



Shropshire
Fire and Rescue Service



ANNUAL REPORT OF INTERNAL AUDIT

2025/26

Date: June 2026

1. BACKGROUND

- 1.1 The Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit Opinion and report that can be used by the organisation to inform its Annual Governance Statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework;
 - A summary of the audit work (including organisational knowledge) from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from external assessments.

2. INTERNAL AUDIT OPINION 2025/26

2.1 The Head of Internal Audit's overall opinion on the Council's system of internal control is that:

Reasonable assurance can be given that there is an adequate and effective framework of governance and internal control in place, designed to meet the organisation's objectives.

Of the 6 graded assignments completed in 2025/26, 2 (33%) resulted in an opinion Substantial assurance, 2 (33%) resulted in an opinion of Reasonable assurance and 2 (33%) resulted in an opinion of Limited assurance.

Sound progress has been made by management in implementing the actions arising from audits, with internal audit follow up work confirming 83% were implemented on time. Implementation of agreed control improvement actions strengthens the organisation's framework of governance, risk management and control.

There is only limited assurance that the organisation's framework of risk management is effective, as indicated by the internal audit review completed in 2025/26. However, the organisation is actively improving its risk management framework - the Authority has improved Audit & Standards Committee oversight as well as strengthening its senior management capacity through recruitment of a new Director of Finance & Resources. Implementation of agreed action plan arising from the recent internal audit of risk management will increase the level of assurance.

The agreed plan for 2026/27 contains further governance related audits of Data Protection and Corporate Governance Arrangements; as well as audits in areas identified by the annual risk assessment and discussion with senior leadership.

2.2 A summary of Internal Audit assurance opinions issued in 2025/26 is shown in Table 1 below:

Assurance Area	Substantial	Reasonable	Limited	No
Financial	1	1	0	0
Governance & Ethics	0	0	1	0
Corporate & Service Risks	1	1	1	0
Totals	2	2	2	0

3. REVIEW OF AUDIT COVERAGE

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 2 – Assurance Categories

Opinion	Definition
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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, aligned with the organisation’s risk assessment framework, as follows:

Table 3 – Definition of Priority of Recommendations

Impact	Score	Definitions
Very High	5	<ul style="list-style-type: none"> - Financial impact on the Authority likely to exceed £5M - Severe/catastrophic impact on the Authority's statutory duties and strategic objectives - Significant stakeholder concern - The risk has occurred and will continue to do so without further action being taken
High	4	<ul style="list-style-type: none"> - Financial impact on the Authority likely to be between £1M and £5M - Significant impact on the Authority's statutory duties and strategic objectives - High stakeholder concern - The risk is likely to occur this year
Medium	3	<ul style="list-style-type: none"> - Financial impact on the Authority likely to be between £250K and £1M - Moderate impact on the Authority's statutory duties and strategic objectives - Moderate stakeholder concern - This risk is likely to occur more than once in the next 5 years
Low	2	<ul style="list-style-type: none"> - Financial impact on the Authority likely to be between £50K and £250K - Low impact on the Authority's statutory duties and strategic objectives - Low stakeholder concern - The risk may occur in the next 5 years
Very Low	1	<ul style="list-style-type: none"> - Financial impact on the Authority likely to be less than £50K - Insignificant/negligible impact on the Authority's statutory duties and strategic objectives - Very low stakeholder concern - The risk may occur in exceptional circumstances

Table 4 – Risk Matrix

		Risk Acceptance and Risk Tolerance Levels				
		Acceptance	Tolerance	Unacceptable		
Impact	Very High	5	10	15	20	25
	High	4	8	12	16	20
	Medium	3	6	9	12	15
	Low	2	4	6	8	10
	Very Low	1	2	3	4	5
			Very Low	Low	Medium	High
		Likelihood				

3.2 Summary of Internal Audit Work

Audit	Assurance Conclusion
Finance	
Treasury Management	Reasonable
Payroll & Pensions	Substantial
Corporate Governance	
Risk Management	Limited
Corporate / Service Risks	
Contract Management	Limited
Data Quality	Reasonable
Follow Up Reviews	Substantial

Outlined at pages 10 to 14 is a short summary of the findings of each of the audits completed. It should be noted that most of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Committee.

