

## SUMMARY OF REPORTS RECEIVED BY AUDIT COMMITTEE

At the meeting on the 2 July 2009, the following reports were received and considered:

➤ **Role of the Audit Committee**

The Committee received the report of the Director of Resources which provided members with a brief overview of the core functions to be undertaken by the Audit Committee together with detailed Terms of Reference.

➤ **Review of Annual Statement of Accounts Reports 2008/09**

**Revenue Outturn 2008/9 (Shropshire Council)**

Committee received a report from the Director of Resources which provided details of the revenue outturn position for Shropshire County Council for 2008/09.

➤ **Capital Outturn 2008/09 (Shropshire County Council)**

The Committee received the report of the Director of Resources which informed members of the full year capital expenditure, slippage and financing of the Shropshire County Council 2008/09 capital programme and the revised 2009/10 Shropshire Council capital budget taking into account slippage and budget increases for 2009/10 as a result of additional funding.

Capital expenditure for 2008/09 had been £60.3 million which represented almost 90% of the revised budget, slippage had been £7.7 million. The Director of Resources expanded on the issues surrounding some of the most significant increases to service budgets.

➤ **Reserves, Provisions and Balances (Shropshire County Council)**

Committee received the report of the Director of Resources which identified the County Council's reserves, provisions and balances as at the end of March 2009 and explained the purposes for which they were held.

➤ **Statement of Accounts 2008/09 (County, District and Borough Councils)**

Committee received the reports of the Director of Resources and Section 151 Officers for the District and Borough Councils which provided details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts for Shropshire County Council, (Shrewsbury and Atcham Borough Council, North Shropshire District Council, Bridgnorth District Council, South Shropshire District Council and Oswestry Borough Council).

The 2008/09 Statements of Accounts would be audited by the Audit Commission during July and August and any material changes required as a result of the audit would be reported to the Audit Committee and Council.

The requirement for formal publication of the audited 2008/09 Statements of Accounts by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006) was noted.

The report of the Section 151 Officer for Oswestry Borough Council provided members with details of the one off resources held as reserves, provisions and balances by the Authority as at 31 March 2009, taking account of the outturn position for 2008/09.

➤ **Reserves and Provisions (Oswestry Borough Council)**

Full Council were recommended to note that due to the creation of a new Unitary Authority for Shropshire on 1 April 2009, it was no longer necessary for the Council to hold balances in the reserves; as a result the sums held were transferred.

➤ **Revenues and Benefits Issues**

The Head of Exchequer Services tabled a briefing paper giving Members an update on Revenues and Benefits issues. She reported that a minor issue had arisen when transferring Direct Debit Mandates for Lloyds TSB account holders from the old District and Borough accounts to Shropshire Council and this had been resolved. Committee members were also updated on another issue which had arisen due to an anomaly in the exemption tables which had occurred when benefits payments and entitlements were being transferred from the legacy systems.

➤ **Housing Benefit Claim Production**

The Audit Commission Manager explained that local authorities claimed reimbursement from Central Government for benefit claims they had paid and the Audit Commission had to make an assessment about the accuracy of this claim. She explained that it was a very complicated form to complete.

The Audit Commission Manager stated that the Authority had been very proactive by speaking to officers at the Audit Commission before implementation of the new system. It was felt that implementation had progressed well especially given the short timescale and complications of migrating five lots of data to one system.

➤ **Audit Committee Training Plan 2009/10**

The Committee received the report of the Head of Audit Services which set out a proposed training plan for Members to ensure that Members were well prepared and informed in order to carry out their role effectively.

➤ **Audit Committee Work Plan 2009/10**

The Committee received the Audit Committee Work Plan for 2009/10 from the Head of Audit Services for approval.

**At the meeting on 17 September 2009, the following reports were received and considered:**

➤ **Internal Audit Strategic Plan 2009/13 and Annual Audit Plan 2009/10**

Report of the Head of Audit Services which provided Members with the outcome of the audit needs assessment which had recently been completed and which formed the basis for the next four year Strategic Plan for the period 2009/13, together with details of the audit plan for 2009/10.

➤ **Annual Insurance Report 2008/09**

Report from the Risk and Insurance Manager summarising the claims activity for 2008/09 policy year relating to Shropshire County Council claims only.

➤ **National Fraud Initiative NFI 2008/09**

Report from Head of Audit Services which provided details of the outcomes arising from the National Fraud Initiative Audit 2008/09 for Shropshire County Council.

The Head of Audit Services assured the Committee that the low level of fraud detected by the National Fraud Initiative process was evidence that the Authority's systems of internal control were working and frauds and irregularities were at a low level.

