



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
31 st July 2020	
13:30pm	<u>Public</u>

INTERNAL AUDIT ANNUAL REPORT 2019/20

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1 Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2020. It informs on delivery against the approved annual audit plan and includes the Head of Audit's opinion on the Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS). This in turn, contributes to delivering the Accounts and Audit Regulations 2015 requirement to have internal audit, '*evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'.

Final performance has been good with the revised plan being delivered above the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. Forty-six good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 3% decrease in the higher levels of assurance compared to the previous year, offset by a 3% increase in limited and unsatisfactory opinions.

Based on the Internal Audit work undertaken and management responses received; I can offer **limited assurance** for the 2019/20 year that the Council's framework for governance, risk management and internal control is sound and working effectively.

There are an increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate, but discrete parts of the system of internal control remain unaffected. In addition to which, the response to the Coronavirus pandemic has led to scope limitations which restricts the independent assurances provided on the key systems that have undergone fundamental changes during the year. Where systems have been evaluated to a draft stage, assurances remain low. Management of Coronavirus has introduced unprecedented pressures and responses. Managers have been diverted onto business continuity pressures and unable to plan improvements to known internal control processes, leading to increased risks in some areas that will impact on delivery of the Council's objectives. 2019/20 has been a challenging year given the embedding of key fundamental line of business systems (financial and human resources) alongside the challenge to deliver savings, increase income and respond to Coronavirus.

2 Recommendations

The Committee is asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2020.
- b) That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2019/20.
- c) The Head of Audit's **limited assurance**, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2019/20 based on the work undertaken and management responses received.

REPORT

3 Risk assessment and opportunities appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures. It is closely aligned to the Council's strategic and operational risk registers and is delivered in an effective manner; where Internal Audit independently and objectively examine, evaluate and report on the adequacy of its customers' control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses, and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss, poor value for money and reputational damage.
- 3.2 Internal Audit operates a strategic risk based plan. The plan is revisited each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. This results in a comprehensive range of audits being undertaken in the year, supporting the overall opinion on the control environment. The plan contains a contingency provision which can be utilised during the year to respond to unforeseen work demands that may arise. At the end of the 2019/20 year the impact of Coronavirus meant that the Council had to invoke its business continuity plans and the impact of this is reflected in delivery of the planned audits at this time and the year end opinion.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental or equalities consequences of this proposal.
- 3.4 Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be very positive.

4 Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5 Climate Change Appraisal

- 5.1 Energy and Fuel Consumption – This report does not directly make decisions on energy and fuel consumption. Therefore, no effect.
- 5.2 Renewable Energy Generation – This report does not directly make decisions on renewable energy generation. Therefore, no effect.
- 5.3 Carbon offsetting or mitigation – This report does not directly make decisions on carbon offsetting or mitigation. Therefore, no effect.
- 5.4 Climate Change Adaption – This report does not directly make decisions on climate change adaption. Therefore, no effect.

6 Background

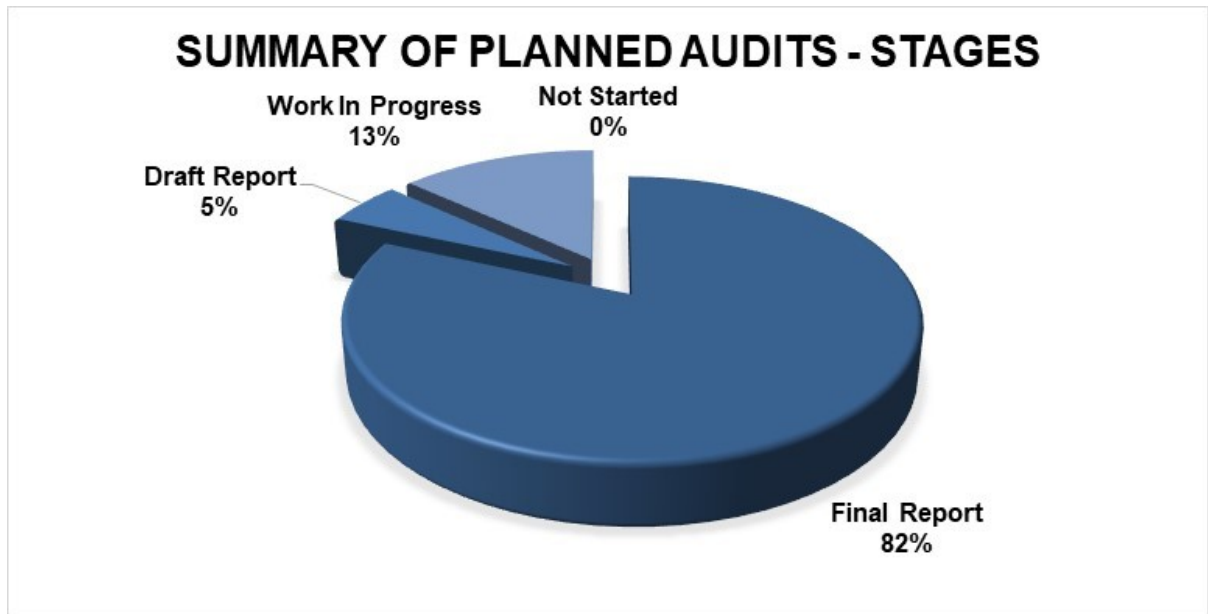
- 6.1 This report is the culmination of the work of the Internal Audit team during 2019/20 and seeks to provide:
- An update on the internal audit work undertaken.
 - An annual opinion on the adequacy of the Council's governance arrangements.
 - Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.
- 6.2 As the Accountable Officer, the Director of Finance, Governance and Assurance (Section 151 Officer) has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the Council's assets, in accordance with local government legislation. This includes section 151 of the Local Government Act 1972 which requires the Council to plan for the proper administration of its financial affairs.
- 6.3 The Accounts and Audit Regulations 2015 require the Council to have internal audit to; *'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*. In addition, organisations are no longer required to undertake an annual review of effectiveness, although audit committees should note the requirements of the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.
- 6.4 For this year only, as a result of the Coronavirus, there has been an adjustment to the timetable for draft accounts to be prepared by 31 August, instead of the 31 May. The date for final publication of the accounts and Annual Governance Statement has also been put back to 30 November in England. Officers have produced the draft accounts for 9 July and the External Auditors will complete their work before the end of September and therefore the timing of the approval this year of the accounts will be later than normal.