3.3 Adding Value

Much internal audit work is carried out “behind the scenes” and is demand led but is not always the subject of a formal report. Examples include:

- Governance e.g. assisting with the Annual Governance Statement.
- Dissemination of information regarding potential fraud cases likely to affect the organisation.
- Drawing managers’ attention to specific audit or risk issues.
- Internal audit recommendations: follow up review and advice.
- Day to day audit support and advice for example risk implications arising from proposed changes in controls.
- Networking with audit colleagues in other organisations on professional points of practice.

3.4 Service Performance in 2025/26

Description	Narrative	Target	Actual
Delivery	% of audit days delivered by Year End	90%	87% (63 days against a target of 72). This was due to some fieldwork being delayed into the start of the new financial year at managements’ request.
Productivity	% of available time spent on productive audit work	85%	87% (prior year comparative 81%).
Effectiveness	% of agreed recommendations	75%	83%

	implemented by the agreed date		
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%	92% (result of client survey issued June 2025) A further analysis of client feedback will be undertaken in Summer 2026.

4. QUALITY ASSURANCE AND COMPLIANCE WITH PROFESSIONAL STANDARDS

4.1 Quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit reference material and Charter which are updated regularly to reflect the requirements of the standards and the changing environment that Internal Audit operates in. On-going dialogue is maintained with the s151 officer and the Client Officer Group which governs the shared service. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers all whom actively encourage and support the on-going development of the service.

4.2 A Quality Assurance policy was approved in September 2024. In accordance with the standards, the Head of Internal Audit is required to include a statement on compliance with the policy within this annual report. The Head of Internal Audit can confirm that the service operated in compliance with the policy from the date of its approval to the end of the financial year.

4.3 Global Internal Audit Standards and 2025/26 Improvement Plan

The Global Internal Audit Standards apply for the 2025/26 financial year onwards. The Standards cover five key areas (domains):

- The purpose of internal auditing
- Ethics and Professionalism
- Governing the Internal Audit function
- Managing the Internal Audit function
- Performing Internal Audit services

The Standards required that an independent External Quality Assessment (EQA) of the service be completed every 5 years. An EQA was completed in the 2024/25 financial year, and the results confirmed that the service was operating in **General Conformance to the Standards**. This is the highest of the three available assessment grades. Whilst this EQA was completed under the previous Public Sector Internal Audit Standards, it also considered the requirements of the new Global Standards. The next external assessment of

the service is due in 2029/30.

The Head of Internal Audit has reviewed the new Standards with the team, and the following actions were developed to ensure compliance with the additional requirements:

Improvement Action	Implementation Date/ Comments
Ensure all members of the team are reminded of the requirements of the Code of Ethics. This covers integrity, objectivity, confidentiality, due care, professional conduct, conflicts of interest, use of information, and professional development.	Independent training on integrity and objectivity was delivered to the whole team in November 2025.
Ensure that additional professional development over and above mandatory corporate training is recorded on individual learning plans.	This is being covered off through the annual appraisal and development reviews.
Update the Internal Audit Charter to incorporate a mandate. The mandate will define why internal audit exists within the organisation. It will also specify the authority, role and responsibilities.	Completed. The document was approved by the Audit & Standards Committee in April 2026.
Develop a formal Internal Audit Strategy setting out its vision, strategic objectives and supporting initiatives.	Completed. The document was approved by the Audit & Standards Committee in April 2026.
As part of audit planning, consider how data analytics and Artificial Intelligence may be used to create more efficient and effective workflows.	In progress. This has been incorporated within the new Internal Audit Strategy. The team will consider how this can be taken forward for 2026/27.
Review communications to ensure the Service adopts the use of conclusions rather than opinions.	Completed.

