    - organisational objectives support and align with the organisation's mission;
    - significant risks are identified and assessed;
    - appropriate risk responses are selected that align risks and their mitigation with the organisation's risk appetite;
    - relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

43. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

44. When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by managing risks.

Control

45. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance operations and information systems regarding the:
    - achievement of the organisation's strategic objectives;
    - reliability and integrity of financial and operational information;
    - effectiveness and efficiency of operations and programmes;

- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures and contracts.

46. In accordance with the GIAS, most individual audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below:
    - identify and record the objectives, risks and controls;
    - establish the extent to which the objectives of the system are consistent with higher level corporate objectives;
    - evaluate the controls in principle to decide if they are appropriate and can be reasonably relied upon to achieve their purpose;
    - identify any instances of over and under control;
    - determine an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing;
    - arrive at conclusions and produce a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

47. To reduce duplication of effort Internal Audit will work in partnership to identify and place reliance on assurance work completed elsewhere in the Council. A computerised audit management system, supported by working papers, is used to streamline working practices. This reflects best professional practice.

INTERNAL AUDIT REPORTING

48. Internal Audit findings are reported in writing to appropriate managers against four assurance opinions (good, reasonable, limited and unsatisfactory). The CAE sets standards for reporting, review and approval before issue. The reports:
    - prompt management action to implement recommendations for change, leading to improvement in performance and control;
    - provide a formal record of points arising from the assignment, and where appropriate, of agreements reached with management;
    - state scope, purpose and extent of conclusions;
    - make recommendations relative to the risk which are appropriate, relevant and flow from the conclusions;
    - acknowledge the action taken or proposed by management; and
    - ensure that appropriate risk-based arrangements are made to determine whether action has been taken on internal audit recommendations, or that management has understood and assumed the risk of not acting.

49. The CAE reports regularly to the Section 151 Officer and at least three times a year to the Council's Audit and Governance Committee on progress against the annual audit plan and other issues of concern in respect of the control environment and emerging issues. The Audit and Governance Committee meets at least four times per year and they have a detailed work plan agreed for the year. In addition, the CAE produces an annual report to the Section 151 Officer and Audit and Governance

Committee on the main issues raised by Internal Audit during the year and on the performance of Internal Audit. The annual report:

- includes an opinion on the overall adequacy and effectiveness of the Council's control environment (definitions in Annex A);
- discloses any qualifications to that opinion, together with the reasons for the qualification;
- presents a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- draws attention to any issues the CAE considers particularly relevant to the preparation of the Annual Governance Statement;
- compares the work undertaken with the work as planned and summarises the performance of the Internal Audit function against its performance measures and criteria;
- comments on compliance with these standards and communicates the results of the Internal Audit quality assurance and improvement programme.

QUALITY ASSURANCE

50. To ensure Internal Audit independence, the audit of any areas managed by the CAE will be conducted by an appropriate auditor and reviewed by an audit senior. The CAE will take no part in the audit or review process other than in the role of auditee. The final report will be issued to the Section 151 Officer and the Service Director, Legal and Governance (Monitoring Officer) as the CAE's line manager.

51. The CAE will develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity and conforming to the relevant standards. This will include an on-going internal assessment covering adequate supervision of work performed, an internal review process and the retention of appropriate evidence. In addition, at least once every five years, an external assessment of Internal Audit by an appropriate person[9] external to the Council will be conducted. The timing, form of the assessment, qualifications of any external assessor, results and any improvement plans will be agreed with and reported to the Audit and Governance Committee in the annual report[10]. Significant deviations will be considered for inclusion in the Annual Governance Statement.

52. The CAE develops and maintains a set of performance measures which are reported to the Section 151 Officer and Audit and Governance Committee. These are also documented within the service plan and within individual Performance Development Plan (PDP) documents for all members of the team.

FRAUD AND CORRUPTION

53. The Internal Audit Service is not responsible within services for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management.

[9] Qualified independent assessor or assessment team
[10] For both internal and external reviews

54. The CAE should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications when giving an opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

RIGHTS OF ACCESS

55. Under the Council's Financial Rules, internal auditors have the authority to:
    - access at reasonable times, premises or land used by the Council;
    - access all assets, records, documents, correspondence and control systems except for those from which they are statutorily prevented;
    - require and receive any information and explanation considered necessary concerning any matter under consideration;
    - require any employee of the Council to account for cash, stores or any other Council property under his/her control and produce supporting evidence and assets for inspection if required;
    - access records belonging to third parties, such as contractors, when required.

Reviewed September 2026

Global Internal Audit Standards

The GIAS define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps organisations achieve their objectives by providing a systematic, disciplined approach to evaluating and enhancing the effectiveness of risk management, control, and governance processes. Essentially, internal audit strengthens an organisation's ability to create, protect, and sustain value by offering objective insights and foresight.

Overall Assurance Opinion

The GIAS require the CAE to provide an overall assurance opinion on the adequacy and effectiveness of the organisation's governance, risk management, and internal control frameworks. Opinions consider the expectations of senior managers, the board and other stakeholders and are supported by appropriate, reliable and useful information.

Overall Assurance Opinion	Indication of when this type of opinion may be given**	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. 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	

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
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 sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather sufficient evidence to conclude on the adequacy of arrangements for governance, risk management and control	Qualified

Audit assurance opinions for engagements are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place and consideration of the engagement results and their significance.

Audit assurance Opinions for engagements 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.

Audit recommendation categories are 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.

Consultancy Activity

Audit can, where resources and skills exist, provide independent and objective consultancy services, which apply the professional skills of Internal Audit through a systematic and disciplined approach, and may contribute to the opinion that Internal Audit provides on the control environment.

Consultancy comprises the range of services, which may go beyond Internal Audit's usual assurance roles, provided to assist management in meeting the objectives of the Council.

The nature and scope of the work may include:

- Facilitation;
- Process and/or control design;
- Training;
- Advisory services and
- Risk assessment support.

As with any piece of work, it is important to clearly define the terms of reference for the involvement of Audit in any consultancy activities, so that both the client and the auditor know what is expected from the involvement of Audit.

Any auditor asked to provide consultancy services or undertake a consultancy-style activity should consult their manager or the CAE before agreeing to provide such services. For any significant additional consulting services not already included in the plan, approval will be sought from the Audit and Governance Committee prior to accepting the engagement.'

Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are four principles in the code of ethics:

1. **Integrity** – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

2. **Objectivity** – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3. **Confidentiality** – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. **Competency** – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.[11]

[11] Information can be found at www.public-standards.gov.uk

Glossary of Terms for External Clients where they are different to the Council

Cornovii Development Ltd

Senior Management	Managing Director
Board	Cornovii Development Board

Oswestry Town Council

Senior Management	Town Clerk
Board	Town Council

Shropshire County Pension Fund

Senior Management	Pension Fund Administrator
Board	Pensions Committee

West Mercia Energy

Senior Management	Treasurer Managing Director
Board	Joint Committee

Internal Audit Strategy and Service Plan 2026–2029

Mission Statement

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Table of Contents

Executive Summary

This Plan sets out how the Internal Audit function at Shropshire Council will support organisational improvement, financial sustainability, and good governance over the period 2026–2029. It reflects the Council's current financial and organisational context and demonstrates how Internal Audit will provide independent assurance, insight and early intervention during a period of recovery, transformation and change.
Internal Audit provides independent and objective assurance across governance, risk management and internal control, in accordance with its approved Internal Audit Charter and Mandate, Audit Manual and the Global Internal Audit Standards (GIAS). The service reports independently to the Audit and Governance Committee and plays a key role in supporting Members and senior leadership by providing assurance, constructive challenge and forward-looking insight.
This Plan is closely aligned to the Council's Corporate Plan, Improvement Plan, People Plan and A New Direction for Shropshire Council. Internal Audit will focus its work on the areas of highest risk and greatest importance to the Council's recovery and long-term sustainability, including financial resilience, governance, performance management, workforce capacity and major transformation activity. Audit work will be risk-based, proportionate and responsive, enabling early identification of issues and helping prevent problems from escalating.
The Plan also demonstrates how Internal Audit supports the Council's operating principles, including agility and adaptability, early intervention and prevention, partnership working, digital enablement, resident and customer focus, and the effective use of data and insight. Through flexible planning, thematic reporting, data analytics and early advisory input, Internal Audit will support informed decision-making while maintaining independence and objectivity. Over the life of the Plan, Internal Audit will continue to strengthen its capacity and capability, investing in skills, professional development and digital tools to improve the quality, timeliness and impact of audit work.

1. Strategy

This section sets out the Internal Audit Strategy for the period 2026–2029, in accordance with the Global Internal Audit Standards. It defines the long-term purpose, positioning and strategic direction of the Internal Audit function at Shropshire Council and explains how Internal Audit will add value beyond compliance during a period of financial recovery, organisational change and improvement.
The Strategy establishes what Internal Audit exists to achieve, how it will contribute to the Council's objectives, and how assurance, insight and foresight will be balanced over the life of the Strategy. It provides the strategic framework within which annual Internal Audit Plans are developed, delivered and reviewed.

Strategic Purpose and Value

Internal Audit at Shropshire Council exists to provide independent and objective assurance, insight and foresight on the effectiveness of governance, risk management and internal control. The function plays a critical role in supporting good decision-making, accountability and public confidence by helping Members and senior leaders understand whether risks are being managed effectively and whether agreed improvements are being delivered as intended. An in-house Internal Audit service provides the Council with a deep understanding of its operating environment, governance arrangements and risk profile. By being embedded within the organisation, the service is able to deliver timely, proportionate and context-specific assurance, respond flexibly to emerging risks and provide informed insight that supports improvement as well as compliance. This approach enables Internal Audit to add value beyond individual audits by contributing to stronger controls, better decision-making and sustained improvement across the Council, while maintaining independence and objectivity in line with the GIAS.
In the current context of financial challenge, heightened scrutiny and organisational transformation, Internal Audit's role extends beyond retrospective assurance. The Strategy positions Internal Audit to:

- Provide robust, risk-based assurance over the Council's highest priority risks and improvement activity.
- Support early intervention and prevention by identifying emerging issues, systemic weaknesses and root causes.
- Offer constructive challenge and insight that supports sustainable improvement while maintaining independence and objectivity.

Strategic Positioning

Over the period 2026–2029, Internal Audit will operate as a core component of the Council's governance framework**,** supporting Members, the Senior Leadership Team and statutory officers through clear, timely and proportionate assurance.

The function will maintain its independence while working constructively with services, partners, External Audit, regulators and inspectors to maximise assurance coverage, minimise duplication and support effective scrutiny.

Internal Audit will continue to report independently to the Audit and Governance Committee, supporting Members in fulfilling their statutory oversight responsibilities.

Internal Audit acts as a strategic advisor to the Audit and Governance Committee and senior leadership, offering real-time advisory and assurance support. It uses advanced analytics to provide robust, evidence-based assurance, as well as insight and foresight.

Alignment and Scope

The Internal Audit Strategy is aligned with:

- The Council's Corporate Plan
- The Council's Improvement Plan and transformation priorities
- The Council's operating principles and People Plan
- A New Direction for Shropshire Council
- The Internal Audit Charter and Mandate
- The Internal Audit Manual
- The Global Internal Audit Standards and relevant UK public sector guidance

The Strategy applies across all assurance, advisory, counter-fraud and follow-up activity undertaken by Internal Audit and covers the full scope of the Council's governance, risk management and internal control arrangements, including partnership and commissioned activity where relevant.

Strategy and Delivery

This Strategy sets the long-term direction and priorities for Internal Audit over the period 2026–2029. Delivery of the Strategy is achieved through:

- An annual risk-based Internal Audit Plan, approved by the Audit and Governance Committee. The plan is regularly reviewed to respond to emergent risks and corporate priorities in line with Internal Audit capacity.

- Annual service objectives, performance measures and improvement actions which are developed with feedback from the Audit and Governance Committee and senior management in line with the GIAS.
- Ongoing review of risks, resources and capacity to ensure the Strategy remains deliverable and relevant. This is further supported by the Internal Audit Business Partnering model through regular engagement with senior management.

The Strategy is reviewed annually and refreshed where necessary to reflect changes in the Council's risk profile, priorities and operating environment.

2. Purpose and Context

The purpose of this Plan is to set out how the Internal Audit function at Shropshire Council will support organisational improvement, financial sustainability and good governance over the period April 2026 to March 2029. The Plan explains how Internal Audit will deliver independent and objective assurance, insight and early intervention in line with its approved Mandate and Charter and the Global Internal Audit Standards, and how it will continue to develop its capacity, capability and impact over the life of the Plan.

The Plan provides transparency to Members, senior leadership and stakeholders on the role of Internal Audit, the priorities that will shape audit activity, and how audit work will be planned, delivered, monitored and reviewed. It also establishes how Internal Audit performance will be measured and how the service will remain responsive to emerging risks, organisational change and evolving Council priorities.

This Plan has been developed in the context of significant financial challenge, organisational change and improvement activity at Shropshire Council. The Council is operating within a period of recovery and transformation, with a strong focus on strengthening governance, improving financial resilience, enhancing leadership grip and delivering sustainable improvement.

The Plan aligns directly with the Council's Corporate Plan, Improvement Plan, People Plan and A New Direction for Shropshire Council, and reflects the Council's operating principles. Internal Audit plays a key enabling role in this context by providing independent assurance over priority programmes and high-risk areas, identifying systemic weaknesses and recurring themes, and acting as a critical friend through early advisory input and constructive challenge.