Scope and purpose of Internal Audit

- 6.5 The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can be used by the Council to inform its governance statement as part of the wider framework of assurances considered. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and incorporates a summary of the work in support of the opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This is in accordance with the requirements of the 2015 Accounts and Audit Regulations. In addition, Internal Audit has an independent and objective consultancy role to help line managers improve governance, risk management and control.
- 6.6 The purpose of Internal Audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and governance processes and their effectiveness in achieving the Council's agreed objectives.

Internal Audit work undertaken

- 6.7 The Internal Audit Plan 2019/20 was considered and approved by Audit Committee at its meeting on the 25th February 2019. The Plan provided for a total of 2,362 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to a target of 2,217 days. Revisions were necessary following adjustments in risk, more complex and sensitive reviews and resource performance issues.
- 6.8 The Head of Audit can confirm that the service has been free from interference throughout the year but the mobilisation of business continuity plans has impacted on delivery towards the year end, this is explored further in this report. Final performance has been good and the target to deliver 90% of the annual plan has been achieved.
Appendix A, Table 1.
- 6.9 The audit findings and performance of audit have been set out in summary reports which have been presented to the Audit Committee during the year. In total 72 final reports have been issued in 2019/20. These are listed with their assurance rating and broken down by service area at **Appendix A, Table 2.**
- 6.10 The following chart shows performance against the approved Internal Audit Plan for 2019/20:

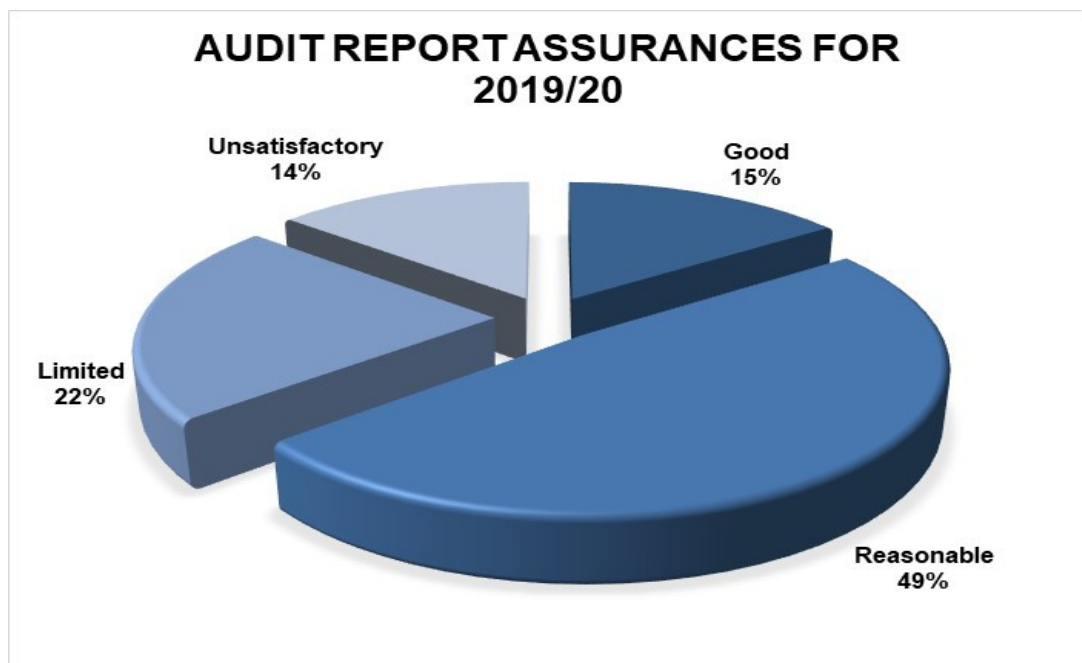


6.11 The following tables compare the assurance levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)

Assurances	Good	Reasonable	Limited	Unsatisfactory	Total
2019/20	15%	49%	22%	14%	100%
2018/19	26%	41%	27%	6%	100%
2017/18	20%	44%	29%	7%	100%
2016/17	7%	45%	31%	17%	100%
2015/16	14%	35%	42%	9%	100%
2014/15	17%	47%	28%	8%	100%

