



<u>Committee and Date</u>	<u>Item</u>
Council 21 July 2016	10
Audit Committee 23 June 2016	<u>Public</u>

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2015/16

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1. Summary

Attached to this report is the draft Audit Committee's Annual Assurance Report to Council for 2015/16. This provides Council with an independent assurance that the Council has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains consistently.

2. Recommendations

Council is asked to consider and comment on the contents of the Annual Assurance report for 2015/16 before recommending accepting 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 governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements 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 report annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements. In addition, the Audit committee should report to Council where they have added value, improved or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.
- 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 23 June 2016 has also been taken into account.
- 5.3 In addition, this report has been reviewed to ensure its continuing compliance with CIPFA¹'s Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition. Section 6.34 requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:
- whether the;
- committee has fulfilled its agreed terms of reference;
 - committee has adopted recommended practice;
 - development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities;
 - committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,
 - what impact the committee has on the improvement of governance, risk and control within the Council.
- 5.4 The annual assurance report to Council for 2015/16, attached to this report, is an aid to addressing the key areas where the Committee should be held to account. **(Appendix A).**

¹ The Chartered Institute of Public Finance and Accountancy

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

CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition

Draft Internal Annual Audit Risk Based Plan 2015/16 - Audit Committee 23 February 2015

Internal Audit Plan 2015/16 – Ten month report - Audit Committee 18 February 2016

Internal Audit Plan 2015/16 – Seven month review - Audit Committee 26 November 2015

Internal Audit Plan 2015/16 – Performance report- Audit Committee 17th September 2015

Internal Audit Annual Report 2015/16 – Audit Committee 23 June 2016

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee

Local Member

N/A

Appendices

Appendix A - Draft Audit Committee Annual Assurance Report 2015/16

AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2015/16

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. Governance in and of the public sector continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. In Shropshire we have a Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE²; we have also produced an Annual Governance Statement, again 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. Shropshire Council has an Audit Committee that is long established in seeking to maintain and improve our governance procedures. The Committee is a key component of the Council's corporate governance arrangements and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
 - Maintaining 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 a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
 - Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
 - Providing additional assurance through a process of independent and objective review.
 - Raising awareness within the Council of the need for governance, 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. The Committee continues to have a professional and arm's length relationship with Grant Thornton, the Council's external auditors, who attend all meetings of

² Society of Local Authority Chief Executives

the Committee to offer their advice where needed.

5. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Chief Finance Officer (Section 151 Officer) in achieving our aims and objectives. We have put together a work and development plan for the year to enable key tasks to be considered and completed.
6. As incoming Chair of the Audit Committee, I see training as a key priority for members in order to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. In addition, the committee has updated a self-assessment of its activities against CIPFA's practical guidance released in 2013 to ensure that it continues to adopt recommended practice. The results of which have informed future development needs and will help to ensure that all members of the Audit Committee continue to have access to appropriate training and are equipped with the skills and knowledge to enable them to fulfil their roles effectively and efficiently. Members also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, training events, and an informative web site.
7. This year the Committee has held four planned meetings including the meeting held on 23 June 2016. We have received and considered a substantial number of reports across key areas of the Council's activity (see **Annex A**).

Audit Committee Membership and Dates of Meetings

8. Membership of the Audit Committee for 2015/16 was made up of the following Councillors: B Williams (Chairman) who stood down from the Committee in May 2016 when Tim Barker took his place and was appointed to the Chair; M Wood (Vice Chairman, part year); J Cadwallader (Vice Chairman, part year); P Moseley (Substitute initially, Member from December 2015); C Mellings, Mansell Williams (Until December 2015) and D Turner (from February 2016).
9. Substitutes who were invited to attend and contribute at all meetings and training include: D Carroll; R Macey; R Evans; S West; A Davies; J Jones and N Laurens.
10. Meetings of the Committee have been held on:
 - 17 September 2015
 - 26 November 2015
 - 18 February 2016
 - 23 June 2016

Details of Reports/Information Received

11. **Annex A** provides a summary of the key reports and information received by the

Audit Committee at its meetings. These appear categorised in the areas which, under the Audit Committee's Terms of Reference, we have a responsibility to consider and report upon. They are:

- Governance;
- Risk management framework;
- Controls, including specific focus on:
 - Contracts and partnerships
 - Fraud, corruption and whistleblowing
 - Value for money
- Financial reporting and treasury management.