Internal Audit reports independently to the Audit and Governance Committee and supports Members in fulfilling their oversight responsibilities by providing clear, timely and risk-based assurance on governance, risk management and internal control. The service also works closely with senior leadership, External Audit, regulators and inspectors to align assurance activity, minimise duplication and support effective scrutiny and accountability. The Internal Audit Charter and Mandate are endorsed by senior leadership and approved by the Audit and Governance Committee. The Internal Audit Charter defines Internal Audit's role, authority and position within the organisation and the expectations of senior leadership in supporting its delivery.

Over the life of the Plan, Internal Audit will continue to strengthen its workforce capacity and professional capability, investing in skills, continuous professional development and digital tools to improve the quality, timeliness and impact of audit work. Performance will be monitored through clear measures covering delivery, impact, quality, timeliness and conformance with professional standards, and the Plan will be reviewed annually to ensure it remains aligned to Council priorities, risks and the evolving operating environment.

3. Strategic Alignment

The Strategy is founded on a risk-based approach to audit planning and delivery. Strategic and annual planning are informed by:

- The Council's strategic objectives and corporate risks.
- The Corporate Plan, Improvement Plan and associated programmes.
- Engagement with senior leadership and Members.
- Intelligence from previous audit work, External Audit and wider sector developments.

Recognising the dynamic nature of risk, the Strategy incorporates flexibility. The annual audit plan will include contingency to allow Internal Audit to respond to emerging risks, urgent issues and requests for assurance from senior leadership and the Audit and Governance Committee.

Internal Audit will continue to operate as an independent, professional and collaborative function, applying a systematic and disciplined approach to its work.

Alignment to the Corporate Plan

The Corporate Plan [12] was approved by Council in May 2026 and sets out the Council's strategic direction for 2026–2030. The Plan provides the framework for prioritisation, decision-making, policy development and resource allocation, with a clear emphasis on financial sustainability, realistic delivery and achieving better outcomes for Shropshire through delivery, enablement and partnership. It is built around six priority ambitions, centred on financial sustainability and a Council with clear priorities, purpose and a workforce supported to excel. These ambitions focus on connected communities, safe and inclusive places, health and wellbeing, the environment and a thriving economy.

Internal Audit aligns with the Corporate Plan by using its strategic ambitions, alongside corporate risks, improvement priorities and the financial context, to inform and shape the risk-based audit plan and wider assurance activity. This means audit coverage will focus on the governance, financial resilience, performance, transformation, partnership and control arrangements that are most critical to successful delivery of the Plan. Through independent assurance, early advisory input, thematic insight and follow-up of agreed actions, Internal Audit will support Members and senior leadership to understand whether key arrangements are operating effectively, whether intended change is being embedded, and whether risks to delivery are being identified and managed in a timely and proportionate way.

Internal Audit will support delivery of the Corporate Plan by:

- Providing independent assurance over the governance, financial resilience, performance and control arrangements that are critical to delivery of the Corporate Plan.
- Aligning the risk-based audit plan to the Council's strategic ambitions, corporate risks, improvement priorities and financial context.
- Reviewing whether key transformation activity, partnerships and enabling arrangements are well governed and capable of delivering intended outcomes.
- Supporting Members and senior leadership with assurance that decision-making, prioritisation and resource allocation support delivery of the Council's strategic objectives.
- Identifying systemic weaknesses, recurring themes and root causes that may prevent successful delivery of the Corporate Plan.
- Providing early advisory input on new initiatives, redesigned processes and major change activity to strengthen delivery and reduce implementation risk.
- Using thematic insight and follow-up work to highlight whether agreed improvements are being embedded and barriers to delivery addressed.
- Supporting transparency and accountability through clear reporting on the effectiveness of the arrangements underpinning delivery of the Corporate Plan.

Alignment to the Improvement Plan

The Improvement Plan [13], approved by Council in December 2025, sets out the Council's response to governance, financial and organisational weaknesses, focusing on strengthening controls, improving leadership oversight and delivering sustainable improvement.
Internal Audit plays a key enabling role in supporting delivery of the Improvement Plan through independent assurance, insight and early intervention. This will provide assurance to Members and senior leadership that progress against the Improvement Plan is being effectively managed and controlled.
Internal Audit will support delivery of the Improvement Plan by:

- Providing independent assurance over the priority programmes and enabling actions within the Improvement Plan, including financial resilience, governance, performance management, and organisational capacity. This will enable Members and senior leadership to understand whether agreed changes are being implemented effectively and delivering the intended outcomes.

[1] Shropshire Council Corporate Plan
13 Shropshire Council Improvement Plan

- Supporting stronger governance and oversight by reviewing decision-making, accountability arrangements, and the operation of key corporate controls.
- Aligning the risk-based audit plan to Improvement Plan themes, ensuring audit coverage focuses on the Council's most significant risks.
- Supporting the Council's Best Value duty through targeted assurance on economy, efficiency, and effectiveness.
- Identifying systemic weaknesses, recurring themes and root causes to inform corrective action and organisational learning.
- Acting as a critical friend by offering early advisory input on redesigned processes, new controls and transformation activity to help prevent issues arising or escalating.

Alignment to the People Plan

The People Plan [14] was approved by Council in December 2025 and sets out the Council's ambition to develop a high-performing, inclusive and sustainable workforce, recognising that organisational recovery and long-term improvement depend on strong leadership, capability, culture and wellbeing.

Internal Audit supports delivery of the People Plan by providing independent assurance, insight and constructive challenge over the arrangements that enable the workforce to thrive. Internal Audit supports the Council's ambition to be an employer of choice, helping to ensure that people related improvement activity is well governed, risk-aware and capable of delivering sustainable organisational change.

The Internal Audit Service will support delivery of the People Plan by:

- Investing in developing a resilient, skilled, and adaptable audit team.
- Promoting a learning culture through constructive assurance, clear recommendations, and follow-up.
- Modelling Council values through inclusive behaviours, collaboration, and continuous professional development.
- Providing assurance over workforce governance arrangements, including roles, responsibilities, decision-making and accountability for people-related risks and improvement activity.
- Reviewing the design and operation of key people processes and controls, such as workforce planning, recruitment, agency use, performance management and learning and development, to support consistency, fairness and effectiveness.
- Supporting delivery of the Improvement Plan by aligning audit activity to people-related improvement themes arising from the Corporate Peer Challenge and financial recovery actions.
- Identifying systemic issues, root causes and cultural factors that affect staff experience, capacity and capability, and reporting these transparently to the Senior Leadership Team and Members.