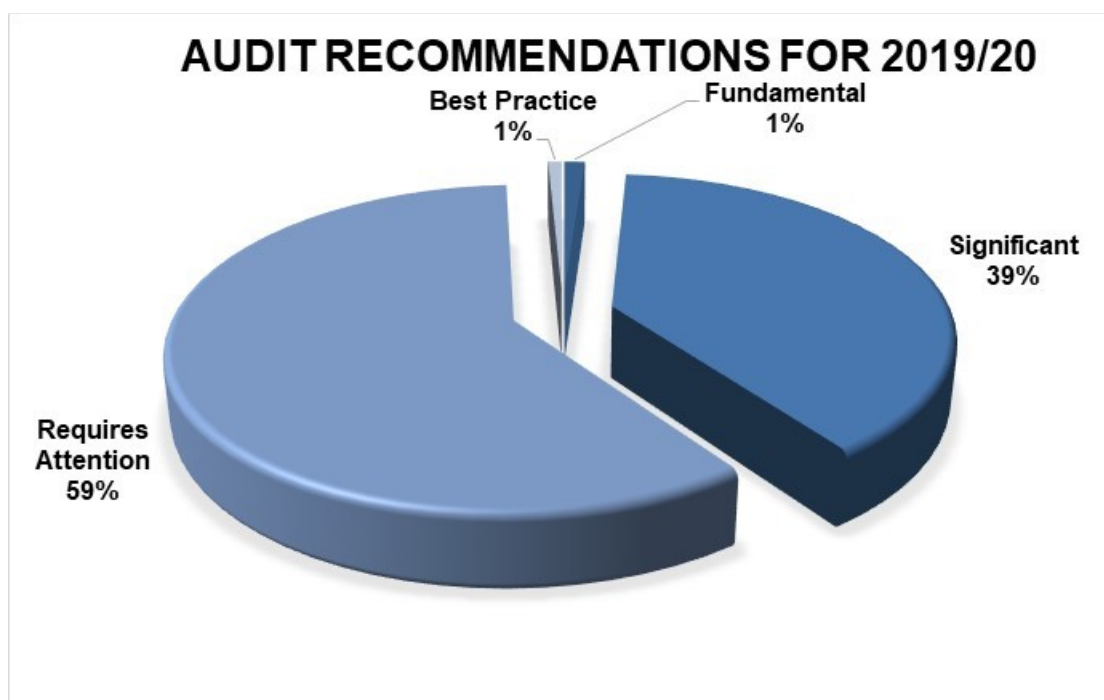
The assurance levels awarded to each completed audit area for 2019/20 appear in the following graph:



Comparison of recommendation by categorisation

Categorisation	Best practice	Requires attention	Significant	Fundamental	Total
2019/20	1%	59%	39%	1%	100%
2018/19	2%	60%	37%	1%	100%
2017/18	3%	56%	41%	0%	100%
2016/17	4%	50%	46%	0%	100%
2015/16	4%	54%	42%	0%	100%
2014/15	6%	53%	40%	1%	100%

The overall spread of recommendations agreed with management following each audit review for 2019/20 appear in the attached graph:



6.12 Forty-six good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 3% decrease in the higher levels of assurance compared to the previous year, offset by a 3% increase in limited and unsatisfactory opinions. Ten unsatisfactory opinions and 16 limited assurance opinions were issued.

6.13 Further consideration of the assurance levels of completed audits shows:

- i. Limitations have been placed on the scope of some of the key financial audits, the largest being Payroll. The scope for the Payroll audit was constrained responding to the Service needing to focus on pure business activity, prior to the Coronavirus pandemic. The Payroll Service was suffering from resource pressures at the year end with single points of failure and unable to engage with Audit fully. The advent of Coronavirus then impacted on the availability of officers running other financial systems and saw staff diverted to respond to front line pressures under business continuity plans. Given the timing of the Audit and the impact of Coronavirus, management comments were being provided for Payroll as this report was being drafted but not with some of the other key systems. Where this is the case, management have committed to review the internal controls once resources allow

and hope to achieve this in the next six months, but if not, the process will be revisited with the Head of Audit.

- ii. The Council has seen the implementation of fundamental line of business systems within both finance and human resources. Given the restricted scope for the key financial systems, it was not possible to provide a wide reaching assurance on the new IT platforms that these sit upon.
- iii. Sixteen¹ 'high' risk systems within the Council attracted a good or reasonable level of assurance and six limited or unsatisfactory. The medium term financial strategy, risk management, income collection and two² of the fundamental audit assurance levels are good or reasonable, through which a significant amount of the Council's financial business is transacted. These results are set against three limited³ and three⁴ unsatisfactory assurance levels of fundamental systems, all in draft at year end. There are known issues in these lower assurance level audits and whilst managers have not been able to provide assurance to improve internal controls at this time, this will be revisited in the late autumn. As a result, the scope and assurance that the Head of Audit can provide to the Council is impacted upon.
- iv. Unsatisfactory assurance reviews demonstrated control issues and non-compliance with the Highways Term Maintenance contract and Legionella requirements. All findings were supported by management and throughout the year steps have been put in place to address the issues or start on an implementation plan. Fundamental recommendations were implemented and none rejected by management. All unsatisfactory audits and fundamental recommendations will be revisited in 2020/21.
- v. Observations from consultancy and advisory work provided;
 - Confidence in the Digital Transformation Programme and ICT Governance Approvals process and management of risk exposure to proposed system changes
 - Control improvements and advice on new policies, such as Direct Payments; approach to information security incidents; management of imprest accounts and school funds; disposal processes,
 - Awareness of fundamental procurement issues in isolated areas of the Council
 - Information on the governance and internal control environment in maintained schools
 - Confidence in the delivery of a few small IT based projects within services
 - Awareness of the financial stability of several Council suppliers and the need for business continuity processes in a few cases where there were concerns

6.14 Given the overall impact of the points above, the Head of Audit can offer limited assurance for the 2019/20 year end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively

6.15 Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.

6.16 A summary of the reviews resulting in limited and unsatisfactory assurances since the last report, in February 2020 is included at **Appendix A, Table 4**. The Appendix also includes descriptions for the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 5 and 6**.

¹ Figures exclude draft reports completed in 2020/21.

² capital, corporate governance in draft (N.B. not all fundamental systems are reviewed every year)

³ general ledger, periodic income, purchase ledger in draft

⁴ Payroll, sales ledger and debt recovery

Audit Committee are asked to advise what action they wish to follow in relation to the limited and unsatisfactory areas reported?