A detailed audit work plan has been agreed for the current year.

12. Following receipt of the reports the Audit Committee resolved that:

- There were effective arrangements in place for corporate governance and, where improvements are required, there is a clear improvement plan with dedicated lead officers that will be monitored by Members.
- The risk management and assurance framework was fit for purpose and operating as intended but expressed concerns over the reduced level of Internal Audit resources when compared to the risk profile demands of the Council.

Recent discussions have identified some need for changes to improve Member involvement in the framework and to strengthen and make more explicit the assurance framework. Work is now underway to make changes to help to strengthen this involvement, especially at the decision making level.

- There had been a noticeable reduction in the level of assurances for the internal control environment, whilst not unexpected in the current environment, this needed to be monitored continually by management and members alike. In particular, ongoing concern was expressed relating to the controls in place on the IT infrastructure systems, on which the Committee would be looking for further assurances. This will be an area of focus in the coming year and is a key component of the changes in the risk management and assurance framework referred to above.
- Following management reports that there is evidence of effective management and monitoring of contracts and partnerships. The Audit Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further during 2016/2017 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.
- There were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
- The Audit Committee resolved that there were effective arrangements in place to support Value for Money.
- Financial Statements reflected the Council's true position, were complete

including all transactions, and were prepared in accordance with International Financial Reporting Standards.

13. Given the Audit Service Manager's qualified opinion on the Council's internal control environment, the Audit Committee confirms that it had been made aware of the increase in terms of numbers, and negative direction of travel, of the internal audit assurances provided on the control systems overall which has made it difficult to classify the internal control environment as either strong or weak. Eleven of the high level assurances relate to key financial systems through which the majority of the Council's financial business is transacted. These processes are supported by applications which also attract higher level assurances. This combines to provide a high level of confidence in the robustness of the data reflected in the accounts. Fourteen of the lower assurance levels concern IT systems/processes. IT Services were still implementing required control improvements towards the end of 2015/2016. This indicated that there had been little or no change in the IT control environment which led to the qualified opinions in 2013/2014 and 2014/2015. In this knowledge, follow up audits in business continuity and disaster recovery and physical and environmental controls were not conducted. These audits, key to IT control risk, will be prioritised in 2016/2017. This information supports qualification of the current opinion on this issue. The lower levels of assurance accorded in social care and schools are not significant enough to sway the opinion, but are being used by managers to target areas for improvement.
14. Given the overall impact of assurances as described above, the Audit Committee accepts that there is no option other than for the Audit Service Manager's Year-end opinion to be qualified. There is a concern that this is the fourth year where the opinion has been qualified and neither management nor members should accept this as the norm, instead they should continue to be robust and challenging in their improvement agenda. The Audit Committee is satisfied that there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Council's accounts and reliance can be placed upon them for that purpose.

Additional Responsibilities

15. 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 has an essential and on-going role to play in monitoring the risks involved in the arrangements for strategic commissioning. Members continue to receive 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.

Audit Service Staff

- 16. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Audit Service Manager and her deputies: Katie Williams, Peter Chadderton and Barry Hanson.
- 17. Without the support of all Audit staff and, in particular, of the officers mentioned above, it would not be possible for the Audit Committee to be as highly effective as peer comparisons show us to be. My thanks, that of the outgoing Chairman and that of my fellow committee members are given to all our Audit Service officers.

Annual Statement of Assurance

- 18. On the basis of:
 - The work carried out by the Internal and External Auditors and their reports presented to this Committee;
 - Reports from service managers and;
 - The work carried out by the Section 151 Officer, Audit Service Manager and their reports presented to this Committee.