[14] Shropshire Council People Plan

- Acting as a critical friend by providing early advisory input on new workforce initiatives, structural changes and ways of working, helping to mitigate risk and prevent unintended consequences.

Alignment to A New Direction for Shropshire Council

A New Direction [15] for Shropshire Council was presented to Council in September 2025 and sets out the Administration's strategic direction as a precursor to the new strategic plan. The report outlined the planned approach for supporting financial recovery and sustainability, strengthening governance accountability and transparency, enabling the delivery of the Improvement Plan and supporting a new culture and ways of working.

Internal Audit plays a central enabling role in delivering A New Direction for Shropshire by providing independent assurance, insight and early challenge across financial recovery, governance, improvement delivery and risk management. Through a flexible, risk-based approach, Internal Audit supports transparency, accountability and sustainable change, helping Members and officers navigate the Council's financial emergency while building stronger foundations for the future.

Internal Audit will support the Council's evolving operating model by:

- Focusing audit effort on transformation, new ways of working and redesigned processes while providing assurance over improvement programmes, transformation activity and delivery risks.
- Providing assurance over partnership arrangements, commissioning, and enabling roles.
- Supporting innovation while ensuring risks are understood and managed appropriately.
- Providing independent assurance over budget management, savings delivery, and financial controls, helping Members and officers understand whether recovery actions are operating as intended.
- Prioritising audits in high-spend, high-risk areas to support early identification of control weaknesses.
- Highlighting systemic financial control issues, recurring themes and cross-cutting barriers to improvement to inform corrective action and help prevent repeat failures.
- Providing assurance on the effectiveness of governance frameworks, risk management, decision-making, and compliance with the Constitution and key policies.
- Reporting independently to the Audit and Governance Committee, supporting transparency and democratic oversight.
- Tracking and reporting implementation of agreed actions, enabling Members to hold service areas to account.
- Aligning the risk-based audit plan to Improvement Plan priorities and enabling actions.

[15] A New Direction for Shropshire Council

- Acting as a critical friend, providing constructive challenge rather than retrospective criticism.
- Using clear, proportionate recommendations focused on learning and improvement.
- Working with External Audit, inspectors and regulators to align assurance and avoid duplication.
- Using audit findings to provide insight and foresight, not just compliance checking.
- Supporting Members by translating complex assurance information into clear, accessible reporting.

4. Alignment to the Council's Operating Principles

Agility and Adaptability - We make decisions quickly, learn as we go, and don't let process or perfection slow us down. We trust people to use their judgement and adapt when things change.

Internal Audit supports agility and adaptability by providing proportionate, timely assurance and constructive challenge that enables confident decision-making, encourages learning, and ensures governance frameworks support, rather than slow, effective delivery.
Internal Audit will support this by:

- Operating a flexible, risk-based audit plan that can be reprioritised in response to emerging risks, financial pressures, and organisational change.
- Providing clear, risk-based assurance and advice that helps leaders focus on what matters most, while distinguishing between acceptable risk taking and unmanaged or unrecognised risk.
- Focusing audit work on key controls, outcomes and behaviours rather than exhaustive compliance checking.
- Highlighting where delegations, decision-making routes or controls can be streamlined without increasing risk.
- Building contingency into the audit plan to support Improvement Plan work, fraud investigations, counter-fraud activity and responsive advisory support.
- Using shorter, focused reviews and auditing at the speed of risk to support management in implementing actions before risks materialise.
- Maintaining close alignment with corporate risk registers, improvement priorities, and leadership concerns.

Early Intervention and Prevention - We step in early to stop problems from getting worse — for residents, communities, and our own services. We use insight to spot patterns and fix root causes, not just symptoms

Internal Audit supports early intervention and prevention by providing forward-looking insight, early challenge and system-level learning to help the organisation prevent harm to residents, communities and services. It uses risk-based insight, thematic analysis and root cause analysis to identify emerging issues early, challenge systemic weaknesses and address underlying causes rather than repeatedly reacting to symptoms.
Internal Audit will support this by:

- Using risk-based audit planning informed by strategic and operational risks, emerging issues and intelligence from across the organisation.

- Using agile auditing methodologies that support a rapid and proportionate response to emerging risks, enabling Internal Audit to add value through timely assurance and insight.
- Maintaining flexibility within the audit plan to respond quickly to new or escalating risks and provide advice on organisational change.
- Engaging with the Senior Leadership Team to identify areas of pressure, change or instability where early assurance or advisory input can prevent later failure.
- Using thematic analysis to identify patterns and systemic weaknesses across services and over time, and sharing insights with senior leadership to enable early, organisation-wide corrective action.
- Placing greater emphasis on identifying control weaknesses early, particularly in high-risk and high-spend areas.
- Providing advisory input at the design stage of new systems, processes, and transformation programmes.
- Helping service areas anticipate unintended consequences and build prevention into design rather than correcting failures later.
- Flagging significant emerging issues with senior managers to facilitate rapid risk response and mitigation.

Working with Others in Partnership - We work openly and consistently with partners, sharing information, skills and responsibility. We focus on shared outcomes, not organisational boundaries.

Internal Audit supports this principle by providing independent assurance, constructive challenge and insight that strengthens partnership governance while enabling effective joint working.
Internal Audit will support this by:

- Working collaboratively with management, External Audit, regulators, and inspectors to minimise duplication and maximise assurance coverage.
- Engaging constructively with services through the Business Partner Model to build trust, promote ownership of improvement actions, and understand directorate objectives, risks and delivery challenges.
- Engaging openly with services to agree audit scope, timing and priorities, reinforcing trust and shared ownership of outcomes.
- Supporting effective partnership governance by reviewing shared services, commissioned services, and joint working arrangements to provide assurance that these arrangements are clearly governed, with defined roles, responsibilities and decision-making processes.
- Reviewing compliance with Financial Rules, Contract Procedure Rules and approval requirements, helping ensure accountability is maintained when working across organisational boundaries.

- Supporting Members and senior leaders with assurance that partnership activity delivers value, impact and accountability, not duplication or fragmentation.
- Identifying alternative sources of assurance, evaluating their contribution and, where appropriate, reporting this to the Audit and Governance Committee.

Digitally Enabling and Automation - We use digital tools and automation to make services easier, quicker and more consistent — for staff and residents. Everyone should feel confident using data and digital technology in their work.

Internal Audit supports this principle by using digital tools in its own work, providing assurance over digital change, and helping the organisation adopt technology safely and effectively.

