Agenda No

7i

SHREWSBURY TOWN COUNCIL
POLICY & RESOURCES COMMITTEE
Monday 9th February 2026

Officer: Andy Watkin – Head of Resources (RFO)

Effectiveness of Internal Audit

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1 *Purpose of Report*

To appraise members on the following:

1.1 The Accounts and Audit (England) Regulations 2015 require there to be an annual review of the effectiveness of Internal Audit arrangement, the findings of which to be considered by a committee (the Policy & Resources Committee) of that Council.

1.2 The process is also regarded as part of the wider annual review of the council's governance arrangements and production of the Annual Governance Statement.

1.3 The internal auditor has a different role to the external auditor who are appointed by an independent body and while there is overlap the focus is on governance and following correct procedures.

2 Internal Audit

2.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 imposes a duty on local councils to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.2 Internal audit is a key component of the system of internal control. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

2.3 Internal audit testing of controls will be sufficient for the proper completion of the annual internal audit report (page 3 of the Annual Governance and Accountability Return - AGAR). This will then provide an adequate level of assistance for the council to complete assertions 2, 6 and 7 in its annual governance statement (section 1 of the AGAR).

2.4 The minimum approach to the testing of key internal controls are:

- Proper book-keeping
- Financial Regulations, Standing orders and payment controls
- Risk management
- Budgetary controls
- Income controls

- Petty cash procedure
- Payroll controls
- Asset control
- Bank reconciliation
- Year–end procedures

3 Review

3.1 Areas of the review should as a minimum cover the expected standard components below:

- The scope of internal audit
- Independence
- Competence
- Relationships
- Audit planning and reporting

3.2 The review is also primarily about effectiveness not process, so the focus should be on:

- Internal audit work is planned
- Understanding the whole organisation its needs and objectives
- Be seen as a catalyst for change
- Add value and assist the organisation in achieving its objectives
- Be Forward looking
- Be challenging
- Ensure the right resources are available

3.3 If the review identifies any areas for development or change in internal audit an action plan should be produced for the council to manage the remedial process. The action plan should set out the areas of improvement required, any proposed remedial actions and people responsible for delivering improvement, and the deadlines for completions of the actions.

3.4 The review is attached (7ii)

4 Action plan

4.1 No actions, changes to the Council's service delivery and funding need to be considered in subsequent years of audit plan.

5 Recommendations

5.1 There are no areas of concern with the current internal auditors. Future years may require expansion of scope of audit and increased budget for changes to the Council's service delivery.