The Head of Audit Services confirmed that counter fraud measures were publicised on all forms and documentation and also on the web site, which made it clear that data would be shared with other departments and agencies to assist with the detection of fraud.

➤ **Revenues and Benefits Issues**

The Committee received an updating report off the Head of Exchequer Services on the continued progress within the Revenues and Benefits project.

£94m of income had so far been collected and 20,000 reminders had been sent out on those accounts over 30 days in arrears. Letters had also been issued in relation to the National Non Domestic Rate Deferral Scheme.

In respect of IT improvements, performance management and quality assurance modules had gone live as had paperless direct debits.

➤ **District and Borough Councils Capital Slippage 2008/09**

Report from the Director of Resources provided details of the capital slippage to the Shropshire Council capital programme for 2009/10 arising from the five former District and Borough Authorities closure of their 2008/09 capital programmes.

➤ **Audited Annual Statement of Accounts 2008/09 (County, District and Borough Council's)**

The Committee received the reports of the Director of Resources which presented to Members the final audited outturn position for the financial year 2008/09. Unqualified opinions had been received from the auditors for all six sets of Accounts.

➤ **Shropshire Waste Partnership (SWP)**

Report from the Director of Resources which provided the final audited outturn position for the financial year 2008/09. All six authorities had transactions with SWP last year and this had been included in their Statement of Accounts. SWP had been accounted for as a Joint Arrangement Not an Entity (JANE accounting principles).

➤ **Annual Governance Report – Shropshire County Council**

Report of the District Auditor which presented Members with the draft version of the Audit Commission's report on the results of their audit work for 2008/09.

The key message was that an unqualified audit opinion would be reported, together with a separate Value for Money opinion, which would also be unqualified. A separate report on the Pension Fund had been presented to the Council's Pensions Committee for which the District Auditor had also given an unqualified opinion.

➤ **Annual Governance Reports for District and Borough Councils**

The Committee received the reports of the District Auditor with the final version of the Audit Commissions' report on the results of their audit work for 2008/09.

In respect of Shrewsbury and Atcham Borough Council key findings were listed however, there was nothing of any great significance.

In respect of North Shropshire District Council the only outstanding issue was the Community Asset Trust. However, the Audit Commission were happy with the way this would be accounted for.

In respect of Bridgnorth District Council impairment had been the biggest issue which had already been addressed in the amended accounts.

In respect of South Shropshire District Council an issue had been raised relating to Diddlesbury Village Hall (when approval had been given for the purchase of land for the new village hall, lottery funding had been expected which did not materialise). An elector had raised a query about the money set aside to fund the village hall. This may become a formal objection.

The only other issue related to the valuation of a Bio Digester. Technical advice was being sought as to how to disclose this in the accounts.

In respect of Oswestry Borough Council the main issue had been with impairments but the adjustments had all been made, leading to a £1.8m reduction in valuation on the Authority's housing stock.

➤ **Internal Audit Structure Chart – Update**

The Head of Audit circulated an updated Internal Audit Structure Chart showing names and titles as at 2<sup>nd</sup> November 2009 for Members' information.

**At the meeting on 7 December 2009, the following reports were received and considered:**

➤ **National Fraud Initiative (NFI) 2008/09 – Update on Blue Badges**

The Committee received the report of the Head of Audit Services which provided further information on steps taken to recover Blue Badges from the next of kin of deceased holders.

➤ **National Fraud Initiative (NFI) 2008/09 Former Districts and Borough Councils**

Report of the Head of Audit Services which provided details of the outcomes and results arising from the National Fraud Initiative Audit 2008/09 for the former District and Borough Councils.

➤ **Internal Audit Plan 2009/10 – Half Year Report and revised Annual Audit Plan**

Report of the Head of Audit Services which provided details of the work undertaken by Internal Audit in the first half of 2009/10 and a summary of the revised audit plan for 2009/10.

➤ **Housing Rent Arrears**

Report of the Finance Manager, Housing which provided an update on the position in respect of arrears at the end of October 2009 and the ongoing work underway to reduce the arrears further and achieve the target collection rate for 2009/10 of 98%, as requested by the Committee at its previous meeting.

➤ **Sales Ledger Performance Monitoring Report**

Report of the Head of Exchequer Services which provided performance monitoring information on the collection of income through its Sales Ledger system for the year ending 31 October 2009.

➤ **Council Tax, National Non Domestic Rate and Housing Benefit Overpayment Performance Monitoring Report**

Report of the Head of Exchequer Services which provided performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to 26 October 2009.

➤ **External Audit Update Against Plan 2008/09**

The Committee received the report of the Audit Commission Manager which provided a summary of progress made on the 2008/09 audit together with information on planning for the 2009/10 audit year.