With the actions taken and in progress as noted in the table above, the annual self-assessment conclusion of the Head of Internal Audit is that the Internal Audit service is operating in general conformance to the Global Internal Audit Standards.

1. ORGANISATION INDEPENDENCE

If independence or objectivity is impaired in fact or appearance, the Head of

Internal Audit is required to disclose this. The Head of Internal Audit can confirm that the Internal Audit service is independent and objective, and this is currently demonstrated in a number of ways:

- The Head of Internal Audit reports directly to the s151/ chief finance officer at all organisations in the Shared Service and the equivalent Audit Committee. He also has direct unfettered access to the Heads of Paid Service, Monitoring Officers and Chairs of the Audit Committees.
- Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the Head of Internal Audit to the Head of Paid Service and the Chair of the Audit Committee.
- All officers responsible for internal audit work are required to complete an annual Declaration of Interests form, which is in turn reviewed by the Head of Internal Audit. In the case of the Head of Internal Audit, the form is reviewed by the Director of Finance and Resources (s151 officer) at Worcester City Council. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
- The Audit and Standards Committee approves any significant consultancy activity included in the Internal Audit Plan.

2. LIMITATIONS INHERENT TO THE WORK OF INTERNAL AUDIT

Internal Audit undertakes a programme of work agreed by the Council's 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.

3. SUMMARY OF INTERNAL AUDIT FINDINGS

<u>Audit Area</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Treasury Management	Reasonable	<p>The objective of this audit was to provide assurance that the service level agreement with Shropshire County Council is operating as expected, with parties compliant. Ensure that provisions for borrowing are set, the service is compliant with guidelines and quality of borrowing indicators.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • Compliance with the service level agreement with Shropshire County Council. • Provisions for borrowing – Compliance with prudential guidelines. • Provisions for borrowing – Indicators & performance management <p>The review found the following areas to be working well:</p> <ul style="list-style-type: none"> • Responsible officers, points of contact and communication methods as defined in the Service Level Agreement (SLA) with Shropshire County Council are identified and operating as expected. • There have been no recorded breaches or concerns over service delivery from Shropshire County Council. • The authority has a high level of compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Guidelines for borrowing provision. • Utilising internal borrowing has served the authority well in its capital financing provision. Exposure to interest rate rises was limited. <p>The audit found that reviews as required by the Service Level Agreement with Shropshire County Council had not been undertaken and that requirements confirmation letters of financial transactions entered into by the supplier on behalf of the service were no longer being received.</p>

<u>Audit Area</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Payroll & Pensions	Substantial	<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"> • Deductions, including NIC, PAYE, Pensions. • Amendments, including maternity/paternity leave, changes to job and/or hours. • Overtime, including processes for recording overtime hours, accuracy of data and authorisations. <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • Payments made were accurate, deductions for tax, national insurance and pensions were correct. • Expenses were authorised with segregation of duty and deemed to be appropriate. • Retained firefighters received proper authorisation and an audit trail was present as proof for call out pay <p>There were no findings or recommendations for this audit.</p>
Risk Management	Limited	<p>The objective of this audit was to provide assurance that the corporate risk management is effective, embedded to support informed decision making, resource prioritisation, and service provision.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • Governance & Oversight – an evaluation of whether appropriate strategic oversight arrangements are in place and operating effectively. • Risk Management Controls <ul style="list-style-type: none"> ○ Assess whether corporate risk registers are appropriately designed and utilised to mitigate/ manage known risks ○ Assess the design of the Risk Management Policy in respect of managing corporate risk.