- 6.17 A total of 786 recommendations have been made in the 72 final audit reports issued in the year; these are broken down by audit area and appear at **Appendix A, Table 7**.
- 6.18 The number of fundamental recommendations has remained static at 1% of the total number of recommendations made. Fundamental recommendations were made on the following audits:
- **Personal Budgets and Direct Payments (Adults)**
 - **Highways Term Maintenance Contract (two fundamental recommendations)**
 - **Street Scene - Dog Wardens**
 - **Supply Contracts**
 - **Legionella**
 - **Brockton Primary School**
 - **Martin Wilson Primary School**
 - **Trinity Primary School**

Some control improvements are reported as implemented, others are underway but delayed due to management decisions and associated resourcing issues. Where delays are experienced after a revised implementation date, this will be reported to the Audit Committee.

The percentage of significant and fundamental recommendations has increased slightly from 38% to 40%⁵ compared to last year with a corresponding decrease in requires attention and best practice recommendations.

- 6.19 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 8 sets out the approach adopted to following up recommendations** highlighting Audit Committees involvement.
- 6.20 During 2019/20, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI). This involved supplying data to the Cabinet Office for matching purposes, the results of which will be reported to a later committee.
- 6.21 In the current year, several internal audit reviews have been conducted, to help ensure appropriate controls are in place and are operational to counter the risk of fraud. These include:
- Agency and consultancy staff
 - Comfort fund accounts
 - Contracts and tendering – Corporate and Property
 - Debt recovery
 - Environmental maintenance grants
 - Housing rents client side
 - Income collection
 - Information security policy
 - Monitoring use of facilities
 - Parking cash collection
 - Payroll
 - Periodic income

⁵ Due to an increase in significant recommendations

- Personal budgets and direct payments
- Property sales and acquisitions
- Purchase ledger
- Sales ledger
- Security of buildings
- Sickness management
- Supply contracts

6.22 The above were further supported by learning following individual investigations. Where internal control weaknesses have been identified, results are reported in a management report and recommendations made and agreed to help reduce a repeat of any inappropriate activity.

6.23 Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. Contingencies are provided in the plan to allow for such activities and review areas reprioritised based on risks. Examples of the types of additional work that the service has conducted since the last report include advice to:

- Property Services regarding a replacement access system
- Children Services on the new education management system
- Adult Services on direct payments and
- Ongoing advice on the digital transformation programme

An annual opinion on the adequacy of the governance arrangements

6.24 In considering an annual audit opinion, it should be noted that assurances given can never be absolute. The internal audit service can however provide the Council with reasonable assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes, **Table 11 shows opinion criteria.**

6.25 The matters raised in this report are only those which came to Internal Audit's attention during its internal audit work and are not necessarily a comprehensive statement of all weaknesses that exist, or of all the improvements that may be required.

6.26 In arriving at her opinion, the Head of Audit has taken the following matters into account:

- Results of all audits undertaken during the year ended 31 March 2020;
- Results of Corporate Governance (reasonable assurance) and Risk Management (good assurance) reviews;
- Results of fundamental audit reviews and their direction of travel;
- Implementation of recommendations of a fundamental nature;
- Assurance levels provided and their direction of travel, and those of the recommendation ratings, compared against the risk appetite of the Council;
- Fundamental recommendations not accepted by management and the consequent risks;
- Effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee and/or Council;
- If any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed which may have impinged on Internal Audit's ability to meet the full internal audit needs of the Council; and
- Proportion of the Council's internal audit needs that have been covered to date.

6.27 All assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the Internal Audit work undertaken and management responses received; I can offer limited assurance for the 2019/20 year on the Council's framework for governance, risk management and internal control. There are an increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected. In addition to which, the response to the Coronavirus pandemic has led to scope limitations which restricts the independent assurances provided on the key systems that have undergone fundamental changes during the year. Where systems have been evaluated to a draft stage, assurances remain low. Management of Coronavirus has introduced unprecedented pressures and responses. Managers have been diverted onto business continuity pressures and unable to plan improvements to known internal control processes, leading to increased risks in some areas that will impact on delivery of the Council's objectives. 2019/20 has been a challenging year given the embedding of key fundamental line of business systems (financial and human resources) alongside the challenge to deliver savings, increase income and respond to Coronavirus.

Audit performance

6.28 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the previous twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee's delivery of its responsibilities and feedback gained from customer satisfaction surveys.

Aspect of measure	Target 2019/20	Actual 2019/20
Percentage of revised plan delivered	90%	96%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	87%

6.29 An annual review of Internal Audit is conducted in the form of a self-assessment of compliance with the Public Sector Internal Audit Standards. The self-assessment forms part of another report on this agenda: 'Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2019/20. In addition, an external assessment conducted by CIPFA and reported on to a February 2017 meeting of this Committee demonstrated compliance with the PSIAS, the external assessment will be repeated in five years.

6.30 Internal Audit recognises the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. The Service continually focuses on delivering high quality audit to clients – seeking opportunities to improve where possible.

