The Annual Audit Letter for Shropshire Council

Year ended 31 March 2017

October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Shropshire Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 7th September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 28th September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 28th September 2017.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 28th September 2017.

Certificate

We certified that we had completed the audit of the accounts of Shropshire Council in accordance with the requirements of the Code on 28th September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Working with the Council/Authority

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts – Shropshire Council

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £10.409 million, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £520,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

Pension Fund

For the audit of the Shropshire County Pension Fund accounts, we determined materiality to be £16.7 million, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality for certain areas such as management expenses and related party transactions. We set a threshold of £833,550 above which we reported errors to the Pensions Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Head of Finance, Governance and Assurance are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit findings against significant risks continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	• Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the Council's valuer the basis on which the valuation was carried out and challenged the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. • Tested revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and ascertained how management has satisfied themselves that these are not materially different to current value.	Our audit work noted an above variance of £3.866 million between the market valuation of the Council's HRA stock provided by the District Valuer and estimated values based on a selection of national and regional indices obtained from independent sources by the auditor. We have queried this variance with the valuer who has confirmed that the national and regional indices do not reflect the geography or age of the Housing Stock. Furthermore, they reflect the general housing market, not housing stock and making these adjustments the Valuer considers that the variance appears within reasonable tolerance of the growth implied by the house price indices. We are satisfied that the valuation of property, plant and equipment is not materially misstated.
Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	• Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. • Assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation, gaining an understanding of the basis on which the valuation was carried out. • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work did not note any issues in this area.

Audit findings against significant risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	• Documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements. • Reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • Reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Our audit work did not find any issues in this area.

Audit of the accounts – Shropshire County Pension Fund

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Level 3 Investments – Valuation is incorrect Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	**We have undertaken the following work in relation to this risk:** • gained an understanding of the transactions via discussions with the pension fund team and reviewed supporting documentation. • carried out walkthrough tests of the controls identified in the cycle. • tested a sample of Level 3 investments by obtaining and reviewed the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March 2017 with reference to known movements in the intervening period. • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 28th September 2017, in advance of the 30th September 2017 national deadline.

The Council initially produced a good set of financial statements with no fundamental issues. The Council made the accounts available for audit in line with the agreed timetable. While working papers were of an appropriate standard we did not receive some working papers in line with the agreed timetable. To achieve the 31 July 2018 audit deadline for next year the Council will need to ensure that all working papers are available at the start of the audit. The finance team responded promptly and efficiently to our queries during the audit.

Internal Audit identified weaknesses in the collection of debtors which resulted in additional testing. This testing identified that there were also issues with the write off of old debtors.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 7th September 2017. We did not identify any adjustments affecting the Council's and Group reported financial position. The draft and audited financial statements for the year ended 31 March 2017 recorded net expenditure of £191,229k. We have, however, recommended a number of adjustments to improve the presentation of the financial statements.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Audit Committee on 7 September 2017.

In addition to the key audit risks reported above, we identified an issue in relation to disclosure of senior officer remuneration. While we acknowledge that details of the Head of Finance, Governance and Assurance are provided within the Council financial statements, it is our view that pension fund accounts should be capable of standing alone. Therefore, the fund should disclose the appropriate information in line with section 3.4 of the Code of Practice.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 28th September 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. Our audit work in 2016/17 did not identify anything that required us to exercise any of these powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in the table overleaf.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed recommendations to address our findings, as follows:

The Council should:

- Consider what services they can afford to deliver going forward
- Challenge the level of savings identified within the financial plan to ensure that appropriate ambition is demonstrated
- Provide Members with sufficient progress updates against savings plans to enable a clear understanding of whether they will be delivered in line with the budget
- Ensure that any issues identified by the live system and business continuity testing are addressed as a priority
- Quantify the benefits and savings from improved productivity of the new systems to ensure that they are captured and delivered. Without identifying and quantifying these, it will be difficult for the Council to monitor and report against them and there is a risk that they will be absorbed by other changes in systems

Overall VfM conclusion

In summary, we have concluded that the Council has adequate plans in place to deliver a balanced budget for 2017/18 and 2018/19 albeit utilising reserves to meet the financial gap. There are sufficient reserves to cover any further financial shortfalls in savings or any unexpected reductions in income or funding. There are significant risks in relation to financial sustainability for 2019/20 which the Council has already highlighted in its financial strategy.

If Members make appropriate decisions now, particularly in relation to service reductions and income generation, they can ensure that the Council is well placed to take further opportunities as they arise going forward. The Council needs to ensure that it remains open to new ideas and has an agile mind-set embedded within its culture.