The Audit Commission Manager reported that final accounts for 2008/09 had all been signed off on 30 September 2009 and that the Annual Governance Report had been accepted.

Housing Benefit claims had been audited and signed off with no qualifications.

➤ **Annual Review of Counter Fraud and Anti-Corruption Strategy**

Report of the Head of Audit Services which outlined the Council's Strategy and its commitment to stand against all forms of Fraud and Corruption.

The Strategy now included reference to housing benefit fraud and the role of external audit had been clarified.

➤ **Annual Review of Internal Audit Terms of Reference**

Report of the Head of Audit Services which proposed some minor changes to the Internal Audit Terms of Reference.

➤ **Annual Review of Audit Committee Terms of Reference**

Report of the Director of Resources which identified minor proposed changes to the Audit Committee's Terms of Reference.

➤ **Annual Governance Reports – Action Plan Update**

Report of the Director of Resources which outlined the work undertaken in relation to the items identified as requiring action by the Audit Commission in the Annual Governance Reports.

Legal advice about winding up the Community Asset Trust (CAT) which had been set up by the former North Shropshire District Council had been sought. It had been advised that as the CAT had not been set up as a charitable body, Corporation Tax may be liable. A meeting was to be held with HM Revenue and Customs to consider how to take this forward.

➤ **Audit Committee Self Assessment Checklist**

The Committee received the report of the Director of Resources which requested Members to consider and comment on the self assessment checklist in order to demonstrate the effectiveness of the Audit Committee and to identify any further improvements that could be made to the Committee's overall effectiveness.

**At the meeting on 4 February 2010, the following reports were received and considered.**

➤ **Internal Audit Plan 2009/10 – Third Quarter Report**

Report of the Head of Audit Services which provided Members with details of the work undertaken by Internal Audit for the period up to 31 December 2009.

➤ **Internal Audit Strategy**

Report of the Head of Audit Services which proposed the approval of an Internal Audit Strategy 2009/10 to 2012/13.

➤ **External Audit Opinion Plan for Shropshire Council 2009/10 and Shropshire Council Pension Fund 2009/10**

The Committee received the reports of the Audit Commission Manager which set out the work proposed to be undertaken for the audit of financial statements 2009/10 for Shropshire Council and Shropshire Council Pension Fund.

➤ **Certification of Claims and Returns – Annual Return**

Reports of the Audit Commission Manager which summarised the findings from the certification of 2008/09 claims, including the messages arising from the assessment of the authority's arrangements for preparing claims and returns and information on claims that were amended or qualified.

➤ **Annual Audit and Inspection Letter 2009**

Reports of the District Auditor which summarised findings from the 2008/09 audit, including messages arising from the audit of the authority's financial statements and the results of work undertaken to assess the authority's arrangements to secure value for money in its Use of Resources.

The District Auditor gave an overview of his findings as follows. Following a smooth transition to a single tier authority the Council was delivering improved outcomes for most people in areas that it considered as its priorities. The Council was managing its money well, including the setting of the budget for the unitary authority which had resulted in efficiencies being made which were being reinvested in key services. School exam results were generally high, crime was falling in most parts of the county and the quality of care and services for vulnerable and older people continued to improve. Vulnerable children were better cared for than before and the Council worked well with partners to help young people find training, educational opportunities or employment. Public transport was improving with people able to access their local towns more easily and the Council was enabling residents to recycle more of their waste.

Overall the District Auditor had assessed the Authority as performing well in all three themes of the Use of Resources Key Lines of Enquiry i.e. managing finance, governing the business and managing resources. The District Auditor reported that Shropshire Council as the only new Unitary Authority that was performing well and was one of the top ten performing single tier and county councils in the country.

The District Auditor explained that he had issued an unqualified opinion stating that the Council had adequate arrangements in place for securing economy, efficiency and effectiveness in its Use of Resources, which was known as the Value for Money Conclusion.

The District Auditor reported that he had also issued an unqualified opinion on the Authority's financial statements.

It was confirmed that the National Fraud Initiative data returns had been submitted and the quality of the data was higher than the national average.



An unqualified opinion had been issued for the accounts of all the former district councils and proper arrangements had been made in their Use of Resources.

➤ **Use of Resources**

Report of the Director of Resources which provided Members with details of the new criteria and outcomes for the 2009 Use of Resources assessment for Shropshire County Council which was carried out in May 2009.

**At the meeting on 24 March, the following reports were received and considered.**

➤ **Draft Internal Audit Plan 2010/11**

The Committee received the report of the Head of Audit Services which provided Members with a detailed audit plan for 2010/11.

