



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	<b>12</b>
21 June 2012	
10.00am	
Council	
19 July 2012	<u>Public</u>

## **ANNUAL ASSURANCE REPORT TO COUNCIL 2011/12**

**Responsible Officer** Rachel Musson  
e-mail: Rachel.musson@shropshire.gov.uk Tel: 01743 252007

### **1. Summary**

Attached to this report is the draft Audit Committee's Annual Assurance Report to Council for 2011/12. This provides Council with an independent assurance report that the Council has in place adequate and effective risk management and internal control systems that can be relied upon and which contribute to the high corporate governance standards that this Council expects and has consistently maintained.

### **2. Recommendations**

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2011/12 before forwarding to Council with the recommendation that they accept this report.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. The Committee objectively examines and evaluates the adequacy of the control environment through the reports it receives and in turn can provide assurances to Council on its internal control systems that inform the Annual Governance Statement.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental,

equalities, consultation or climate change requirements or consequences of this proposal.

#### 4. Financial Implications

There are no direct financial implications from this report

#### 5. Background

- 5.1 A key part of the Audit Committee's role is to provide independent assurance of the adequacy of the risk management framework and the associated internal control environment. The Committee oversees the financial reporting process and it also provides independent scrutiny of the authority's financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 5.2 The Audit Committee has a well established role within the Council and it is important that an Annual Assurance report based on the work of the Committee is produced and recommended to Council. In compiling this assurance report, information provided at the Audit Committee meeting on 21 June 2012 has also been taken into account.
- 5.3 Attached to this report is the draft Audit Committee Annual Assurance report to Council for 2011/12 for members to consider and comment on (**Appendix A**).

#### **List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Draft Internal Annual Audit Plan 2011/12 - Audit Committee 23 March 2011

Internal Audit Plan 2011/12 - Half Year Report - Audit Committee 10 November 2011

Internal Audit Plan 2011/12 – Report to January 2012- Audit Committee 22 March 2012

#### **Cabinet Member (Portfolio Holder)**

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

#### **Local Member**

N/A

#### **Appendices**

Appendix A - Draft Audit Committee Annual Assurance Report 2011/12

**DRAFT AUDIT COMMITTEE ANNUAL ASSURANCE REPORT 2011/12**

**STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE**

1. The governance of the public sector has increased in profile in recent years with the Chartered Institute of Public Finance and Accountancy (CIPFA) urging local government to improve practice. In Shropshire we have kept pace with good practice having adopted a Code of Corporate Governance which we examine and assess ourselves against annually in line with the best practice issued by CIPFA and SOLACE; we have also produced an Annual Governance Statement again keeping the Council in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives and providing good service to our community.
2. In seeking continually to improve our governance procedures and keep pace with best practice, Shropshire has a well established Audit Committee. The Committee is a key component of the Council's corporate governance arrangements and is a major source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
  - Increasing public confidence in the objectivity and fairness of financial and other reporting.
  - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing the Annual Statement of Accounts and the Annual Governance Statement.
  - Providing additional assurance through a process of independent and objective review.
  - Raising awareness within the Council of the need for internal control and the implementation of audit recommendations.
  - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. We have a substantial range of activities that we have to undertake as a Committee and work closely with both our Internal and External Auditors and the Chief Finance Officer in achieving our aims and objectives. We have put together a work plan for the year to enable key tasks to be considered and completed.
5. As Chairman of the Audit Committee, I have always seen training as a key priority for myself and the other members in order to undertake our roles on the Audit Committee effectively. Since the formation of the Audit Committee, we have undertaken a full and extensive programme of training and this year has been no exception. A full training schedule has been put in place to ensure that all members of the Audit Committee are provided with the skills

and knowledge to enable them to fulfil their roles effectively and efficiently.

6. I am pleased to pay tribute to the work of all my four colleagues and their substitutes who are enthusiastic in their interest in the purpose and objectives of the Committee and whose regular attendance at training sessions has been impressive. As Chairman of the Audit Committee, I believe we have helped contribute to improvements and developments in the Council's corporate governance and internal control arrangements and I intend that we will continue with the high standards and contributions established by this Committee over a number of years.
7. This year we have held five meetings including the meeting held on 21 June 2012. We have received and considered a substantial number of reports across key areas of the Council's activity (see **Annex A**). The care and attention of the Section 151 Officer, Audit Service Manager and her staff to ensuring that Members receive all reports in time for adequate consideration has been impressive. The dedication of Audit staff to the preparation of our training sessions in order to ensure that Members can understand and give critical appraisal to all documents has been appreciated. We have asked questions and received answers to our questions. In line with best practice, we are completely satisfied that we are in a positive position to provide our annual assurance statement based on the reports received and considered and on the information provided by our officers and our External Auditors.