On this basis, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial resilience over the medium to long term Despite opting to increase Council Tax by the maximum available rate, the Council is required to identify savings to close a funding gap of some £76.5 million by 2019/20. This is in addition to a significant savings program. Achieving the required efficiencies will be extremely challenging. In particular, the growth in Adult Social Care and the costs of other statutory responsibilities are not affordable under the current funding model in place. In the short to medium term, the Council is proposing to close its forecast budget gap of £40 million to 2018/19 by fully utilising the earmarked reserves. There is a significant risk that the Council's financial position will impact on service delivery, both statutory and non-statutory in future years. We also note that the health economy has a significant deficit and has not made the required progress in delivering service reconfiguration.	We reviewed the Council's Medium Term Financial Strategy (MTFS) and monthly financial monitoring reports, assessing the assumptions used. We considered the robustness of the Council's delivery plans and its reporting arrangements for the MTFS. We considered the impact of adult social care costs and the wider health economies finances on the Council.	The Council's revenue position for 2016/17 delivered a net underspend of £0.894 million. This was delivered through non-recurrent savings across a number of service areas. The latest reported position for the 2016/17 savings was in the Period 11 Monitor and was £2.591 million 'red-rated' and £20.464 million 'green-rated'. The outturn position in relation to the 2016/17 savings was £2.197 million 'red-rated' against the original target of £23.055 million. Adult Services and Children's Services have the greatest 'red-rated' savings. For 2017/18 the Council has set a revenue budget of £206 million and has programmed savings of £15.026 million. We have reviewed these savings plans and are satisfied that the Council is on course to deliver the plans. Financial information reported to Cabinet on 6th September 2017 noted that £12.225 million of the savings were 'green-rated' indicating that they were fully developed and in place. £2.453 million of savings remain 'red-rated' and the Council is working hard to develop plans to deliver these. Children's services remains the service directorate with the greatest 'red-rated' savings at quarter 1. Reserves are also at an appropriate level. The General Fund balance moved from £18.370 million at 1 April 2016 to £14.698 million at 31 March 2017. This included a shift of £5 million to the Finance Strategy Reserve to support planned actions as a result of future financial pressures. The General Fund balance at 31 March 2017 of £14.698 million is above the risk based target for 2016/17 of £12.325 million. Earmarked reserves have also increased from £60.841 million to £63.860 million. This includes £28.601 million of Financial Strategy Reserve. Looking ahead, the Council has significant financial challenges. There is a reported funding gap of £76.606 million over the next three years. This comprises £16.187 million (2017/18), £23.822 million (2018/19) and £36,597 million (2019/20). In accordance with the financial strategy, the Council will be using one off funding to close the funding gap between 2017/18 and 2019/20. This is a mixture of one off grant funding and use of reserves. This will result in the Financial Strategy reserve reducing to £0.5 million by 2019/20. Other Earmarked reserves are expected to fall to £17m over the coming years to support the Council's on-going delivery of services. The general fund reserve is expected to remain at current levels for the foreseeable future although the risk based target increases significantly above this level in 2019/20. This reflects the fact that the funding gap has not been closed in that financial year, and the need for the Council to have a robust financial plan in place by this time. We have reviewed the Council's financial plans and are satisfied that the use of one of grant funding and reserves will provide the Council with financial stability to and including 2018/19. The challenge becomes much more significant into 2019/20 and the Council have reported a financial gap of £21 million in 2019/20.

Key findings (continued)

<table>
<tr><th>Significant risk</th><th>Work to address</th><th>Findings and conclusions</th></tr>
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<td>
Financial resilience over the medium to long term

Despite opting to increase Council Tax by the maximum available rate, the Council is required to identify savings to close a funding gap of some £76.5 million by 2019/20. This is in addition to a significant savings program. Achieving the required efficiencies will be extremely challenging.

In particular, the growth in Adult Social Care and the costs of other statutory responsibilities are not affordable under the current funding model in place.

In the short to medium term, the Council is proposing to close its forecast budget gap of £40 million to 2018/19 by fully utilising the earmarked reserves.

There is a significant risk that the Council’s financial position will impact on service delivery, both statutory and non-statutory in future years.

We also note that the health economy has a significant deficit and has not made the required progress in delivering service reconfiguration.
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We reviewed the Council's Medium Term Financial Strategy (MTFS) and monthly financial monitoring reports, assessing the assumptions used.

We considered the robustness of the Council's delivery plans and its reporting arrangements for the MTFS.