- Commitment to quality begins with ensuring that appropriately skilled and experienced people are recruited and developed to undertake audits.
- Audit practice includes ongoing quality reviews for all assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
- A Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. The quality of audits is evidenced through performance and delivery, feedback from our clients and an annual self-assessment.
- There is a financial commitment for training and developing staff. Training provision is reviewed continually through the appraisal process and regular meetings with individual auditors. Individual training programmes are developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

- 6.31 Customers are asked for feedback on their audit experience after most audit reviews. Feedback is provided on the quality of the service and helps to ensure that audit work meets client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 9**.
- 6.32 This year has seen customer surveys completed totally electronically and this has resulted in an increase in numbers received. The percentage of customers scoring the service as high or excellent has increased slightly (88 to 95%). There are a few reviews reporting reduced assurances and this reflects on the ongoing impact of resource reductions for both Internal Audit and our customers and increased pressures, the overall result remains a positive reflection of the service. That said where individual ratings are low, or showing a downward trend, we do value the opportunity to explore the reasons for these and talk to the customer to identify the key issues and aim to improve on them.
- 6.33 During the last year several compliments and comments have been received in respect of the service from both questionnaires and directly, these appear at **Appendix A, Table 10**. Most comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients. All other comments are followed up with the author to identify where lessons can be learnt and improvements made.
- 6.34 Internal Audit employ a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting audit assignments. All work has been performed in accordance with PSIAS. To ensure the quality of the work performed, a programme of quality measures is used, which includes:
- Supervision of staff conducting audit work;
 - Review of files of working papers and reports by managers and partners;
 - Receipt of formal feedback from managers to audit findings and recommendations;
 - Follow up reviews for reports attracting low assurance levels and recommendation follow up processes;
 - The use of satisfaction surveys for each completed assignment;
 - Annual appraisal of audit staff and the development of personal development and training plans;
 - The maintenance of guidance and procedures.

6.35 There have been no instances during the year which have impacted on Internal Audit's independence and/or have led to any declarations of interest.

Performance measures

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

Review of the effectiveness of Internal Audit work by the Audit Committee

6.37 The Council has a well-established Audit Committee, which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members receive regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates.

6.38 The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.

6.39 The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a few reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on: Liquid Logic⁶ project review; Children's direct payments; Commercial Strategy; Theatre Severn and the Highways Term Maintenance contract.

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

Draft Internal Audit Risk Based Plan 2019/20 - Audit Committee March 2019
 Internal Audit Plan 2019/20 – Performance Report - Audit Committee September 2019
 Internal Audit Plan 2019/20 – Performance Report - Audit Committee December 2019
 Internal Audit Plan 2019/20 – Performance Report - Audit Committee February 2020
 Public Sector Internal Audit Standards (PSIAS).
 Various internal documents supporting self-assessment against the PSIAS.
 Audit management system.
 Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

Cabinet Member (Portfolio Holder)

Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2019/20

⁶ Social care IT system

Table 2: Final audit report assurance opinions issued in 2019/20

Table 3: Audit opinion and recommendations made on fundamental systems 2019/20

Table 4: Unsatisfactory and limited assurance opinions since February 2020 listed by service area

Table 5: Audit assurance opinions

Table 6: Audit recommendation categories

Table 7: Audit recommendations made in 2019/20

Table 8: Recommendation follow up process (risk based)

Table 9: Customer Feedback Survey Forms

Table 10: Summary of compliments and comments 2019/20

Table 11: The principles and assurance criteria applied to the Head of Audit's opinion

Appendix B - Audit plan by service – annual report 2019/20

Table 1: Summary of actual audit days delivered against plan 2019/20

	Original Plan	Revised Plan	March Actual	% of Original Complete	% of Revised Complete
Chief Executive	520	585	537.3	103%	92%
Finance, Governance and Assurance	293	357	347.1	118%	97%
Governance	14	14	12.3	88%	88%
Workforce and Development	213	196	159.8	75%	82%
Legal and Democratic	0	18	18.1	0%	101%
Adult Services	158	116	103.3	65%	89%
Social Care	96	95	82.2	86%	87%
Public Health	42	11	10.4	25%	95%
Public Protection	20	10	10.7	54%	107%
Place and Enterprise	310	305	285.6	92%	94%
Children's Services	252	194	143.4	57%	74%
Schools	113	128	105.3	93%	82%
Other	139	66	28.5	21%	43%
S151 Planned Audit	1,240	1,200	1,069.6	86%	89%
Contingencies and other chargeable work	894	781	825.0	92%	106%
Total S151 Audit	2,134	1,980	1894.6	89%	96%
External Clients	228	237	237.3	104%	100%
Total	2,362	2,217	2,131.9	90%	96%

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Final audit report assurance opinions issued in 2019/20**Summary**

Audits 2019 / 20	Assurance	%	Direction of travel	Audits 2018 / 19	%	Audits 2017/18	%
11	Good	15	↓	16	26	22	20
35	Reasonable	49	↑	26	41	48	44
46	Sub total	64	↓	42	67	70	64
16	Limited	22	↑	17	27	32	29
10	Unsatisfactory	14	↓	4	6	8	7
26	Sub total	36	↓	21	33	40	36
72	Overall total	100		63	100	110	100

