

## Internal Audit Progress Report

### Report of the Head of Internal Audit

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### 1 Executive Summary

This report provides the Committee with a progress update on delivery of the annual internal audit plan, the results of which will be used to form the annual opinion on the Service's framework of internal control, risk management and governance.

### 2 Recommendations

The Committee is asked to:

- a) Approve the amendments to the Internal Audit Plan for 2025/26.
- b) Note the Internal Audit Progress update.

### 3 Background

The Service has a legal duty to maintain an adequate and effective Internal Audit function. The primary role of Internal Audit is to provide independent assurance that the Service has put in place appropriately designed internal controls to ensure that:

- Assets and interests are safeguarded;
- Reliable records are maintained;
- Policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

### 4 Report

The Internal Audit plan for 2025/26 was approved by the Audit and Standards Committee in April 2025. Progress against delivery of that plan is set out at the Appendix.

The Internal Audit Standards require that any significant changes to the internal audit plan must be approved by the Audit and Standards Committee. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. The following amendments to the Internal Audit plan are proposed:

<b>Audit Title</b>	<b>Proposed Change</b>	<b>Rationale</b>
Procurement	Defer to 2026/27	Management is building resource capacity and reviewing procedures in this area.
Project Management	Defer to 2026/27	The framework of governance and control for projects is under review.
Operational / organisational assurance	Defer to 2026/27	Request made by management, so that the scope can be fully considered and refined.

## **5 Conclusions**

Approval of the amendments to the 2025/26 Internal Audit plan will help ensure that an annual Internal Audit Opinion can be delivered for the service in time for it to be incorporated within the Annual Governance Statement.

## **6 Capacity**

Internal Audit will require support from relevant officers to ensure that the remaining work for 2025/26 can be completed in time for the Annual Internal Audit Opinion to be delivered. Internal Audit plans and delivers its work in a way which minimises the impact on officer capacity as far as possible.

## **7 Financial Implications**

There are no financial implications arising from this report.

## **8 Legal Comment**

There are no legal implications arising from this report.

## **9 HMICFRS Areas For Improvement, Cause of Concern, External Audit Recommendations**

External Audit report of February 2026 recommended options to strengthen oversight of the Internal Audit activity including:

Internal Audit progress reports made to every Standards, Audit and Performance Committee.

Standards, Audit and & Performance Committee are provided the opportunity to challenge and approve any proposed changes to the Internal Audit Plan after its initial approval.

## **10 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An e-EQIA is not, therefore, required.

## **11 Appendix**

Internal Audit Progress Update

## **12 Background Papers**

There are no background papers associated with this report.



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# **INTERNAL AUDIT PROGRESS REPORT**

## **APPENDIX 1**

Date: April 2026



## **1. Background**

- 1.1 The Service is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2024.
- 1.2 The Global Internal Audit Standards (the Standards) require the Standards, Audit and Performance Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Service. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## **2. Performance**

### **2.1 *Will the Internal Audit Plan be delivered?***

The position at the time of writing this report is as follows:

- The work brought forward from 2024/25 has been completed.
- 2 assignments have been finalised.
- 1 assignment is at the draft report stage.
- 3 assignments are in progress.

- 2.2 Adequate resources are in place to deliver the remainder of the Plan and the Annual Internal Audit Opinion for 2025/26. However, successful delivery of the remaining work depends upon the availability of staff and timely provision of requested information. Progress on individual assignments is set out at pages 7 to 10.

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### 2.3 **Performance Indicators**

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. Each individual member of staff has an agreed target to deliver 90% of their own work plan by the end of March each year. In addition, the following performance indicators have been established, and the results will be included in the annual report for 2025/26:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90% Actual: 77.5% Shortfall due to audits being delayed at the request of officers
Productivity	% of available time spent on productive audit work	85% Actual: 87%
Effectiveness	% of agreed recommendations implemented by the target date	75% Actual result for 2025/26 will be calculated in May 2026.
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80% Actual:92%

### 2.4 **Are clients progressing audit recommendations with appropriate urgency?**

Follow up work will be carried out in May 2026, and the results will be incorporated within the Annual Report of Internal Audit.



### 3. Internal audit opinions and prioritisation of recommendations

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

**Table 1 – Assurance Categories**

Opinion	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:



**Table 2 - Definition of Priority of Recommendations**

Priority	Definition
<b>H</b>	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
<b>M</b>	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
<b>L</b>	Issues of best practise where some improvement can be made.

**4. Internal Audit delivery**



- 4.1 62 productive days were delivered against the full year plan of 80 days. Adequate resources are in place to deliver the remainder of the plan by the end of May 2026. All assignments have been allocated.