### **Audit Committee Membership and Dates of Meetings**

8. Membership of the Audit Committee is made up of the following Councillors:
  - Mr B Williams (Chairman)
  - Mr M Whiteman (Vice Chairman)
  - Mr P Adams
  - Mr M Wood
  - Mr C Mellings

And substitutes who are invited to attend and contribute at all meetings and training are:

- Mr B Gillow
  - Mr R Tindall
  - Mr K Roberts
  - Mr R Evans
9. Meetings of the Committee have been held on:
    - 20 September 2011
    - 10 November 2011
    - 2 February 2012

- 22 March 2012
- 21 June 2012

### **Details of Reports/Information Received**

10. **Annex A** provides a summary of the key reports and information received by the Audit Committee at its meetings. A detailed audit work plan has been agreed for the forthcoming year.

### **Additional Responsibilities**

11. Members of the Audit Committee and the Audit Service Manager and her staff are well aware of the changing nature of local government in relation to the greater responsibilities for innovative practice allowed by the Government's Powers of Competence Act. In particular we are aware that the Audit function will have an essential role to play in monitoring the risks involved in the arrangements for strategic commissioning and the creation of a Council owned trading company for service delivery. Members are already receiving training in this extended aspect of their responsibilities, and the Audit Service Manager is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice. Members of the Committee and Audit staff are fully seized with the need to be "ahead of the game", as the role of local government changes and evolves to meet the challenges of reductions in many of the traditional sources of income.

### **Annual Statement of Assurance**

12. On the basis of:

- The work carried out by the Internal and External Auditors and their reports presented to this Committee and
- The work carried out by the Section 151 Officer, Audit Service Manager and their reports presented to this Committee.

The Audit Committee's opinion, based on the reports, explanations and assurances received from both officers and the Council's External Auditor, is that the Council has in place adequate and effective risk management and internal control systems that can be relied upon and which contribute to the high corporate governance standards that this Council expects and has consistently maintained.

### **RECOMMENDATION – Council is invited to accept this report**

Signed ..... Date.....  
On behalf of the Audit Committee  
Brian Williams

## SUMMARY OF REPORTS RECEIVED BY AUDIT COMMITTEE

At the meeting on 20 September 2011, the following reports were received and considered:

➤ **An Update On Progress In Implementing New Financial Management Procedures And Controls At The Council's Leisure Facilities**

Report of the Area Director, South which set out the progress made at leisure facilities with the introduction and roll out of new comprehensive 'Leisure Facilities Financial Procedures and Guidelines'. The guidelines pull together best practice in one place for all centres.

➤ **Annual Insurance Report 2010/11**

Report from the Risk Management Team Leader summarising the claims activity for 2010/11 policy year relating to Shropshire Council.

➤ **Council Tax and National Non Domestic Rate Performance Monitoring Report**

Report of the Customer Care and Involvement Manager which provided Members with performance monitoring information on the collection of income in respect of council tax and national non-domestic rates (NNDR) for the year to 31 August 2011.

➤ **Benefit Overpayment Performance Monitoring Report**

Report of the Customer Care and Involvement Manager which provided Members with performance monitoring information on the collection of income in respect of benefit overpayments for the year to 31 July 2011.

➤ **Housing Rent Arrears Annual Update 2010/11 And Housing Rent Incentives Initiative Update**

Report of the Service Manager – Housing Landlord Services which provided details of the rent collection rate for 2010/11 and the first quarter of the current financial year. And a review of the rent incentive initiative undertaken in 2010/11.

➤ **Annual Treasury Report 2010/11**

Report of the Treasury Service Manager providing information on treasury activities for Shropshire Council for 2010/11, including the investment performance of the Internal Treasury team to 31 March 2011.

➤ **External Audit: Annual Governance Report 2010/11**

Report of the District Auditor which presented Members with the results of the

Audit Commission's audit work for 2010/11, providing on the financial statements and confirmation that the Council has proper arrangements in place to secure value for money.

➤ **External Audit: Future Of Local Audit**

A verbal update by the District Auditor on the developing external auditor arrangements.

➤ **Consultants 2010/11**

Report of the Section 151 Officer outlining the amount spent on consultants and the main benefits delivered from these contracts, including information knowledge and advice in areas that the Council does not have readily available.

➤ **Credit Card Expenditure 2010/11**

Report of the Section 151 Officer listing the post holders who had been allocated credit cards, together with a breakdown of spend.

➤ **Audited Annual Statement Of Accounts 2010/11**

Report of the Section 151 Officer which presented Members with the final audited outturn position for the financial year 2010/11 on which the District Auditor had indicated would receive an unqualified opinion, subject to some outstanding queries.

➤ **National Fraud Initiative (NFI) 2010/11**

Report of the Audit Service Manager which detailed the outcomes to date arising from the National Fraud Initiative 2010/11 exercise and an update on the 2008/09 exercise in respect of Council Tax Single Person discount investigations. The exercise remains a positive and integral part of this Authority's commitment to the detection and prevention of fraud.

➤ **Internal Audit Benchmarking Results 2011**

Report of the Audit Service Manager providing members with details of the results from the CIPFA Audit Benchmarking Club 2011 for unitary authorities.

**At the meeting on 10 November 2011, the following reports were received and considered:**

➤ **Treasury Management Update – Quarter 2 2011/12**

Report of the Section 151 Officer which provided information on the Council's Treasury Management activities for the first six months of the year.

➤ **Treasury Strategy 2011/12 – Mid Year Review**

Report of the Section 151 Officer reporting the Treasury Strategy as prepared in compliance with CIPFA's Code of Practice on Treasury Management which highlighted the key points and reported that all activities had been in accordance with approved limits.

➤ **Annual Review of Internal Audit Strategy**

Report of the Audit Service Manager which proposed some minor changes to the Internal Audit Strategy 2009/10 to 2012/13 which reflected the Accounts and Audit Regulations 2011 and some structural changes.

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

Report of the Audit Service Manager which proposed some minor changes to the Internal Audit Terms of Reference which reflected the Accounts and Audit Regulations 2011 and some structural changes.

➤ **Internal Audit Plan 2011/12 - Half Year Report**

Report of the Audit Service Manager which summarised progress against the Internal Audit Plan up to the end of September 2011.

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

Report of the Section 151 Officer which identified a number of minor proposed changes to the Audit Committee's Terms of Reference.

➤ **Audit Committee Self-Assessment Checklist**

Report of the Section 151 Chief Finance Officer which set out the draft self-assessment questionnaire which would allow Members to demonstrate the effectiveness of the Audit Committee and to identify whether there were any further improvements that could be made to improve the Committee's overall effectiveness.

➤ **Annual Review Of Counter Fraud, Bribery And Anti- Corruption Strategy And An Update On The Government's Strategic Plan Entitled 'Fighting Fraud Together'**

Report of the Audit Service Manager which proposed some changes to the Counter Fraud, Bribery and Anti-Corruption Strategy in line with best practice. The Strategy revised to reflect the requirements of the Bribery Act 2010 and aligned to the Government's "Fighting Fraud Together" Strategy.



**At the meeting on 2 February 2012, the following reports were received and considered.**

➤ **Treasury Strategy 2012/13**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2012/13 and recommended Prudential Indicators for 2012/13 to 2014/15.

➤ **External Audit: Annual Audit Letter, Audit 2010/11**

Report of the District Auditor which summarised the findings from the 2010/11 audit, and which comprised the audit of the authority's financial statements and confirmation that the Council has proper arrangements in place to secure value for money.

➤ **External Audit: Certification Of Claims And Returns - Annual Report Audit 2010/11**

Report of the District Auditor which provided assurance that claims for grants and subsidies are made properly and that information in financial returns is reliable.

**At the meeting on 22 March 2012, the following reports were received and considered.**

➤ **Review Of Audit Committee Terms Of Reference**

Report of the Section 151 Officer which proposed the monitoring and overview of the Whistleblowing; 'Speaking up about Wrongdoing' policy to the Audit Committee's Terms of Reference.

➤ **Benefit Fraud Team – Performance Monitoring Report**

Report of the Benefit Fraud Team Leader which provided Members with performance monitoring information on the activities of the team for the financial year 2011/12 to date.