Full details

	Audit	Assurance
1	Liquid Logic Data Migration	Good
2	Property Sales and Acquisitions	Good
3	ERDF Grant Claims	Good
4	Local Enterprise Partnership (LEP)	Good
5	Strengthening Families Grant	Good
6	CareFirst Decommissioning	Good
7	Section 11 Arrangements	Good
8	Medium Term Financial Strategy	Good
9	Risk Management	Good
10	Payroll System 2018/19	Good
11	Nutanix	Good
12	Housing Rents Client Side 2018/19	Reasonable
13	Albert Road Comforts Fund	Reasonable
14	Albert Road Day Centre	Reasonable
15	Adult Placements 2018/19	Reasonable
16	HomePoint Contract	Reasonable
17	Abbots Wood Comforts Fund	Reasonable
18	Abbots Wood Day Centre	Reasonable
19	Help to Change Client Side	Reasonable
20	Parking - Cash Collection 2018/19	Reasonable
21	Pest Control	Reasonable
22	Technology Forge Application 2018/19	Reasonable
23	Bulky Waste	Reasonable
24	Street Lighting 2019/20	Reasonable
25	Contracts and Tendering Property	Reasonable
26	Environmental Maintenance Grants	Reasonable
27	Minsterley Primary School	Reasonable
28	Tuition Medical Behaviour Support Service (TMBSS)	Reasonable
29	Civica Icon Income Management Application 2018/19	Reasonable
30	Income Collection 2018/19	Reasonable
31	Sales Ledger 2018/19	Reasonable
32	Enterprise Resource Planning (ERP) Data Migration Review 2018/19	Reasonable
33	General Ledger 2018/19	Reasonable
34	Emergency Planning	Reasonable
35	Accountable Bodies	Reasonable
36	Sickness Management 2018/19	Reasonable
37	Teachers' Pension Scheme Recommendation Follow Up 2018/19	Reasonable
38	Project Management Adequacy of Arrangements 2018/19	Reasonable
39	Public Services Network (PSN)	Reasonable
40	Asbestos	Reasonable
41	Health and Safety	Reasonable
42	Information Security Policy	Reasonable
43	Privileged User Security	Reasonable
44	Microsoft Applications Deployment and Control	Reasonable
45	Integration Hub	Reasonable
46	Contracts and Tendering - corporate 2018/19	Reasonable
47	Personal Budgets and Direct Payments (Adults) 2018/19	Limited with Fundamental recommendation
48	Chipside Parking System Application Review 2018/19	Limited
49	Economic Growth Strategy 2018/19	Limited
50	CONFIRM-Highways Management System 2018/19	Limited

	Audit	Assurance
51	Security of Council Buildings	Limited
52	Asset Management Strategy	Limited
53	School Planning and Transport Arrangements	Limited
54	Woodlands School	Limited
55	Martin Wilson School	Limited with Fundamental recommendation
56	Purchase Ledger 2018/19	Limited
57	SAMIS Decommissioning	Limited
58	Empty Homes	Limited
59	Supply Contracts	Limited with Fundamental recommendation
60	Agency and Consultancy Staff	Limited
61	GDPR / Freedom of Information 2018/19	Limited
62	Monitoring Use of Facilities 2018/19	Limited
63	Acton Scott Working Farm Museum	Unsatisfactory
64	Highways Term Maintenance Contract - Kier	Unsatisfactory with two fundamental recommendations
65	Street Scene - Dog Wardens	Unsatisfactory with Fundamental recommendation
66	The Lantern	Unsatisfactory
67	Much Wenlock Leisure Centre (Joint Use)	Unsatisfactory
68	Brockton CE Primary School 2018/19	Unsatisfactory with Fundamental recommendation
69	Bishops Castle Community College	Unsatisfactory
70	Trinity C E Primary School	Unsatisfactory with Fundamental recommendation
71	Debt Recovery 2018/19	Unsatisfactory
72	Legionella	Unsatisfactory with Fundamental recommendation

Key

Text in blue	High risk from an audit perspective
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Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Chief Executive	4	18	7	2	31
Finance, Governance and Assurance	2	7	4	1	14
Governance	0	0	0	0	0
Workforce and Development	2	10	1	1	14
Legal and Democratic	0	1	2	0	3
Adult Services	1	10	2	0	13
Social Care	1	7	1	0	9
Public Health	0	1	0	0	1
Public Protection	0	2	1	0	3
Place and Enterprise	3	5	5	5	18
Children's Services	3	2	2	3	10
Schools	0	2	2	3	7

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Others	3	0	0	0	3
Total for 2019/20					
➤ Numbers	11	35	16	10	72
➤ Percentage	15%	49%	22%	14%	100%
Percentage 2018/19	26%	41%	27%	6%	100%
Percentage 2017/18	20%	44%	29%	7%	100%
Percentage 2016/17	7%	45%	31%	17%	100%
Percentage 2015/16	14%	35%	42%	9%	100%
Percentage 2014/15	17%	47%	28%	8%	100%

Table 3: Audit opinion and recommendations made on fundamental systems 2019/20

Fundamental system	Direction of travel	Level of assurance given
Corporate Governance	=	Reasonable
Debt Recovery	=	Unsatisfactory
Purchase Ledger	=	Limited
Capital Accounting	=	Good
General Ledger	↓	Limited
Sales Ledger	↓	Unsatisfactory
Periodic Income	Not Applicable	Limited
Payroll System	↓	Unsatisfactory
Risk Management	=	Good

Table 4: Unsatisfactory and limited assurance opinions since February 2020 listed by service area⁸

Unsatisfactory assurance

Children's Services – Trinity CE Primary School

- Governors and staff clearly understand their respective roles and responsibilities.
- 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 imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- Payment is made to bona fide employees only for the work performed through the Payroll system.
- The school fund is operated in accordance with the school fund notes of guidance.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- Income from school meals is properly recorded, fully accounted for and banked promptly and intact by the cash collection agent.

⁷ These reports were in draft as at 31st March 2020 and are therefore not included in Table 2.

⁸ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

Place and Enterprise – Much Wenlock Joint Use Leisure Centre (Limited 2017/18)

- Previous audit recommendations have been implemented.
- 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 imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- Payment is made to bona fide employees only for the work performed through the Payroll system.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- Relevant staff have Disclosure Baring Service (DBS) clearance.
- Regular budget monitoring is performed and any significant variations are investigated.
- Stocks held are appropriate, controlled and can be accounted for.
- Assets held are recorded, can be accounted for and are safeguarded against loss.
- Appropriate procedures are in place for the security of staff and material assets

Limited assurance - none in this period

Table 5: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 6: 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.