**Table 3 - Summary of Days Delivered for 2025/26**

<b>Summary of Audit Areas</b>	<b>Plan Budget</b>	<b>Days Delivered</b>
Core Financial Systems	29	19
Corporate Work	15	15
Other Systems Audits including Follow Up Reviews	29	21
<b>Sub total</b>	<b>73</b>	<b>55</b>
Support Budgets including any audit management meetings, annual plan development, reports and Audit Committee support.	7	7
<b>Total Audit Days</b>	<b>80</b>	<b>62</b>

The following table shows the status of each assignment in the annual plan, and the anticipated reporting date. This table will also summarise the findings of each of the audits as they are completed. The table is designed to assist members in building up a picture of the assurance being provided.



**Table 4 – Summary of Internal Audit progress and findings, year to date**

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Treasury Management	Final Report issued	N/A	<b>Reasonable</b>	<p>The objective of this audit was to provide assurance that the service level agreement with Shropshire County Council is operating as expected. The scope included:</p> <ul style="list-style-type: none"> <li>• Provisions for borrowing – Compliance with prudential guidelines.</li> <li>• Provisions for borrowing – Indicators &amp; performance management.</li> </ul> <p>This review did not cover compliance with the counter-parties list, investment limits and authorisations. This is because Shropshire County Council has had a recent internal audit review of these areas recently, and a satisfactory level of assurance was provided.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> <li>• Responsible officers, points of contact and communication methods as defined in the Service Level Agreement are identified and operating as expected.</li> <li>• There have been no recorded breaches or concerns over service delivery.</li> <li>• There is a high level of compliance with the Chartered Institute of Public Finance and</li> </ul>



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<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
				<p>Accountancy (CIPFA) Prudential Guidelines for borrowing provision.</p> <ul style="list-style-type: none"><li>Utilising internal borrowing has served the authority well in its capital financing provision. Exposure to interest rate rises was limited.</li></ul> <p>The audit highlighted some items of non-compliance that present a low to medium risk to the overall success of the service level agreement (SLA). These are summarised as follows:</p> <ul style="list-style-type: none"><li>The SLA was not signed by an officer from Shropshire Fire Service.</li><li>The SLA states that the customer (Shropshire Fire Service) shall review the technical and organisational measures for data protection. This has not occurred.</li><li>The SLA states that annual reviews of the agreement should be undertaken by the customer and suppliers' responsible officers. No formal reviews have taken place.</li><li>The confirmation letters of financial transactions entered into on behalf of the fire service are no longer received from the supplier.</li></ul> <p>Management has agreed to address these matters through the contract management process.</p>



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<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Procurement & Contract Management	In progress	May 2026	TBC	Fieldwork has been delayed at the request of management. It is proposed that the audit focus on Contract Management, with procurement being covered separately in 2026/27.
Payroll & Pensions	Final report issued	October 2025	<b>Substantial</b>	<p>The objective of this audit was to provide assurance that only bona fide employees are being paid, correctly, and in a timely manner.</p> <p>The scope covered:</p> <ul style="list-style-type: none"><li>• Deductions, including NIC, PAYE and Pensions.</li><li>• Amendments, including maternity/paternity leave, changes to job and/or hours.</li><li>• Overtime, including processes for recording overtime hours, accuracy of data and authorisations.</li></ul> <p>This review did not cover starters and leavers, as this was covered separately in a recent audit.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"><li>• For the sample reviewed, payments were accurate, and deductions for tax, national insurance and pensions were correct.</li><li>• For the sample reviewed, expenses were authorised with segregation of duty and deemed to be appropriate.</li></ul>



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<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
				<ul style="list-style-type: none"><li>For the sample reviewed, payments to retained firefighters received proper authorisation and an audit trail was present as proof for call out.</li></ul> There were no significant findings arising from the audit.
Risk Management	Draft report issued	April 2026	TBC	Report expected to be finalised shortly.
Data Quality	In progress	May 2026	TBC	Fieldwork was delayed at the request of management.
Completion & Finalisation of brought forward audits	Completed	The results were reflected in the Annual Report of Internal Audit for 2024/25, reported to the Committee in July 2025.		
Follow up of Recommendations	Fieldwork in Progress	May 2026	TBC	Follow up work will be carried out in May 2026, and the results will be incorporated within the Annual Report of Internal Audit.



## **5. Limitations inherent in the work of internal audit**

Internal Audit undertakes a programme of work agreed by senior managers and approved by the Audit Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.