We considered the impact of adult social care costs and the wider health economies finances on the Council.
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<table>
<tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th></tr>
<tr><td>Original gross budget requirement</td><td>£590,672,245</td><td>£579,536,856</td><td>£584,478,367</td></tr>
<tr><td>Inflationary growth and demography</td><td>£12,614,942</td><td>£9,838,226</td><td>£10,284,967</td></tr>
<tr><td>Specific grant changes between years</td><td>-£6,307,882</td><td>-£188,526</td><td>-£3,412,855</td></tr>
<tr><td>Adult Social Care grant removed</td><td>£1,835,000</td><td>£0</td><td>£0</td></tr>
<tr><td>Other</td><td>-£4,251,425</td><td>-£1,085,117</td><td>£0</td></tr>
<tr><td>Savings required</td><td>-£15,026,024</td><td>-£3,623,072</td><td>£0</td></tr>
<tr><td>Total Expenditure</td><td>£579,536,856</td><td>£584,478,367</td><td>£591,350,479</td></tr>
<tr><td>Income</td><td>-£563,349,506</td><td>-£560,656,301</td><td>-£554,753,893</td></tr>
<tr><td>Gap in year</td><td>£16,187,350</td><td>£23,822,065</td><td>£36,596,586</td></tr>
<tr><td>One off funding to be used (releasing reserves)</td><td>£16,187,350</td><td>£23,822,065</td><td>£15,090,560</td></tr>
<tr><td>Remaining gap</td><td>£0</td><td>£0</td><td>£21,506,026</td></tr>
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We consider that the continued use of one off funding and reserves is high risk, but note that the financial strategy includes several other elements:

Digital Transformation Programme – procuring a new payroll, ledger and HR system providing cashable and non-cashable savings. These were not validated when the financial strategy was prepared and so are not included. Identifying and capturing the non-cashable savings will be key.
Commerciality – improving income generation through fees and charges and using the Capital Investment Board to identify further commercial investments to generate income. There are currently 23 ‘projects’ in the pipeline to feed immediate and longer term income.
Economic Regeneration – covering both the wider economic regeneration and shorter-term investments which support local regeneration, and income generation.

There are currently 23 commercial and economic regeneration projects in the pipeline to feed immediate and longer term income and cost reduction. The timescales to deliver these programmes are short, especially as some of the plans to increase income will take a long period to come to fruition. We also consider that the savings planned for 2018/19 (£3.6 million) and 2019/20 (£0) are low and do not represent the scale of service cuts required to deliver financial sustainability. A revised Financial Strategy setting out first iteration proposals to close the funding gap in 2019/20 and beyond is due to be presented to Cabinet before the end of the calendar year.

On this basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements
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Key findings (continued)

Significant risk	Work to address	Findings and conclusions
Replacement of IT infrastructure / business continuity Previous reviews, by external audit, internal audit and other stakeholders, have identified a requirement for the Council to design and implement a business continuity and disaster recovery strategy to mitigate the risk of a severe IT failure or damage to systems through a catastrophic event. This should be supported by a program to replace outdated IT infrastructure. Failure to achieve this represents a significant risk to the on-going functioning of the Council.	We reviewed the risk assurance frameworks established by the Council in respect of IT infrastructure to establish how the Council is identifying, managing and monitoring these risks. We will consider the longer term IT infrastructure plans and how these are linked to supporting the long term vision of the Council in relation to service provision.	There has been a significant weakness in IT infrastructure and business continuity arrangements within the Council for several years. The Head of Internal Audit Opinion has been qualified due to weaknesses in this area for the past five years. The Council has had a significant turnover of Senior Leadership within the IT directorate resulting in a lack of clear vision being communicated and implemented. In October 2016, the Council allocated responsibility for IT to the Head of Human Resources and Development. Following this, the 'IT strategy 2016-19' was presented and approved by Cabinet in December 2016. This prioritised the overall vision, but also set out how the more pressing challenge of implementing adequate Business Continuity and Disaster Recovery Plans would be addressed. The Head of Human Resources and Development is the Senior Responsible Officer (SRO) for the overall Digital Transformation Programme, of which IT infrastructure and business continuity are a key part. There are four strands, (Business Transformation, Social Care, Technology, Digital Programme) which are run as individual projects which includes, meetings, minutes and risk registers. These feed into the over-arching Transformational Board. Our review has identified commonalities between the detailed project risk registers and the Corporate Risk Register where appropriate. Due to the scale of the risk, Digital Transformation is now reported to Audit Committee so that this Committee has oversight of the progress being made and holds the Head of Human Resources and Development to account. The June 2017 Audit Committee was informed that the overall project would reduce duplication, increase productivity on the front line and that jobs would change rather than be removed, due to the differing configuration being implemented for back office services. The overall aim is to bring information together in what is being referred to as 'one vision of the truth'. This will be a key outcome for the overall efficiency of the Council going forward. In relation to IT Infrastructure, the Council identified that the server capacity and locations were not adequate and that there was hardware (mainly desktop computers) which required replacing to ensure that the Council did not lose data in the event of infrastructure failure. As a result of this, additional server capacity was purchased for both Shirehall and Nuneaton, as well as improvements made to the physical environment. The Council also replaced the most at risk desktop computers, mainly with laptops to facilitate agile working going forward, but with another desktop computer where a business case was made. The Council replaced c1200 computers as a result of this exercise. The improvements made to the servers, which included the relocation of back up facilities from Wem to Nuneaton, supported the additional back up arrangements which were put in place to support business continuity arrangements. By March 2017, the Council received assurance that the actions identified to address the IT infrastructure and business continuity risks had been implemented. However, the business continuity plans remain, to date, untested with plans to undertake 'live' tests in the autumn of 2017. This will provide assurance over the mitigation of these key risks. Internal Audit will be involved in assessing the outcome of these tests once complete. Given that this has not been fully tested in a live environment as yet, this remains a risk for the Council.

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
Replacement of IT infrastructure / business continuity Previous reviews, by external audit, internal audit and other stakeholders, have identified a requirement for the Council to design and implement a business continuity and disaster recovery strategy to mitigate the risk of a severe IT failure or damage to systems through a catastrophic event. This should be supported by a program to replace outdated IT infrastructure. Failure to achieve this represents a significant risk to the on-going functioning of the Council.	We reviewed the risk assurance frameworks established by the Council in respect of IT infrastructure to establish how the Council is identifying, managing and monitoring these risks. We will consider the longer term IT infrastructure plans and how these are linked to supporting the long term vision of the Council in relation to service provision.	As a result of the Council developing a longer term IT strategy, they have identified that the Digital Transformation Project may over-take the requirement for the current Business Continuity and Disaster Recovery arrangements and IT services may be managed and delivered in a different way. There is an expectation that the Council will move to cloud based systems which will shift any infrastructure risk to a 3rd party. However, the current risk was sufficiently significant to warrant the immediate action taken and the testing of these arrangements will be key for providing the Council with greater ICT confidence in the short to medium term. The Council consider that the Digital Transformation Programme will be key to delivering reform by driving more responsive, flexible and joined up systems. It is anticipated that this will remove duplication and increase productivity. The Council has now signed with preferred suppliers for two systems within Phase 1 with other in the pipeline. Phase 2 systems for replacement have not been fully scoped as yet. There is a focus on better integration between systems, allowing greater flexibility for data sharing across the Council to support data interrogation. A challenge for the Council will be the transition from the old IT systems and hardware to the new as the project is expected to take several months and dedicated resource from the existing staffing body. There will be a requirement to keep existing systems and hardware operational until the new are fully procured and implemented. The Council will also require a cultural change to support innovation and agile working from the new Digital solutions. There is a risk that departments will redesign the system they already have and not focus on the required outputs and the outcomes for the customer. **On this basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements**

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	133,845	133,845	133,845
Statutory audit of the Pension Fund	23,427	23,427	23,427
Proposed fee variation for Pension Fund	1,979	1,979	1,979
Response to 2015/16 Elector's objection	11,671	11,671	N/A
Grant certification	11,505	11,505	13,945
Total fees (excluding VAT)	**182,427**	**182,427**	**173,196**

The proposed fees for the year for Shropshire Council were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

The proposed fee variation for Shropshire County Pension Fund is for IAS19 and takes account of the work we are required to undertake for admitted bodies within the PSAA regime and is consistent with that requested in prior years.

Reports issued

Report	Date issued
Audit Plan	February 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Audit of West Mercia Energy (fee being split equally between Shropshire, Herefordshire and Worcestershire)	4,333
• Audit of subsidiary – ip&e Ltd.	8,500
• Audit of subsidiary – Shropshire Towns and Rural Housing (STaRH)	
• Grant work outside the PSAA regime 2015/16	6,975
• Grant work outside the PSAA regime 2016/17	TBC
Non-audit services	
• CFO insights license	10,000
• Tax work for ip&e Ltd	2,500

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been approved by the Head of Finance, Governance and Assurance and the Audit Committee (as those charged with governance).

Grant Thornton

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