Internal Audit will support this by:

- Increasing use of data analytics, computer assisted audit techniques (CAATs) and AI to support audit planning, testing, and continuous assurance.
- Embracing artificial intelligence, automation, and continuous auditing to process large data sets, improve efficiency, and enhance accuracy.
- Developing tools, where possible, to enable continuous monitoring at the second line of control.
- Developing auditor capability and skills to ensure the team can use and interpret data effectively as part of audit work.
- Using an audit management system (Pentana) to plan, deliver and track audits and recommendations, improving consistency, transparency and oversight.
- Upgrading the audit management system to the latest version, with operational practices reviewed to maximise value from the investment and support an integrated assurance approach.
- Reviewing the design and operation of automation and emerging technologies, such as robotic process automation (RPA), to ensure controls are built in from the outset.
- Helping the organisation gain confidence that digital solutions are robust, compliant and sustainable, rather than creating new unmanaged risks.
- Promoting automation and standardisation within the audit process to improve efficiency and consistency.
- Providing assurance over digital transformation, cyber security, data governance, and emerging technologies.
- Providing practical recommendations that improve how digital systems and automated processes are governed, used and controlled.

- Supporting management in understanding how automation can reduce error, improve consistency and free up capacity for higher value work.
- Ensuring that automation is implemented with appropriate oversight, accountability and controls, rather than replacing one risk with another.

Resident and Customer Focus - We design services around what residents value most: clarity, fairness, speed and good communication. We set clear expectations and involve residents in shaping how services work.

Internal Audit supports this principle by providing assurance that services are designed, governed and delivered in ways that are transparent, fair and responsive to feedback, and by using insight from complaints and service users to drive improvement.
Internal Audit will support this by:

- Assessing the impact of controls, service delivery, and improvement actions on residents and service users.
- Prioritising audits in areas of high public impact, vulnerability, or reputational risk.
- Supporting improvements in customer experience, complaints handling, and accessibility.
- Making recommendations that improve transparency and manage expectations, helping residents understand what will happen and when.
- Challenging where slow responses or unresolved issues risk escalating complaints or damaging trust with residents.
- Seeking formal feedback from audit customers on clarity, communication, timeliness and professionalism, and using this to improve the service.
- Communicating audit findings in a clear, practical and constructive way, focused on improvement rather than blame.

Data, Insight and Demand Management - We use good-quality data to understand what's happening, plan ahead and manage demand. Data helps us make better decisions and improve outcomes, not just report on activity.

Internal Audit supports this principle by turning data into insight, identifying patterns and pressures, and helping leaders focus on the issues that most affect performance, risk and demand, enabling the organisation to plan ahead, prioritise resources and manage demand more effectively.
Internal Audit will support this by:

- Using management information, performance data, and audit intelligence to target audit effort where it adds most value.

- Identifying trends, root causes and cross-cutting issues to highlight where control weaknesses, capacity pressures or system limitations may drive future demand and risk.
- Supporting demand management by highlighting inefficiencies, control failures, and opportunities for better resource use.
- Basing the audit plan on risk register information, performance data and management intelligence, refreshed as the risk environment changes.
- Focusing audit effort on areas of greatest pressure, dependency or impact, where unmanaged demand is most likely to escalate.
- Using audit canvases and pre-audit reviews to identify what data, metrics and intelligence are available and how they can be used to add value.

5. Strategic and Annual Service Objectives

5.1 Strategic Objectives

Over the period 2026–2029, Internal Audit will pursue the following strategic objectives, which set the long-term direction and priorities for the function. These objectives guide the development of annual Internal Audit Plans and underpin how assurance, insight and foresight are delivered.

1. Provide robust assurance over the Council's highest risks - Focus audit coverage on the Council's most significant strategic, financial, operational and governance risks, including those arising from financial recovery, transformation activity, partnership working and major change. This will support Members and senior leaders in understanding whether risks are being effectively managed and controls are operating as intended.

2. Support financial sustainability and value for money - Provide independent assurance over budget management, savings delivery, financial controls and value for money arrangements, helping to strengthen financial resilience and support the Council's Best Value duty.

3. Strengthen governance, risk management and internal control - Assess and challenge the effectiveness of governance frameworks, decision-making arrangements and internal control systems, identifying systemic weaknesses, root causes and recurring themes to support sustainable improvement.

4. Improve the impact and influence of Internal Audit - Enhance the clarity, relevance and usefulness of audit reporting through proportionate approaches, thematic analysis and clear conclusions that support practical improvement and informed decision-making.

5. Build sustainable audit capacity and capability - Invest in workforce planning, professional development and digital tools to ensure the Internal Audit function remains resilient, flexible and capable of responding to a changing risk environment.

6. Maintain full conformance with professional standards - Ensure the Internal Audit function continues to operate in line with the Global Internal Audit Standards and relevant UK public sector guidance, supported by a robust quality assurance and improvement programme.

5.2 Annual Service Objectives

The annual service objectives translate the Internal Audit Strategy into specific, time-bound delivery priorities for each year of the strategy period. They set out what Internal Audit will deliver in practice, within available resources, to support achievement of the strategic objectives set out in Section 5.1.

Annual service objectives are reviewed and refreshed each year as part of the annual planning process to ensure they remain aligned to:

- The Council's current risk profile and priorities;
- The Corporate Plan, Improvement Plan and associated programmes, and
- Emerging risks, organisational change and external developments

Annual service objectives are delivered through the annual risk-based Internal Audit Plan, which is approved by the Audit and Governance Committee.

For each year of the strategy period, annual service objectives will typically include:

- Delivery of a risk-based Internal Audit Plan focused on the Council's highest priority risks and improvement activity.
- Provision of timely assurance, advisory and counter-fraud work in line with agreed priorities and contingencies.
- Follow-up and reporting on the implementation of agreed actions, enabling effective accountability and oversight.
- Targeted support for Improvement Plan delivery through assurance, early intervention and thematic reporting.
- Development and implementation of agreed service improvement actions arising from performance monitoring, feedback and the quality assurance and improvement programme.

Progress against annual service objectives is monitored through agreed performance measures and reported regularly to senior leadership and the Audit and Governance Committee. Where significant changes to priorities, risks or resources arise, annual objectives and plans are updated and reported transparently.

6. Workforce and Capacity

The Internal Audit Service is delivered through an in-house Internal Audit Team. This delivery model maintains a strong base of in-house knowledge and, subject to full staffing, provides sufficient resources to deliver the plan.

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The Global Internal Audit Standards in the UK Public Sector require that the Chief Audit Executive must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

The skills and knowledge of Internal Auditors are kept up to date through a range of in-house and specialist training courses and seminars. Internal Auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and Standards included within the Global Internal Audit Standards in the UK Public Sector. Internal Auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life. Staff training requirements will be identified as part of management supervision meetings and the Council's performance appraisal process.

The Internal Audit Team is independent and does not have any operational responsibilities. It does not 'own' any system or have any responsibility for any aspect of work subject to audit. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.