<u>Audit Area</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
		<ul style="list-style-type: none"> ○ Determine whether risk appetite is appropriately defined, communicated, and embedded into strategic risk management. ○ Review the extent to which the corporate risk register is embedded and operating effectively to mitigate/manage risk. <p>The review found the following areas of the framework were working well:</p> <ul style="list-style-type: none"> • The Audit and Standards Committee is appropriately positioned to support governance, oversight, and scrutiny of the system of Corporate Risk Management. • The fundamental design of the Corporate Risk Register is adequate to support effective management of corporate risks, although there are certain areas which require further development (see findings). • Interviews with a sample of the Service Management Team (SMT) indicated that, while staff were often unsure of the correct procedure and raised concerns in respect of consistency, there was no indication that staff overlooked risk management – rather they demonstrated a willingness to engage with the topic to their best abilities. <p>The audit found that risk scoring criteria and impact descriptions for the organisation were not adequately designed to support the effective assessment of corporate risk. Rationale for the setting of risk appetite levels was not retained. For example, under the definitions in place at the time of the audit, a high likelihood of a financial impact on the Authority of up to £1 million would be tolerated. It seems unlikely the Authority would be willing to tolerate a financial impact of this size. Management are revising the scoring matrix and criteria, and preparing a risk appetite statement.</p> <p>The audit identified scope to improve the integration of corporate risk management with the wider system of risk management, with greater understanding of the links between corporate and departmental risks needed, including an assessment of the effectiveness of risk controls. Management have committed to enhance risk management training arrangements, develop protocols for risk escalation and de-escalation, and improve the risk control assurance framework.</p>

<u>Audit Area</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Contract Management	Limited	<p>The objective of this audit was to provide assurance that the organisation has effective arrangements in place to manage contracts throughout their lifecycle, to ensuring compliance with legislation, and to achieve value for money.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • Identification of control gaps, inconsistencies, and risk areas in respect of compliance with the Procurement Act 2023. • Evaluation of the maturity of contract management arrangements at present based on recognised good practice identified by the auditor, such as the CIPS Global Standard. <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • Successful appointment of a dedicated Procurement Officer after an extended period without such resource. • Engaged West Mercia Police (WMP) to provide assistance. This includes working towards an agreed schedule of actions to raise the maturity of the procurement function. • Identified the risk posed by ineffective contract management through the corporate risk register and the Risk, Assumption, Issue, Dependency, Opportunity (RAIDO) process. <p>The review identified a requirement to improve upon the statutory duties including completeness of the contracts register to ensure compliance with the Transparency Code as well as procurement notices. This may be aided by greater definition of the responsibilities for contracts management, including a review of policy & brigade orders due to existing gaps.</p> <p>Contracts had not been adequately retained and managed, with a requirement to comply with and ensure contract management duties are undertaken, including reviews, contingency planning and monitoring arrangements. There was no formal programme of training available to staff at the time of the audit.</p>

<u>Audit Area</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
		Management have agreed an action plan to address the issues raised.
Data Quality	Reasonable	<p>The objective of this audit was to provide assurance that the service is accurately reporting Corporate Performance Indicators (CPIs) and progress is being made to build upon and resolve identified areas of weakness.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • Identification & Selection of Monitored CPIs. • Data accuracy of Response & Enabling Services' CPI calculations. • Reporting portal failures, lessons learnt & process for resolution. • Monitoring & reporting of CPIs, including consistency of approach and quality of supporting information. <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • The proposed framework has been aligned to Community Risk Management Plan (CRMP), fire standards and corporate risks to create domains with accountable managers and teams. • Proposed Corporate Performance Indicators (CPIs) have identified purpose, rationale and reporting frequencies ensuring a structured approach. • The service has acted to address concerns raised by His Majesty's Inspectorate of Constabularies and Fire Services (HMICFRS). <p>The review found that there was an opportunity to strengthen controls around the utilisation, rationale and ownership of Corporate Performance Indicators. There was a lack of rationale or information behind why the current CPIs are recorded and how they fulfil service priorities. The service would also benefit from reviewing decisions which are made in the absence of Corporate Performance Indicators once the data becomes available. Management has agreed actions to address the issues raised.</p>