It is the Audit Committee’s opinion, founded on those reports, explanations and assurances received, that the Council continues to be aware that it is liable to increased risks in the IT systems currently operating. Whilst there is no evidence of significant IT business failure or material errors reported that could result in a material misstatement in the Council’s accounts; a number of control improvements have been agreed by management and require urgent dedicated implementation in order to improve internal control systems.

RECOMMENDATION – Council is asked to accept this report

Signed Date.....
On behalf of the Audit Committee
Tim Barker

Summary of assurance reports received by Audit Committee

Governance

- **Annual Governance Statement and a review of the effectiveness of the Council's system of internal control 2015/2016**

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

- **Annual review of Internal Audit - Quality Assurance and Improvement Programme (QAIP) 2015/2016**

Report of the Section 151 Officer on the effectiveness of the system of Internal Audit in 2015/2016.

- **Annual review of Audit Committee terms of reference**

Report of the S151 Officer which set out minor changes being proposed to the Audit Committee Terms of Reference.

- **Audit Committee self-assessment of good practice**

Report of the Section 151 Officer which requested members to review and comment on the self-assessment of good practice questionnaire to assess the effectiveness of the Audit Committee and identify any further improvements. Members agreed that they would revisit the detail behind the Committee's self-assessment as part of their training every second year.

- **Internal Audit Charter, annual review**

Report of the Audit Service Manager which set out the changes being proposed to the Internal Audit Charter.

- **Review of the Audit Committee's annual work plan and future learning and development requirements 2016/2017**

Report of the Audit Service Manager providing members with a proposed work plan for the year ahead to ensure they received appropriate learning and development to deliver their responsibilities effectively to fulfil their roles as members of the Audit Committee. The work plan demonstrated how the Committee's agendas contribute to delivery of its terms of reference and the assurances they provided.

- **Internal Audit external assessment**

Report of the Audit Service Manager which set out the approach adopted for the external assessment required every five years under the Public Sector Internal Audit Standards (PSIAS). The final details for which are to be agreed by the Section 151 Officer and Audit Services Manager in consultation with the Chairman of the Audit Committee.

- **External Audit: Informing the audit risk assessment for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which set out the contribution towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'.

➤ **Annual Assurance report of Audit Committee to Council 2015/2016**

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

➤ **Review of Shropshire Council's Code of Corporate Governance 2015/2016**

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

➤ **Changes to arrangements for appointment of External Auditors**

Report of the Section 151 Officer setting out changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

The Audit Committee resolved that there were effective arrangements for corporate governance and where improvements are required there is a clear improvement plan with dedicated lead officers that will be monitored by Members.

Risk Management Framework

➤ **Risk Annual Report 2014/2015**

Report from the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk Management Team during 2014/2015. She informed Members that, following an audit of risk management, an assurance level of "reasonable" had been identified with two recommendations; one significant relating to the monitoring of operation risks, as a result of which, a new process for the management of operation risk and robust reporting had been introduced, and one of best practice around the consideration of a bespoke Risk Management software package. She added that, due to cost and the lack of availability of a suitable package, this would not take place in the foreseeable future.

➤ **Strategic risks update**

The report of the Risk and Insurance Manager set out the current strategic risk exposure and advised of recent modifications and planned changes to the management of strategic risk within the authority. Members were informed that strategic risks were reported and reviewed on a monthly basis by relevant officers, directors and portfolio holders and that there were currently thirteen risks identified on the strategic risks register.

➤ **Strategic risk report 2016**

The report of the Risk and Insurance Manager set out the current strategic risk exposure of the Council and detailed recent movements within the register following the latest review.

➤ **Internal Audit risk management report 2015/2016**

Report of the Engagement Auditor which summarised the detailed findings identified in the Internal Audit review of risk management of which the overall control environment had been assessed as Good.