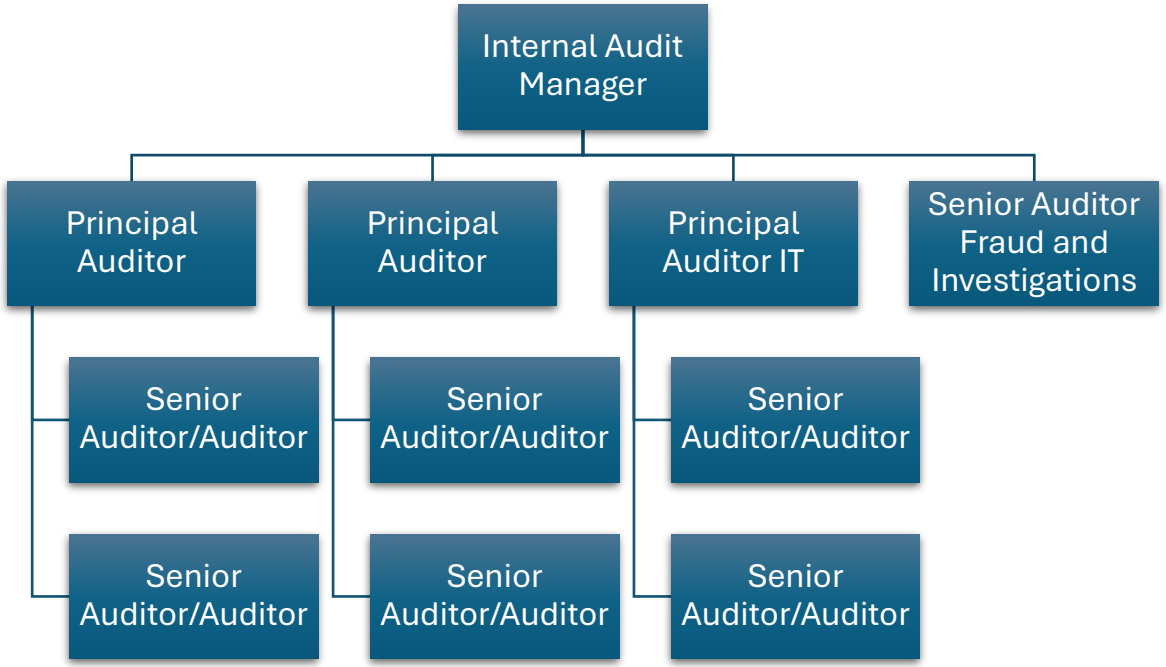
The Council has committed to creating an in-house counter-fraud team from 2027/28. During 2026/27, preparatory work will be undertaken to develop this capability.

The CAE is a Chartered Internal Auditor and the Internal Audit Manager is a CIPFA qualified accountant. Staff within the Internal Audit team hold the following Qualifications:

- CMIIA
- CIPFA
- ACCA
- AAT
- ISACA

- CIPFA Accredited Counter-Fraud Specialist

Internal Audit Structure 2026



Delivering this Strategy depends on having the right skills, capacity and capability within the Internal Audit team. This will be done by:

- Maintaining a clear understanding of required capacity to deliver the annual audit plan, statutory responsibilities, and responsive work in accordance with GIAS.
- Balancing assurance delivery with advisory support, follow-up, and improvement activity.

- Using a mix of in-house expertise, temporary support, and specialist resources where required to address peaks in demand or technical risk areas.
- Ensuring staff maintain appropriate professional qualifications and technical competence. Supporting continuous professional development aligned to service and organisational priorities.
- Developing skills in areas such as data analytics, digital assurance, counter-fraud, project assurance, contract management and value for money.
- Encouraging constructive challenge, professional curiosity, and ethical behaviour.
- Using standardised methodologies, templates and automation to maximise productive audit time.
- Continuously reviewing how work is planned, delivered and reported to improve efficiency and impact.

Workforce and capacity considerations are reviewed annually to ensure the Internal Audit service remains deliverable, resilient and sustainable within available resources. Succession planning is considered as part of the training and development needs of the team and aligned to the Council's Corporate Plan and People Plan.

7. Delivery and Performance

Performance against this Strategy will be monitored through a balanced set of measures. The Internal Audit Team will:

- Deliver an annual risk-based audit plan approved by the Audit and Governance Committee.
- Track implementation of agreed actions and report progress transparently.
- Use performance measures and feedback to continuously improve the service and the timeliness of audit work.
- Comply with the Global Internal Audit Standards and relevant UK public sector guidance.

The Strategy and supporting Service Plan will be reviewed annually to ensure continued alignment with Council priorities, risks and the external environment. Significant changes will be reported to the Audit and Governance Committee.

8. How Success Will Be Measured

Key performance indicators focus on delivery, responsiveness, impact, quality and standards conformance.

Theme	Measure	What good looks like	Reporting / Evidence
Delivery	Audit plan delivery including revisions to the plan	≥90% of planned work delivered at year end	Quarterly / annual reports to Audit and Governance Committee
Coverage	Coverage of strategic risks	Internal Audit work completed across strategic risk areas	Quarterly / annual reports to Audit and Governance Committee
Impact	Recommendation implementation	Significant and fundamental recommendations implemented on time	Internal Audit Follow-up reports CAE Annual Opinion report
Standards and Quality	GIAS conformance	General conformance against each element of the Standards	Annual self-assessment and External Quality Assessment
Stakeholder confidence	Customer feedback	85% excellent or good scores on customer feedback	Post-audit surveys % score reported annually to Audit and Governance Committee
Engagement	Internal Audit Business Partner Meetings	≥90% of meetings completed	Internally measured via Internal Audit Management meetings

9. Monitoring, Review and Continuous Improvement

This Service Plan will be reviewed annually to ensure continued alignment with Council priorities, risks, and operating principles. Internal Audit will remain responsive to change, focused on adding value, and committed to supporting Shropshire Council's improvement journey.
The Council's performance appraisal process will also be used to inform this strategy for all Internal Audit staff.
The actions and priorities in this Service Plan will be monitored through Internal Audit management team meetings, with activities and milestones recorded on an action tracker.

Version	Date	Owner	Review cycle
Draft v0.1	4 June 2026	Barry Hanson	Annual

Appendix A – Standards Mapping

This appendix provides a high-level mapping between this Internal Audit Strategy and Service Plan and the five domains of the Global Internal Audit Standards (GIAS). It shows how the document supports conformance in principle and should be read alongside the Internal Audit Charter and Mandate, Audit Manual, Quality Assurance and Improvement Programme (QAIP), and annual audit planning and reporting arrangements. The table below summarises alignment to each GIAS domain and is intended as a practical cross-reference rather than a full conformance assessment.

