Committee	**Audit and Governance Committee** **25th September 2026** **Public**

Internal Audit Performance Report 2026/27

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
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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 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