➤ **Draft Internal Audit risk based plan 2016/2017**

Report of the Audit Service Manager on the proposed risk based Internal Audit Plan for 2016/17. She confirmed that 1,270 days had been planned for Shropshire Council audit work and 200 days for external clients.

The Audit Service Manager reported that all fundamental system audit reviews, except for the Payroll System, would now be done on a cyclical basis after considering the risk profile for each area. She confirmed that the contingency for fraud investigations was being maintained to reflect current activity levels and that secondary schools were to be reviewed every four years with an alternative approach being taken to for primary schools who were being asked to complete a self-assessment on a rolling five year basis. This would be used to determine any further auditing requirements. Members were also reminded that assurances could be sought from individual managers for those areas of high priority for which no provision had been made in the plan.

The Audit Committee resolved that the risk management framework was fit for purpose and operating as intended but expressed concerns over the reduced level of Internal Audit resources when compared to the risk profile demands of the Council.

Controls

➤ **IT revised implementation plan for audit recommendations (Sept - exempted by Category 3)**

Exempt report of the Head of Programme Management providing an update on service delivery against the audit recommendations.

➤ **Management report on housing benefit overpayment performance**

Report of the Revenues and Benefits Service Manager which provided members with performance monitoring information on the collection of housing benefit overpayments for the year 2014/15.

➤ **Sales Ledger update on progress implementing improved management controls**

Report of the Head of Financial Management and Reporting provided an update on progress with implementing improved management controls within Sales Ledger in order to address the "unsatisfactory" assurance opinion given in the internal Audit review carried out in May 2015. The report demonstrated that the audit recommendations were being addressed.

➤ **Internal Audit Plan performance update Sept 2015/2016**

Report of the Audit Services Manager which set out refinements and revisions to the Internal Audit Plan and provided details of work undertaken by Internal Audit for the period 1 April to 23 August 2015.

She informed the meeting that the new Plan would provide 2,068 audit days across the Council's services and external clients compared with 2,050 days in the draft Plan published in February. She advised that this was due to the fact that there had been a number of changes in the risks faced by the Council which had resulted in slight adjustments to the areas requiring

assurances from Internal Audit. Thirty seven percent of the revised Plan had been completed, which was in line with previous delivery records, and that 21 good and reasonable assurances, 15 unsatisfactory and three limited assurance opinions were issued and that the 39 final reports contained 594 recommendations. She added that two fundamental recommendations had been identified.

➤ **Management Report: Council tax and non-domestic rates performance monitoring report**

Report from the Revenues and Benefits Manager which set out the performance monitoring information on the collection of income through Council Tax and National Non Domestic Rates (NNDR) for the year up to 31 March 2015 and progress on the year to 31 March 2016. He reported that the final collection rate for council tax for 2014-15 was 98.3% which compared favourably to the previous year's collection rate of 98.1% and for NNDR the final in-year collection rate for 2014/15 was 98.7% which again compared favourably with the previous year's collection rate of 98.3%.

➤ **Internal Audit performance report and revised annual audit plan 2015/2016**

Report of the Audit Service Manager provided members with an update of the work undertaken by Internal Audit since the last report considered in September 2015 and summarised progress against the 2015/2016 Internal Audit Plan. The plan was on target with some slight revisions. Lower assurance levels were reported in Children's Services and Customer Involvement but were considered to be low risk and would not affect the overall year end opinion. A comparison of assurance levels since 2013/14 demonstrated a falling level of assurance levels overall (30% good assurance in 2013/14 compared to 8% in 2015/16 to date; and 15% limited assurances in 2013/14 compared to 41% in 2015/16 to date). The Chairman reflected that whilst the Council's direction of travel was not unexpected, he was concerned whether other Members of the Council were generally aware that the required standards of control were lower / not being met and he wished for all Members to be made aware that the level of operational assurances were falling. Members agreed to raise their concerns in relation to the deteriorating levels of assurance and the downwards direction of travel with the Portfolio Holder, and requested him to attend the next meeting of the Audit Committee in order to discuss the way forward.