GIAS domain	How this Strategy and Service Plan aligns	Relevant sections in this document	Other supporting evidence
1. Purpose of Internal Auditing	Sets out Internal Audit's purpose, value and strategic role in governance, risk management and internal control.	Executive Summary; Sections 1, 2 and 3	Internal Audit Charter and Mandate; Annual Audit Plan; Annual Internal Audit Opinion and Report
2. Ethics and Professionalism	Reinforces independence, objectivity, professional competence and ongoing development.	Sections 1, 2 and 6	Code of Ethics requirements; Training and development records; Supervision and appraisal arrangements
3. Governing the Internal Audit Function	Explains reporting lines, independence, committee accountability and alignment with Council priorities.	Sections 1, 2, 3 and 9	Internal Audit Charter and Mandate; Audit and Governance Committee reporting; Constitution and governance framework
4. Managing the Internal Audit Function	Describes how the service is planned, resourced, monitored and improved.	Sections 5, 6, 7, 8 and 9	Annual Audit Plan; QAIP; Performance reporting; Supervision, resource and skills planning documentation
5. Performing Internal Audit Services	Covers risk-based planning, flexible delivery, advisory work, thematic insight, follow-up and reporting.	Sections 3, 4, 5 and 7	Audit Manual and methodologies; Assignment planning and reporting templates; Follow-up process; Audit canvases and working papers

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Audit Findings (ISA 260) Report for Shropshire County Pension Fund

Year ended 31 March 2026

September 2026

Shropshire County Pension Fund
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September 2026

Dear Members of the Audit Committee and Pensions Committee

Audit Findings for Shropshire County Pension Fund for the 31 March 2026

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and are being presented to the Audit Committee and the Pension Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent.

We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at grant-thornton-transparency-report-2025.pdf.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Avtar Sohal

Director

For Grant Thornton UK LLP

Contents

Appendices

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2026 for the attention of those charged with governance and the Pensions Committee.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the Pension Fund year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the year.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), the Narrative Report and the administering authority's financial statements), is materially consistent with the Pension Fund's financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

The majority of our audit work was completed during June – August as planned, with some items that remain outstanding (please see below). Our findings are summarised on pages 19 to 21.

We have not identified any adjustments to the financial statements above our reporting threshold that impact upon the Pension Fund's reported financial position.

Management are not proposing any adjustments to the financial statements in respect of the reported financial position. The Audit Committee and the Pension Committee will be asked to confirm their agreement to this through the Letter of Representation Appendix B.

We have identified a small number of classification and disclosure changes. The disclosure amendments have no impact on the value of assets available to the Fund and are detailed on page 19.

We have also raised one recommendation for management, set out on page 21.

Our work is substantially complete, subject to the following outstanding matters:

- completion of audit work in respect of Level 3 Investments {see page 7}
- completion of work regarding IAS 19 responses
- receipt and review of the Pension Fund Final Annual Report and Annual Governance Statement
- receipt of management representation letter {see Appendix B}
- review of the final set of financial statements
- finalisations of manager and engagement lead review

Headlines (continued)

Financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the audited financial statements.

Our anticipated financial statements audit report opinion will be unmodified.

Whilst our work on the Pension Fund financial statements is majority complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency statement' on the Pension Fund's Annual Report at the same time as our auditor's report.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

A	• Valuation of Level 3 investment assets – receipt of outstanding LGPS signed financial statements as at 31 March 2026 to corroborate asset values
G	• Completion of work regarding IAS 19 responses
G	• Review of final set of financial statements
G	• Review of the final version of the Annual Report to confirm consistency with the administering authority's accounts.
G	• Review of the final Annual Governance statement
G	• Receipt of management representation letter

Status:

R	Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
A	Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
G	Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Subject to satisfactory completion of the above points, we anticipate issuing an unqualified audit opinion.

Our approach to materiality

As communicated in our Audit Plan dated 19 June 2026, we determined headline materiality at the planning stage as £44.90m based on a percentage of Gross Investment Assets as at 31 March 2025. On receipt of the draft 2025/26 financial statements, we reconsidered materiality and have not adjusted from the levels set at planning.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at £44.90m, based on professional judgement in the context of our knowledge of the Fund.

We have used 1.61% of gross investment assets as at 31 March 2026 as the benchmark for our materiality.

- Materiality is based on professional judgement in the context of our knowledge of the Fund, including considerations of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.
- There has been no changes to the basis for determining materiality from prior year.

Performance materiality

- We have determined performance materiality at £33.68m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Specific materialities for Benefits Payable and Contributions

- We have determined lower specific materialities for benefits payable and contributions, they are based on 10% of the corresponding figure as at 31 March 2026. We have revised the lower specific materialities for benefits payable and contributions given these balances represent core aspects of what the Pension Fund does and that relevant stakeholders will have a heightened interest on the accuracy of these balances.

Reporting threshold

- We have reported to you all misstatements identified in excess of £2.25m, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£44.90m	The Fund's portfolio is primarily Level 1 and Level 2 assets, for which market data is available for audit purposes. Prior period experience noted limited findings with no significant adjusted or unadjusted misstatements raised in relation to the net assets statement. This is equivalent approximately 1.61% of the gross investment assets for the period ended 31 March 2026.
Performance materiality	£33.68m	Performance materiality has been set at 75% of financial statements materiality. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Lower specific materiality for Benefits Payable	£11.37m	• Complexity of benefit structures • Stakeholder sensitivity, data quality, and high volume of transactions • The lower specific materiality for benefits payable equates to 10% of the benefits payable figure as at 31 March 2026.
Lower specific materiality for Contributions Receivable	£9.35m	• Complexity of contribution structures • Stakeholder sensitivity, data quality, and high volume of transactions • The lower specific materiality for contributions equates to 10% of the contributions figure as at 31 March 2026
Trivial matters - reporting threshold	£2.25m	We will report to you all misstatements identified in excess of the reporting threshold, in addition to any matters considered to be quantitively material. Trivial threshold is based on a percentage (5%) of the overall materiality.

Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).

Material only are material financial statement line items not associated with risks of material misstatement.

Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	G
Valuation of Level 3 Investments	Significant	↔	✗	High	A
Valuation of Level 2 Investments	SCOT+	↔	✗	Medium	G
Cash	SCOT+	↔	✓	Low	G
Financial Instruments Disclosures	SCOT+	↔	✗	Low	G

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

G Not likely to result in material adjustment or change to disclosures within the financial statements

A Potential to result in material adjustment or significant change to disclosures within the financial statements

R Likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. Significant	As part of our audit procedures, we: • evaluated the design and implementation of management controls over journals and the financial reporting process • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions	Our work in this area is complete. We have noted no material adjustments or findings in relation to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. We are satisfied that there is no material misstatement arising from management bias across the financial statements.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations

Valuation of level 3 investments
 	
The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.
 	
Significant
	As part of our audit procedures, we:
	• evaluated the design and implementation of the relevant controls of management's process for valuing Level 3 investments
	• challenged management's valuation (for a sample – where applicable) of the investments through:
	  • comparing the valuation to purchase and sale transactions of the investment near the reporting date where appropriate
	  • reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audited accounts to capital statements at the same date and then considering cashflows to year end (and indices where appropriate)
	  • reviewing the corresponding independently sourced capital statements at 31 March 2026
	• reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts
	• reviewed management's classification of the assets
	• obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.
		Our work in this area is still ongoing.
		
		For the work complete to date, we have noted no material adjustments or findings in relation to the valuation of level 3 investments.
		
		Work outstanding in this area relates to awaiting receipt of audited financial statements for LGPS Central. These are due to be provided in late September.

Other areas impacting the audit

This section provides commentary on other issues and risks which were identified during the course of the audit and were previously communicated in the Audit Plan.

Issue	Commentary	
2025 triennial valuation Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published in April 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. It also provides the source data for actuaries to prepare their estimate of the actuarial present value of promised retirement benefits at the Fund level, as required under IAS 26 - Accounting and Reporting by Retirement Benefit Plans, and provides the base for actuaries to roll forward their estimates and assumptions from the triennial valuation to annually estimate individual employers' pension liabilities between triennial revaluations as required by IAS 19 – Employee Benefits.	The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories: 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on. 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers. As auditors, we therefore needed to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years. Item 2 testing is carried out annually.	Auditor view Our work in this area is complete. We completed testing of a sample of 25 individual member data provided to the actuary for the purpose of the 2025 Triennial Valuation. No issues were identified in our testing of this data.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Business World - Unit 4	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	N/A
Altair	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	N/A

Assessment:

- ● [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Black] Not in scope for assessment

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• We draw your attention to the draft Letter of Representation on Appendix B, which will be included in the Pension Committee papers
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	• Our review found no material omissions in the financial statements • We have found a number of disclosure misstatements which management has agreed to adjust
Audit evidence and explanations	• All information and explanations requested from management was provided
Significant difficulties	• No significant difficulties were identified related to the delivery of the audit

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. – Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. *continued overleaf*

Other responsibilities

Issue	Commentary
Going concern	The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Shropshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements (including the Annual Governance Statement (AGS), the Narrative Report and Council's financial statements) and report whether it is materially consistent with the Pension Fund financial statements and our knowledge obtained during the audit. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – Appendix C.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited pension fund financial statements within the administering authority's accounts. We propose to issue our 'consistency statement' on the Pension Fund's Annual Report at the same time as out audit opinion. We currently anticipate this will be in November 2026. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusted misstatements to report.

Misclassification and disclosure changes

Disclosure misstatement	Auditor recommendations	Management Response
Note 1 – Description of Fund – The number of employees to be updated from 178 to 190 and ensure consistency with the Annual Report.	Amend as required	Amended
Note 8: A footnote should be added to disclose that the audit fees figure in the note includes fee variations from previous financial years.	Amend as required	Amended
Note 15a: Financial instruments – Items within the financial instruments note have been included which do not meet the definition of a financial asset	Amend as required	Management are proposing not to amend due to this being an immaterial disclosure inclusion
Note 23: Contingent assets – Number of admitted bodies needs to be updated from 12 to 11	Amend as required	Amended
A number of typographical and presentation errors have been identified throughout the financial statements	Amend as required	Amended

Unadjusted misstatements

We have not identified any misstatements above our reporting threshold in the work performed to date.

Impact of unadjusted misstatements in the prior year

The only unadjusted differences in 2024/25 related to differences of £4.489m identified between the value of investments disclosed in the financial statements that were based on estimated values at 31st March 2025 compared to the actual investment valuation statement received following accounts preparation. These were not adjusted in 2024/25 on the basis that they were not material qualitatively or quantitively in 2024/25. As all assets are revalued at 31 March 2026 there is no impact upon the 2025/26 financial statements

Action plan

We have identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2026/27 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● [Green]	**Member Data Movements** During our testing of member data movements, we identified an error in the leave date recorded on the pension administration system for one member, arising from manual processing of a complex pension record. Where such manual processing is required, there is a risk that data records are not accurately maintained. We are however confident that this finding is not indicative of a wider issue at the Fund.	We recommend that a process is implemented whereby cases identified as complex are subject to an enhanced layer of review prior to finalisation, to ensure that records are accurately maintained. **Management response** The impact on the Fund is that one extra record would have been counted as at 31 March 2026 although this made no impact on the member benefits for that individual, or the Fund overall.

Assessment key:

- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies and the Terms of Appointment and further guidance issued by the Public Sector Audit Appointments (PSAA).

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year. Non-audit fees comprise the IAS19 assurance letter of £1.1k (see page 25 for further detail).

Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 31 March 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Shropshire County Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees as detailed in the table overleaf.

Our firm also provides audit and non-audit services to the Shropshire Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to TCWG for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Audit fees	2025/26 £
Shropshire County Pension Fund Audit – PSAA Scale Fee	90,404
2025 Triennial valuation data testing*	5,000
Total	**95,404**

*The proposed additional fee for the work performed on this area remains subject to Public Sector Audit Appointments (PSAA) approval.

Fees and non-audit services (continued)

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (£1,100 per letter and received one request in the current year from Shropshire Towns and Rural Housing)	£1,100	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £90,404 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	£1,100		

Total Audit Fee	Total Non-Audit Fee
£95,404	£1,100

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- Fees per financial statements - note 8 £101,128
- Fee variation 2021/22 (£10,999)
- Fee variation 2023/24 (£7,530)
- IAS 19 letter Fee 2023/24 (£2,200)
- IAS 19 letter Fee 2024/25 (£1,100)
- Redmond Review £11,105 (in the financial statements, only statutory fees should be included; therefore, this reduction should not be included in audit fees in the accounts)
- Triennial Valuation Testing 2025 £5,000
- IAS19 Letter Fee not recorded 2025/26 £1,100
- Total fees per above £96,504

This covers all services provided by us and our network to the Fund and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Management Letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report. This is included as a separate agenda item.

C. Audit opinion

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire County Pension Fund

Opinion on financial statements

We have audited the financial statements of Shropshire County Pension Fund (the 'Pension Fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

C. Audit opinion

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resource's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resource's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resource's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

C. Audit opinion

Other information

The other information comprises the information included in the Annual Governance Statement and Annual report other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Annual report for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

C. Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

C. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003**,** Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of management and the Pensions Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Pensions committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

C. Audit opinion

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risks were in relation to:

- management override of controls, specifically posting inappropriate journals to manipulate results for the year ended 31 March 2026

- Our audit procedures to address the principal fraud risks included:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

- journal entry testing, with a focus on high value journals posted around year end; and

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of Valuation of Level 3 investments

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of their:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government pensions sector

- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

C. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature**]**

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

November 2026

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