➤ **Treasury Management Self-Assessment**

Report of the Treasury Service Manager providing members with an assessment of the Committee's performance against CIPFA's Treasury Management Self-assessment in order to identify future areas for support or training to ensure the effectiveness of the Committee's scrutiny.

➤ **Update On The Actions Taken Following The Leisure Centre Audits 2011-12**

Report of the Principal Leisure Facilities Manager which set out the progress made in implementing the 'Leisure Facilities Financial Procedures and Guidelines'

## **Housing Rent Arrears Update**

- Report of the Housing Finance Manager which gave an update on the rent collection rate for 2011/12 to 3 March 2012.

- **External Audit: Audit Strategy, Audit 2011/12**

Report of the District Auditor which set out the audit work proposed to be undertaken for the audit of financial statements 2011/12 and the Value for Money conclusion and which reflects the audit work specified by the Audit Commission for 2011/12 together with current national risks relevant to the authority's local circumstances and risks.

- **External Audit: Pension Fund Audit Strategy, Audit 2011/12**

Report of the District Auditor which set out the audit work proposed to be undertaken for the audit of the pension funds financial statements 2011/12 together with current national risks relevant to the fund's local circumstances and risks.

- **Review Of The Audit Committee's Annual Work Plan And Future Learning And Development Requirements 2012/13**

Report of the Audit Service Manager which set out a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for Members to ensure that they are well informed and appropriately skilled to fulfil their role.

- **Government Responses To The Future Of Local Public Audit Consultation**

Report of the Audit Service Manager which provided Members with an update on the Government's response to the consultation on the Future of Local Public Audit, published in January 2012.

- **Draft Internal Audit Plan 2012/13**

Report of the Audit Service Manager which provided Members with a detailed audit plan for 2012/13.

- **Internal Audit Plan Report To January 2012**

Report of the Audit Service Manager which summarised good progress to the end of January 2012 against the Internal Audit Plan.

- **Internal Audit Report Of The Review Of The Risk Management Audit**

Report of the Senior Group Auditor which summarised the detailed findings identified in the Internal Audit review of Risk Management.

The Senior Group Auditor concluded that the overall control environment for the system of Risk Management had been assessed as good and this would be fed into the Annual Audit Report to be presented to the Committee at its meeting in June.

➤ **Protecting The Public Purse - Counter Fraud Self-Assessment**

Report of the Senior Group Auditor providing members with a self-assessment against a CIPFA checklist to support the Committee's responsibilities for governance and which assessed the Council's counter fraud arrangements and identified areas of good practice and areas for improvement.

**At the meeting on the 21 June 2012, the following reports were received and considered:**

➤ **Revenue Outturn Report 2011/12**

Report from the Section 151 Officer providing details of the revenue outturn position for the Council.

➤ **Capital Outturn Report 2011/12**

Report from the Section 151 Officer informing members of the full year capital expenditure and financing of the Council's capital programme.

➤ **Annual Statement of Accounts 2011/12**

Report of the Section 151 Officer on the draft Annual Statement of Accounts.

➤ **Review Of Shropshire Council's Code Of Corporate Governance Report**

Report of the Senior Group Auditor providing an update on the review of the Council's compliance with the Code of Corporate Governance.

➤ **Internal Audit Annual Report 2011/12**

Report of the Audit Service Manager on achievements against the revised internal audit plan for 2011/12 and the annual internal audit assurance.

➤ **Annual Review Of The Effectiveness Of Internal Audit 2011/12**

Report of the Section 151 Officer on the effectiveness of Internal Audit in 2011/12.

➤ **Annual Assurance Report To Council 2011/12**

Report of the Section 151 Officer in respect of the Audit Committee's Annual Assurance Report to Council.

➤ **Annual Governance Statement And A Review Of The Effectiveness Of The System Of Internal Control 2011/12**

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement.

➤ **Biannual Report Of Compliance With Contract Rules**

Report of the Audit Service Manager which summarised the findings identified in the Internal Audit review of compliance with Contract Rules.

➤ **Local Government Fraud Strategy**

Report of the Audit Service Manager which informed Member of the key aspects of the Strategy.

➤ **External Audit: Progress Report**

Report of the Council's Audit Commission Manager which provided an update on progress made by the Audit Commission in delivering its responsibilities as the authority's external auditor. It also highlighted key emerging national issues and developments which may be of interest to the Committee.