➤ **Management Report: IT update report (November - exempted by category 3)**

Exempt report of the Interim ICT Manager providing a brief update to members on the current situation.

➤ **Management Report: IT update report (February - exempted by category 3)**

Exempt report of the Chief Executive providing an update to members on previous audit reports and a brief update on the ICT Digital Strategy Programme and further suggested recommendations both short term and strategic.

➤ **Internal Audit Plan 2015/2016 - Ten month plan report**

Report of the Audit Service Manager which provided members with an update of the work undertaken by Internal Audit since the last report in November 2015 and summarised progress against the 2015/2016 Internal Audit Plan. The plan was on target for delivery with minor revisions. She drew attention to the limited assurance levels in Adult and Commissioning Services and the continuing lower assurance levels in Children's Services and Customer Involvement which were considered to be low risk and were not expected to affect the overall

year end opinion. The direction of travel for ICT issues remained a cause for concern. In respect of the Council's overall direction of travel in relation to the control environment, she reported that there had been an increased number of lower level assurances, 49% compared to 36% in the previous year.

➤ **External Audit: Reporting on progress against recommendations from 2014/15 for Shropshire Council**

Report of the External Auditor detailing the progress against recommendations from 2014/15. It was confirmed that all recommendations had been progressed but that there was still some work to be undertaken.

➤ **Council tax and non-domestic rates performance monitoring report**

Report of the Revenues and Benefits Manager setting out performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR).

➤ **Internal Audit annual report 2015/16**

Report of the Audit Service Manager on achievements against the revised internal audit plan for 2015/2016 and the annual internal audit assurance. The Audit Service Manager qualified her overall opinion on the Council's internal control environment based on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems.

The Audit Committee resolved that there had been a noticeable reduction in the level of assurances for the internal control environment, whilst not unexpected in the current environment this needed to be continually monitored by management and members alike. In particular, ongoing concern was expressed relating to the controls in place on the IT infrastructure systems on which the Committee would be looking for further assurances.

Controls: Contracts and Partnerships

➤ **Management report on programme controls and risks and the top fifty contracts controls and risks**

Report of the Director of Commissioning which updated Members on the existing and emerging assurance and management controls and risk management arrangements within the Council. Processes had been established for managing and reporting on all strategic commissioning activity. A Commissioning Support Unit was being developed and its officers would work closely with Commissioners to ensure they had the necessary information to support their work. A "Commissioning Approach" had been developed to enable services to be commissioned out of Shropshire Council in a consistent and robust way. Guidance around decommissioning of services had also been reviewed and updated to ensure that all the necessary tasks were completed to deliver a robust and safe process.

The Audit Committee resolved following management reports that there is evidence of effective management and monitoring of contracts and partnerships. The Audit

Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further during 2016/2017 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.

Controls: Fraud, Corruption and Whistleblowing

➤ **Fraud, special investigation and Regulation of Investigatory Powers Act (RIPA) update (Exempted by categories 2, 3 and 7)**

Members are provided with exempt reports of the Audit Engagement Officer providing an update on the current fraud and special investigations undertaken by Internal Audit and current RIPA activity.

➤ **Internal Audit: National Fraud Initiative (NFI) update**

Report of the Engagement Auditor provided members with an update on the outcomes of the 2014/15 National Fraud Initiative (NFI), the results of which were reported to and monitored by the Cabinet Office (previously by the Audit Commission) using their secure NFI website. He confirmed that savings of £5,096.53 had been identified so far during the 2014/15 exercise which had reduced significantly compared to 2012/13, this was due to the transfer of housing benefit fraud investigations to the Single Fraud Investigation Service.

➤ **Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy**

Report of the Audit Service Manager which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud and how the Council managed those risks with the aim of prevention, detection and subsequent reporting of fraud and corruption. It also informed Members that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed in line with best practice and continued to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on or from within the Council, thus demonstrating the strategy's continuing and important role in the corporate governance and internal control framework. She also confirmed that the Council was meeting the standard set out in the CIPFA Code of Practice on managing the risk of fraud and corruption and drew attention to the main changes identified within the strategy and the revised RIPA Policy.