Table 7: Audit recommendations made in 2019/20

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Chief Executive	5	132	68	2	207
Finance, Governance and Assurance	1	63	29	1	94
Governance	0	0	0	0	0
Workforce and Development	3	48	29	1	81
Legal and Democratic	1	21	10	0	32
Adult Services	0	85	29	1	115
Social Care	0	57	23	1	81
Public Health	0	4	0	0	4
Public Protection	0	24	6	0	30
Place and Enterprise	1	112	101	3	217
Children's Services	0	136	108	3	247
Schools	0	132	107	3	242
Others	0	4	1	0	5
Total for 2019/20					
➤ Numbers	6	465	306	9	786
➤ Percentage	1%	59%	39%	1%	100%
Percentage 2018/19	2%	60%	37%	1%	100%
Percentage 2017/18	3%	56%	41%	0%	100%
Percentage 2016/17	4%	50%	46%	0%	100%
Percentage 2015/16	4%	54%	42%	0%	100%
Percentage 2014/15	6%	53%	40%	1%	100%

Table 8: 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 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.

Table 9: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2017/ 2018	2018/ 2019	2019 / 2020	Direction of Travel

Pre-audit arrangements	87%	88%	85%	↓
Post-audit briefing	88%	88%	84%	↓
Audit coverage/scope of the audit	89%	83%	84%	↑
Timeliness of production of report	92%	86%	86%	↔
Accuracy and clarity of report	89%	89%	85%	↓
Practicality of recommendations	82%	82%	80%	↓
Professionalism of approach	95%	95%	94%	↓
Communication skills	98%	97%	95%	↓
Timeliness, competence, manner	88%	88%	86%	↓
Number of forms returned	56	28	44	↑
% of forms scored as excellent and good	90%	88%	95%	↑

Table 10: Summary of compliments and comments 2019/20

Compliments⁹

Relationship with the Auditor is good and very grateful for a constructive and informative exercise. The audit was carried out professionally and the report completed in a timely way. Thank you.

The audit was a very constructive experience. It was gratifying to receive assurance that our newly implemented control processes and procedures are operating effectively but it also helped to identify areas whether future improvements could be made. The professional way in which the audit was conducted together with the positive result have given the team the impetus and enthusiasm to continue to refine and improve our systems and processes.

The audit went very smoothly from initial notification to post-audit debrief. The Auditor explained the process and took time to understand our service (both what we do and don't do) and define the scope of the audit. Questions were asked of the team and management, and we felt this was very thorough, and you were happy to meet up and discuss more complicated areas. We feel the audit report has highlighted some areas where we can improve on processes and were pleased to be scrutinised and challenged by an external and objective pair of eyes to give us a better overview of the service that we deliver. Thank you very much for your time and professionalism during the audit.

Following the audit there will be a need for further investigation into the action of the team (highlighted allocation of the grant outside the scope of the policy), therefore as the audit covered a sample of the grants there will be a need to look at every grant approved/refused. Whilst I appreciate the difficulty of resourcing this from Audit it would be great to have the same auditor continue the audit to review every grant.

I thought the audit was a fair reflection of the current state of the system. The audit came at an opportune time as the leadership of the unit has changed and a fresh start is needed. The audit was a welcome critical eye for the re-development of the unit.

Comments

⁹ Depersonalised for public reporting

1. The feedback, for several reasons, was rushed and there were areas that weren't discussed prior to the report that would have been reported differently had there been an opportunity to discuss them.

The setting had competing priorities that materialised once the audit began and were unable to respond to the Audit at the pre-arranged times. This was addressed on site.

2. There is a broader inspection regime for Children's Services, It is not clear how this is taken in to account. There is a high level of QA and scrutiny from Ofsted, and our own QA Framework, how this type of assurance is considered with in the corporate audit process. This could reduce duplication and resource required.

There was confusion about Internal Audit's role and Ofsted. A self-assessment completed for Ofsted was just that. The Internal Audit work is more granular and drills down to ensure that the supporting evidence demonstrates the position of the service. The approaches were talked through with the service owner and understood before the audit commenced.

3. The post audit briefing was useful however this was not reflected in the final report – this has been addressed.

The service was expecting inclusion of actions discussed from other areas of a more corporate nature to be included in the audit, which were not part of the agreed scope. This was discussed and an explanation provided in the report to explain the scopes limitations.

4. In talking with the Schools Improvement Advisory Team, we feel that financial training or workshops should be provided annually to clarify the Council's Financial Guidelines, Policies and Procedures. This is something that we feel needs to be put in place, especially after speaking with a range of Headteachers in Shropshire, some experienced and some new to the role, who felt that finance is their weakest area of expertise and would feel anxious about a financial audit without prior training. In addition, one of the Heads disputed several of the findings in the draft report.

The setting had a few heads who did not all contribute to the process and conflicted with each other in their views. The Audit Marketing Brochure was shared that explained the role and approach of Internal Audit. The Auditor and their senior discussed this with the setting too. Children's Services staff were also engaged in understanding and explaining the issues experienced. In the end the setting accepted the Audit work and resulting report, after challenge, without change. Financial training and workshops can be bought in by schools.

Table 11: The principles and assurance criteria applied to the Head of Audit's opinion:

Principles applied to the opinion:

1. Authentic: Opinions are fair, reliable and honest
2. Transparent: Opinions are qualified with evidence or professional judgement
3. Strategic: Macro level information without undue detail
4. Insightful: Information is engaging and generates discussion
5. Resolute: Opinion is delivered with courage and conviction

Assurance criteria applied:

Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
Substantial	<p>Limited number of medium risk related weaknesses identified but generally only low risk rated weaknesses have been found in individual assignments/ observations.</p> <p>No one area is classified as high or/ critical risk</p>	Unqualified
Reasonable	<p>Medium risk rated weakness identified in individual assignments/ observations that are not significant in aggregate to the system of governance, risk management or control.</p> <p>High risk rated weaknesses identified in individual assignments/ observations that are isolated to specific systems, processes and services</p> <p>None of the individual assignment reports/ observations have an overall high or critical risk</p>	
Limited	<p>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</p> <p>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</p> <p>Critical risk rated weaknesses identified in individual assignments/ observations that are not widespread to the system of internal control, and</p> <p>More than a minority of the individual assignment reports/ observations may have an overall report classification or rating of high or critical risk</p>	
No Assurance	<p>High risk rated weaknesses identified in individual assignments/ observations that in aggregate are widespread to the system of internal control and/or</p> <p>Critical risk rated weaknesses identified in individual assignments/ observations that are widespread to the system of internal control or</p> <p>More than a minority of the individual assignment reports/ observations have an overall report classification of either high or critical risk</p> <p>Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk</p>	Qualified
Disclaimer	<p>An opinion cannot be issued because insufficient internal audit work has been completed due to either:</p> <ul style="list-style-type: none"> -restrictions in the agreed audit programme, which means that audit work would not provide enough evidence to 	Qualified

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

** Indicators refer not only to Internal Audit reviews, but wider assurance providers and intelligence from across the business that is evidenced, an example would be peer reviews.

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2019/20

	Original Plan Days	Revised Plan Days	31st March 2020 Actual	% Original Plan Achieved	% Revised Plan Achieved
CHIEF EXECUTIVE					
Governance	14	14	12.3	88%	88%
Finance Governance & Assurance					
Finance Transactions	85	103	108.7	128%	106%
Finance and S151 Officer	88	85	78.1	89%	92%
Financial Management	73	108	97.0	133%	90%
Procurement and Contract Management	40	44	46.1	115%	105%
Risk Management and Insurance	7	17	17.2	246%	101%
	293	357	347.1	118%	97%
Workforce and Development					
Human Resources	70	77	57.8	83%	75%
Information Governance	8	4	3.6	45%	90%
ICT	110	77	59.9	54%	78%
Occupational Health & Safety	25	36	36.4	146%	101%
Print Services	0	2	2.1	0%	105%
	213	196	159.8	75%	82%
Legal and Democratic					
Legal Services	0	18	18.1	0%	101%
CHIEF EXECUTIVE	520	585	537.3	103%	92%
ADULT SERVICES					
Social Care Operations					
Long Term Support	53	51	50.0	94%	98%
Assistive Services	10	10	3.5	35%	35%
Provider Services - Comforts Funds	6	12	10.1	168%	84%
Provider Services - Establishments	12	13	9.1	76%	70%
Housing Services	15	9	9.5	63%	106%
	96	95	82.2	86%	87%
Public Health	42	11	10.4	25%	95%
Public Protection	20	10	10.7	54%	107%
ADULT SERVICES	158	116	103.3	65%	89%
PLACE AND ENTERPRISE					
Business, Enterprise and Commercial Services					
Commercial Services	10	7	2.2	22%	31%

	Original Plan Days	Revised Plan Days	31st March 2020 Actual	% Original Plan Achieved	% Revised Plan Achieved
Strategic Asset Services	45	54	54.8	122%	101%
	55	61	57.0	104%	93%
Economic Development					
Business Growth and Investment	35	29	20.7	59%	71%
Development Management	15	7	7.0	47%	100%
Planning & Corporate Policy	0	0	0.6	0%	0%
Project Development	15	0	0.0	0%	0%
	65	36	28.3	44%	79%
Infrastructure and Communities					
Highways	70	99	78.3	112%	79%
Environmental Maintenance	8	10	10.0	125%	100%
Library Services	5	10	10.0	200%	100%
Public Transport	20	16	16.2	81%	101%
Waste	8	8	8.6	108%	108%
	111	143	123.1	111%	86%
Culture and Heritage					
Theatre Severn and OMH	14	26	33.6	240%	129%
Leisure Services	38	17	26.9	71%	158%
Outdoor Recreation	6	0	0.0	0%	0%
Visitor Economy	21	22	16.7	80%	76%
	79	65	77.2	98%	119%
PLACE AND ENTERPRISE	310	305	285.6	92%	94%
CHILDREN'S SERVICES					
Safeguarding					
Children's Placement Services & Joint Adoption	69	35	13.1	19%	37%
Safeguarding	16	14	15.0	94%	107%
	85	49	28.1	33%	57%
Learning and Skills					
Business Support	0	0	0.4	0%	0%
Education Improvements	54	17	9.6	18%	56%
Primary/Special Schools	87	95	71.8	83%	76%
Secondary Schools	26	33	33.5	129%	102%
	167	145	115.3	69%	80%
CHILDREN'S SERVICES	252	194	143.4	57%	74%
Total Shropshire Council Planned Work	1,240	1,200	1,069.6	86%	89%
CONTINGENCIES					
Advisory Contingency	60	32	26.2	44%	82%

	Original Plan Days	Revised Plan Days	31st March 2020 Actual	% Original Plan Achieved	% Revised Plan Achieved
Fraud Contingency	200	240	255.5	128%	106%
Unplanned Audit Contingency	100	0	0.0	0%	0%
Other non audit Chargeable Work	534	487	543.3	102%	112%
CONTINGENCIES	894	781	825.0	92%	106%
Total for Shropshire	2,134	1,980	1,894.6	89%	96%
EXTERNAL CLIENTS	228	237	237.3	104%	100%
Total Chargeable	2,362	2,217	2,131.9	90%	96%