➤ **Review of Audit Committee Annual Work Plan 2010/11**

The Committee received the draft work plan which covered the period up to the 23 March 2011 for approval.

➤ **Internal Audit Risk Management Report 2009/10**

The report of the Audit Manager was received which summarised the detailed findings of the Internal Audit Review of Risk Management.

The overall control environment for the system of Risk Management had been assessed as good for 2009/10 which is the top of the four levels of assurance.

➤ **Anti-Money Laundering Procedure**

Committee received the report of the Audit Manager which set out revisions made to the Council's existing Anti-Money Laundering procedure and guidance.

The Money Laundering Regulations had been updated in 2007 and CIPFA had recently issued further guidance on anti-money laundering for public service organisations. The Council's own procedures had therefore been assessed and amended accordingly.

➤ **Audit Progress Report**

The Committee received the report of the Audit Commission Manager which provided a summary of progress made on the 2009/10 audit. It also provided information on the planning for the 2010/11 audit year.

He explained that at this stage they had not come across anything to indicate that the audit fee would need to change. He confirmed that a fee letter for 2010/11 would be presented to the Audit Committee in June 2010.

➤ **Triennial Review of Internal Audit**

The report of the Audit Commission Manager gave details of the Triennial Review of Internal Audit.

The Audit Commission Manager confirmed that overall the Council had good arrangements in place and achieved compliance with the CIPFA Code of Internal Audit Practice in 99% of cases. The only minor exception being some minor non audit duties which was commonplace elsewhere and did not impinge in anyway on the work of Internal Audit.

**At the meeting on the 18 June 2010, the following reports were received and considered:**

➤ **Annual Report on Risk Management 2009/10**

Report of the Risk and Insurance Manager on the outcomes and progress in respect of risk management throughout the year

➤ **Accounts Payable Data Analysis**

Report of the Director of Resources on an independent review of data quality of the accounts payable data.

➤ **Review of Shropshire Council's Code of Corporate Governance 2009/10**

Report from the Audit Manager on the update and review of the Council's compliance with the Code of Corporate Governance.

➤ **Annual Governance Statement 2009/10**

Report from the Director of Resources on the review of the Council's overall annual governance arrangements.

- **Internal Audit Annual Report 2009/10**  
Report of the Head of Audit on achievements against the revised internal audit plan for 2009/10 and the Head of Audit's annual internal audit assurance.
- **Annual Review of the Effectiveness of the System of Internal Audit 2009/10**  
A report to members by the Director of Resources on the outcome of the review of the effectiveness of Internal Audit as required by the Accounts and Audit (Amendment) (England) Regulations 2006.
- **Audit Committee Training Plan 2010/11**  
Report from the Head of Audit providing a proposed training plan for Audit Committee Members to ensure they are well informed to fulfil their role.
- **Visit by the Information Commissioner's Office**  
Report from the Director of Resources updating members on the Council's ongoing work in relation to Information Governance and the views of the Information Commissioner's Office.
- **Revenue Outturn Report 2009/10**  
Report from the Director of Resources providing details of the revenue outturn position for the Council.
- **Capital Outturn Report 2009/10**  
Report from the Director of Resources informing members of the full year capital expenditure, slippage and financing of the Council's capital programme.
- **Reserves, Provisions and Balance 2009/10**  
Report of the Director of Resources identifying the Council's reserves, provisions and balances as at the end of March 2010 and the purposes for which they are held.
- **Annual Statement of Accounts 2009/10**  
Report of the Director of Resources on the draft Annual Statement of Accounts.
- **Annual Assurance Report to Council 2009/10**  
Report from the Director of Resources in respect of the Audit Committee's Annual Assurance Report to Council.

- **Request for Approval of an Overpayment Policy**  
Report of the Director of Resources requesting the approval of an Overpayment Policy.
- **Request for Approval of a Prosecution Policy**  
Report of the Director of Resources requesting the approval of a Prosecution Policy.
- **Request for Approval to Disregard War Pensions from Housing and Council Tax Benefit Calculations**  
Report from the Director of Resources requesting Members approval to disregard war pensions in full for the purposes of calculating Housing and Council Tax Benefit Calculations.
- **External Audit Annual Inspection Fee 2010/11 Letter**  
Report by the Audit Commission Manager on the external audit annual inspection fees.
- **External Audit Annual Fee 2010/11 Letter**  
Report by the Audit Commission Manager on the external audit annual fees.
- **External Audit Progress Report**  
Report from the Audit Commission Manager on progress against the 2009/10 External Audit Plan.
- **Summary of Internal Audit Findings 2009/10**  
Report of the Audit Manager on the key items identified during the year from the internal audit work undertaken.