➤ **Annual Whistleblowing report**

Report of the Head of Human Resources on the number of cases raised through the whistleblowing process over the last year and the actions resulting.

The Audit Committee resolved that there were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).

Controls: Value for Money

➤ **External Audit: Shropshire Council audit findings 2014/15**

Report of the Engagement Lead (Grant Thornton) on key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2015. The

Engagement Lead advised that, since the publication of the report, certain matters had been brought to the attention of the external auditors which had meant that the audit could not be formally concluded until these matters had been fully considered. He was satisfied that the matters in question did not have a material effect on the financial statements or a significant impact on the Value for Money conclusion. An updated report was circulated and Members' attention drawn to the amended paragraphs.

➤ **External Audit: Annual audit letter 2014/2015**

Report of the Engagement Lead (Grant Thornton) which summarised the findings arising from the work carried out for the year ended 31 March 2015 in relation to the financial statements of both the Council and the Pension Fund and the Value for Money conclusion. An unqualified opinion was presented.

➤ **External Audit: The Audit Plan for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) setting out the plan for the year ending 31 March 2016 for Shropshire Council in relation to the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Audit Committee resolved that there were effective arrangements in place to support Value for Money.

Financial reporting

➤ **Audited Annual Statement of Accounts 2014/2015**

Report of the Section 151 Officer which set out the final audited outturn position for the financial year 2014/2015 which would be confirmed by Council on the 24th September 2015. The Head of Finance, Governance and Assurance informed members that there had been no material changes to the main accounting statement since the version considered by the Committee in June.

➤ **External Audit: Shropshire County Pension Fund audit findings report 2014/2015**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2015 on the audit of the Pension Fund financial statements. He informed the meeting that this report would be considered by the Pensions Committee and had been brought to the Audit Committee as an information item.

➤ **External Audit: Audit Committee update for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which highlighted the progress made on work undertaken during the year and summarised the emerging national issues and developments of relevance to the Council. It also included several challenge questions in respect of the emerging issues which the Audit Committee may wish to consider in its future work or training programmes. He drew Members' attention to the progress to date and to several publications which may be of interest.

➤ **External Audit: Certification summary reports 2014/2015 Shropshire Council**

Report of the Engagement Lead (Grant Thornton) detailing the Certification Work Report

2014/2015 relating to grants, subsidies and the return of financial information. It was noted that Grant Thornton had certified two claims for the financial year 2014/2015 with a total value of £15 million.

➤ **Revenue outturn report 2015/2016**

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

➤ **Capital outturn report 2015/2016**

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

➤ **Review of the Annual Statement of Accounts 2015/2016 including a review of accounting policies**

Report of the Section 151 Officer on the draft Annual Statement of Accounts and the accounting policies

Treasury Management

➤ **Annual treasury report 2014/2015**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for 2014/2015. He indicated that the internal Treasury Team had outperformed their investment benchmark by 0.26% in 2014/2015 and that performance for the last three years was 0.38% per annum above benchmark. He reported that during the year 2014/2015 the performance of the Treasury Team had delivered an underspend of £0.673 million compared to budget which had contributed to the overall underspend achieved by the Council at year end.

➤ **Treasury Strategy 2015/2016 mid-year report**

Report of the Section 151 Officer on a mid-term review of Treasury activities of the Council for the first six months of the year. He highlighted that the internal Treasury Team achieved a return of 0.58% on the Council's cash balances, outperforming the benchmark by 0.22%. The Council currently had £150m held in investments and borrowing of £332m however with interest rates being very low the Council was not getting any benefit from this. He further explained that officers regularly looked at re-profiling the Council's finances however Public Works Loan Board redemption conditions made it impossible to redeem these loans.

➤ **Treasury Strategy 2016/17**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2016/2017 and the recommended Prudential Indicators for 2016/2017 to 2018/2019.

The Audit Committee resolved that Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards.