Public Document Pack

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 6 February 2023
My Ref:
Your Ref:

Committee:
Audit Committee

Date:	**Tuesday, 14 February 2023**
Time:	**10.00 am**
Venue:	**Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click here to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel Here

Tim Collard
Assistant Director – Legal and Governance

Members of Audit Committee

Simon Harris (Vice Chairman)	Roger Evans
Nigel Lumby	Rosemary Dartnall
Brian Williams (Chairman)	

Your Committee Officer is:

Michelle Dulson Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

AGENDA

1   **Apologies for Absence / Notification of Substitutes**

2   **Disclosable Pecuniary Interests**

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3   **Minutes of the previous meetings held on the 24 November 2022** (Pages 1 - 12)

The Minutes of the meeting held on the 24 November 2022 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

4   **Public Questions**

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5pm on Wednesday 8 February 2023.

5   **Member Questions**

To receive any questions of which Members of the Council have given notice. The deadline for this meeting is 5pm on Wednesday 8 February 2023.

6   **First line assurance: Purchase Ledger control improvements** (Pages 13 - 18)

The report of the Assistant Director, Finance and Technology is attached.
Contact: Ben Jay (01743) 250691

7   **First line assurance: Much Wenlock Leisure Centre control improvements** (Pages 19 - 36)

The report of the Head of Culture, Leisure and Tourism is attached.
Contact: Clare Featherstone (01743) 255067

8   **Second line assurance: Strategic Risk Update**

The report of the Risk and Business Continuity Manager is to follow.
Contact: Jane Cooper (01743) 252851

9   Second line assurance: Treasury Strategy 2023/24

The report of the Executive Director of Resources (Section 151 Officer) is to follow.
Contact: James Walton (01743) 258915

10   Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative (Pages 37 - 70)

The report of the Interim Audit Service Manager is attached.
Contact: Barry Hanson 07990 086409

11   Governance Assurance: Annual review of Audit Committee Terms of Reference (Pages 71 - 80)

The report of the Executive Director of Resources (Section 151 Officer) is attached.
Contact: James Walton (01743) 258915

12   Governance Assurance: Draft Audit Committee work plan and future training requirements (Pages 81 - 106)

The report of the Interim Audit Service Manager is attached.
Contact: Katie Williams 07584 217067

13   Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2022/23 (Pages 107 - 128)

The report of the Interim Audit Service Manager is attached.
Contact: Katie Williams 07584 217067

14   Third line assurance: Report of the Audit Review of Risk Management (Pages 129 - 132)

The report of the Interim Audit Service Manager is attached.
Contact: Katie Williams 07584 217067

15   Third line assurance: Internal Audit Plan 2023/24 (Pages 133 - 148)

The report of the Interim Audit Service Manager is attached.
Contact: Katie Williams 07584 217067

16   Second line assurance: Approval of the Council's Statement of Accounts

The report of the Executive Director of Resources (Section 151 Officer) is to follow.
Contact: James Walton (01743) 258915

17   **Third line assurance: External Audit, Audit Findings Report 2020/21 and 2021/22**

The report of the Engagement Lead is to follow.
Contact: Grant Patterson (0121) 232 5296

18   **Date and Time of Next Meeting**

The next meeting of the Audit Committee will be held on the 22nd June 2023 at 10.00am.

19   **Exclusion of Press and Public**

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

20   **Exempt minutes of the previous meeting held on the 24th November 2022** (Pages 149 - 152)

The Exempt Minutes of the meeting held on the 24 November 2022 are attached for confirmation.
Contact: Michelle Dulson 01743 257719

21   **First line assurance: Payroll control improvements 2022/23** (Pages 153 - 158)

The report of the Assistant Director, Workforce and Improvement is attached.
Contact: Sam Williams (01743) 252817

22   **Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 2, 3 and 7)** (Pages 159 - 162)

The report of the Interim Audit Service Manager is attached.
Contact: Barry Hanson 07990 086409

Committee and Date
Audit Committee
14 February 2023

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 NOVEMBER 2022
10.00AM – 12.55PM

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk   Tel: 01743 257719

Present
Councillor Brian Williams (Chairman)
Councillors Simon Harris (Vice Chairman), Nigel Lumby, Roger Evans and Rosemary Dartnall

39   **Apologies for Absence / Notification of Substitutes**

No apologies were received.

40   **Disclosable Pecuniary Interests**

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

41   **Minutes of the previous meeting held on the 15 September 2022**

A brief discussion ensued in relation to the format of the Minutes and it was agreed by the Assistant Director Legal and Governance to discuss this outside of the meeting.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 15 September 2022 be approved as a true record and signed by the Chairman, subject to the above.

42   **Public Questions**

There were no questions from members of the public.

43   **Member Questions**

There were no questions from Members.

44   **A. First line assurance: IT Services, improvements to the control environment following various Audit Reports 2022/23**

The Committee received the report of the Head of Automation and Technology – copy attached to the signed Minutes – which provided an update on the actions taken or planned to address the recommendations arising from various audit reports

The Head of Automation and Technology took members through the paper and responded to a number of queries. It was noted that some dates in the action plan had not been met and did not have new target dates attached to them, also, some actions were marked as green even though the dates were into the following year. Assurance was sought that the extended dates were nothing to be concerned about. In response the Head of Automation and Technology explained that those actions marked green were being managed effectively or were progressing on target so even though some of the dates had passed it was because the risk was being managed effectively or that they were no longer deemed to be a potential risk for escalation.

Referring to paragraphs 9.7 and 9.10 on page 25 of the report, it was noted that effective controls were in place for the management of the Council's telecommunications contract and for the ICT Business Support function. A query was raised as to whether these controls were being audited, whether they were operating satisfactorily and did not pose any risks for the authority. In response, the Head of Automation and Technology explained that they posed no risks to the authority and were regularly monitored both internally and with suppliers to ensure those contracts were being managed effectively and to ensure the Council were getting the most effective solutions and prices from its suppliers. Alternative sources of procurement were also considered.

In response to a query around the security of legacy systems and third-party contractor access, the Head of Automation and Technology stated that nothing was completely safe as there would always be an element of risk, however, as supplier chain attacks were increasing and to ensure the Council's suppliers were robust, they were looking more closely at the suppliers' security mechanisms and procedures. They also identified those accounts that had not been used for periods of time and reviewed them to ensure that they were either disabled or removed completely so that access did not continue. He confirmed that the risk was being effectively managed and that as the legacy systems dropped away, they would become less of a risk.

In response to a query around the security implications of telephony contracts 'rolling' beyond their contract end dates, the Head of

Automation and Technology explained that there was no security risk in this, the only risk would be if the service were to be turned off you could not then provide that service. However, they did have an understanding with suppliers so that did not happen, instead, it just moved into an area of recurring billing. He confirmed that they had regularly quarterly meetings with the suppliers plus regular internal meetings to ensure this did not happen. He informed the Committee that they have had to procure the new telephony contract with the same supplier anyway due to the PSTN switch off in 2025 so that service could not actually be reprocured. It was hoped that this situation would not reoccur with the new controls that were in place.

The Head of Automation and Technology provided an update in relation to the new Equipment Replacement Programme. He confirmed that there was now a centralised budget which allowed them to identify those areas that were in most urgent need of new equipment and rolling these out to ensure a level playing field. He went on to say that new devices should be replaced every 3 to 4 years to avoid security and productivity issues. This regular refresh programme would ensure that staff were more productive and could do their work better with a more secure device. He confirmed that everyone would be up to a good standard within the next 12 months.

Concern was raised at the inability to leave telephone messages for officers using the current wi-fi telephony. The Head of Automation and Technology agreed to take this away to look into and would report back. In terms of the Revised Executive Management structure, the Head of Automation and Technology confirmed that the new structure was in place although there was still some work to be done with structuring the ICT department and to that end there was a maturity assessment for ICT and a skills assessment currently being undertaken to understand where they were and whether they were delivering the best possible use of skills, were there any gaps in the skills and does the structure within ICT accurately reflect what they were trying to deliver in the upcoming digital strategy and Shropshire plan.

The External Audit informed the Committee that the outstanding recommendations in relation to IT still needed to be resolved and would be picked up with the Head of Automation and Technology and would be reported back to the next meeting.

RESOLVED:

1. that the contents of the report and the progress made to address the audit recommendations be noted.

2. that further measures that may be appropriate, or areas for further measures that they wished officers to investigate be considered.

3. that the Audit Committee is satisfied that sufficient progress has been made to address previous Committee concerns in the IT function.

45 **B. First line assurance: Audit Report Management Response - Information Security Management and IT Acceptable Usage Policy**

The Committee received the report of the Assistant Director Legal and Governance – copy attached to the signed Minutes – which outlined the Council's current position and progress made in responding to the Audits for Information Security Management and the IT Acceptable Usage Policy.

The Assistant Director Legal and Governance drew attention to the Table at Appendix A which provided an update on management responses to the two audits. He explained that the service was in a transitional stage whilst a Head of Governance was sought (who would have overall responsibility for information governance including information security), however he felt that the interim arrangements were working reasonably effectively. He informed the Committee that a review was currently being undertaken of all the policies that relate to data protection and which would sit under an Information Governance Framework.

Concern was raised at the number of actions overdue and queried whether sufficient progress was being made. In response to a query around recommendation 8 of the Information Security Management Action Plan set out in Appendix A of the report, the Head of Automation and Technology confirmed that Incident Management was taking place and incidents were being recorded so this action was about ensuring the recoding of incidents was as smooth as possible and that there was a centralized area for recording any such incidents. Referring to recommendations 5 and 6, reassurance was requested that these matters were being speedily dealt with. In response, the Interim Data Protection Officer explained that a big part of the delay had been due to a change of officer and gap in post of two months when the previous Data Protection Officer left so a bit of time had been lost however she was now picking up with ICT security colleagues how the data loss prevention software that was available could be used to identify incidents, react to them quickly and to spot patterns of behaviour that might lead to them so they could actually stop them happening.

In relation to recommendation 5 of the IT Acceptable Use Policy Action Plan, concern was raised that this had been marked as significant and members queried whether this was something they should be concerned about. In response the Head of Automation and Technology confirmed that a system for identifying and recording security events had been identified (Security Information and Event Management – SIEM) so this was now being managed effectively however the risk lay in whether they would continue with that service following the trial coming to an end so some investment would be required. The Executive Director of Resources (Section 151 Officer) reminded the Committee that they had seen a few

papers earlier in the year when there had been security breaches and the Committee expressed concern around incidents happening at the weekend not being picked up until the Monday so as a result there was now a trial in place for 24/7 monitoring however a business case for a long term solution was awaited hence why this recommendation was still outstanding.

A brief discussion ensued around the number of people who had not yet completed their cyber security training and whether there should be any sanction for not doing so. The Executive Director of Resources (Section 151 Officer) confirmed that the numbers were very low especially amongst staff Members but was higher for elected members. He explained that there was a requirement for the Council to be at 90%+ so that was the target but that the figure was in excess of that and actually above 95% however he was not sure how many employees this equated to.

RESOLVED:

Members of the committee accepted the progress made on the implementation of the recommendations from the two Audit Committee reports on Information Security Management and the Acceptable Usage Policy, having noted a number of concerns.

46   **Second line assurance: Treasury Strategy Mid-Year Report 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which provided Members with an economic update for the first six months of 2022/23, along with reviews of the Treasury Strategy 2022/23 and Annual Investment Strategy, the Council's investment portfolio for 2022/23, the Council's borrowing strategy for 2022/23, any debt rescheduling taken and compliance with Treasury and Prudential limits for 2022/23.

Referring to the investments that were due to mature in the year (set out on page 10 of the report), a query was raised as to whether this money would be reinvested at the current market rate or would it be used to help deliver a balanced budget. In response, the Executive Director of Resources (Section 151 Officer) explained that this was entirely separate to the budget process and was about investment of the cash that was held within the Council at any particular time and related more to the levels of creditors and debtors, levels of capital receipts, levels of reserves, CIL, Section 106 etc.

He went on to explain that in relation to the investment in Highland Council that had been due to expire on 4 October 2022, the likelihood was that there had been some event, for example a large payment, that was due on or around the maturity date. The treasury team calculate what payments need to be made within the month, for example on the 20th of

the month salary payments for the majority of employees went out, so on the 19th or 20th of the month, you would expect investments to mature so that the cash was in the bank to enable those payments to be made. However, some cash would be invested long term as it would not be required immediately, and the Council could get a better return by tying it up for 12 months. It was therefore crucial from a treasury management position to know what payments were going out when to ensure there was adequate cash flow within the system.

RESOLVED:

to agree the Treasury Strategy updates as set out in the report.

47 **Governance Assurance: Annual Audit Committee Self-Assessment**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which asked Members to review and comment on the self-assessment of good practice questionnaire attached to the report. The self-assessment had allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

A brief discussion ensued in relation to item 13 of the self-assessment, for which only partial compliance had been achieved, and which recommended that an independent member be recruited to the Audit Committee. The Executive Director of Resources (Section 151 Officer) explained that about half of all Local Authorities had co-opted an independent member onto their Audit Committees and that it was also a recommendation of the recent LGA peer review. Members stressed the importance of any job description being clear about the role and training requirements of the position but they agreed with the suggestion that a suitable external Member be appointed.

RESOLVED:

1. That the self-assessment of good practice attached at **Appendix A and C** be approved.

2. That any further work, actions or training required following the refresh of the self-assessment of good practice and the analysis of training requirements attached at **Appendix B** be identified**.**

3. That the necessary input to enable the action plan to be reviewed and revised to improve areas of weakness be provided.

4. The Committee concurred with the suggestion that a suitable external Member be appointed to the Committee.

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48   **Third line assurance: Internal Audit Charter**

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed Minutes – which set out the Internal Audit Charter. The Interim Audit Service Manager reported that adjustments to the Charter were set out in bold, underlined and in italics however there had been no significant changes.

RESOLVED:

That the Audit Committee endorse the Internal Audit Charter as set out at Appendix A to the report.

49   **Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2022/23**

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed Minutes – which provided members with an update of work undertaken by Internal Audit in the two months since the September Audit Committee.

The Interim Audit Service Manager informed the Committee that 42% of the revised plan had been completed which was below previous delivery records. There had been 6 reasonable, one limited and two unsatisfactory assurance opinions issued. There had been 125 recommendations, one of which was fundamental. The Interim Audit Service Manager took members through the rest of the paper and responded to a number of queries.

In response to a query about Much Wenlock Leisure Centre the Interim Audit Service Manager explained that although previous audit recommendations had been implemented, these had not been embedded. She went on to explain that any service attracting an unsatisfactory audit opinion would have a follow up audit based on the target dates set for action to be completed by as there was little point going in before any actions had been addressed.

Following a brief discussion, it was agreed for the Committee to receive management updates at the February 2023 meeting for the following areas: Acton Scott; Much Wenlock Leisure Centre, Purchase Ledger and the Dog Warden service. The Executive Director of Resources (Section 151 Officer) informed the Committee that a report about Acton Scott was being taken to Cabinet and requested the Committee take no action on this item until it had been considered by Cabinet.

The Interim Audit Service Manager agreed to follow this up with the Audit Committee Chair outside of the meeting once the Cabinet decision had been made to confirm if a management update was required. In relation to the fundamental recommendation made as part of the Individual

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Service Fund Audits the Interim Audit Service Manager agreed to obtain an update for the Audit Committee Chair and Vice Chair in March once the recommendation became due for implementation in order for them to determine if a further management update was required.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained that the Dog Warden item had not been presented to this meeting due to staff changes within that service.

In response to a further query, the Executive Director of Resources (Section 151 Officer) explained how the recent staff changes within internal audit had led to a reduction in the percentage of the plan having been delivered and that the training and development of new and trainee auditors had also led to revisions to the plan, however, resources were reflective of what needed covering. The Committee were satisfied that overall the level of assurance had not been diminished by the reduced staffing levels.

RESOLVED:

1. to note performance against the 2022/23 Audit Plan.

2. to receive management updates at the February meeting on the following areas:

   - Acton Scott (no action to be taken until it has been reported to Cabinet)
   - Much Wenlock Leisure Centre
   - Purchase Ledger
   - Dog Warden

3. to receive an interim update from management on the fundamental recommendation for Individual Service Funds, with a full update at a future meeting.

50 **Third line assurance: External Audit, PSAA Appointments**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which updated Audit Committee on the appointment of external auditors for Shropshire Council from 2023/24 for a period of five years.

The Executive Director of Resources (Section 151 Officer) informed the Committee that Grant Thornton had been appointed auditor for Shropshire Council and Shropshire County Pension Fund going forward.

RESOLVED:

8

To note the information provided on the national auditor appointment arrangements with PSAA Ltd, the Local Government Association National Sector Led Body.

51 **Third line assurance: External Audit, Draft Audit Findings Report 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which sets out the progress with the audit of the Statement of Accounts for 2021/22, the current findings arising from the audit, and the timeline for the audit opinion being agreed for the accounts. External Audit's Interim draft Audit findings report was attached to the report as Appendix 1.

The External Audit Manager took Members through the interim draft report and drew their attention to the delay caused by a challenge around how infrastructure assets were accounted for by local authorities. The Committee were informed that a Statutory Instrument was expected in late December which would allow the accounts to be finalised and an opinion given.

In response to a query around the objections received to the accounts, the External Audit Manager confirmed that they were continuing objections from the 2020/21 accounts. One was in relation to highways work and the other in relation to planning issues. A more detailed report would be presented to the Committee once they had been completed. In response to concerns, it was confirmed that the objections were in relation to processes within service areas and were not saying that any numbers in the accounts had been misstated or declared incorrectly and that it was very unlikely that they would lead to a delay in the publication of the accounts.

Concern was raised around the lack of engagement with External Audit by some departments within the Council which had led to delays in the receipt of information however External Audit were working with these areas to help them understand the process and would be running a workshop to engage with other departments going forward to explain the role of external audit and understand what they were looking for.

In response to a query, the External Audit Manager gave an update on the Leavers process.

RESOLVED:

1. To note the Interim Draft Audit Findings Report

2. To hold an additional Audit Committee Meeting on Friday 27 January 2023.

52 **Date and Time of Next Meeting**

Following a brief discussion, Members agreed that the next meetings of the Audit Committee would be held on the 27 January 2023 and the 14 February 2023 at 10.00am.

53 **Exclusion of Press and Public**

   RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

54 **First line assurance: Payroll control improvements 2022/23**

The Committee received the report of the Assistant Director, Workforce and Improvement – copy attached to the signed Minutes – which provides an update on the actions to address the recommendations arising out of the Payroll Audit for 2021/22.

   RESOLVED:

To note the contents of the report.

55 **Exempt minutes of the previous meeting held on the 15th September 2022**

   RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 15 September 2022 be approved as a true record and signed by the Chairman.

56 **Third line assurance: Fraud, Special Investigation and RIPA Updates (Exempted by Categories 2, 3 and 7)**

The Committee received the exempt report of the Interim Audit Service Manager which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

   RESOLVED:

That the contents of the report be noted.

Signed _____ (Chairman)

....

Date: ....

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	Committee and Date	Item
	Audit Committee	
	14ᵗʰ February 2023	
		Public

First Line Assurance: Purchase Ledger Control Improvements

Responsible Officer:	James Walton	
email: james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support	

1. Synopsis

This report provides an update on the actions to address the recommendations arising from the 2021/22 Purchase Ledger Audit report.

2. Executive Summary

2.1. Within the Shropshire Plan priority to deliver a Healthy Organisation is the Strategic Objective: *We will put our resources in the right place using accurate data, insights, and evidence to support the delivery of the organisation's priorities and balance the books.*

2.2. This report sets out the actions taken so far to address the recommendations arising out of the 2021/22 Purchase Ledger Audit and what further interventions are planned to address the remaining recommendations.

2.3. The Audit resulted in a Limited level of assurance. This was the second Purchase Ledger Audit report following the Council implementation of Unit 4 ERP and the first following the adoption of the hard line No PO No Pay policy, effective from 1 April 2021.

2.4. The report found that whilst there is basically a sound system of control in place, the system contains weaknesses which leave some risks unaddressed and there is evidence of non-compliance with some key controls.

2.5. A total of 36 recommendations were made and a summary of progress against these can be seen in the table below:

Recommendation Type	Total	Fully Completed	Outstanding	Rejected
Significant	9	4	5	0
Requires Attention	27	15	9	3

2.6. In response to the recommendations, steps have been taken to address the recommendations, with 19 full completed (4 significant, 15 requires attention). As a devolved function, a number of the recommendations involve changing the actions of the users across the Council or are reliant on the resolution of issues by the system supplier and will take longer to implement.

2.7. Robust contract management with the supplier is now in place with regular meetings taking place and clear deadlines for resolution of issues.

2.8. It is not yet possible to provide Audit Committee with full management assurance that all recommendations have been addressed and independently verified. Management assurance can be provided that all recommendations are accepted, with the exception of the three accepted within the Audit report as not feasible currently. Those accepted have been actioned and completed or are actively being worked upon ahead of the next Internal Audit review.

3. Recommendations

3.1. Members of the committee are asked to note the contents of the report and the progress made to date to address the 2021/22 Purchase Ledger audit recommendations.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The failure to resolve the issues identified in the Audit and to develop an end-to-end Purchase Ledger system/process that is fit for purpose and adopted Council wide, risks supplier's terms not being met, non-compliance with the Councils Financial Rules, the requirement for additional manual interventions, and inaccuracies in figures reported in both statutory accounts and returns to HMRC.

4.2. This could subsequently lead to loss of confidence in, as well as reputation of the organisation.

4.3. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences.

5. Financial Implications

5.1. Failure to have an effective and efficient Purchase Ledger function which ensures payment to suppliers in a timely and accurate manner could potentially leave the Council exposed to external challenge and financial ramifications. Late payments can result in claims under the Late Payment of Commercial Debts Act. Failure to identify and stop/recover duplicate payments or to detect and prevent fraudulent activity can result in a financial loss to the Council. The Council can also be subject to enforcement action from HMRC where it is not compliant with regulations on VAT or the Construction Industry Scheme.

5.2. There are no financial implications associated with this report. Actions in relation to the recommendations arising from the audit are being managed within existing resources.

6. Climate Change Appraisal

6.1. The information contained within this report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption

6.2. The ERP system is designed around a self-service, electronic model and therefore reduces the impact on the climate due reduced paper based processes. In addition, the system sits within the cloud (Software as a Service) therefore reducing overheads from an on-premise system.

7. Background

7.1. The council uses an Enterprise Resource Planner System (ERP) which is an integrated HR/Payroll/Finance/Procurement System. The system has been operational since 2019 and replaced two separate HR/Payroll and Finance systems (Resourcelink Zellis and SAMIS (Advanced)).

7.2. The procure to pay process is designed to process all stages of the transactions electronically, based on workflow within the ERP, with minimum requirement for manual intervention. This has been essential in enabling the Council to move to the new hybrid working model, particularly during the Covid 19 pandemic and associated periods of lockdowns. However, there are still a number of issues from go-live in the procure to pay and the workflow processes that have not been rectified by the supplier. Pressure is being placed upon the contractor to rectify these issues and in a number of instances manual work arounds are in place to identify instances of failure to mitigate the risk.

7.3. There was also a process change introduced with the ERP in respect to the procure to pay process. The Council implemented a system with No Purchase Order (PO) No Pay capability, whereby staff must not commit to council expenditure without the prior issue of a PO to the supplier that has been raised in accordance with the

council's financial and procurement rules. The has been enforced as a requirement since April 2021, however, there has not been the required cultural change for this across all areas of the Council. Although the requirement for a PO number is being enforced there are a high volume of PO's being raised retrospectively and also invoices being submitted late for payment.

8. Additional Information

8.1. The Purchase Ledger audit identified a total of 36 recommendations, of which 9 were rated significant and 27 required attention.

8.2. Three recommendations were rejected from the Audit report, with no action taken to address these and these were accepted by Audit in their responses to the proposed management actions. These related to reviewing dates that goods have been receipted against the date's POs have been raised and reviewing goods receipted dates compared to the purchase invoice dates. It was accepted the priority was to address the volume of retrospective POs raised and invoices submitted late, which in turn should address the issues raised by these two recommendations. The recommendation to enforce all invoices to be sent direct to Proactis (invoice scanning solution) was also rejected as was not feasible and was not currently mandated, due to the local arrangement currently operated in a number of areas and implementation would cause other resulting issues.

8.3. A total of 19 recommendation are fully completed (4 significant and 15 requires attention). A number of these were addressed within the management responses to the audit, where it was identified no further action was required. The following have been actioned:

- Reporting on or maintaining documentation of historic authorisation structure has been discounted, with the risk mitigated by other controls in place.
- The 'rest cancel' option has been re-removed from the user screen.
- Potential instances of purchase requisitions being split to enable authorisations to be made more than the Officers authorised limit were reviewed, and it was confirmed this was not a practise that was taking place.
- It was confirmed it was not possible to provide reports which detail both the purchase order as well as details of the associated goods receipting and the purchase invoice. As these are separate functions within U4 ERP and separate reports need to be run on these.
- The report of outstanding goods receipts were reviewed and from a sample they were all still active as related to multiple line orders, which had not all been matched to an invoice yet.
- The sample of missing goods receipts were reviewed, and all looked to be anomalies, with no further occurrences identified.
- The 'All Orders – Requisition' report configuration has been amended.
- It was confirmed PDF versions of PO's cannot be altered.
- Scanning identification work is taking place when there are occurrences that Proactis does not identify the invoice format.
- Report on potential duplicate supplier accounts is being produced and reviewed quarterly.
- All suppliers in liquidation or administration are set to a closed/parked payment status.
- Data on previous potential duplicate payments since the Fiscal contract ceased is being reviewed.

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- Reports on potential duplicate payment have been created with Audit and are being reviewed.
- Quarterly report on the schedule of recurring payments together with the associated workflows is being produced and reviewed.
- VAT checks are in place.
- Construction Industry Scheme (CIS) labour and material charge checks are in place.
- Data Protection and cyber security training is completed by all members of the Purchase Ledger Team annually.
- Fraud awareness training is completed by all members of the Purchase Ledger Team annually.
- Purchase Ledger and Income section are recording any cases of potentially fraudulent Activity.

8.4. There are 14 recommendations that are still outstanding (5 significant and 9 requires attention). Work is ongoing to implement these, with some reliant on the system supplier or other departments to implement and for some the agreed date of action has not been reached yet. These can be grouped as per the following paragraphs.

8.5. Recommendations awaiting fixes by the system supplier. Robust contract management is now in place to progress these issues to resolution in a timely manner with the supplier. The outstanding recommendations are:

- Bug with purchase order report not recording the purchase requisition authoriser (N.B. a fix was implemented November 2022, but a further occurrence of the issue was identified January 2023).
- Issue in relation to commitments not correctly reversing out when an invoice is matched and processed.
- Outstanding defect where workflows are not available for some purchase invoices.

8.6. Recommendations to be addressed across Finance, that are in future plans to be addressed:

- Replacement of the Corporate Finance Manual, with all information transferred to the Finance How Do I? Intranet pages.
- Testing to be undertaken on the matching process when multiple invoices are submitted to Proactis against the same PO number simultaneously.
- Work ongoing to develop a report which details all invoices exempt from a PO, with the authorisation details included.
- Reminder to Budget Holders in relation to accruals and sample reviews of invoices received in the new financial year. This will be included as part of closedown guidance to be issued in March 2023.
- Contingency arrangements in case of IT failure to be addressed as part of cyber preparedness work.
- Creditor fraud risks have been assessed and need to be added to the Finance Risk Register.

8.7. Issues within Services in relation to how they are operating the procure to pay process. Statistics on this are reported to the Commissioning & Assurance Board monthly of the areas of concern, split down to Directorate and Service level. Future plan is to include this in information reported to Budget Holders as part of their

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monitoring information and for discussion at DMTs. Specific Audit recommendation are:

- Reporting on compliance with the No PO No Pay policy, in particular in relation to reducing retrospective PO's.
- Reporting on PO's not matching invoices to Services to prompt corrective action.
- Reporting on invoices being submitted late and identify why this is occurring.
- Finance Business Partners raising issues in relation to outstanding orders with Budget Holders.

8.8. Automatic system notifications to be set up by System Admin Team to provide email notification of data transferred into the ERP from all interface systems (not just PL) for reconciliation purposes. This is being worked on and a manual work around solution is in place to mitigate the risk until this is implemented.

9. Conclusions

9.1. Work continues to address the recommendations raised in the 2021/22 Purchase Ledger Audit, with over 60% complete to date. The remaining recommendations are being worked on, but are dependent on delivery of solutions by the system provider, wider improvements across Finance and changing the culture of how the procure to pay process is operated across the Council, which will take longer to implement and require a hard enforcement line to be taken forward.

9.2. Given the number of recommendations contained in the audit and the report was only issued in October 2022, it is not yet possible to provide Audit Committee with full management assurance that all recommendations have been addressed and independently verified. Management assurance can be provided that all recommendations are accepted, with the exception of the three accepted within the Audit report as not feasible currently. Those accepted have been actioned and completed or are actively being worked upon ahead of the next Internal Audit review.

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

Local Member:

Consultation with Local Member

Appendices [Please list the titles of Appendices]

Committee and Date	Item
Audit Committee 14th February 2023	Public

Much Wenlock Leisure Centre Audit Report

Responsible Officer   Clare Featherstone

e-mail: Clare.featherstone@Shropshire.gov.uk   Tel: 01743 255067

1. Synopsis

This reports highlights progress made in the management and financial procedures at Much Wenlock Leisure Centre following an unsatisfactory audit report.

2. Executive Summary

2.1   Much Wenlock Leisure Centre opened in 2010 and is managed by Shropshire Council on behalf of William Brookes School. Following the Draft Internal Audit Report on Much Wenlock Leisure Centre, 2022/23 Audit Committee members requested an update from lead officers in relation to Much Wenlock Leisure Centre.

2.2   An initial Audit report was received in 2019/20, just before the pandemic lockdowns and when the Much Wenlock Duty Manager was on long term sickness. The current report was completed following inspection in June/ July 2022, whilst the Leisure Facilities Team Leader was on maternity leave. The staffing issues and impact of lockdowns have delayed completion of the recommendations; however, this is now being addressed.

2.3   The report summarised that the control environment was unsatisfactory. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
43	0	21	22	0

2.4   Considerable work has been undertaken to address the issues highlighted within the report.

2.5   To date 25 out of the 43 recommendations have been totally addressed with actions in progress on the remaining 18.

2.6   The following progress has been made:
- Staff training has been implemented and a new recording process has been introduced (2,10,35)
- Financial procedures have been addressed with better budget and payment monitoring, amended booking forms, recording of quotes and ERP payment procedures (5,9,13,15,17,19,20,21,22,30,39)

- The Imprest account is in the process of being shut down (23,24)
- New stock taking procedures are in place (40)
- Cashing up process confirmed with relevant staff. This will be simplified once we go cashless (8)
- Any clubs using the facility are checked to ensure they have Public Liability insurance (14)
- Staff management procedures and guidance has been improved, with correct recording of hours and checks on timesheets (25,26,27,28,29,31)
- DBS Register is in place and personal data securely stored (34,38)
- A key register and alarm code process has been introduced (42,43)

2.7   There has been a focus on the significant recommendations in the report and with staff sickness and maternity leave, there are some outstanding actions:
- The documentation and evidence recording needs improving (3,6,7,4,11,16,40,41). Delays to this are due to staff shortages.
- Guidance is being sought on the segregation of duties due to low staffing numbers, and review of historic casual staff data (12,30,32)
- The Establishment List needs further review and amendments (32,33) and will be reviewed routinely as part of the agreed checklist for managers
- Formal contracts need to be reviewed to ensure the procurement process is followed (18)
- The Service Level Agreement with the school needs confirming with the new School Business Manager (37)
- A risk management appraisal needs to be completed for how personal data is held (36)

2.8   These should be completed by the end of June 2023.

2.9   The learning from the Much Wenlock Leisure Centre Audit Report will be adopted to improve systems and procedures in the other Shropshire Council managed Leisure Centres at Church Stretton and Bishop's Castle, led by the Leisure Facilities Team Leader.

3. Recommendations

3.1   That the Audit Committee considers and notes the contents of the report.

3.2   That Committee members note the progress made addressing the recommendations from the audit report that have been addressed.

3.3   That Committee members note the commitment to completing the outstanding actions.

REPORT

4. Risk Assessment and Opportunities Appraisal

Risk	Likelihood	Mitigation
Lack of adherence to HR procedures could result in incorrect payments to staff, delayed payments or other disputes.	Low	New procedures have either been introduced or are in progress to ensure staff management and payments are in line with Council procedures. Staff training is in process to ensure these are understood. Enhanced guidance is being provided for centre managers to improve consistency across the service.
Lack of adherence to contract rule or procurement guidelines may result in excessive costs being incurred which could also lead to poor value for money and additional strain on the budget.	Low	The implementation of new and updated agreements and working practices is addressing this.
Lack of adherence to financial rules could result in late payments to suppliers or mistakes in payments made. VAT payments may not be reclaimed if coded incorrectly.	Low	Financial procedures improvements and guidance mitigating this risk.
Breach of data protection regulations.	Low	Risk assessment will be completed. Records now secured correctly.
Poor security procedures result in losses to the authority	Low	New key register and alarm system controls in place. Asset tracking through inventory procedures.

5. Financial Implications

5.1.   There are no financial implications as all actions to address the audit recommendations are being delivered by existing staff.

6. Climate Change Appraisal

6.1   This report does not directly make decisions on energy and fuel consumption, renewable energy generation, carbon offsetting or mitigation or climate change adaption. Therefore, there is no effect.

7. Background

7.1   More detail about the progress made against the Audit recommendations can be seen below.

7.2   Staff training:

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- New approach to training and record keeping have been introduced (2)
- PCI Compliance training has been completed by all relevant staff (10)
- Leap into Learning mandatory training completed as required (35)

7.3   Financial arrangements:
- Monthly reviews of direct debit payments have been introduced and documented, with any issues followed up (5)
- Staff have unique log-ins and use these when operating tills (9)
- New booking forms have been introduced that highlight that the correct pricing applies (13)
- Few large purchases / contacts are made, and when they are these are dealt with by the Leisure Services Manager and purchasing record is now updated for small value purchase items to include information as to why a supplier was selected (17)
- ERP process for payments adopted (19,20)
- Staff have been reminded that all orders are to be raised on ERP (15)
- Duty manager is closely monitoring purchasing record to ensure orders are being processed in a timely manner. This has been added to the management checklist (22)
- Any suppliers invoicing direct are contacted and asked to email Proactis (21)
- Duty manager now reviews purchase record on a weekly basis to ensure payments are being receipted in a timely manner (30)
- Quarterly Budget Monitoring in place (39)
- New stock taking procedures introduced (40)
- The imprest account is in the process of being closed down (23,24)
- All staff responsible for completing end of day cashing up procedures are fully aware of all information required (8)

7.4   Insurance:
- Duty Manager now ensures all clubs have correct and up to date public liability insurance in pace and that the centre hold a copy of this certificate. A section for this has been added to the booking form (14)

7.5   Staff management and payroll:
- Establishment list is reviewed on a quarterly basis and any employees no longer working are to be removed. This has been added to the management checklist (26)
- New rota system is in place, with Duty Manager / Duty Officers updating rotas as and when changes are required, to provide an accurate record of hours worked (27)
- Documented payroll procedures have been created as part of the new establishment procedures, which include completion of time sheets and recording different job roles (25)
- Guidance on timesheets and how posts are recorded completed (28,29)
- Duty manager now ensures that deduction of breaks is made after the relevant times worked (31)
- All employee records have been transferred to upstairs office with code lock on door to restrict access and stored in lockable filing cabinet (34)
- DBS Register in place for all staff (38)

7.6   Security:
- Key register has been introduced for 4 sets of centre keys (42)
- Duty manager ensures alarm code is change when any member of staff leaves who knows the code (43)

7.7   Remaining issues

7.8   Due to a key member of staff being on maternity leave, there are a few recommendations that have not entirely been addressed:

7.9   Financial arrangements:
- Some financial procedures are still being reviewed- tills and invoicing (3,6,7)
- Fees and charges have been reviewed but there still needs more clarity for the public that the prices include VAT (4)
- The procedure for Manual Till operation has been reviewed and the issue with Z reading has been clarified. The documentation is in the process of being updated and added to the Procedures file (6,7)
- The Duty Manager has investigated whether Gladstone can be configured to confirm the end of the Z reading to ensure that all portions are included in the record such as refunds, no sales and voids. Software limitations mean that this cannot be done currently (7)
- Segregation of duties can be an issue due to low staffing numbers. This is being reviewed with Finance (12)
- Written guidance on VAT coding has been reviewed but is still to be added to the procedure's documentation (11,16)
- Inventory procedure to be added to procedure document (40,41)

7.10   Staff management and procedures
- HR have been contacted to confirm how far back casual staff records should be reviewed, to allow a recalculation of casual staff leave and holiday pay entitlement to be carried out (1)
- The procedure for additional casual hours payments needs clarifying and the Establishment list needs checking (32,33)

7.11   Contracts and Procurement:
- Formal contracts still need to be reviewed to address procurement requirements (18)
- The Service Level Agreement with Much Wenlock School has been drafted but needs to be reviewed with new Business Manager at the school (37)

7.12   Risk Management:
- A risk assessment to be completed for all personal data held and appropriate action taken to ensure confidentiality (36)

8. Additional Information

8.1 Staffing

8.2   The new post of Leisure Facilities Team Leader was created and appointed into in January 2020. The postholder has responsibility for operations across the 3 directly operated leisure facilities but has only recently returned from maternity leave.

8.3   The appointment of a new Infrastructure, Contracts and Compliance Manager in November 2021, as line manager for Leisure Services, has provided the additional staff resources required to deliver the successful outcomes linked to this report and moving forward.

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9. **Conclusions**

9.1. Progress has been made on the Audit Report recommendations for the management of the Much Wenlock Leisure Centre. These will continue at pace now the Leisure Facilities Team Leader is back from maternity leave, and all recommendations are expected to be completed by end June 2023.

9.2. We would like to thank the Audit Team for their help and support through this process, working with us collaboratively to find solutions. The recommendations from the Audit Report have enabled a review of processes and procedures which will be rolled out to other Shropshire Council managed Leisure Centres going forward.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Draft Internal Audit Report- Much Wenlock Leisure Centre 2022/23
Cabinet Member (Portfolio Holder) Cllr Rob Gittens
Local Member Cllr Dan Thomas
Appendices Appendix 1- Action plan for Much Wenlock Leisure Centre

ACTION PLAN FOR MUCH WENLOCK LEISURE CENTRE 2022/23

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
1.1	1	Management should obtain independent advice from HR to decide how far back records should be reviewed, to allow a recalculation of casual staff leave and holiday pay entitlement to be carried out. (As recommended and agreed in the previous audit and originally recommended in 2017/18)	Significant	Duty Manager to contact HR to establish how far back casual holiday records should be reviewed. Due to natural staff turnover the majority of staff employed in 2017/18 and no longer employed at the centre. Casual holiday is now automatically calculated by ERP on a monthly basis.	Tim Almond	Feb 23	HR have been contacted. All staff affected have left the authority. Awaiting further guidance from HR.
1.2	2	Staff should receive ongoing, structured training relevant to their roles. Evidence of this should be retained and used by management to identify gaps in knowledge. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Duty Manager to investigate and implement any additional ongoing training required for all staff. This is then to be recorded as evidence of learning and added to staffing central record.	Tim Almond	Ongoing	A Training Records are now in place. Discussion ongoing with other sites to apply the system across the service.
2.1	3	The written procedures should be updated to ensure that all information contained within the document is accurate. (As recommended and agreed in the previous audit and originally recommended in 2017/18)	Requires Attention	Leisure Financial procedures to be updated to reflect current operations and the following addition establishment procedures to be documented: Banking Invoicing Payroll Refunds Stock Check Till Operation	Tim Almond	Feb 23 66% complete	Procedures are being reviewed Saved - Leisure Services - Audit - All Documents (sharepoint.com) To Implemented across all centres from April
2.2	4	All charges to customers should be in accordance with the approved fees and charges. Management should ensure: That Cabinet approve all applicable fees. Either the fees and charges list should be updated to include charges made to non-members or if no longer applicable, then the terms 'Membership' and 'Non-Membership' should be removed from the list submitted for approval so that a single price per activity is agreed.	Requires Attention	Fees and charges to be updated for 22/23 to include all facilities that have been missed off (mainly outdoor tennis courts). Non-Member and Member prices to be removed from 22/23 fees and charges as these are no longer applicable. Fees and charges are VAT inclusive that are sent to cabinet and discounts are applied after prices have been agreed by	Leisure Facilities team Leader / Tim Almond	April 23	On Track to be cleared April 23.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		The fees and charges list sent for approval should be clear if prices are inclusive or exclusive of VAT. (Updated from the previous recommendation made and agreed in the 2019/20 audit)		cabinet. This is to be made clear when presenting 22/23 prices.			
2.3	5	Monthly reviews should be undertaken to ensure that direct debit payments from 'Price for Life' members are still being received. If it is identified that payments are no longer being received, their membership status should be updated to ensure that they are charged normal admission fees for use of the facilities. The monthly reviews should be evidenced by a signature/ initials and date together with a log of the missing payments to identify the action taken. (Updated from the previous recommendation made and agreed in the 2019/20 audit)	Significant	Leisure management system and DD finance systems are now linked enabling payment records to be automatically updated. Duty Manager to introduce monthly membership data base review to identify all fees have been paid. Record to be implemented to evidence this and reference any missing payments and action taken.	Tim Almond	Oct 22	Monthly Reviews now Undertaken & Documented - Duty Managers Audit Trail.xlsx (sharepoint.com)
2.4	6	Where tills fail the manual till procedure should be followed. Management should escalate till failures with Gladstone and/ or ICT as applicable. Where a Z reading fails to be produced, it should be established with the provider if a missing Z reading can be issued from its unique reference. (Updated from the previous recommendation made and agreed in the 2019/20 audit)	Significant	Till failure to be included in Till operation Establishment procedures. Duty manager now has access to Gladstone customer portal to log till failure issues. Gladstone have advised on how to re-produce till Z readings.	Tim Almond	March 23	The procedure for Manual Till operation has been reviewed. The Issue with Z reading has been clarified Documentation is being updated and added to the Procedures file.
2.5	7	The whole Z report should be printed and scanned. The Duty Manager to investigate whether Gladstone can be configured to confirm the end of the Z reading to ensure that all portions are included in the record such as refunds, no sales and voids.	Significant	Duty manager to work with Gladstone as to how to configure till reports.	Tim Almond	March 23	This has been discussed with Gladstone. The system cannot currently be configured to do this. Seeking written confirmation from Gladstone.
2.6	8	Daily totals sheets should be fully completed:	Significant	Duty manager to ensure all staff responsible for completing end	Tim Almond	March 23	Procedures have been reviewed. Staff informed of changes. Documentation updated.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		• Detailing all income received that day through the till. • Include X and Z reading totals. • The cashiers printed name should appear alongside the signature for easy identification in case of query. • Any amendments, issues or discrepancies are detailed and explained. • Totals for the day should be documented.		of day cashing up procedures are fully aware of all information required. New documented establishment procedures for banking and till operation will including information of this for new members of staff and to act as a reminder to current members of staff.			
2.7	9	All staff should use their own unique logons when using the till system. (As previously recommended and agreed in the 2019/20 audit)	Significant	Duty manager to ensure all staff operating the till have unique leisure cloud/ and till login's.	Tim Almond	Oct 22	Reviewed the management of Gladstone User Accounts to ensure accounts access is kept up to date. All staff reminded to use own log in. Now monitored by TA weekly during banking procedures.
2.8	10	All staff responsible for collecting card payments should complete PCI Compliance training annually. (Updated from recommendation made and agreed in 2019/20)	Requires Attention	Duty manager to ensure this is updated annually and all new staff complete training via 'Leap in to Learning'. Signed Declaration of PCI for all staff annually to be in place.	Tim Almond	Ongoing	All relevant staff have complete training Leap into learning now sends reminders
2.9	11	All income should be coded accurately on e-returns based on the analysis on Z readings. This should include splitting VAT able and non-VAT able income to the correct subjectives. (As previously recommended and agreed in the 2019/20 audit)	Significant	E-Returns forms to be updated to include VAT and Non VAT items. Z readings to be used to split income, where Z readings are not available due to till failure, till failure receipts to be used to manually calculate and split income.	Tim Almond	March 23	Z reading problems have been resolved. Forms to be updated
2.10	12	A review of the income collection process should be undertaken to ensure that there is adequate segregation of duties in place. This should include a reconciliation of income collected to Business World and a management review of income collection records. (As previously recommended and agreed in the 2019/20 audit)	Significant	Duty manger to review income collection procedure and provide segregation of duties where staff allows. Duty manager to implement checks of income from payment – daily banking – money collection – actual banking.	Leisure Facilities team Leader / Time Almond	April 23	A review of the income collection process has been undertaken. Because of limited staffing levels segregation is problematic. Documented procedure to be discussed with finance. The move to cashless should simplify the banking procedure
2.11	13	Booking forms should be fully completed, signed and dated by all hirers. The correct price should be cited on the booking form along with	Requires Attention	New booking form to be created to include and discount calculations.	Tim Almond	Feb 23	New form has been created Will be adopted by other sites.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		each discount applied.		To be implemented for all new bookings or existing clubs for 22/23 bookings.			
2.12	14	Public Liability certificates should be checked on receipt to ensure they provide correct and adequate cover. Public liability certificate expiry should be logged and followed up on expiry to ensure public liability is continuous.	Requires Attention	Duty Manager to ensure all clubs have correct and up to date public liability insurance in pace and that the centre hold a copy of this certificate.	Tim Almond	Oct 22	Section added to booking form
2.13	15	All invoices should be raised within ERP in advance of the letting date and should be for the correct charge approved by Cabinet. When payment is received, this should be recorded against the booking and any booking where payments are outstanding should be cancelled and recovery action taken. (Updated from recommendation made and agreed 2019/20)	Significant	Duty manager to arrange for all clubs, groups & products to be set up on ERP, so invoicing can be switched from being raised via Gladstone to via ERP. In the short-term bookings will need to be manually paid off on Gladstone once payment has been received. Julia Edwards from finance is currently working on a project for Civica and Gladstone to work together and eventually this will automatically pay off bookings.	Leisure Facilities Team Leader / Tim Almond	April 23	ERP being set up. On track to be clear by April 23
2.14	16	Management should ensure they are aware of the correct process to follow in respect of coding VAT. Procedure notes should then be updated to ensure that guidance is available to other staff in the Manager's absence.	Significant	VAT coding to be included in new establishment banking procedures.	Tim Almond	March 23	Written guidance has been reviewed – to be added to the procedure's documentation for each site
3.1	17	Details of verbal quotes obtained should be recorded on Business World. Three written quotes should be obtained for all purchases or contracts over £10,000 in accordance with Financial Rules and should be retained as evidence that the correct procedure has been followed. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Few large purchases / contacts are made, and when they are these are dealt with by the Leisure Services Manager. Purchasing record to be updated for small value purchase items to include information as to why a supplier was selected.	Leisure Service Manager / Leisure Facilities team Leader / Tim Almond	Nov 22	Verbal Quotes noted the Purchase Records. Procedure Clarified with site managers - TA

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
3.2	18	Copies of formal agreements should be held for all contracts entered. The total value of the agreements over the life of the contract should be calculated to determine whether a formal tender procedure is required. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Only 3 contracts in place (pool plant maintenance, Gym maintenance and sanitary collection. Duty manager to ensure information is held on site for these.	Leisure Service Manager / Leisure Facilities Team Leader	Apr 23	TA establishing if any agreements fall within scope TG to compile list of formal agreements across all sites
3.3	19	Management should ensure that orders should be raised on the ERP at the point of requisition not on receipt of the invoice.	Requires Attention	All orders are to be raised on ERP. The only exception is where reactive maintenance is required, for example when gym equipment fails you don't know the value until the invoice has been raised.	Tim Almond	Sept 22	Email to staff to remind them of the requirement – TA TG
3.4	20	Outstanding orders should be reviewed monthly and Purchase Ledger contacted to clear down outstanding orders where the invoice has already been paid. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Duty manager to closely monitor purchasing record to ensure orders are being processed in a timely manner.	Tim Almond	Sept 22	Included in the centre managers monthly checklist.
3.5	21	Suppliers should be encouraged to email invoices directly to Proactis in order that they can be matched to orders automatically. If invoices are received at the centre, prepayment checks should be evidenced as being carried out on invoices prior to payment being made, including date of receipt. This could be in the form of a completed pre-payments grid stamp or ticking and signing the invoice. (Updated from recommendations made and agreed in 2019/20)	Requires Attention	Since the switch to ERP all suppliers have been encouraged to send invoices directly to Proactis. This is stated on all PO that are sent out. Duty manager to add reminder to email when sending out future orders.	Tim Almond	Sept 22	Any suppliers invoicing direct are contacted and asked to email Proactis
3.6	22	All invoices should be checked, scanned and authorised promptly to ensure that they are paid by the due date. The reason for any delay in paying an invoice should be recorded on the face of the invoice.	Requires Attention	Duty manager to review purchase record on a weekly basis to ensure payments are being receipted in a timely manner.	Tim Almond	Sept 22	Has been added to the Duty Manager's weekly checklist.
Assed	23	• Management should obtain an up-to-date bank statement for the	Requires Attention	Duty Manager to work with treasury to rectify and close	Tim Almond	Apr 23	In the process of closing the imprest account. TA investigating.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		Imprest account and reconcile to ensure that all claims have now been paid. • A new claim should be submitted in respect of cheque number 135, which was outstanding at the date of the last claim. • Upon clearance of all outstanding transactions, management should perform a reconciliation to ensure the account balance stands at £206.88. • The Finance team should then be contacted to determine how the shortfall of £68.12 can be accounted for to return the Imprest balance to the £275.00 originally agreed • When the account balance has been returned to £275.00, Management should contact Treasury Services to arrange closure. (Recommendation updated from that made and agreed in 2019/20)		down imprest account as the account is no longer required.			
4.2	24	The imprest year end certificate should be returned to Treasury Services promptly following the financial year end and should include both Imprest account and floats. (Recommendation updated from that made and agreed in 2019/20)	Requires Attention	Duty Manager to rectify and close down imprest account as account is no longer required.	Tim Almond	Apr 22	See above
5.1	25	Comprehensive payroll procedures should be compiled that are adequate for someone new to management or to the site to follow.	Requires Attention	Documented payroll procedures are being put together as part of the new establishment procedures.	Tim Almond	Oct 22	Documented and added to the procedures file
5.2	26	The Duty Officer should perform regular reviews of the establishment list and notify Human Resources of any amendments required or individuals that are no longer employees. Team information available on Business Word should be checked for accuracy on a regular basis.	Requires Attention	Establishment list to be reviewed on a quarterly basis and any employees no longer working are to be removed.	Tim Almond	Ongoing	Included in the centre managers monthly checklist.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		(Recommendation updated from that made and agreed in 2019/20)					
5.3	27	The rota should be updated with any changes to shifts worked and the changes should be signed by the staff member and the Duty Officer authorising. The updated version of the staff rota which evidences changes to shifts should be retained with copies of timesheets. (Recommendation updated from that made and agreed in 2019/20)	Significant	New simplified rota is to be introduced that clearly identifies how many hours are being worked and in what role. Rota is adapted from one successfully used at another Shropshire Council site. Duty Manager / Duty Officers to update rota as and when changes are required. To provide an accurate record of hours worked	Tim Almond / Duty Officers	Oct 22 & Ongoing	Adopted Rota procedure already being successfully used at SpArC.
5.4	28	Guidance should be issued to contracted staff on the way in which contracted hours should be recorded on timesheets. If it is decided that all hours, both contracted and additional, should be recorded on the timesheets, the deduction of contracted hours should be clearly evidenced on the timesheet. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Documented payroll procedures are being put together as part of the new establishment procedures, this will include completion of time sheets. New staffing rota will highlight employees contracted hours.	Tim Almond	Oct 22	Included in updated Payroll procedures. Discussed in routine staff training
5.5	29	Guidance should be issued all staff on the way in which time for different posts should be recorded on timesheets. If it is decided that all hours for all posts should be recorded on the same timesheet, the hours worked for each post should be clearly evidenced on the timesheet.	Significant	Documented payroll procedures are being put together as part of the new establishment procedures, this will include how to record different job roles. All timesheets to be signed off by duty officer to confirm hour worked.	Tim Almond	Oct 22	As above
5.6	30	Management needs to undertake a complete review of payroll record keeping ensuring that adequate records are maintained to support all payments. All timesheet calculations should be checked prior to them being authorised and entered to ERP. A decision should be made on whether errors	Significant	Duty manager to ensure that timesheets match staffing rota's before they are added to ERP. Additional check of Duty officers signing each shift to be implemented.	Tim Almond	April 23	Confirmation TA to clarify with Audit point about identified errors

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		identified in this and previous audits should be investigated and corrected. (Recommendation updated from that made and agreed in 2019/20)					
5.7	31	Thirty minute breaks should be taken by staff over 18 years of age working a shift longer than six hours and by staff under 18 years of age working a shift longer than 4.5 hours. (Recommendation updated from that made and agreed in 2019/20)	Significant	Duty manager to ensure that deduction of breaks is made after the relevant times worked.	Tim Almond	Jul 22	Implemented at Much Wenlock. Broader discussion to be had about other sites. - TG
5.8	32	All additional and casual hours should be separated for each post on timesheets. All additional and casual hours should be entered to ERP against the post that they have been worked in. Care should be taken to ensure that the total number of hours is accurately transferred from timesheets to the ERP. A decision should be made on whether errors identified in this and previous audits and any other payments made at an incorrect rate, should be investigated and adjusted for. (Recommendation updated from that made and agreed in 2019/20)	Significant	Duty manager to ensure all hours are separated to the correct posts and staff are being paid at the correct rate of pay for the role performed.	Tim Almond	April 23	TA to discussing with HR / Payroll the procedure for additional casual hours. To be documented in payroll procedures
5.9	33	All posts at the Leisure Centre should be reviewed. Staff performing the same roles, should have the same post reference(s) allocated to them in ERP. Consideration should be given to if unused posts can be removed from or disabled on ERP.	Requires Attention	Duty Manager to review staff posts and update records to remove any no longer used.	Tim Almond	Apr 23	TA to check the Much Wenlock establishment list for accuracy TG to check other sites
5.10	34	All employee records should be held securely with access restricted to appropriate personnel.	Significant	All employee records to be transferred to upstairs office with code lock on door to restrict access. They will then be stored in lockable filing cabinet.	Tim Almond	Oct 22	
6.1	35	All employees with access to personal and sensitive data should	Requires Attention	Staff have been reminded of the requirement to complete	Tim Almond	Jul 22 Ongoing	On Leap into Learning so reminders now sent routinely.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		complete Data Protection training on an annual basis. The Duty Manager should complete level two of Data Handling training annually. All employees with access to computers should complete cyber security annually and all staff handling money should complete the anti-money laundering training. (As recommended and agreed in the previous audit and originally recommended in 2017/18)		annual data protection online training.			
6.2	36	A risk assessment should be completed for all personal data held and appropriate action taken to ensure confidentiality. (Recommendation updated from that made and agreed in 2019/20)	Significant	Leisure Facilities Team Leader and Duty Manager to undertake risk assessment with guidance from Leisure Services Manager	Tracey Godsell/Tim Almond	Mar 23	Tracey Godsell to contact information governance.
6.3	37	The Joint Use Agreement with William Brookes School should be reviewed and updated accordingly to ensure that it is fit for purpose. This should include, but is not limited to: • The responsibilities of each party in relation to building security; • Access arrangements in relation to CCTV; and • Data sharing agreements. (As previously recommended and agreed in the 2019/20 audit).	Significant	Leisure Services Manager to liaise and discuss with School Business Manager.	Leisure Services Manager	Mar 23	In discussions with WBS. A draft Service Level Agreement has been prepared.
7.1	38	A full review of the DBS register should be performed to ensure that it contains accurate details of all DBS checks for all employees. Where it is identified that checks have not been performed this should be actioned immediately. (As previously recommended and agreed in the 2019/20 audit)	Significant	DBs Register in place for all staff. Duty manager to confirm with HR on renewal policy. Previously this has been every 3 years but some partners no longer do this as they have weighed up risk / cost benefit.	Tim Almond	Oct 22	Already in place
8.1	39	To address budget monitoring issues management need to address the following: • The payroll process needs to be resolved urgently to ensure	Significant	Quarterly / monthly budget monitoring has been introduced, allowing duty manager to track / forecast	Tim Almond	May 22	Quarterly Budget Monitoring in place

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		accuracy before any additional budget is sought. (See recommendations under control objective 5) • Where significant projected overspends are identified as part of budget monitoring, detailed explanations for these should be recorded. • Advice should be sought from the Finance Business Partner to address significant projected overspends and ascertain where these will be funded from and if any future adjustments are required to the budget allocated. (Recommendation updated from that made and agreed in 2019/20)		budget progress and take action when required.			
9.1	40	Stock taking procedures should be documented and distributed to all staff performing stock checks for consistency in records taken. (Recommendation updated from that made and agreed in 2019/20)	Requires Attention	Stock checks to be updated for items for re-sale, first aid supplies, cleaning chemicals and pool chemicals, to provide a more useful record of stock held and costs involved. Disposal form to be added where stock date expires or there are spillages.	Tim Almond	Nov 22	New procedure in place and working well. Will be rolled out to other sites – TA/ TG
10.1	41	The Inventory should be updated as soon as possible in line with the relevant details referred to in Section 3B of the Shropshire Council Finance Manual. Inventories should: • Be subject to review by an independent person; • The annual review should be evidenced by signing / initialling the inventory; • Disposals should be recorded and authorised. (As previously recommended and agreed in the 2019/20 audit)	Requires Attention	Duty manager to update inventory on an annual basis. Disposal form to be added where items have been replaced.	Tim Almond	Apr 23	Inventory procedure to be added to procedure document.
11.1	42	A key register should be compiled and should include all keys for which staff have custody. Staff	Significant	Key register to be re-introduced for 4 sets of centre keys.	Tim Almond	Oct 22	In place

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments
		should sign for all keys that have been issued to them. (Recommendation updated from that made and agreed in 2019/20)					
11.2	43	The security alarm code should be changed when a member of staff who knows the code leaves. (Recommendation updated from that made and agreed in 2019/20)	Requires Attention	Duty manager to ensure alarm code is change when any member of staff leaves who knows the code.	Tim Almond	Sept 22	In addition TA to investigate whether or not Individual alarm codes can be issued.

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Agenda Item 10

Audit Committee, 14 February 2023: Annual review of the Counter Fraud, Bribery and Anti-Corruption strategy and activities, including an update on the National Fraud Initiative

Committee and Date	Item
Audit Committee	
14th February 2023	
10:00am	Public

Annual Review of the Counter Fraud, Bribery and Anti-Corruption Strategy and Activities, including an Update on the National Fraud Initiative

Responsible Officer:	Barry Hanson	
email: barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of Audit Committee	

1. Synopsis

Whilst the Council can never be free from fraud activities, it continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption and Audit Committee members are asked to reaffirm the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

2. Executive Summary

2.1.   This report outlines the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

2.2.   The Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed and continues 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 continuing and important role the strategy plays in the corporate governance and internal control framework. This report also provides an update on the action plan to ensure continuous improvement in the fight against fraud, bribery and corruption providing an update to members in response to national and local issues.

3. Recommendations

3.1.   Members are asked to consider, and endorse with appropriate comment, the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in this report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1.   The adoption and promotion of an effective Counter Fraud, Bribery and Anti-Corruption approach helps the Council encourage the detection of fraud and irregularities proactively and manage them appropriately.

4.2.   In aligning the Council's Counter Fraud, Bribery and Anti-Corruption Strategy with CIPFA's Code of practice on managing the risks of fraud and corruption, the Council continues to apply best practice. Potential fraud risks are assessed across the Council and activities in place to mitigate these.

4.3.   Internal Audit, working to the Public Sector Internal Audit Standards (PSIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response. This report sets out some of the practices employed to evaluate and manage these risks including involvement with the National Fraud Initiative.

4.4.   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 consequences of this proposal.

5. Financial Implications

5.1.   All revisions and activities can be met from within existing budgets.

6. Climate Change Appraisal

6.1.   This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

7.1.   The Council sets itself high standards for both members and officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and initiatives to prevent, detect and report on fraud, bribery and corruption, including a Speaking up about Wrongdoing policy, Anti Money Laundering (AML) procedures and guidance, all supported by an overarching Counter Fraud, Bribery and Anti-Corruption Strategy.

7.2.   The Counter Fraud, Bribery and Anti-Corruption Strategy is contained in part five of the Constitution, last reviewed and updated in November 2021. In reviewing the Strategy, only minor adjustments have been made to reflect structure changes at the Council and the move to a more digital approach. All proposed changes are identified in the Strategy in bold italic, underlined font

7.3.   The Strategy can be located on the Council's website alongside Speaking up about Wrongdoing policies for both staff and the public and Anti Money Laundering (AML) procedures and guidance. A review of these has identified minor changes which have been reflected in the Strategy and supporting policies, procedures and guidance.

8. Additional Information

Counter Fraud, Bribery and Anti-Corruption Strategy

8.1.   Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption and recognises that the strategy will enable the Council to:
- Acknowledge and understand fraud risks;
- Prevent and detect more fraud; and
- Pursue and punish fraud and recover losses.

8.2.   The Strategy reflects best practice from the National Fraud Authority (NFA) Fighting Fraud Strategies and guidance from organisations such as ALARM (the National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors).

8.3.   It is recognised that to reduce losses to fraud, bribery and corruption to an absolute minimum, a strategic approach with a clear remit covering all areas of fraud, bribery and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud, bribery and anti-corruption culture, create a strong deterrent effect and prevent fraud, bribery and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud, bribery and corruption and seek to apply sanctions and recover losses where they are found).

8.4.   The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the Council's focus clearly on

outcomes (e.g. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.).

8.5. The strategy continues to emphasise the Council's remit to reduce losses to fraud, bribery and corruption to an absolute minimum. It:
- Demonstrates links between 'policy' work and 'operational' work. Has robust arrangements and executive support to ensure counter-fraud, bribery and corruption measures are embedded throughout the Council.
- Shows agreement by both the political and executive authority for the Council's approach.
- Acknowledges fraud and identifies accurately the risk.
- Creates and maintains a strong structure to pursue its remit including:
  o Having the necessary governance, authority and support;
  o Providing for specialist training and accreditation;
  o Completing appropriate propriety checks;
  o Developing effective relationships with other organisations.
- Enables actions to tackle the problem by:
  o Integrating different actions;
  o Building a strong counter fraud and anti-corruption culture;
  o Having clear actions to deter any problem;
  o Acting to prevent fraud and corruption;
  o Early detection of any issues;
  o Investigating appropriately in accordance with clear guidance;
  o Having clear and consistent sanctions where fraud or corruption is proven;
  o Having clear policies on redressing losses.
- Focuses on outcomes and not merely activity.

National Picture

CIFAS Fraudscape 2022
8.6. CIFAS is a fraud prevention service in the United Kingdom. It is a not-for-profit membership association representing organisations from across the public, private and voluntary sectors. In their 2022 fraudscape document, they report over 360,000 cases of fraudulent conduct reported to the National Fraud Database (NFD), which is close to pre-pandemic levels. High risk areas of fraud include:
- Identity fraud has grown by 22% to 226,000, 63% of all cases in 2021.
- Misuse of facility [1] increased by 17% and accounted for 17% of cases in 2021.
- There has been a 53% rise in identity fraud victims were between 31 and 40 years.
- Over 37,000 cases of facility takeover were recorded in 2021, with 47% occurring online and 43% through telephony channels. A large number of the cases related to unauthorised security or personal detail changes to accounts.
- Nearly 270 individuals were reported in relation to insider threat. 41% of these related to dishonest actions with a significant rise in the theft of IT equipment. The rise in theft may be due to reduced controls to monitor staff working remotely or staff exiting employment without returning their

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[1] Misuse of Facility cases primarily relate to misuse of bank accounts

equipment. False employment applications accounted for 39% of cases in this category.

8.7. The CIFAS report summarised by stating that:

- Volumes of cases recorded to the NFD are close to pre-pandemic levels, with over 360,000 cases.
- The sophistication of cyber enabled attacks such as phishing and smishing continues to grow, as does the quality of false documentation provided to support subsequent fraudulent applications.
- There is a real concern that due to the rise in living costs, criminals will look to target loan products and deferred credit services and exploit those who have more relaxed criteria than others.
- Organisations must ensure that as remote/hybrid working agreements develop and increase in popularity, their policies and procedures are fit for purpose.
- The increase in the cost of living may tempt staff members into committing dishonest conduct or becoming more vulnerable to staff approaches. It is therefore essential to have appropriate monitoring in place to audit employee behaviour and ensure wellbeing checks are carried out regularly.
- A significant concern is the rise in insider threat as a service, where individuals are actively recruited to work in particular roles to carry our dishonest activity and exploit policies and procedures.

8.8. The full report is available at: https://www.fraudscape.co.uk/#welcome

Fighting Fraud and Corruption Locally (FFCL); A Strategy for the 2020s

8.9. The Fighting Fraud and Corruption Locally Strategy (FFCL) 2020 is England's counter fraud and corruption strategy for local government. It continues to be the definitive guide for council leaders, chief executives, finance directors, and all those with governance responsibilities. It is aimed at local authorities who undertake work in the counter fraud area. The Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place. The Council's Counter Fraud, Bribery and Anti-Corruption Strategy continues to be aligned to this checklist.

8.10. The Audit Committee approved an Action Plan to ensure that the Council continues to protect its assets and further improve its resilience to fraud and corruption. The following has been and continues to be delivered:

Action Plan

Action	Implementation Date and Update
To proactively use the results of previous fraud risk assessments and publicly available information from recognised organisations to direct counter fraud resources in the annual Internal Audit Plan.	Completed and ongoing.

Action	Implementation Date and Update
To refresh the Council's suite of anti-fraud policies, strategies and procedures and to ensure that they continue to be relevant to national guidance.	Annually in November. Completed and ongoing.
To remind all staff and members of their role in sustaining a strong counter fraud, bribery and anti- corruption culture and the appropriate reporting channels where any fraud is suspected.	Annually in November. Completed through directorates and management meetings.
To undertake an annual Fraud Risk Assessment covering the Council's main areas of exposure to fraud and to use the results to influence the Council's approach moving forward.	Annually in October. Completed and ongoing.
To update the Council's e-learning module on Fraud Awareness and to promote its uptake by all employees.	Completed and ongoing.
To be an active participant in the National Fraud Initiative (NFI) and to investigate robustly suspected cases of fraud identified through NFI and report outcomes to Audit Committee.	Biannually in November. Completed and ongoing.
To refresh the Fraud Awareness pages on the web site and to engage with managers through targeted communications to emphasise their obligations to operate effective systems of internal control which are designed to reduce the risk to the Council of fraud, error or inadvertent loss.	Completed and ongoing annually in November.
Refresh of the Council's Money Laundering Policy, communication of and training on.	Completed and ongoing.

CIPFA Fraud and Corruption Tracker (CFaCT) annual survey

8.11. The CIPFA Fraud and Corruption Tracker (CFaCT) is an annual survey of the fraud and corruption detected in local authorities across the UK. Its intention is to provide a more complete picture of local authorities' vigilance in respect of fraud.   It examines:
- Levels of fraud and corruption detected each financial year;
- Number of investigations undertaken;
- Types of fraud encountered;
- Emerging trends.

It is an up-to-date overview of all fraud, bribery and corruption activity across the UK public sector.

8.12. CIPFA have not undertaken the annual survey since 2020, it is unclear if this will be continued in the future.

CIPFA's Counter Fraud Assessment Tool

8.13. This tool is designed to help councils assess their counter fraud arrangements against the standards set out in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The tool is used as a basis for ongoing improvement and development planning alongside assurance on the adequacy and effectiveness of the Council's counter fraud arrangements. The action plan reported on within this report is reflective of the improvements identified when applying this tool.

8.14. Whilst no organisation is fraud proof, Shropshire Council continues to take robust steps to improve its resilience and to meet the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Leadership has acknowledged its responsibilities for managing risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements to carry it out, and is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the Council and meeting the standards of this code contributes to good governance.

National Fraud Initiative (NFI)

8.15. The National Fraud Initiative (NFI), run by the Cabinet Office, is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council continues to participate in this exercise.

8.16. In December 2022 the Cabinet Office reported the 2020/21 exercise identified and prevented £443m fraud and error, £417m in England, the main categories of which were:
- Pension fraud and overpayments (£250m)
- Fraudulently or wrongly received, council tax single person discount (£44.7m)
- False housing applications (£21.8m)

8.17. The December 2022 national report in respect of the 2020/21 data matching exercise is available online 2022-12-02_NFI_report_2022__12v3__-_JQ.pdf (publishing.service.gov.uk)

8.18. Results for Shropshire from the 2020/21 data matching exercise were reported to the Committee in February 2022, there has been no change to this figure which remains as £44,243.91.

8.19. The Council is currently submitting data for the 2022/23 matching process and once analysed the NFI will share the results for investigation and reporting to the Audit Committee.

Transparency Requirements

8.20. Legislation on transparency applies to anti-fraud activities. The Local Government Transparency Code sets out the minimum data that local authorities should be publishing, the frequency with which it should be

published and how it should be published. The Council has complied with these requirements, the results of which can be found on the web site[2].

Update on Regulation of Investigatory Powers Policy and Guidance (RIPA) Activity

8.21. RIPA Policy and Guidance sets out the approach the Council will take with respect to the authorisation and use of surveillance activity to deliver the Council's statutory and public duties, whilst protecting individuals' right to privacy. The Council's existing Regulation of Investigatory Powers Policy was adopted in August 2015, and updated in February 2022[3]. The updates ensure that any surveillance activities undertaken by the Council are compatible with the human right to privacy by ensuring compliance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA), the European Convention on Human Rights (ECHR) and the Human Rights Act 1998 (HRA). The Audit Committee's governance role is reinforced in the refreshed policy and guidance.

8.22. The Policy addresses the use of activities that involve:
- the surveillance of individuals;
- the use of undercover officers and informants, known as Covert Human Intelligence Sources (CHIS); and
- the obtaining of communications data.

8.23. All Council applications to acquire communications data are processed through the National Anti-Fraud Network who act as the Council's Single Point of Contact (SPoC). National Anti-Fraud Network (NAFN) engages with the applicant and the Office for Communications Data Authorisations (OCDA) to obtain authorisations on the Council's behalf. A senior manager at service manager level or above within the Council must be made aware of all applications before they are submitted to NAFN for processing.

8.24. Following the Investigatory Powers Commissioner's Officer (IPCO) inspection in September 2021 recommended RIPA training for key officers was completed in October 2022.

Whistleblowing Policy

8.25. The Council has a whistleblowing policy for the public and one for its employees. Both policies have been reviewed and updated in respect of key contacts and staff information. There have been no changes proposed to the process of 'blowing the whistle'. An annual reminder is circulated to all employees to raise awareness as to the availability of this policy.

8.26. The Whistleblowing Policy is available to staff via the Intranet pages and is also available to them, along with members and the public, via the website; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

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[2] https://shropshire.gov.uk/open-data/

[3] RIPA_POLICY_AND GUIDANCE_(shropshire.gov.uk)

Contact: Barry.Hanson@shropshire.gov.uk

Anti-Money Laundering (AML) Procedure

8.27. There are no revisions proposed to the Council's Anti-Money Laundering procedure and guidance, they continue to reflect The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Training is available on the Council's electronic training tool, Leap into Learning. The AML Officer and deputies continue to stay aware of their requirements. In addition, Executive Directors continue to spread awareness, identify any money laundering risks in their areas to be shared at least annually with the AML Officer and identify employees who need training.

Serious Organised Crime Checklist

8.28. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Organised crime groups may seek to benefit from public services in different ways, including to raise money through fraudulent activity and to use businesses / services used by local authorities to launder criminal proceeds. In this way public money can be lost to local authorities and can ultimately fund other illegal activity.

8.29. The Home Office Serious and Organised Crime report and checklist provides a methodology to assess the risk from serious and organised crime and corruption and is essential in allowing the Council to identify areas of concern, potential vulnerabilities and to act to strengthen processes and structures that safeguard public money. The checklist evaluates our response and activities in relation to:
- Awareness, Strategy, Guidance and Training
- Risk Management
- Communication and Information/ Intelligence Sharing
- Whistleblowing
- Assurance
- Operational controls for
- Licensing
- Planning/ Development management
- Social Housing
- Procurement
- Insider threat

8.30. Executive Directors, Heads of Service and key Procurement Officers continue to evidence activities against the checklist providing a balanced assessment of the Council's exposure to the risks. In the main, at this high level, risks appear well managed and where improvements can be made, actions have been highlighted as part of an improvement plan. The Council's Commissioning and Assurance Board continues to oversee operational management of these actions.

Awareness and training

8.31. Fraud awareness training is available on the Council's eLearning tool, Leap into Learning and continues to result in positive feedback from recipients. Questions explore awareness and knowledge of counter fraud procedures including the availability of the whistleblowing policy. Audit Committee members have been provided access to the training to complete and experience it first-hand.

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Qualified officers

8.32. Internal Audit has officers trained, up to date and capable of undertaking investigations in a professional manner as the need arises. One officer is an accredited CIPFA Counter Fraud Technician. Other members of the Audit team have considerable experience in conducting investigations. Given current demands, time has been focused on investigations over proactive prevention work. Balanced against this is that lessons learnt from investigations are used to inform management of control issues and the need for improvements to prevent reoccurrences. These reports are shared with Executive Directors.

Shropshire Council counter fraud risks and plans

8.33. In terms of potential for fraud, the counter fraud risk assessment has been refreshed and shared across all directorates. There is no change to the high-risk area of housing benefits and cybercrime. Grant risks have fallen out of this category reflecting the reduced value and quantity of business grants being manged.
High
- Housing benefits
- Cybercrime

Thirteen medium risk areas continue to be identified; the list of risks is:
Medium
- Payroll, fraudulent travel, expense, overtime and timesheets
- Pension continues after death
- Employee commits benefit fraud
- Inappropriate and incorrect contract awards
- False invoicing
- Debtors; claiming false exemptions, failing to raise a debt, suppressing recovery action
- Housing applications for financial assistance with repairs, homelessness and lettings
- Council tax discounts
- NDR reliefs
- Parking abuse including blue badge use/disabled parking
- Direct payments / personal budgets
- Property and taxi licenses
- School, diversion of resources.

8.34. There are several steps in place, continuing, planned or underway to help to explore, identify and mitigate these fraud risks:

- Housing benefit investigations are referred to the Department of Work and Pensions Single Fraud Investigation Service for action. Housing Benefits, Internal Audit and Human Resources officers continue to jointly risk assess any employees that are suspected of benefit fraud to consider if internal investigations are required or Council assets within the employee's control may be at risk. A Housing Benefit audit is currently in progress as part of the 2022/23 Audit plan.

- The 2022/23 NFI exercise including data matching for payroll, pensions, creditors, housing benefit, council tax, concessionary travel passes, blue badges, resident parking permits, taxi driver licences are reported on within this report.

- The council successfully awarded £164 million of COVID-19 grants funding to businesses across Shropshire between April 2020 and March 2022. 22 different business grant programmes were set up to help local businesses survive and respond to the pandemic, with over 32,000 individual grant payments made during the period. To support the allocation of grants to businesses during the COVID pandemic, 2022 showed continuing due diligence applied through the NFI database; companies house enquiries and by using Spotlight, a Government initiative to reduce losses from fraud and error.

- To reduce the risk of cybercrime and the impact it would have on all areas of the Council, we are completing an ongoing programme of IT Audit work of key infrastructure systems, including internet security, firewall management, Microsoft Azure and Office 365 and Encryption. We are also part of a multi-agency working group which is developing a draft Local Resilience Forum ICT and Cyber Response Framework to manage the tactical aspects of a multi-agency response to a cyber-attack.

- Internal Audit resources have been deployed to provide assurance and advice in respect of initiatives such as; data analytics for financial systems; recruitment processes; procurement / implementation of new systems and internal control self-assessments.

- The current year audit plan includes several internal audit reviews that have been conducted, or are planned, to help ensure appropriate controls are in place, and are operational, to counter the fraud risks identified from the risk assessment:
  - IT reviews, as detailed earlier in this section
  - Payroll
  - Payroll data analytics (quarterly)
  - Sickness Management and other Leave
  - Travel and Subsistence
  - Procurement Cards
  - Counter fraud work, 2022 NFI participation, review of policies and delivery of training and awareness campaigns
  - Debt recovery
  - Sales ledger
  - Grant reviews across all Council services
  - Contracts and tendering including financial evaluations

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

CIPFA: Code of practice on managing the risks of fraud and corruption, October 2014
The Bribery Act 2010
NFA Fighting Fraud Together, the strategic plan to reduce fraud
Fighting Fraud Locally: The Local Government Fraud Strategy 2020
The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
Regulation of Investigatory Powers Policy February 2022
CIPFA Fraud and Corruption Tracker (CFaCT) survey report 2020
National Fraud Initiative (NFI) Report 2022
Home Office Serious and Organised Crime report and checklist 2017
Cifas Fraudscape 2022 Full Digital Report

| **Local Member:** | N/A |

Appendices

Appendix A: Counter Fraud Bribery and Anti-Corruption Strategy

Counter Fraud, Bribery and Anti-Corruption Strategy

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer: Executive Director of Resources (Section 151 Officer)

Date: February 2023

Review Arrangements: Next Review Date – November *2023*

Counter Fraud, Bribery and Anti-Corruption Policy Statement

This Statement sets out Shropshire Council's (the Council's) policy in relation to fraud, bribery and corruption. It has the full support of both the Council's senior management and elected members.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets, aligned to Nolan's seven principles of public life **(see Appendix 2).** To achieve the objectives set out within the Council's Corporate Plan, the Council needs to maximise the financial resources available to it. To do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, bribery and corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud, bribery and corruption framework and associated policies. Whilst individual circumstances of each case will be carefully considered, in most cases there will be a **zero-tolerance** approach to fraud, bribery and corruption in all its forms. The Council will not tolerate fraud, bribery or corruption by its members, employees, suppliers, contractors, partners, service users or the public and will take all necessary steps to investigate all allegations of fraud, bribery or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in the Members' Code of Conduct and Employees' Code of Conduct, both documents forming part of the overall Constitution of the Council.

The Council fully recognises its responsibility for spending public money and holding public assets. The prevention and if necessary, investigation of fraud and corruption is seen as an important aspect of its duties which it is committed to undertake. The procedures and the culture of the Council is recognised as important in ensuring a high standard of public life.

The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. Members and employees are expected to lead by example and will be accountable for their actions.

The Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the Council is a member. This will be done through applying appropriate elements of this Strategy to all partnership working, where it is relevant to do so. For partnership working, responsibility for codes of conduct and policies of this nature generally lies with the relevant individual organisation in the partnership. Where appropriate, the Council will draw the attention of the partner organisation to its concerns.

This Policy Statement is underpinned by a Counter Fraud, Bribery and Anti-Corruption Strategy. The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud

and corruption. It sets out the key responsibilities to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

Counter Fraud, Bribery and Anti-Corruption Strategy

1.   Introduction

Shropshire Council (the Council) advocates **strict adherence** to its counter-fraud framework and associated policies. In most cases this would be a **zero-tolerance** approach to all forms of fraud, bribery, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve;
- Reduce the level of resources and services available for the residents of Shropshire; and
- Have major consequences which reduce public confidence in the Council.

This Strategy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Strategy provides overarching governance to the Council's suite of counter fraud policies and procedures which include:

- The Council's Constitution, incorporating the members' code of conduct, employees' code of conduct, contract procedure rules and financial procedure rules.
- Speaking up about wrongdoing policy.
- Gifts and hospitality policy.
- Registration and disclosure of pecuniary interests and conflicts of interest policy.
- Anti-money laundering policy.
- Acceptable use of electronic services information security policy.
- Contract terms and conditions and standard instructions for tenderers.
- Hours of work and how to record them policy.

This Strategy adheres to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations to support good governance and demonstrate effective financial stewardship and strong public financial management. This Council has resolved to adopt the principles of the Code and report on conformance with it annually.

The five key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case elected members and the senior managers – for countering fraud, bribery and corruption	**ACKNOWLEDGE**

Identify the fraud, bribery and corruption risks	**PREVENT**
Develop an appropriate counter-fraud, bribery and anti-corruption strategy	
Provide resources to implement the strategy	
Act in response to fraud, bribery and corruption	**PURSUE**

The five elements link to three key themes: **Acknowledge, Prevent** and **Pursue**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.

Acknowledge
Acknowledging and understanding fraud risks

- Assessing and understanding fraud risks
- Committing support and resource to tackling fraud
- Maintained a robust anti-fraud response

Prevent
Preventing and detecting more fraud

- Making better use of information and technology
- Enhancing fraud controls and processes
- Developing a more effective anti-fraud culture

Pursue
Being stronger in punishing fraud and recovering losses

- Prioritising fraud recovery and the use of civil sanctions
- Developing capability and capacity to punish fraudsters
- Collaborating across local authorities and with law enforcement

2.   Definitions

What is Fraud?

The Fraud Act 2006 identifies fraud as a single offence which can be committed in three separate ways:

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

Whilst the Act does not provide a single definition, fraud may be described as: *"Making dishonestly a false representation with the intention to make a gain for oneself or another, or, to cause loss to another or expose him to a risk of loss."* Or *"Dishonest conduct with the intention to make gain or cause a loss or the risk of a loss to another".*

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. There are four key offences under the Bribery Act 2010:

- Bribery of another person (section 1).
- Accepting a bribe (section 2).
- Bribing a foreign official (section 6).
- Failing to prevent bribery (section 7).

Shropshire Council is classed as a "commercial organisation" under the Act. There is also a corporate offence under the Act for a failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

What is Corruption?

Corruption is the deliberate misuse of a position for direct or indirect personal gain. The Council defines the term "corruption" as: *The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or employees."*

The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe. The Act also created the Corporate Offence of "Failing to prevent bribery on behalf of a commercial organisation" (corporate liability).

To protect itself against the corporate offence, the Act requires an organisation to have "adequate procedures in place to prevent bribery". This Strategy, the Council's codes of conduct and the Speaking about wrong doing policy, along with the education of staff (e.g. through induction, e-learning etc.) are designed to meet the requirement.

What is Theft?

Theft is the misappropriation of cash or other tangible assets. It is defined in the 1968 Theft Act: 'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.

3. Scope

The Council will not tolerate fraud, bribery, corruption or other forms of financial irregularity by anyone. Consequently, this Strategy applies to a wide range of persons, including:

- All Council employees (including volunteers, temporary staff and agency staff);
- Elected members;
- Staff and Committee members of Council funded voluntary organisations;
- Council partners;
- Maintained schools;
- Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the public.

As well as more "traditional" areas of fraud, bribery and corruption, such as theft of money, false accounting and corrupt practices, the strategy also encompasses misuse of assets, illegal use or disclosure of data and fraud perpetrated through the improper use of IT systems.

4.   Strategy Aims and Objectives

The aims and objectives of this strategy are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Shropshire residents and visitors;
- Create and promote a robust 'anti-fraud' culture across the Council which highlights its zero tolerance of fraud, bribery, corruption and theft;
- Have in place effective counter fraud systems and procedures which:
    - Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
    - Proactively deter, prevent and detect fraud, bribery, corruption and theft;
    - Investigate suspected or detected fraud, bribery, corruption and theft;
    - Enable the Council to apply appropriate sanctions and recover all losses; and
    - Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken;
- Ensure the rights of people raising legitimate concerns are properly protected;
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

5.   What is the Council's Approach to Countering Fraud?

Managing the Risk of Fraud and Corruption

Whilst all stakeholders have a part to play in reducing the risk of fraud, **see Appendix 3**, members and senior management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity. Members and employees are expected to lead by example in ensuring adherence to established rules and procedures and to ensure that all procedures and practices are legally sound and honest.

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. Senior managers' Annual Governance Statements will include reference to measures taken to counter fraud, bribery and corruption in their areas.

Members also have an important role to play and open and honest dialogue between members and employees is encouraged.

Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be viewed as distrust, but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Audit Committee is a key member forum for ensuring sufficient weight is given to counter fraud, bribery and anti-corruption activity and is positioned to review assurances from managers, members, risk and other business data ("second line of defence").

The Council's Internal Audit Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan.

6. Fighting Fraud Locally: Govern, Acknowledge, Prevent, Pursue and Protect

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by means of a strategic approach consistent with that outlined in both CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and in the Local Government Fraud Strategy – Fighting Fraud Locally, and its key themes of Govern, Acknowledge, Prevent, Pursue and Protect: -

Govern	Executive Support over Controls and Processes	We will have robust arrangements and executive support to ensure counter fraud, bribery and anti-corruption measures are embedded throughout the Council.

| ACKNOWLEDGE | Committing Support | The Council's commitment to tackling fraud threat is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Staff awareness of fraud risks is maintained through e-learning and other training. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review. |
| | Assessing Risks | We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. Elected members and senior managers have an important role to play in scrutinising risk management procedures and risk registers. |

PREVENT		Also, the Internal Audit Service will carry out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	Robust Response	We will strengthen measures to prevent fraud. Internal Audit will work with management and our internal partners such as Human Resources, Finance, Legal and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.
PREVENT	**Better Use of Information Technology**	We will make use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We will also use computer assisted audit techniques, search engines and data matching facilities at a local level to investigate suspected frauds. Any such exchange or use of information will be undertaken in accordance with the principles contained in the Data Protection Act 2018. We will play an active part in the National Fraud Initiative (NFI) data matching exercise.
	Fraud Controls and Processes	We will educate managers on their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine Audit reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement.
	Anti-Fraud Culture	We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work. In addition, personal development plans provide employees with specific skills that further support the counter fraud, bribery and anti-corruption culture, i.e. updated financial training, information security training, etc.
PURSUE	**Fraud Recovery**	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible. See **Appendix 4** for the loss recovery approach.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	Enforcement	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders or

received via the whistleblowing procedure. We will work with internal, external partners and organisations, including law enforcement agencies.

PROTECT
This theme lies across all pillars of this strategy.

We will protect the Council and our residents.   We will do this by protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Our responsibilities will also cover protecting public funds, protecting the Council from fraud and cyber-crime and from future frauds.

7.   Responsibilities

Specific responsibilities for all stakeholders involved in this strategy are set out in **Appendix 3**.

8.   Reporting, Advice, Support

The Council's approach to potential fraud can be demonstrated in its Fraud Response Plan/ Flowchart – see **Appendix 1**.

It is often the alertness of members, employees and the public that facilitates detection. If anyone believes that someone is committing a fraud or suspects bribery or corrupt practices, these concerns should be raised in the first instance directly with line management. If necessary, a route other than a normal line manager may be used to raise such concerns. Examples of such routes are:

- **Head of Paid Service, executive directors, heads of service or senior managers.**
- **Internal Audit's Standards Hotline on 01743 252627.**
- **National Benefit Fraud Hotline 0800 854 440 – or 0800 678 3722 for Welsh speakers.**

Where managers are made aware of suspected fraud by employees, they have responsibility for passing on those concerns to the Section 151 Officer. Managers should react urgently to evidence of potential fraud or corruption. Headteachers of maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality.   Any person that is implicated in the alleged offence *should not* be included in the notification procedure.

Reporting is essential to the Counter-Fraud, Bribery and Anti-Corruption Strategy and:

- Ensures the consistent treatment of information regarding fraud, bribery and corruption.
- Facilitates proper investigation by experienced auditors or investigators.
- Ensures the proper implementation of a fraud response investigation plan.
- Ensures appropriate employment procedures are followed.
- Ensures the interests of the people of Shropshire and the Council are protected.

The Council's Whistle Blowing Policy (Speaking Up about Wrong Doing) is intended to encourage and enable employees and/or partners to raise serious concerns. In respect of benefit fraud, the public and employees are encouraged to report it through the dedicated phone and email address available on the Council's web pages.

Members of the public can also report concerns through the Council's complaints procedures or by contacting their elected member, the External Auditor or the Local Government Ombudsman.

9.   Investigations

Investigations - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above.

In more complex cases, investigations will be carried out by Internal Audit. Otherwise, Audit will give guidance to service managers on how to carry out investigations.

The Council's employees will work with other public-sector bodies including; the Department of Work and Pensions (DWP), the Police, Inland Revenue, Customs and Excise and the Immigration Service for the purposes of preventing, detecting and investigating crime.

Any allegation of fraud, bribery or corruption received will be followed up through the agreed procedures of the Audit Investigations Manual and the Council's Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering legislation.

Criminal Offences - The Monitoring Officer will provide guidance as to whether a criminal offence has occurred. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the Monitoring Officer, that it would be inappropriate to do so.

Disciplinary Action - The Executive Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee

Elected Members - The Chief Executive and the Monitoring Officer, will advise on action in relation to members.

Compensation - Where a case has been proved, the relevant Executive Director and Executive Director of Resources (Section 151 Officer), with advice from the

Monitoring Officer, will agree whether and how much to pursue as compensation. The Executive Director will also inform the Insurance service where it is believed an insurance claim can be made.

Recording – The ***Chief Audit Executive*** will maintain a fraud database where summary details of financial irregularities will be recorded.

Reporting - The ***Chief Audit Executive's (CAE)*** routine progress reports to the Audit Committee will include summary details on investigations into suspected fraud, bribery or corruption once the outcomes are finalised, especially with any cases that are subject to Police investigation. In addition, the ***CAE*** also reports annually on fraud and corruption activity through:

- The National Fraud Initiative and
- The Local Government Transparency Code.

Where a fraud has occurred, management must make any changes necessary to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown or absence of control.

10. Strategy Review

The Section 151 Officer and the Audit Committee will ensure the continuous review and amendment of this Strategy, and the Action Plan contained within it, to ensure that it remains compliant with good practice, national and public-sector standards and continues to meet the needs of Shropshire Council.

APPENDIX 1

FRAUD RESPONSE PLAN

INTRODUCTION

1. The Council has a **zero tolerance** approach to all forms of fraud, corruption and theft. This means the toughest sanctions will be applied where fraud is proven – disciplinary, legal and criminal.

2. This Fraud Response Plan is part of the Counter Fraud, Bribery and Anti-Corruption Strategy. The aim is to reduce fraud and loss to an absolute minimum and keep it there.

3. You should follow this response plan if you are an employee, member, partner, contractor or Shropshire resident. All, in the public interest, have a responsibility to report any suspicion of fraud and to co-operate in any investigation, if necessary

4. **Fraud** is a crime and involves a deception which is deliberate and intended to provide a direct or indirect personal gain.

5. **Corruption** is the deliberate misuse of position for direct or indirect personal gain such as: offering, giving, requesting or accepting a bribe or reward which influences an individual's or someone else's.

6. **Theft** is where someone steals cash or other property belonging to someone else with no intention of returning it.

7. **Bribery** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or commercial advantage.

8. This guidance only tells you what to do if you suspect fraud. For other concerns you should refer to the Grievance, Disciplinary or Corporate Complaints Policies. Alternatively, you can report fraud suspicions using the Speaking up about Wrongdoing process.

WHAT YOU SHOULD DO IF YOU SUSPECT FRAUD

9. Immediately report your suspicions to:

- Your immediate Supervisor or Line Manager (or more senior management depending on the seriousness and sensitivity of the issues involved and who is thought to be involved in the wrongdoing).

- The ***Chief Audit Executive***, 01743 257737 or the Section 151 Officer, James Walton on 01743 258915.

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- The Whistleblowing Hotline on 01743 252627 or email audit@shropshire.gov.uk.

- If the fraud is in relation to Benefits details for reporting appear on the Council's web site: https://www.shropshire.gov.uk/benefits/report-benefit-fraud/.

TOP TIPS		
10.	**DON'T**	**DO**
	Delay: report the matter quickly.	Record your suspicions: write down what you have found, seen and heard.
	Approach or accuse individuals directly: you may alert them and evidence may be destroyed.	Keep any evidence you have in a safe place until you can pass it to the ***Chief Audit Executive.*** However, do not do this if such action would risk alerting the suspect.
	Tell anybody else: you don't know who may be involved.	Tell Audit who you are: they will want to talk to you as you may know more than you realise.
	Undertake any investigations yourself: you may spoil the evidence and prevent a criminal prosecution.	Keep outwardly calm and carry out your own work as usual.
SAFEGUARDS		

11. **Harassment, bullying or victimisation** – if you have raised concerns action will be taken to protect you from reprisals and it will be made clear to colleagues that it will be considered a disciplinary matter to mistreat a whistle-blower.

12. **Confidentiality** – The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. It must, however, be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence

13. **Anonymous referrals** –these are not encouraged as they affect the ability to investigate, but any case of suspected fraud, bribery or corruption, however reported, will be looked into.

14. **Malicious referrals** – if it is found that your referral is malicious or has been made for personal gain, action may be taken against you under the Council's Disciplinary Policy or relevant agreement if you work for

one of the Council's partners. The matter would be referred to the appropriate senior manager before any action is taken.

INVESTIGATION

15. All suspected fraud must be referred to the ***Chief Audit Executive***.

16. The ***Chief Audit Executive***.will assess the initial information and decide how to proceed. This may include a strategy meeting with the relevant manager where appropriate.

17. Following best practice, Audit will investigate most cases of suspected fraud – management may investigate low level fraud involving an employee after consultation with Audit.

POTENTIAL OUTCOMES

18. **Criminal Prosecution** – the Section 151 Officer, in consultation with the appropriate Executive Director and ***Chief Audit Executive***.will authorise the referral to the police for investigation.

19. **Disciplinary Action** – at the end of the investigation, the ***Chief Audit Executive***.will produce an investigation report. If this involves an employee and fraud is proven, the likely outcome will be dismissal. If fraud is not proven there may still be matters which need to be considered under the Council's disciplinary procedures.

20. **Recovery through Civil or Criminal Proceedings** – the Council will seek to recover all losses subject to legal advice and where it is cost effective to do so. Any losses caused by an employee will be recovered through salary, pension or insurance.

21. **Weaknesses in the System of Controls** –an Action Plan will be produced to address any system or management weaknesses and to reduce the risk of fraud and error in the future.

Appendix 1 - The Council's typical fraud response plan

```
                          Potential Fraud Identified
                                     │
                                     ▼
                                   Report ──────── Reporting options
              ┌──────────────────────┼──────────────────────┐
              ▼                       ▼                      ▼
      Whistleblowing        Line Manager (or senior    Chief Audit Executive/ s151
       Mechanism             manager, if Line             Officer
                             Manager involved)
              └──────────────────────┼──────────────────────┘
                                     ▼
              Initial Assessment of Evidence by Chief Audit Executive and
                         Executive Director of Resources
                                     │
                                     ▼
         No ─────────────────  Sufficient to  ───────────────── Yes
          │                      Proceed?                         │
          ▼                                                       ▼
     Record of                                              Strategy Meeting
     Decision                                    ┌────────────────┼────────────────┐
          │                                      ▼                ▼                ▼
          ▼                               Management        Internal Audit    Police
    Feedback to                           Investigation                       Investigation
     referrer                                     └────────┬───────┘                │
                                                           ▼                        │
                                                        Outcome                 Prosecution
                                                        Report                      │
                                                           │                        │
                         No ──────────────────  Fraud Proven?  ──── Yes             │
                          │                            │                            ▼
                          ▼                           Yes                      Recovery
            Management      No case to                 │                       of losses
             Action          answer          Management Decision ──────────────────┘
                                                       │
                                                       ▼
    Disciplinary  ◄──  Disciplinary  ◄──    Go to Disciplinary
      Appeal             Hearing                  Hearing
```

NOLAN COMMITTEE REPORT – THE SEVEN PRINCIPLES OF PUBLIC LIFE

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

SPECIFIC RESPONSIBILITIES
APPENDIX 3

Stakeholder	Specific Responsibilities
Head of Paid Service (CEO)	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery and corruption.
Monitoring Officer (Assistant Director – Legal and Governance	To advise members and employees on ethical issues, standards and powers to ensure that the Council operates within the law and statutory codes of practice.
Section 151 Officer (Executive Director of Resources)	To make proper arrangements for the Council's financial affairs and to ensure the Council has an adequately resourced and effective Internal Audit.
Audit Committee	To monitor the effectiveness of the Council's Counter fraud, bribery and anti-corruption strategy and arrangements. To monitor the Council's Whistleblowing policy.
Members	To support and promote the development of a strong counter fraud, bribery and anti-corruption culture.
External Audit	Statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, bribery corruption and theft.
Internal Audit	Responsible for developing and implementing the Counter fraud, bribery and anti-corruption strategy and investigating any issues reported under this policy and the Speaking up about wrongdoing (whistleblowing) policy. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence.
Managers	To promote employee awareness and ensure that all suspected or reported irregularities are referred immediately to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, bribery, corruption and theft and to reduce these risks by implementing robust internal controls.
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery, corruption and theft, and to report any genuine concerns to the appropriate management, Head of the Paid Service, the Section 151 Officer, the Monitoring Officer, or Internal Audit.
Public, Partners, Suppliers, Contractors and Consultants	To maintain strong counter fraud, bribery and anti-corruption principles and be aware of the possibility of fraud, bribery and corruption against the Council and report any genuine concerns or suspicions through the identified channels. Public agencies may include the: • Police. • External Audit. • Local, regional and national auditor networks. • National Anti-Fraud Network.

Stakeholder	Specific Responsibilities
	- CIPFA. - Department of Work and Pensions. - Other local authorities. - Public health.

<div align="right">**Appendix 4**</div>

Shropshire Council – Loss Recovery Approach

Fraud covers a wide range of criminal activity which, as far as the Council is concerned, can be characterised broadly as the dishonest appropriation of the Council's resources (financial or otherwise).

The Council's resources are finite and because the Council has a responsibility to safeguard public monies, fraudulent activities should be regarded with the utmost seriousness.

For the purposes of this Loss Recovery Strategy, there are two overarching considerations which inform the Council's approach to tackling any detected fraud:-

- The first consideration is the need to preserve public funds which, in appropriate circumstances, may involve the Council taking active steps to recover any misappropriated assets or obtain equivalent compensation; and

- The second is the need to ensure due process of law which, in appropriate circumstances, may require the Council to co-operate with law enforcement authorities which may investigate any alleged offences and, if appropriate, prosecute the alleged perpetrator(s).

Although the Council recognises the importance both of preserving public funds and of ensuring due process of law, these considerations may lead the Council to respond to fraud in different ways.

For the purposes of this policy, it is recognised that although it is desirable that fraudulent activity be prosecuted, that course of action may leave the Council worse off financially than it had pursued its own civil remedies.

Financial Considerations in relation to reporting fraud to law enforcement authorities

Criminal prosecutions do not tend to result in high levels of recovery of assets for the Council. This can be attributed to a number of factors:-

(1) The focus of criminal proceedings is not exclusively upon compensating the victim.

(2) In proceedings brought by the Crown Prosecution Service, the Council has limited control over the question of whether the Court makes any compensation orders[1].

(3) There are statutory limits[2] to the amount of compensation that the Magistrates Courts can order.

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[1] Sections 130 - 133 Powers of Criminal Courts (Sentencing) Act 2000
[2] Section 40 (1) Magistrates' Courts Act 1980

(4) Those convicted of criminal offences may lose their liberty and or their livelihood and thereby are unable to compensate the Council.

(5) Unlike Civil Courts the Criminal Courts must take account of a defendant's ability to pay before imposing financial penalties.

(6) Proceeds of Crime Act 2002 proceedings are complex and are restricted to matters dealt with in the Crown Court.

Civil proceedings may, in appropriate circumstances, offer an increased prospect of achieving a financial recovery but this is highly dependent upon a number of factors including the availability of evidence proving the fraud as well as the ability of the Defendant to meet any judgment.

It is important to treat the civil and criminal avenues as being distinct.

Adopted Strategy
1. In the event that a fraud or financial irregularity is suspected, the Council will determine on a case by case basis, after seeking the advice of the Monitoring Officer or their delegated representative, what further action (if any) will be taken to recover losses from individual(s) or organisations responsible.

2. At the earliest available opportunity the Council will consider whether it is appropriate to pursue civil remedies or refer the matter to law enforcement agencies for investigation and/or prosecution.

3. Before reaching any decision on how to proceed, the Council will seek to avoid any activities which may unnecessarily alert the perpetrator, encourage them to dispose of evidence or otherwise hamper a criminal investigation. This may on occasions not be practicable.

4. In making its decision on whether to pursue civil remedies or report fraudulent activity to law enforcement agencies, the Council will consider the circumstances of the case as well as relevant public interest factors which, without limitation, may include the following: -

Factors which tend to favour a criminal prosecution	Factors which tend to favour Civil Recovery
There is believed to be little prospect of recovery through civil means.	The defendant is known to have assets available for execution or the defendant is working and it is considered that there is a good prospect of recovery.
There is a high level of culpability or wrongdoing	There is lower level of culpability or dishonesty.
Evidence gathered points to their having been a high level of planning of the fraudulent / criminal activity.	The fraud was opportunistic.
It has come to light during the investigation that the defendant is	The incident is believed to be a one off

Factors which tend to favour a criminal prosecution	Factors which tend to favour Civil Recovery
known to have previous convictions for this kind of activity.	
The defendant denies any responsibility and is unwilling to co-operate with the Council.	The defendant has acknowledged their wrongdoing and is prepared to co-operate with the Council.
It is likely that the police and CPS are likely to be willing to investigate / prosecute.	Whether it is believed that the Police / CPS are unlikely to investigate.

It should be borne in mind that the above factors are only potential indicators and any decision whether to instigate criminal or civil proceedings can never be an exact science but will be taken in conjunction with legal advice and after careful consideration of the facts.

5. When the Council can demonstrate that it has suffered financial loss and, where it is practical, priority should be given to civil recovery. The Council should give consideration of reporting the allegations to relevant law enforcement agencies.

6. Whilst primarily consideration will be given to pursuing criminal action or civil remedy, there are alternative avenues of loss recovery open to the Council including:
   • Pension Forfeiture - where an employee is a member of the Shropshire County Council Pension Scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme;
   • Bankruptcy, e.g. if it is believed an individual has a poor history of paying;
   • If an individual remains an employee of the Council consideration whether any assessed losses may be recovered from future salary payments;
   • Recovery of losses through the Council's fidelity guarantee insurance cover.

7. Whilst the Council's Insurance Service will give advice where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance, the Council's preferred approach, however, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.

8. In more serious cases, the Crown Court has powers of asset recovery under the Proceeds of Crime Act 2002.

9. The Crown Court, when it considers making a confiscation order against a defendant, must determine whether the defendant has a 'criminal lifestyle'. If so, the court must determine whether the defendant benefited from his 'general criminal conduct'.

	Committee and Date	Item
Shropshire Council	Audit Committee	
	14th February 2023	
	10:00am	Public

Healthy People   Healthy Economy   Healthy Environment   Healthy Organisation

Annual Review of Audit Committee Terms of Reference

Responsible Officer:	James Walton	
email:	james.walton@shropshire.gov.uk	Tel: 01743 258915
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of Audit Committee	

1. Synopsis

Effective audit committees bring many benefits to an organisation. To ensure that the Council continues to provide an effective Audit Committee their Terms of Reference are considered and approved by members annually. There are no significant changes proposed in 2023.

2. Executive Summary

2.1. The Audit Committee's Terms of Reference reflect guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in their: Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition. The Terms of Reference are attached as an Appendix and are reviewed each year. Slight changes have been made to reflect current reporting titles and to further clarify the responsibilities of the Audit Committee in relation to approving the Statement of Accounts, but there are no significant changes proposed. Suggested changes are underlined and shown in bold italics.

3. Recommendations

3.1. Members are asked to consider the revised Audit Committee Terms of Reference attached, provide appropriate comment and approve or otherwise the proposed amendments.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Audit Committee terms of reference are reviewed annually to ensure that they are fit for purpose and up to date. They clarify the role of the Audit Committee and ensure that the Council has robust internal control arrangements in place.

4.2. 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 consequences of this proposal.

5. Financial Implications

5.1. There are no financial implications.

6. Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

7.1. Part of the responsibility of this Committee is to review annually its Terms of Reference, making any recommendations for significant changes in them to Full Council.

7.2. The Chartered Institute of Public Finance and Accountancy (CIPFA); defines the purpose of an audit committee as being to provide those charged with governance, independent and high-level focus on the adequacy of governance, risk and control arrangements. By doing this and overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

7.3. The Audit Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which include the arrangements for the management of risk.' In addition, Section 151 of the Local Government Act 1972 requires the Council to, 'make arrangements for the proper administration of its financial affairs'. In discharging sound financial management, the Section 151 Officer

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requires an effective audit committee and an internal audit service which evaluates the effectiveness of its risk management, control and governance processes. Both elements are enshrined in the Public Sector Internal Audit Standards and the supporting Local Government Application Note.

7.4. Effective audit committees bring many benefits to the Council. They can:
- Increase public confidence in the objectivity and fairness of financial and other reporting.
- Reduce the risk of illegal or improper acts.
- Reinforce the importance and independence of internal and external audit and any other review processes that report to the Committee.
- Provide a sharper focus on financial reporting, both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting.
- Assist the co-ordination of sources of assurance and, in so doing, make management more accountable.
- Provide additional assurance through a process of independent and objective review.
- Raise awareness of the need for internal control and the implementation of audit recommendations.

7.5. It is therefore important that the Terms of Reference are reviewed to ensure that best practice guidance is incorporated.

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

Chartered Institute of Public Finance and Accountancy's (CIPFA), Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition

TIS Online CIPFA Audit Committee

Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards, CIPFA 2019

Local Government Act 1972

Accounts and Audit (England) Regulations

Local Member: N/A

Appendices

Appendix A - Audit Committee Terms of Reference

AUDIT COMMITTEE TERMS OF REFERENCE

Membership

1. The Audit Committee must remain apolitical. It must display unbiased attitudes, treating auditors, the executive and management equally.   It can also challenge the Leader and the Head of Paid Service when required. The Audit Committee will comprise:

    a) Five Members in accordance with the current political balance rules who may be represented by designated substitutes in their absence. Any designated substitute must be appropriately trained. None of the Members should be Members of the Executive, Scrutiny Chairs or Vice Chairs.

    b) Normally the Section 151 Officer and the Chief Audit Executive (CAE)[1] will attend every meeting. Should the Section 151 Officer feel there is an item on the agenda which would benefit from the Leader's presence, or the presence of a Portfolio Holder, the Chairman of the Audit Committee would be informed and he could invite the Leader or Portfolio Holder to attend.

2. The Committee has the option to recruit a suitably qualified independent member where there is an identifiable benefit.

3. There will be a standing invitation to the External Auditor to attend all meetings and they should attend the Audit Committee at least twice a year to report on the findings of the audit of the Council.

4. Members should champion sound internal controls including standards and ethics.

Meetings

5. The Audit Committee will meet at least four times a year. The Chairman of the Audit Committee may convene additional meetings as they deem necessary.

6. The Head of the Paid Service, the Section 151 Officer, or the CAE may ask the Audit Committee to convene further meetings to discuss issues on which they want the Committee's advice.

7. The Audit Committee, CAE and External Audit have the opportunity for private discussions without the Section 151 Officer or other executive directors being present if issues need exploring in this forum.

8. The Monitoring Officer is responsible for ensuring the Audit Committee is serviced with all necessary papers and support to enable it to fully discharge its responsibilities.

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[1] CAE post is currently held by the Joint Interim Audit Service Managers

CORE FUNCTIONS

Governance risk and control

9.   To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

10.   To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, considering Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and assurances on how effectively the Seven Principles of Public Life are supported[2].

11.   To consider the Council's arrangements for securing value for money, supporting standards and ethics and review assurances and assessments on the effectiveness of these arrangements.

12.   To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

13.   To monitor the effective development and operation of risk management in the Council.

14.   To monitor progress in addressing risk-related issues reported to the committee; Seek assurances that action is taken by management in risk related issues identified by auditors and inspectors; Resolve any outstanding differences between internal and external auditors and management when action or major recommendations have not been agreed.

15.   To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

16.   To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.

17.   To monitor the counter-fraud, bribery and corruption strategy, actions and resources.

18.   To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

19.   To approve the Internal Audit Charter incorporating the mission, code of ethics, definition and core principles of Internal Audit.

20.   To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

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[2] https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2

21. To approve, but not direct, the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

22. To approve significant interim changes to the risk based internal audit plan and resource requirements, including approval of significant additional consulting services.

23. To make appropriate enquiries of both management and the CAE to determine if there are any inappropriate scope or resource limitations.

24. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the CAE. To approve and periodically review safeguards to limit such impairments.

25. To consider reports from the CAE on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include:

    a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand following Internal Audit work.

    b) Reports on the results of the Quality Assurance and Improvement Programme.

    c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance should be included in the Annual Governance Statement.

26. To consider the CAE's annual report, specifically:

    a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.

    b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

27. To consider summaries of specific internal audit reports as requested.

28. To receive reports outlining the action taken where the CAE has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

29. To contribute to the Quality Assurance and Improvement Programme and to the external quality assessment of Internal Audit that takes place at least once every five years.

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30. To support the development of effective communication with the CAE.

External Audit

31. To support the independence of the External Auditor through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the Public-Sector Audit Appointments (PSAA); consider and comment on the selection and rotation of the External Auditor.

32. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.

33. To consider specific reports as agreed with the External Auditor and other inspection agencies.

34. To support the quality and effectiveness of the external audit process and to comment on the scope and depth of external audit work to ensure it gives value for money and complies with ethical standards.

35. To commission additional work from external audit as required.

36. To review and advise on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial reporting

37. To review and if necessary, approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. When required, to approve the Annual Statement of Accounts

38. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury Management

39. To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet and Full Council, ensuring that controls are satisfactory.

40. To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity[3].

41. To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management in accordance with best practice.

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[3] Clause 3 Treasury Management Code of Practice

Accountability Arrangements

42.   To publish an annual report on the work of the Committee by reporting 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.

43.   To report to Council where the Audit Committee wish to raise concerns within their remit, have added value, improved or promoted the control environment and performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.

Work plan

44.   In carrying out the core functions the Audit Committee will approve an annual work plan. This will enable members to consider, review and, as appropriate, approve: -

   a) An annual review of the Terms of Reference for the Audit Committee, making any recommendations for significant changes in them to Full Council.

   b) Any proposals for the revision of the Internal Audit Charter.

   c) The CAE's Annual Report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

   d) Regular performance reports on the work completed by Internal Audit and the progress made by directorates in implementing recommended actions.

   e) Revisions to the annual audit plan as advised by the CAE and agreed by the Section 151 Officer.

   f) The Council's Statement of Accounts when required or before submission to Full Council for such approval.

   g) A report on the review of the adequacy of the Council's corporate governance arrangements.

   h) A report on the Internal Audit system and ongoing Quality Assurance and Improvement Programme.

   i) A report on the strategic risks of the Council and a review of the adequacy of the Council's risk management arrangements.

   j) The Council's Annual Governance Statement.

   k) The External Auditor's work plan, including comments on the scope and depth of external audit work to ensure it gives value for money.

   l) The External Auditor's Progress and Findings; and Annual Reports following completion of the annual audit of the Accounts.

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m) Reports on any joint projects undertaken by Internal and External Audit.

n) Reports on Internal Audit investigations including frauds and consideration of recommendations for strengthening internal controls.

o) The annual review and re-affirmation of the Council's Counter Fraud, Bribery and Anti-Corruption Strategy to ensure on-going training and awareness of all staff regarding Counter Fraud and Anti-Corruption measures.

p) Any issues within the remit of the Audit Committee referred to it by the Head of the Paid Service, the Section 151 Officer, Monitoring Officer or any Council body for determination.

q) Treasury Strategy Reports including the Annual Investment Strategy and Minimum Revenue Provision Policy before submission to Full Council.

r) The mid-year Treasury Strategy Report and Annual Treasury Report before submission to Full Council.

Powers of the Audit Committee

45. The Committee will have no delegated powers, other than those assigned from Council to approve the Statement of Accounts when required, but can require relevant officers, members and agencies to attend at any meeting where such attendance would be expedient to the work of the Committee.

Audit Committee Competency Framework

46. All Members of the Audit Committee should have, or acquire as soon as possible after appointment: -

a) An understanding of the objectives and current significant issues facing the Council.

b) An understanding of the Council's structure including key relationships with external partner organisations.

c) An understanding of any relevant legislation or other rules governing the operation of the Council.

d) A broad understanding of the local government environment, its accountability structures and current, major initiatives.

47. CIPFA recommends that the Audit Committee should corporately possess an appropriate level of knowledge/skills/experience in: -

a) The Council's governance and regulatory frameworks.

b) Understanding of the wider governance environment in which the Council operates and the accountability structures within that environment.

c) Financial management and accounting including accounting concepts and standards.

d) Risk management.

e) Audit.

f) Counter fraud.

g) Treasury management.

And that the Committee should receive appropriate levels of training.

Reviewed February 2023.

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Agenda Item 12

Audit Committee 14th February 2023; Review of the Audit Committee's Workplan and Future Learning and Development Requirements 2023/24

Shropshire Council

Committee and Date	Item
Audit Committee	
14th February 2023	
10:00am	Public

Review of the Audit Committee's Annual Work Plan and Future Learning and Development Requirements 2023/24

Responsible Officer:	Katie Williams	
email: katie.williams@shropshire.gov.uk	Tel:	07584 217067
Cabinet Member (Portfolio Holder):	Lezley Picton (Leader of the Council) Brian Williams (Chairman of Audit Committee)	

1.   Synopsis

Audit Committee Members agree, annually, a plan of work including appropriate learning and development to undertake their duties effectively and deliver them to a high standard, thereby helping to ensure the integrity of the financial reporting and governance of the Council.

2.   Executive Summary

2.1.   It is important that Audit Committee Members have an agreed plan of work for the year ahead and receive appropriate learning and development to deliver their responsibilities effectively. This report provides a proposed Audit Committee work plan and seeks 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.

3.   Recommendations

3.1. The Committee is asked to consider and approve, with appropriate comment:

- The Audit Committee work plan for 2023/24, **Appendix A**;

- A learning and development plan for Members of the committee taking in to account information in Appendices A and B.

Report

4.   Risk Assessment and Opportunities Appraisal

(NB This will include the following: Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation)

4.1. By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change requirements or consequences of this proposal.

5.   Financial Implications

5.1. The Audit Committee work plan and learning and development sessions for members will be met from within approved budgets.

6.   Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation nor climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

7.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2022 Edition, as providing those charged with governance, independent and high-level focus on the adequacy of governance, risk and control arrangements. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared and members will gain the knowledge and experience needed to carry out their role effectively.

7.2. **Work Plan**

The work plan in Appendix A continues to be presented in a format which demonstrates how reports to Audit Committee contribute to the delivery of the Committee's Terms of Reference and what assurances they provide.

7.3. The External Auditors, Grant Thornton will confirm their reports and timings at the meeting prior to any work plan approval.

7.4. **Learning and Development**

CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.

7.5. Members need to consider annually their learning and development plan to support them in delivery of their roles. During 2022/23 Members have received three half day sessions covering several topics in detail; i.e.
- Strategic Risk Management
- Treasury Management
- Public Health Governance arrangements
- Climate Change
- Audit Committee Effectiveness
- Self-assessment of the Committee including the Independent member role

7.6. Additional learning and documentation were also shared on:
- Helping Audit Committees to be effective
- Climate Change Risk

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7.7. It is proposed that training is again provided in three half day sessions over the next twelve months. Sessions are proposed for the 29th June, the 14th September 2023 and the 8th February 2024.

7.8. Appendix B identifies training topics for Audit Committee Members to consider. Topics are identified as core areas of knowledge that all Audit Committee Members should seek to acquire plus specialisms that can add value to the committee. Members may also want to hear from key officers of the Council where new or changing activities and risks are emerging and can request this as part of their training.

7.9. Whilst members are asked to endorse the initial sessions for learning and development, this will not prevent any additional items being added during the year or changes being made if these are felt to be of value.

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

Previous training session records
CIPFA's Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition

Accounts and Audit Regulations 2015

Local Member:	N/A

Appendices

Appendix A – Audit Committee Work Plan 2023/24 and Summary

Appendix B – Audit Committee Members development topics

Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core business 22 June 2023		
1. Section 151 Officer: Statement of Accounts.	Ensure that the narrative report to the accounts help the public understand the Council's financial management of public funds. Consider the outcome of the External Audit and the appropriateness of management responses. Seek assurance that the Council has appropriate accounting policies in place to ensure that items are treated correctly in the accounts.	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
2. Section 151 Officer: Annual Governance Statement (AGS) and review of the effectiveness of the Council's internal controls and Shropshire Council's Code of Corporate Governance.	Confirm that the final Annual Governance Statement accurately reflects the Committee's understanding of how the Council is run. Gain assurance that management have progressed the agreed actions associated with the significant issues / key risks identified in the Annual Governance Statement. That the Council has very strong compliance with the Code of Corporate Governance which is part of the overall internal control framework and contributes to the Council's strong governance arrangements.	To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, considering Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council. To review the Council's corporate governances arrangements against the good governance framework and consider annual governance reports and assurances.

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	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core business 20 July 2023		
1. Internal Audit: Annual Report.	Chief Audit Executive's overall opinion on the Council's internal control environment. Performance against the revised internal audit plan. Provides a review of the effectiveness of the systems of internal control.	To consider the Chief Audit Executive's annual report, specifically: a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit. b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
2. Section 151 Officer: Annual review of internal audit: quality assurance and improvement programme (QAIP).	That Internal Audit complies with the Public Sector Internal Audit Standards and is effective in doing so. That there is an improvement programme in place to ensure that any identified gaps are addressed.	To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, these will include reports on: • the results of the Quality Assurance and Improvement Programme; and • instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance should be included in the Annual Governance Statement.

Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
		To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.
3. Internal audit: Annual assurance report of Audit Committee to Council.	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run. 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.	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. To report to Council where the Audit Committee have added value, improved or promoted the control environment and performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.
4. Section 151 Officer: Financial Outturn report.	Provides the financial outturn of the Council's revenue budget for the year and therefore considers the effect that any over/underspend has on the Council's balances. Provides details of the potential risks affecting the balances and financial health of the Council.	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. To consider the Council's arrangements for securing value for money and review assurances and

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Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
	Provides the financial outturn of the Council's capital budget for the year and therefore considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.	assessments on the effectiveness of these arrangements.
5. Assistant Director Workforce and Improvement: Annual Whistleblowing report.	Assurance that as part of the Counter Fraud, Bribery and Anti-Corruption Strategy the Whistleblowing policy contributes to our zero tolerance of fraud, bribery and corruption.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.
6. External Audit: Fee Letter.	To provide a clear indication as to the External Auditor's fees for the year.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
7. External Audit: Audit progress report and sector update.	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. The paper also includes: •a summary of emerging national issues and developments that may be relevant to the Council; and •several challenge questions in respect of these emerging issues which the Committee may wish to consider.	To consider specific reports as agreed with the External Auditor and other inspection agencies. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. Internal Audit: Fraud, investigations and RIPA update.	Provide assurances and an update on current fraud and investigations undertaken by Internal Audit and the impact these have on the internal control environment	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.

Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
	together with an update on activity under the Regulation of Investigatory Powers Act (RIPA).	To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
Other assurance		
9. External Audit: Pension Fund Audit Plan (information).	Evidence that the External Auditor understands the Council's business, risk, challenges and opportunities it is facing. Explanation of its audit approach and the scope of its plans for the Pension Fund.	To consider specific reports as agreed with the External Auditor and other inspection agencies.
Core business: 28 September 2023		
1. External Audit: Audit Findings report Shropshire Council	Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements. Ensure any issues / risks identified are being effectively managed.	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
2. Final Statement of Accounts	Approve the final audited outturn position for the financial year and details of any amendments made to the Draft Statement of Accounts during the audit process. Where a meeting is held before the 31st July, to agree that the Executive Director of Resources (s151 Officer) be authorised to make any minor adjustments to the Statement of Accounts prior to the 31st July.	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

	Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
		Appendix A: Audit Committee Work Plan – 2023/24	
		Agree that the Executive Director of Resources (s151 Officer) and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.	
3.	Risk and Business Continuity Manager: Risk Annual report incorporating strategic risks.	To understand the current strategic risk exposure together with recent modifications and planned changes to strategic risk management within the Council. Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept.	To monitor the effective development and operation of risk management in the Council.
4.	Section 151 Officer; Annual Treasury report.	Provide assurance on the treasury activities for Shropshire Council, including the investment performance of the internal Treasury team.	To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity. To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management.

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	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
5. Internal Audit: Performance report and revised Annual Audit Plan.	Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment. Ensure management action is taken to improve controls / manage risks identified. Encouraging ownership of the internal control framework by appropriate managers. Confirm appropriate progress being made on the delivery of the audit plan and performance targets. Understand any resourcing issues because of changes to the plan.	To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work. To consider summaries of specific internal audit reports as requested. To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions. To approve significant interim changes to the risk based internal audit plan and resource requirements.
6. External Audit: Audit progress report and sector update.	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. The paper also includes:	To consider specific reports as agreed with the External Auditor and other inspection agencies. To comment on the scope and depth of external audit work and to ensure it gives value for money.

	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
	•a summary of emerging national issues and developments that may be relevant to the Council; and •challenge questions in respect of these emerging issues which the Committee may wish to consider.	
7. External Audit: Annual Audit Letter.	Provides assurances on the key findings arising from the work that External Audit have carried out at the Council.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
8. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
Other assurance		
9. External Audit: Audit Findings report Shropshire County Pension Fund (information).	Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements. Ensure any issues / risks identified are being effectively managed.	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
Core business: 23 November 2023		
1. Internal Audit: Annual review of Audit Committee Terms of Reference.	Ensures the Audit Committees continues to benefit the Council by continuing to provide an effective service assessed against current best practice.	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
2. Internal Audit: Annual review of Internal Audit Charter.	Assurance that effective corporate governance arrangements are maintained in the Council, part of which is evidenced by a current Internal Audit Charter.	To approve the Internal Audit Charter.
3. Internal Audit: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities; including an update on the National Fraud Initiative (NFI).	Confirm that the Council's counter fraud activity is targeted and effective. Ensure that appropriate progress is being made on the delivery of the Counter Fraud plan. Ensure that lessons have been learnt – understand fraud risks facing the Council and actions being taken to reduce the risk Provides confirmation that the Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed in line with best practice and continues 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. Provides an update and assurances on the outcomes of the National Fraud Initiative.	To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
4. Internal Audit: Performance report	Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment.	To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of

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Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
and revised Annual Audit Plan.	Ensure management action is taken to improve controls / manage risks identified. Encouraging ownership of the internal control framework by appropriate managers. Confirm appropriate progress being made on the delivery of the audit plan and performance targets. Understand any resourcing issues because of changes to the plan.	Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work. To consider summaries of specific internal audit reports as requested. To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions. To approve significant interim changes to the risk based internal audit plan and resource requirements.
5. Section 151 Officer: Treasury Strategy Mid-Year report.	Provide assurance on the treasury activities for Shropshire Council, including the investment performance of the internal Treasury team.	To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity. To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management.

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	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
6. Section 151 Officer: Annual Audit Committee self-assessment.	Confirmation that the Audit Committee is working effectively and where any further improvements are identified to improve its overall effectiveness, there are plans to implement these.	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
7. External Audit: Audit progress report and sector update.	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. The paper also includes: •a summary of emerging national issues and developments that may be relevant to the Council; and •challenge questions in respect of these emerging issues which the Committee may wish to consider.	To consider specific reports as agreed with the External Auditor and other inspection agencies. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. External Audit: Certification Summary report.	Seek assurances that claims and returns have been managed appropriately and that there are no significant errors that would result in loss of funding.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
9. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
Other assurance		
10. None planned.		

	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core business: **22 February 2024**		
1. Risk and Business Continuity Manager: Strategic Risks update.	Assurances that the management of strategic risks which is a key process that underpins the successful achievement of the Council's priorities and outcomes is robust. Strategic risks are a key aspect of the Annual Governance Statement. Provide information to confirm to the Audit Committee that they are receiving assurances on the key risk areas within the Council and how these are being managed through the internal controls and governance processes.	To monitor the effective development and operation of risk management in the Council.
2. Section 151 Officer: Treasury Strategy.	Provides assurances that the Council's Treasury Management practice complies with CIPFA's Code of Practice on Treasury Management, the Council's Treasury Policy Statement, Treasury Management Practices and the Prudential Code for Capital Finance and together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and reduce any potential for financial loss.	To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet and Full Council, ensuring that controls are satisfactory.
3. Internal Audit: Report of the audit review of Risk Management.	Provides independent assurance on the overall control environment for the Risk Management system that the Council is effectively managing its key risks – has good risk management systems / processes in place that	To monitor the effective development and operation of risk management in the Council.

	Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
Appendix A: Audit Committee Work Plan – 2023/24			
		enable decision makers to understand the level of risk being taken and the Council is prepared to accept.	
4.	Internal Audit: Performance report and revised Annual Audit Plan.	Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment. Ensure management action is taken to improve controls / manage risks identified. Encouraging ownership of the internal control framework by appropriate managers. Confirm appropriate progress being made on the delivery of the audit plan and performance targets. Understand any resourcing issues because of changes to the plan.	To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work. To consider summaries of specific internal audit reports as requested. To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions. To approve significant interim changes to the risk based internal audit plan and resource requirements.
5.	Internal Audit: Draft Annual Internal Audit risk-based plan.	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Chief Audit Executive's opinion.	To approve, but not direct, the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources

	Appendix A: Audit Committee Work Plan – 2023/24	
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
	Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. Ensure that the Internal Audit Resource has sufficient capacity and capability to deliver the plan. Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference. Gain assurance that the Council has effective arrangements in place to fight fraud locally and that counter fraud resources are targeted to the Council's key fraud risks.	of assurance and any work required to place reliance upon those other sources. To make appropriate enquiries of both management and the Chief Audit Executive to determine if there are any inappropriate scope or resource limitations.
6. Internal Audit: Draft Audit Committee annual work plan and future training requirements.	Assurance that the agreed plan of work for the year ahead will deliver against the terms of reference of the Audit Committee and that Members will receive appropriate learning and development to deliver their responsibilities effectively.	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.

Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
8. External Audit: Annual Plan.	Evidence that the External Auditor understands the Council's business, risk, challenges and opportunities it is facing. Explanation of its audit approach and the scope of its plans.	To comment on the scope and depth of external audit work and to ensure it gives value for money.
9. External Audit: Informing the risk assessment.	As part of External Audit's risk assessment procedures, they obtain an understanding of management processes and the Audit Committee's oversight of the following areas: • Fraud • Laws and regulations • Going concern • Related party transactions • Accounting estimates This report includes a series of questions on each of these areas and the response we have received from the Council's management, for Audit Committee to consider whether the responses are consistent with its understanding and whether there are any further comments it wishes to make.	To comment on the scope and depth of external audit work and to ensure it gives value for money.
10. External Audit: Audit progress report and sector update.	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. The paper also includes: •a summary of emerging national issues and developments that may be relevant to the Council; and	To consider specific reports as agreed with the External Auditor and other inspection agencies. To comment on the scope and depth of external audit work and to ensure it gives value for money.

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Appendix A: Audit Committee Work Plan – 2023/24		
Report	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
	•several challenge questions in respect of these emerging issues which the Committee may wish to consider.	
Other assurance		
11. None planned		

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APPENDIX A

Audit Committee Work Plan 2023/24 Summary

Audit Committee Work Plan 2023/24	22 June 2023	29 June 2023	20 July 2023	14 Sept 2023	28 Sept 2023	23 Nov 2023	8 Feb 2024	22 Feb 2024	Report originator
Training Sessions		✓		✓			✓		
Regular Committees	✓		✓		✓	✓		✓	
Statement of Accounts – preparation of draft and sign off (Statutory deadline 31 May 2023[1])	✓								Section 151 Officer
Annual Governance Statement (AGS) and review of the effectiveness of the Council's internal controls and Shropshire Council's Code of Corporate Governance	✓								Section 151 Officer
Internal Audit Annual Report			✓						Internal Audit
Annual review of Internal Audit: Quality Assurance and Improvement Programme (QAIP)			✓						Section 151 Officer
Annual Assurance Report of Audit Committee to Council			✓						Internal Audit
Financial Outturn Report			✓						Section 151 Officer
Annual Whistleblowing report			✓						Assistant Director Workforce
Audit Fee Letter			✓						External Audit

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[1] This is the deadline for the draft accounts to be published and sent to External Audit.

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Audit Committee Work Plan 2023/24	22 June 2023	29 June 2023	20 July 2023	14 Sept 2023	28 Sept 2023	23 Nov 2023	8 Feb 2024	22 Feb 2024	Report originator
Audit Progress Report and Sector Update			✓		✓	✓		✓	External Audit
Fraud, special investigations and RIPA Updates (part 2)			✓		✓	✓		✓	Internal Audit
Audit Findings Report Shropshire Council as part of faster closedown processes. (Audit opinion complete and publication of final accounts, 30th September).					✓				External Audit
Final approval - Statement of Accounts					✓				Section 151 Officer
Pension Fund Audit Plan (information)			✓						External Audit
Risk Annual Report incorporating Strategic Risks					✓				Risk and Business Continuity Manager
Strategic Risks update								✓	Risk and Business Continuity Manager
Annual Treasury Report					✓				Section 151 Officer
Performance Report and revised Annual Audit Plan					✓	✓		✓	Internal Audit
Audit Findings: Shropshire County Pension Fund (Information)					✓				External Audit

Audit Committee Work Plan 2023/24	22 June 2023	29 June 2023	20 July 2023	14 Sept 2023	28 Sept 2023	23 Nov 2023	8 Feb 2024	22 Feb 2024	Report originator
Annual review of Audit Committee Terms of Reference						✓			Internal Audit
Annual review of Internal Audit Charter						✓			Internal Audit
Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities; including an update on the National Fraud Initiative (NFI)						✓			Internal Audit
Treasury Strategy Mid-Year Report						✓			Section 151 Officer
Annual Audit Committee Self-Assessment						✓			Section 151 Officer
Annual Audit Letter					✓				External Audit
Treasury Strategy								✓	Section 151 Officer
Report of the Audit Review of Risk Management								✓	Internal Audit
Draft Annual Internal Audit Risk Based Plan								✓	Internal Audit
Draft Audit Committee annual work plan and future training requirements								✓	Internal Audit
Audit Plan								✓	External Audit
Certification Summary Report						✓			External Audit
Informing the risk assessment								✓	External Audit

Key to table

| Committee dates - fixed |
| Training dates |

Appendix B

Audit Committee Members development topics

Core areas of knowledge	Specialist knowledge that adds value to the Audit Committee	Core skills
Organisational knowledge Audit committee role and function Governance Internal audit Financial management and accounting External audit Risk management Counter fraud, bribery, corruption and whistleblowing Values of good governance Treasury management	Accountancy Internal audit Risk management Governance and legal Service knowledge relevant to the different Council functions Programme and project management IT systems and IT governance	Strategic thinking and understanding of materiality Questioning and constructive challenge Focus on improvement Able to balance practicality against theory Clear communication skills and focus on the needs of users Objectivity Meeting management skills

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Committee and Date

Audit Committee

14th February 2023

10:00am

Item

Public

Internal Audit Performance 2022/23

Responsible Officer:	Katie Williams	
email:	katie.williams@shropshire.gov.uk	Tel:	07584 217067
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee	

1. Synopsis

This report summarises Internal Audit's 2022/23 work to date. Delivery is below target, impacted by external contractors being delayed in starting their work. Lower assurances from reviews are specifically highlighted, providing members with an opportunity to challenge.

2. Executive Summary

2.1. This report provides members with an update of work undertaken by Internal Audit in the three months since the November Audit Committee. 64% percent of the revised plan has been completed (see Appendix A, Table 1), which is below previous delivery records (73% 2021/22; 79% 2020/21).

2.2. Two good, three reasonable and two limited assurance opinions have been issued. The seven final reports contained 85 recommendations, none of which was fundamental.

Contact: katie.williams@shropshire.gov.uk   1

2.3. This report proposes minor revisions in the coverage of planned activity for Shropshire Council, with no change to the 1,569 days reported in November 2022. Changes to the planned activity reflect adjustments considering both risks and available resources. Delivery is lower than anticipated due to resignations earlier in the year and external contractors being delayed in starting their work.

2.4. There continues to be an increase in training and developing time as auditors new to the role and in trainee positions have required additional support. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.

2.5. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3.   Decisions

3.1. The Committee is asked to consider and endorse, with appropriate comment the performance of Internal Audit against the 2022/23 Audit Plan.

Report

4.   Risk Assessment and Opportunities Appraisal

4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.

4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

4.3. 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, is being managed proactively and activities undertaken to mitigate and manage this going forward.

4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

5.   Financial Implications

5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6.   Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7.   Background

7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.

7.2. The 2022/23 Internal Audit Plan was presented to, and approved by the Audit Committee at the 22nd, February 2022 meeting, with adjustments being approved in September and November. This report provides an update on progress made against the plan up to 15th January 2023 and includes revisions to the plan.

8.   Performance Against the Plan 2022/23

8.1. Revisions to the 2022/23 plan provide for a total of 1,569 audit days. The interim arrangement to cover the Head of Audit role remains in place whilst the Head of Policy and Governance role is recruited to. This has impacted delivery in the short term. There continues to be an increase in training and developing time as Auditors new to the role and in trainee positions have required additional support.

Revisions to the plan are targeted to provide enough activity to inform an end of year opinion. Productivity has been impacted as audits are taking longer to complete due to a lack of capacity in some service areas to accommodate an audit or respond to requests for information. These issues have been raised directly with the S151 Officer.

8.2. External Contractors have been delayed in starting their work and their work is not yet reflected in the audit days delivered. Assurances have been received that planned work will be completed by year end where service areas engage with the audit process.

8.3. As a result, performance to date is below previous delivery records at 64% (73% 2021/22; 79% 2020/21), delivery of a minimum of 90% of the revised annual plan by the year end could be impacted if external contractors are unable to complete their work by within that timescale.

8.4. In total, seven final reports have been issued in the period from 1st November 2022 to 15th January 2023, all are listed with their assurance rating and broken down by service area at paragraph 8.6. The year to date position is shown at Appendix A, Table 2. The following chart shows performance against the approved Internal Audit Plan for 2022/23:

SUMMARY OF PLANNED AUDITS - STAGES

Not Started 30%
Final Report 33%
Draft Report 5%
Work In Progress 32%
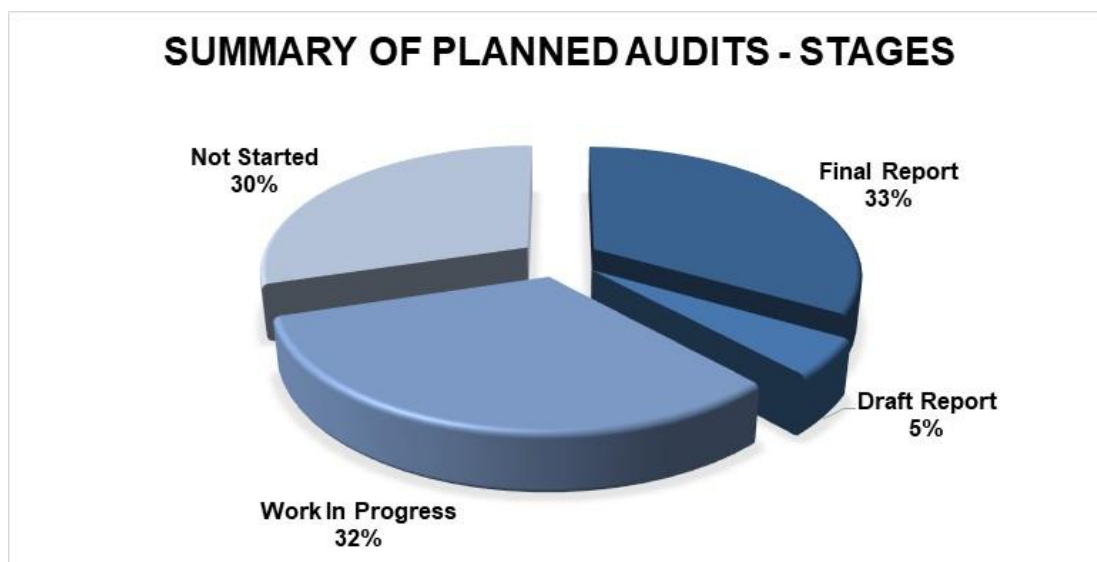
8.5. Audits have been completed over several service areas as planned:

5

Planned vs Actual Audit Days

	Chief Executive	Resources	People	Place	Health & Wellbeing
Planned Days	18	532	143	301	57
Actual Days	9.5	332.2	92.8	164.2	16.2
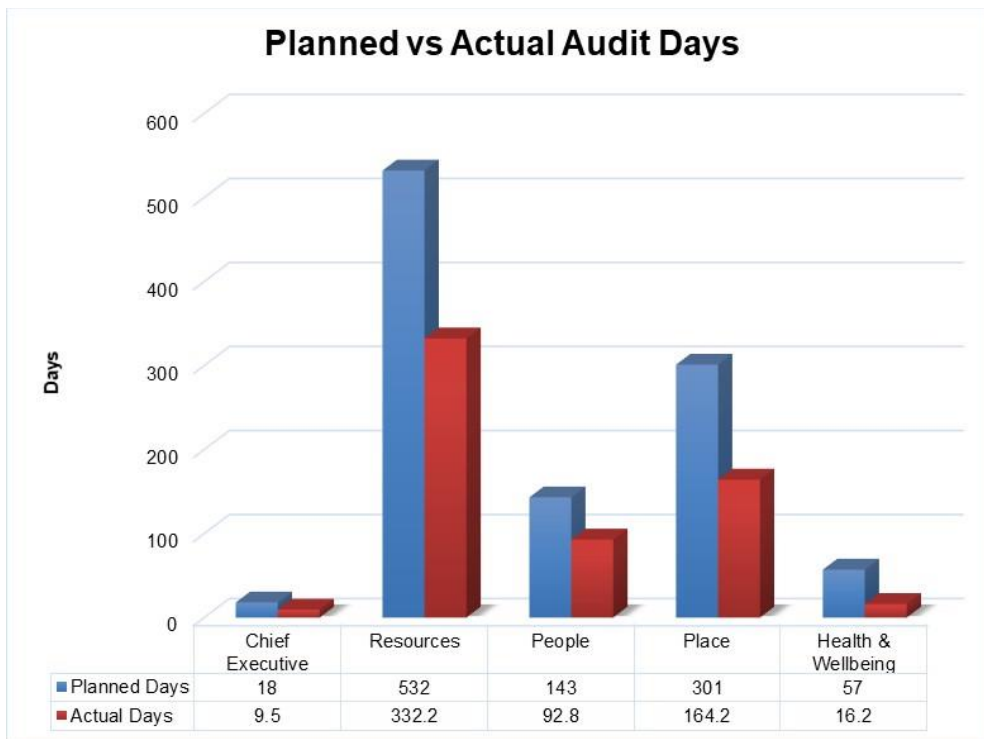
8.6. The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
People - Children								
Schools Themed Audits		1					29	
Other, including added value and briefing notes						1		
	0	**1**	**0**	**0**	**0**	**1**	**29**	**0**
Place								
Local Enterprise Partnerships	1							
Contracts and Tendering - Property		1				1	5	2
Confirm Application			1			7	5	
	1	**1**	**1**	**0**	**0**	**8**	**10**	**2**
Resources - Workforce and Improvement								
Risk Management	1					1	2	
Home and flexible Working Arrangements		1				5	8	
	1	**1**	**0**	**0**	**0**	**6**	**10**	**0**
Resources - Legal and Governance								
Management and Control of CCTV Operations			1			10	9	
	0	**0**	**1**	**0**	**0**	**10**	**9**	**0**
Total	**2**	**3**	**2**	**0**	**0**	**25**	**58**	**2**
%	29%	42%	29%	0%	0%	30%	68%	2%

8.7. The assurance levels awarded to each completed audit area appear in the graph below:

AUDIT REPORT ASSURANCES FOR THE PERIOD

- Unsatisfactory 0%
- Limited 29%
- Good 28%
- Reasonable 43%
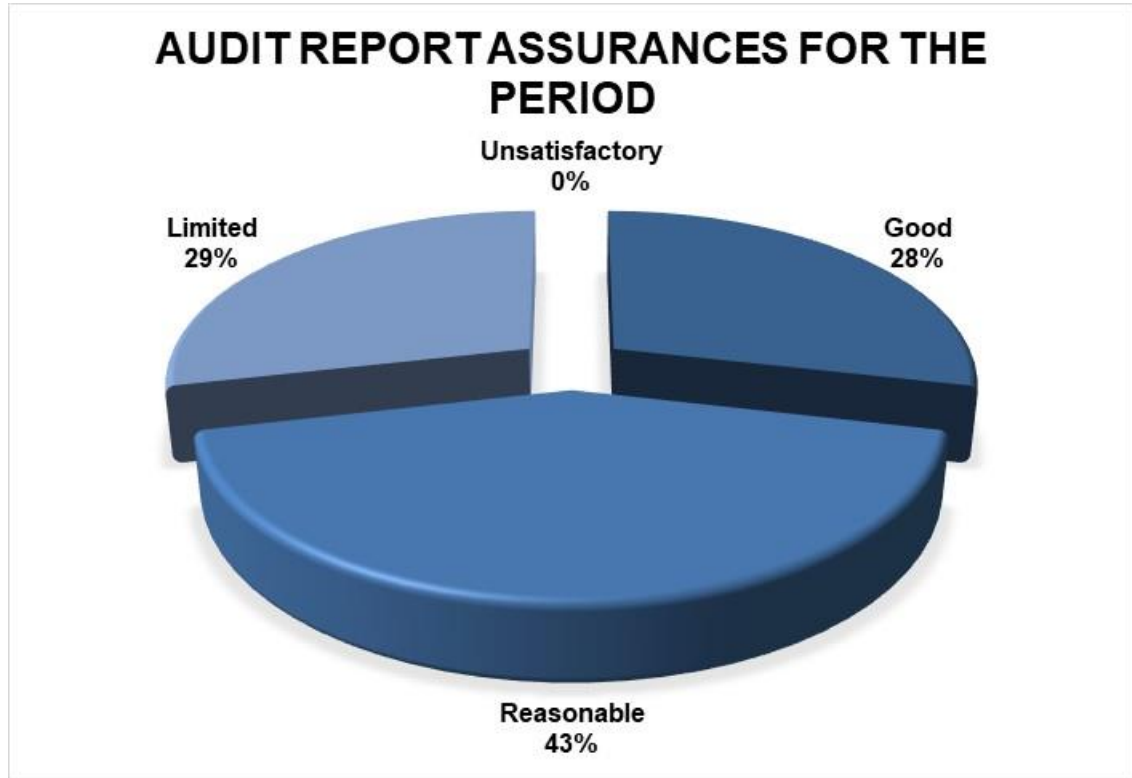
8.8. The overall spread of recommendations agreed with management following each audit review are as follows:

AUDIT RECOMMENDATIONS FOR THE PERIOD

Best Practice 2%
Fundamental 0%
Significant 30%
Requires Attention 68%
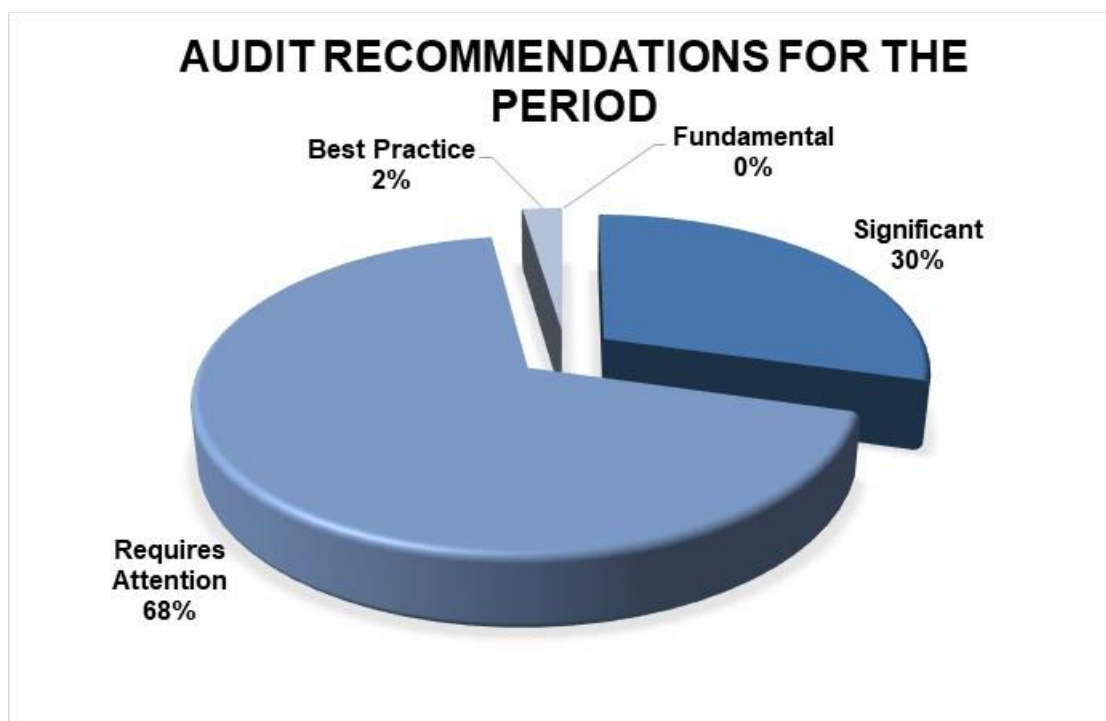
8.9. In the period up to the 15th January 2023, five reports have been issued providing good or reasonable assurances and accounting for 71% of the opinions delivered. This represents a increase in the higher levels of assurance for this period, compared to the previous year outturn of 64%. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 29% for the period compared to the previous year outturn of 36%. There is no strong overall pattern of areas attracting lower assurances ratings.

8.10. There are no unsatisfactory audits in the period to bring to Member's attention.

8.11. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in Appendix A, Table 3. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, Tables 4 and 5 and provides a glossary of common terms, Table 6.

8.12. Four draft reports, awaiting management responses, will be included in the next performance report. Work has also been completed for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.

8.13. A total of 85 recommendations have been made in the seven final audit reports issued during this period; these are broken down by service area at paragraph 8.6, the year-to-date position is show at Appendix A, Table 2. There are no new fundamental recommendations to report to Members.

8.14. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. Appendix A, Table 7 sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

Direction of travel

8.15. This section compares the assurance levels (where given), and categorisation of recommendations made, to demonstrate the direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)

Trend in Internal Audit Opinions

Year	Good	Reasonable	Limited	Unsatisfactory
2022-23 YTD	14%	46%	29%	11%
2021-22	15%	49%	19%	17%
2020-21	21%	36%	28%	15%
2019-20	15%	49%	22%	14%
2018-19	26%	41%	27%	8%
2017-18	20%	44%	29%	7%
2016-17	7%	45%	31%	17%

Legend: Good, Reasonable, Limited, Unsatisfactory
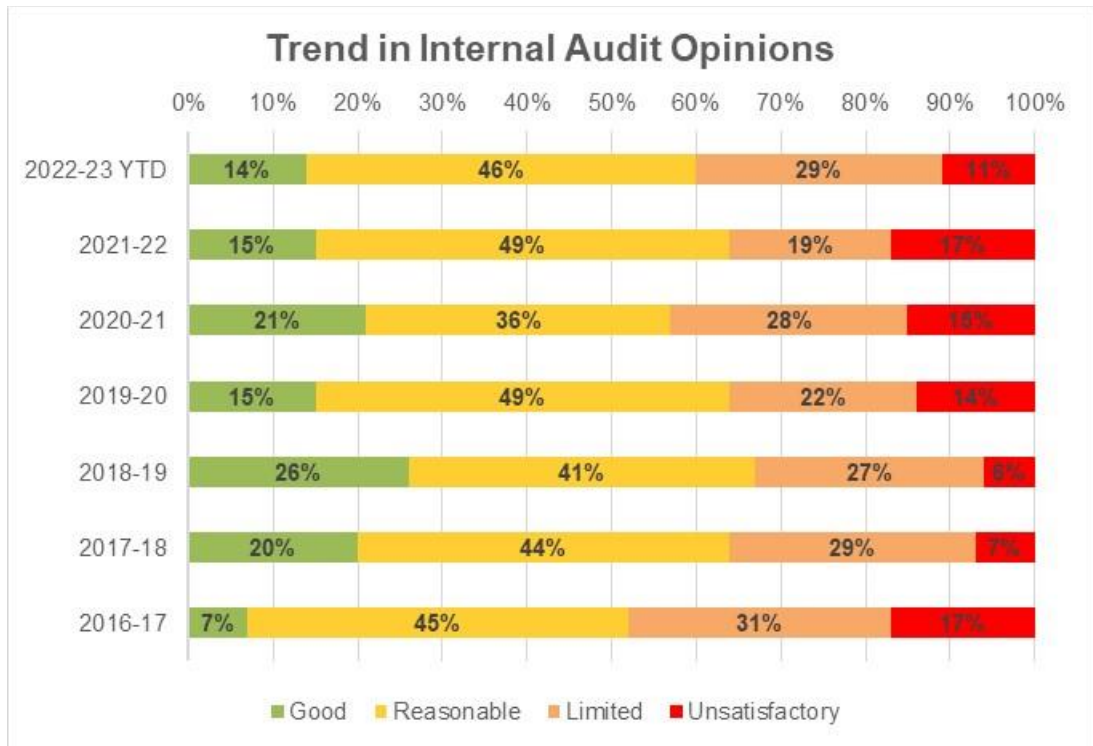
Comparison of recommendation by categorisation

Trend in Internal Audit Recommendations

Year	Best Practice	Requires Attention	Significant	Fundamental
2022-23 YTD	1%	59%	39%	1%
2021-22	0%	52%	45%	3%
2020-21	1%	50%	47%	2%
2019-20	1%	59%	39%	1%
2018-19	2%	60%	37%	1%
2017-18	3%	56%	41%	0%
2016-17	4%	50%	46%	0%

Legend: Best Practice, Requires Attention, Significant, Fundamental
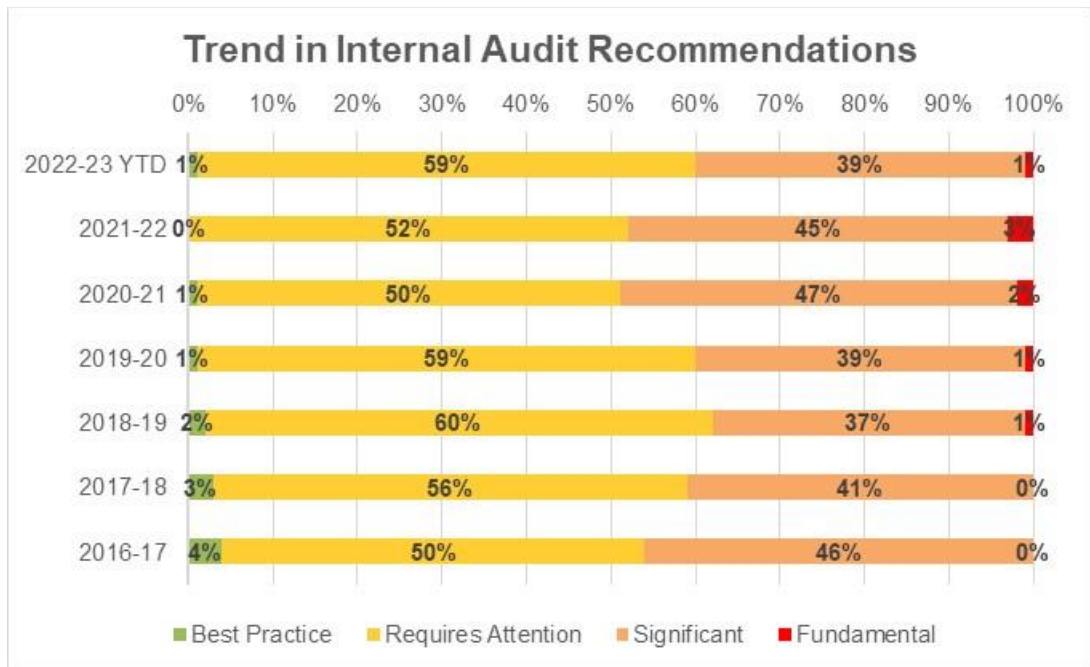
8.16. The number of lower-level assurances to date, 40%, is slightly higher than the outturn for 2021/22 of 36%. It is also important to note that audit reviews for

fundamental systems are yet to be completed and there are some significant areas of risk in progress and in draft that may impact upon this. Full details of the audits completed and their assurance opinions can be found at Appendix A, Table 2.

Performance Measures

8.17. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

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

Internal Audit Performance and Revised Annual Audit Plan 2022/23 – Audit Committee 24th November 2022
Internal Audit Performance and Revised Annual Audit Plan 2022/23 – Audit Committee 15th September 2022
Draft Internal Audit Risk Based Plan 2022/23 - Audit Committee 22nd February 2022
Public Sector Internal Audit Standards (PSIAS)
Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Local Member:	All

Appendices

Appendix A
Table 1: Summary of actual audit days delivered against plan 1st April to 15th January 2023
Table 2: Final audit report assurance opinions and recommendation summary 1st April to 15th January 2023
Table 3: Unsatisfactory and limited assurance opinions in the period 1st November 2022 to 15th January 2023
Table 4: Audit assurance opinions
Table 5: Audit recommendation categories
Table 6: Glossary of terms
Table 7: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 15th January 2023

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 15th January 2023

	Original Plan	Revised Plan	15th January 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	14	18	9.5	68%	53%
Health and Wellbeing	10	57	16.2	162%	28%
People	65	143	92.8	143%	65%
Adult Services	15	58	46.3	309%	
Children's Services	22	47	13.3	60%	28%
Education and Achievement	28	38	33.2	119%	87%
Place	129	301	164.2	127%	55%
Resources	318	532	332.2	104%	62%
Finance and Technology	202	320	213.5	106%	67%
Legal and Governance	49	63	35.0	71%	56%
Workforce and Improvement	67	149	83.7	125%	56%
S151 Planned Audit	**536**	**1,051**	**614.9**	**115%**	**59%**
Contingencies and other chargeable work	682	307	237.3	35%	77%
Total S151 Audit	**1,218**	**1,358**	**852.2**	**70%**	**63%**
External Clients	211	211	144.8	69%	69%
Total	**1,429**	**1,569**	**997.0**	**70%**	**64%**

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Final audit report assurance opinions and recommendation summary - 1st April to 15th January 2023

Audit Name	Audit Opinion					Recommendations			
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice
Chief Executive									
Corporate Governance		1							
	0	**1**	**0**	**0**		**0**	**0**	**0**	**0**
People - Adults									
Individual Service Funds (ISFs)		1				1	1	1	
Other, including added value and briefing notes							1	1	
	0	**1**	**0**	**0**		**1**	**2**	**2**	**0**
People - Children									
Supporting Families Grant - June Claim	1								
Supporting Families Grant - September Claim		1						1	
Schools Themed Audits 2021/22		1					7	28	
Schools Themed Audits		1						29	
Other, including added value and briefing notes								1	
	1	**3**	**0**	**0**		**0**	**9**	**57**	**0**
Place									
Local Enterprise Partnerships	1								
Gladstone Leisure IT Application 2021/22		1					6	5	
Contracts and Tendering - Property		1					1	5	2
Confirm Highways IT Application			1				7	5	
WSP Contract Management 2021/22			1				2	9	
Acton Scott Working Farm Museum				1			13	13	
Much Wenlock Leisure Centre				1			21	22	
	1	**2**	**2**	**2**		**0**	**50**	**59**	**2**
Resources - Finance and Technology									
ERP Development and Administration	1							1	
Sales Ledger - Periodic Income 2021/22		1					4	2	
Sales Ledger 2021/22		1					3	4	
Encryption		1					2	2	
ResourceLink Database Administration		1					4	1	
SNOW - IT Asset Management		1					2	3	
Debt Recovery 2021/22			1				5	4	
General Ledger 2021/22			1				7	11	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Telecommunications, Contracts and Procurement Follow up 2021/22			1			5	3	
Third Party Contractor Access Controls 2021/22			1			2	4	
Purchase Ledger 2021/22			1			9	27	
	1	**5**	**5**	**0**	**0**	**43**	**62**	**0**
Resources - Workforce and Improvement								
Risk Management	1					1	2	
Home and flexible Working Arrangements		1				5	8	
Payroll 2021/22				1	1	19	9	
	1	**1**	**0**	**1**	**1**	**25**	**19**	**0**
Resources - Legal and Governance								
Management and Control of CCTV Operations			1			10	9	
	0	**0**	**1**	**0**	**0**	**10**	**9**	**0**
Total	**4**	**13**	**8**	**3**	**2**	**139**	**208**	**2**
%	14%	46%	29%	11%	1%	39%	59%	1%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 1st November 2022 to 15th January 2023[1]

Unsatisfactory assurance - None in current period

Limited assurance

Place– Confirm Highways IT Application (Limited 2018/19)
- To ensure the system and administrative processes are adequately documented.
- To ensure that users have received the required training.
- To ensure that data is processed in a timely manner and controls are in place to ensure that completeness and accuracy of processing is maintained.
- To ensure that there are continuity processes are in place to ensure system availability.
- To ensure that clear procedures are in place for the authorisation of changes and system changes are applied by appropriately qualified staff.
- To ensure that cloud (Software as a Service) contract performance and security management arrangements are in place.

Resources– CCTV Management and Monitoring
- Appropriate management arrangements are in place which govern the use of CCTV within the Council.
- Administration of the CCTV systems is undertaken in line with the Corporate Policies.

[1] Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

- CCTV systems comply with data protection legislation and internal policy.

Table 4: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 5: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 6: Glossary of terms

Significance
The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Chief Audit Executive Annual Opinion
The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

Governance
Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk
The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control
Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment
Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 7: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

APPENDIX B

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL TO 15th JANUARY 2023

	Original Plan Days	Aug. Revision	Nov. Revision	Jan. Revision	Revised Plan Days	15 January 2023 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE								
Governance	14	0	-4	0	10	9.5	68%	95%
Communications	0	0	0	8	8	0.0	0%	0%
CHIEF EXECUTIVE	**14**	**0**	**-4**	**8**	**18**	**9.5**	**68%**	**53%**
RESOURCES								
Finance and Technology								
Finance Transactions	30	54	4	10	98	59.6	199%	61%
Finance and S151 Officer	22	2	0	0	24	22.8	104%	95%
Financial Management	30	11	0	0	41	26.1	87%	64%
ICT	104	18	0	-2	120	79.6	77%	66%
Information Governance	8	0	0	0	8	0.6	8%	8%
Revenues and Benefits	8	20	1	0	29	24.8	310%	86%
	202	**105**	**5**	**8**	**320**	**213.5**	**106%**	**67%**
Workforce and Improvement								
Risk Management and Insurance	10	10	0	-4	16	13.0	130%	81%
Human Resources	57	18	30	20	125	69.8	122%	56%
Occupational Health & Safety	0	0	0	8	8	0.9	0%	11%
	67	**28**	**30**	**24**	**149**	**83.7**	**125%**	**56%**

	Original Plan Days	Aug. Revision	Nov. Revision	Jan. Revision	Revised Plan Days	15 January 2023 Actual	% of Original Complete	% of Revised Complete
Legal and Governance								
Procurement	33	0	0	14	47	34.8	105%	74%
Information Governance	16	0	0	0	16	0.2	1%	1%
	49	**0**	**0**	**14**	**63**	**35.0**	**71%**	**56%**
RESOURCES	**318**	**133**	**35**	**46**	**532**	**332.2**	**104%**	**62%**
PEOPLE								
Joint Commissioning								
Community and Partnerships	15	0	0	3	18	17.1	114%	95%
Business Support	0	20	0	0	20	19.2	0%	96%
	15	**20**	**0**	**3**	**38**	**36.3**	**242%**	**96%**
Adult Social Care								
Long Term Support	0	20	0	0	20	10.0	0%	50%
	0	**20**	**0**	**0**	**20**	**10.0**	**0%**	**50%**
Education and Achievement								
Education and Achievement	8	0	0	0	8	4.7	59%	59%
Primary/Special Schools	20	0	0	0	20	21.4	107%	107%
Business Support	0	5	5	0	10	7.1	0%	71%
	28	**5**	**5**	**0**	**38**	**33.2**	**119%**	**87%**

	Original Plan Days	Aug. Revision	Nov. Revision	Jan. Revision	Revised Plan Days	15 January 2023 Actual	% of Original Complete	% of Revised Complete
Children's Social Care and Safeguarding								
Safeguarding	14	0	0	0	14	13.1	94%	94%
Children's Placement Services & Joint Adoption	8	25	0	0	33	0.2	3%	1%
	22	**25**	**0**	**0**	**47**	**13.3**	**60%**	**28%**
PEOPLE	**65**	**70**	**5**	**3**	**143**	**92.8**	**143%**	**65%**
PLACE								
Business Enterprise and Commercial Services								
Property and Development	0	31	0	0	31	16.2	0%	52%
Development Management	0	15	0	0	15	0.0	0%	0%
	0	**46**	**0**	**0**	**46**	**16.2**	**0%**	**35%**
Economy and Place								
Business Growth and Investment	10	15	0	0	25	17.4	174%	70%
Environment and Sustainability	5	0	0	0	5	4.5	90%	90%
Planning and Corporate Policy	0	10	0	0	10	5.0	0%	50%
	15	**25**	**0**	**0**	**40**	**26.9**	**179%**	**67%**
Infrastructure and Communities								
Highways	26	35	1	1	63	34.7	133%	55%
Public Transport	0	15	10	0	25	9.3	0%	37%

	Original Plan Days	Aug. Revision	Nov. Revision	Jan. Revision	Revised Plan Days	15 January 2023 Actual	% of Original Complete	% of Revised Complete
Library Services	15	0	0	0	15	0.0	0%	0%
	41	**50**	**11**	**1**	**103**	**44.0**	**107%**	**43%**
Culture and Heritage								
Theatre Severn and OMH	15	0	0	0	15	13.7	91%	91%
Leisure Services	33	3	0	-15	21	14.0	42%	67%
Outdoor Recreation	10	0	0	0	10	10.8	108%	108%
	58	**3**	**0**	**-15**	**46**	**38.5**	**66%**	**84%**
Homes and Communities								
Superintendent Registrar	15	0	0	0	15	10.1	67%	67%
Business and Consumer Protection	0	30	6	0	36	13.3	0%	37%
Community Protection	0	0	0	15	15	15.2	0%	101%
	15	**30**	**6**	**15**	**66**	**38.6**	**257%**	**58%**
PLACE	**129**	**154**	**17**	**1**	**301**	**164.2**	**127%**	**55%**
HEALTH AND WELLBEING								
Public Health								
Public Health	10	10	2	0	22	3.5	35%	16%
Ecology and Pest Control	0	10	5	-10	5	5.1	0%	102%
Community Safety	0	15	0	0	15	0.0	0%	0%
Environmental Protection	0	15	0	0	15	7.6	0%	51%
	10	**50**	**7**	**-10**	**57**	**16.2**	**162%**	**28%**

Contact: katie.williams@shropshire.gov.uk

	Original Plan Days	Aug. Revision	Nov. Revision	Jan. Revision	Revised Plan Days	15 January 2023 Actual	% of Original Complete	% of Revised Complete
HEALTH AND WELLBEING	**10**	**50**	**7**	**-10**	**57**	**16.2**	**162%**	**28%**
Total Shropshire Council Planned Work	**536**	**407**	**60**	**48**	**1,051**	**614.9**	**115%**	**59%**
CONTINGENCIES								
Advisory Contingency	50	0	0	0	50	39.4	79%	79%
Fraud Contingency	50	0	0	0	50	41.5	83%	83%
Unplanned Audit Contingency	383	-269	-56	-48	10	0.0	0%	0%
Other non audit Chargeable Work	199	0	-2	0	197	156.4	79%	79%
CONTINGENCIES	**682**	**-269**	**-58**	**-48**	**307**	**237.3**	**35%**	**77%**
Total for Shropshire	**1,218**	**138**	**2**	**0**	**1,358**	**852.2**	**70%**	**63%**
EXTERNAL CLIENTS	**211**	**0**	**0**	**0**	**211**	**144.8**	**69%**	**69%**
Total Chargeable	**1,429**	**138**	**2**	**0**	**1,569**	**997.0**	**70%**	**64%**

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<table>
<tr><td>Committee and Date</td><td>Item</td></tr>
<tr><td>Audit Committee</td><td></td></tr>
<tr><td>14ᵗʰ February 2023</td><td></td></tr>
<tr><td>10:00am</td><td>Public</td></tr>
</table>

Healthy People	Healthy Economy	Healthy Environment	Healthy Organisation

Internal Audit Risk Management Report 2022/23

Responsible Officer:	Katie Williams	
email: katie.williams@shropshire.gov.uk	Tel:	07584 217067
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee	

1.   Synopsis

Following a recent Internal Audit review of the Risk Management system, the overall control environment is assessed as **Good**, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.

2.   Recommendations

2.1. The Committee is asked to consider and endorse, with appropriate comment the findings from the review of Risk Management by Internal Audit.

Report

3. Risk Assessment and Opportunities Appraisal

3.1. The management of risk is a key process which underpins successful achievement of the Council's objectives and priorities. It forms part of the Annual Governance Statement and an annual audit is undertaken to ensure that the processes and protocols are established and embedded facilitating effective decision making.

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 or climate change consequences arising from this report.

4. Financial Implications

4.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Climate Change Appraisal

5.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

6. Background

6.1. As part of the Public Sector Internal Audit Standards (PSIAS 2120), Internal Audit is required to evaluate the effectiveness, and contribute to the improvement, of the risk management process. Information gathered during audit reviews provides an understanding of the Council's risk management processes and their effectiveness. Internal Audit evaluates the Council's risks relating to governance, operations and information systems. It does this in respect of:

- the achievement of the Council's strategic objectives as set out in The Shropshire Plan,
- reliability and integrity of financial and operational information,
- efficiency and effectiveness of operations and programmes,
- safeguarding of assets and,
- compliance with laws, regulations, policies, procedures and contracts.

6.2. To support the PSIAS, the Audit Committee's Terms of Reference include a requirement to review annually the adequacy of the Council's Risk Management arrangements. The last such review was undertaken in July 2021 and was assessed as 'Reasonable'.

6.3. The audit review again included the processes for reviewing and updating operational risk registers and to ensure that projects risks are captured and risks are reported to Senior Management on a regular basis in line with the Opportunity Risk Management Strategy. This *user compliance focus* reflects the changes to the processes whereby Managers are responsible for updating their risk registers via SharePoint with a formal review by the Risk Management team twice a year. The use of SharePoint enables real-time consideration and review of risks by senior managers across the authority.

Internal Audit Risk Management Report – Executive Summary

6.4. Audit findings are evaluated to provide a level of assurance on the effectiveness of the system of internal control. These evaluations are defined as 'Good', 'Reasonable', 'Limited' and 'Unsatisfactory'. Based on the audit work undertaken, the overall control environment the Risk Management system has been assessed as **Good.**

6.5. Evaluation and testing confirmed that there is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.

Control Objective: Conclusion and Summary of Findings

6.6. The following table shows the audit opinion against each of the four control objectives.

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
1.	To confirm there is a robust system in place for the identification, assessment, recording and control and monitoring of operational risk.	**This control objective is achieved**. There is an Opportunity Risk Management Strategy (ORMS) in place which was approved by the Chief Executive in June 2022. The strategy clearly defines roles and responsibilities in relation to risk management. Risks registers demonstrate the link between risks and the outcomes identified in the Shropshire Plan. Operational risks are recorded within SharePoint with service areas responsible for updating these as part of their normal management activities. In October 2022 an additional field was introduced to allow operational risks to strategic risks. There were two requires attention recommendations made under this objective. One related to a small error as the result of system configuration and the other related to project risk registers.
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels determined to be acceptable to	**This control objective is achieved**. Risks are considered by management and controls are in place for all risks. Strategic risks are reviewed bi-annually and reported to Directors and Informal Cabinet. Operational Risks are reported to Heads of

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
	management and the board.	Service and Directors on a bi-annual basis with an overarching report provided to Directors. The reporting arrangements are in line with the ORMS.
3.	Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.	**This control objective is achieved**. Operational risks are reviewed bi-annually in line with the ORMS and reported to Senior Management. All risks are recorded in SharePoint as live documents, they can be updated by Managers at any time.
4.	The Board and management receive periodic reports of the results of the risk management process.	**This control objective is achieved**. Reports in respect of strategic risks are considered quarterly by informal Cabinet and Directors. In addition to this the Audit Committee receive a strategic risk update on a six-monthly basis. Risk Management training is provided to Audit Committee Members on a regular basis.

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

Risk Internal Audit Review

Local Member: N/A

Appendices

None

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Committee and Date	**Item**
Audit Committee	
14th February 2023	
10:00am	Public

Draft Internal Audit Annual Plan 2023/24

Responsible Officer:	Katie Williams	
email: katie.williams@shropshire.gov.uk	Tel:	07584 217067
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee	

1. Synopsis

The risk based Internal Audit Plan, 2023/24 is presented to Audit Committee for approval. It will evaluate the effectiveness of the Council's risk management, internal control and governance processes across all Directorates.

2. Executive Summary

2.1. This report provides Members with the proposed risk based Internal Audit Plan for 2023/24. The annual plan will provide coverage across the high risk areas of the Council and delivers internal audit services to a range of external organisations. It takes account of issues identified by the clients' risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the organisations audited. The proposed plan considers the requirement to produce an annual internal audit opinion and assurance framework. Some minor adjustments may be needed before the plan is finalised; if significant, these will be agreed by the Section 151 Officer and reported to a future Audit Committee.

2.2. Given the need to respond flexibly to both the Council's demands and the available resources in the team, at different times throughout the year, the plan is designed to ensure that all external contracts are completed and for Shropshire

Council, must do areas of work are delivered alongside an element of high risk audits. This leaves an unplanned element to be allocated as resources become available. Allocations will be made on risk priority matched to auditor skill sets from high risk areas within the Council not covered in the planned element. The Internal Audit plan is set out in **Appendix A** and the call off list of high risk areas for unallocated work, **Appendix B**. Delivery outcomes will continue to be reported to Audit Committee through the standard performance reports.

3. Recommendations

3.1. The Committee is asked to consider and endorse, with appropriate comment, the approach taken to create the proposed Internal Audit Plan for 2023/24 and approve its adoption.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Under the Audit Committee's terms of reference, reviewing the risk-based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility. In considering this plan Members should be assured that it is linked to the Council's key risks and provides enough coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. Risks identified as being critical to the Council's operations will be reported and rectified where possible and viable.

4.2. Areas to be audited within the plan have been considered using risk register information both operational and strategic.

4.3. 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 consequences of this proposal.

4.4. The Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015 part 2. The latter sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

5. Financial Implications

5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6. Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Audit Team will look at these aspects relevant to the governance, risk management and control environment of the Council. The majority of audit work will continue to be carried out remotely thereby reducing fuel consumption.

7. Background

7.1. The provision of a risk based Internal Audit Plan consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's internal controls, risk exposure and governance framework. The plan has been devised to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion and assurance framework. In so doing it can be confirmed that the plan covers the following activities:

- Governance processes
- Ethics
- Information technology governance
- Risk management and
- Fraud management.

7.2. The 2023/24 Internal Audit year will continue to see pressures on services due to the impact of inflation and recruitment challenges in some areas. It is anticipated that the Shropshire Plan will require additional assurance work from Internal Audit, however, the impact and pace of change is unknown at this time. Therefore, the approach to agreeing the plan with so many unknowns needs to be agile to respond to the changing risk environment the organisation faces.

7.3. The audit risk assessment is reviewed annually with the Chief Executive, Executive Directors including the s151 Officer and Assistant Directors to ensure that it remains robust and relevant to the needs and risk profile of the Council. The process also recognises that the Council is embarking on a significant period of changes following the roll out of the Shropshire Plan, continuing to seek service improvements using innovative approaches in providing services, all against a background of reducing resources and a transformation into a digitally enabled Council.

7.4. When considering the risks affecting audit areas, account has been taken of:
- changes to and the introduction of new services;
- the refocus programme and proposed transformation programmes, refined principles and business plans of the Council;
- The Shropshire Plan

- budget pressures and saving commitments;
- previous audit findings;
- opening and closure of establishments;
- comments from the external auditors on scope and coverage to ensure the work of Internal Audit does not duplicate that of the external auditor;
- Audit Committee terms of reference;
- increased partnership working or different delivery models for future service delivery;
- risks identified by the risk management process;
- school budget deficits and self-assessments;
- large contracts likely to be undertaken; and
- assurances from services, internal governance and external parties.

7.5. Top risks facing councils include continuing pressures on finance and therefore financial resilience; income collection and problem debt; commercialism; supply chains and third party risks; increasing demand on services; growth and complexity demands on social care functions; environmental, social and governance issues; cyber security and digital services; attraction of and retention of staff with enough experience, knowledge and capacity to manage risks and reduce the potential for waste, losses or inefficiencies, all of which have been considered when formulating the plan.

7.6. The Council continues to face capacity issues following COVID where business as usual activity was paused, in addition the newly launched Shropshire Plan will impact on a high number of service areas, processes, risks and therefore controls. In addition, because of the changing control environment, areas reviewed continue in part to attract lower assurance levels than previously. Follow up of these is a must do in respect of unsatisfactory audits, with only a proportion of limited assurance audits being revisited within current resources.

7.7. **Appendix A** provides the summarised Internal Audit plan and identifies a planned day requirement of 1,398 days for Shropshire Council audit work and 199 days of work for external clients, broken down by type in the chart:
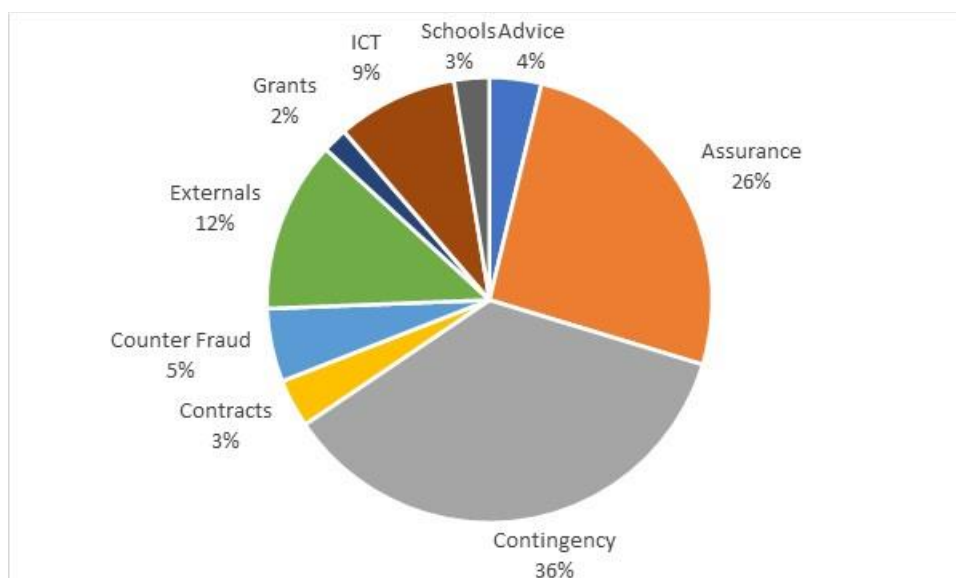
Resources

7.8. The team has provision for posts for just short of 12 full time equivalents with a mix of skills in finance, information technology, contract management, governance, establishments, systems, counter fraud, investigations and project management. There have been significant changes to the team during 2022/23 following the retirement of the Head of Audit and several resignations within the team. There are four newly appointed team members and continuing vacancies. At the time of writing this report a newly created Head of Policy and Governance post is being recruited to who will replace the Head of Audit role as the Chief Audit Executive. This has further reduced the resources available to the team and whilst further recruitment is planned, the impact on the team's availability to deliver cannot be underestimated at this stage given the number of new staff in the team. Given the mix of the remaining team, there will be continuing mentoring, coaching and supervision demands alongside delivering audits to ensure the sustainability of the service looking forward. Skills continue to be developed across the wider team and funding for external contractors from any vacancy monies will be considered if recruitment is unsuccessful.

7.9. The Audit Plan for 2023/24 has been prepared in line with the approach taken for the 2022/23 plan to ensure maximum benefit to the Council with available resources. Based on a risk analysis approximately 3,753 days are required to review all high-risk areas. With current resources it would take almost four years to cover all high risk areas. Review areas attracting a lower risk have not been considered in this year's planning process and are noted in **Appendix C**. Resources available after deducting allowances for non-chargeable time (leave, management meetings, administration, etc.); and chargeable time (attendance at corporate officer and member meetings, responding to legislation, s151 officer work requests, training etc.) amount to 1,597 days, of which 199 are to be used on providing services to customers other than Shropshire Council leaving a balance of 1,398 days.

7.10. To respond to the level of uncertainty the plan has been designed in two parts; Planned audits (64%) that need to be delivered and a contingency for unplanned audits (36%). As audit resources become available, reviews off a call off list will be identified for completion dependent on the skill set of the Auditor. The call off list of audit areas is prioritised based on risk and will ensure high risks are focused on; it removes the need to spend time replanning as new resources become available and work can be assigned almost immediately by any Principal Auditor. **Appendix A** provides details of the areas that Audit will review during 2023/24 and **Appendix B**, the call off list for currently unplanned work that will be prioritised.

7.11. Members are reminded that where Audit cannot provide independent assurance, they can at any time, request Managers for any of the areas identified to provide assurances directly to them; this should be considered by Members especially for items listed in **Appendix B** that are not guaranteed an audit in the next twelve months.

7.12. Contingencies for fraud and advice, if not required in full this year, can be re-allocated and higher priority reviews brought back into the plan.

7.13. In considering the plan for 2023/24 the key items to note are:

- Included in the plan are several key partnerships and fundamental systems including the Payroll system, which is of a high material value to the Council's operations and requires regular review.

- A separate risk-based analysis of the IT audit areas has been conducted and assessments of applications, projects, developmental changes, new technology, changes to guidance and follow ups in areas requiring improvements are planned. IT continues to form a significant part of the internal audit plan reflecting the Council's reliance on technology and digital transformation requirements as services are redesigned and the threat of cyber risks expands. This work underpins the Council's principle to make digital the preferred way to work and transact.

- The counter fraud contingency remains at 50 days to accommodate the current resource levels. Based on experience this is tight and will need readjustment of other plan pressures if demands in this area are higher.

- Internal Audit will continue to request schools to complete a self-assessment process on a three-year basis. The Headteachers will be asked to share the self-assessment with both the Chair of Finance and Governors and seek their sign off to it. This approach will enable provision of a more rounded assessment of processes to support the s151 Officer's wider assurance of the school environment.

- To accommodate new recruits; establishment audits and compliance testing are built into plans to support their training and development. Analysis at this level will inform the counter fraud control environment and offset the reduced fraud contingency risks. Selection of specific establishments will be based on knowledge of the risks; responses to self-assessments; follow a direct request from an Executive Director or senior manager with a validated concern; be a response to where there is suspicion of wrongdoing; where there are known concerns around the financial management of the establishment; or where a senior statutory officer raises concerns in respect of processes that need to be reviewed. In the case of schools, issues such as deficits; changes to the risk environment; non-return of SFVS (Schools Financial Value Standard) or self-assessments may also instigate a review.

- Procurement, commissioning and contract management continue to be priority areas and, as such, there are planned initiatives in these areas and additional work will be prioritised from the call off plan. Work is planned on financial evaluations of companies tendering for work.

- The unplanned contingency additionally provides an opportunity to respond to new initiatives that may arise during the year, for example, where services are moving to new delivery models, exit reviews will be conducted to ensure that transfers are conducted appropriately and at minimum risk to the

Council; where new systems or processes are being designed or established, advice will be provided at development and testing stages; in addition to being able to respond flexibly once new recruits are employed. This is increased this year to reflect the high level of vacancies expected and flexibility of approach required.

- Consultation with the Chief Executive and Executive Directors have identified a few areas where they would like assurances, most of these are high risk and as such included in the plan. Senior managers have fed into the final draft plan and opinions canvassed on review areas.

- The plan provides continual professional development and training for auditors during the year. This helps to retain staff, future proof the skills of team members and build skills in areas where updated knowledge is required for the benefit of the Council, external clients and the auditors. To reflect the number of Auditors new to the Council and in some cases Audit, the plan continues to allow for inclusion of review areas to support professional training courses that based on risk alone would not be covered in the plan.

- Decisions based on current data and intelligence is another of the Council's principles and the increased use of data analytics within Audit will support both testing and focus, as well as providing information on where controls can be improved alongside quality of the systems used. This will build on the work already in place which has been used to add value to finance and payroll work practices to date.

- Resources are allocated to provide internal audit services to external clients and various honorary, voluntary and grant funds. In addition, audit time is allocated to review areas of significant risk which are being considered for transfer to other delivery models.

7.14. A copy of the draft plan for Shropshire Council and those of our external clients will be forwarded to the appropriate external auditors inviting their comments on coverage and to maximise any shared learning from each other's work.

7.15. Every effort has been made to include all key audit areas required in the plan. If other items are identified from discussions with colleagues from External Audit, or as knowledge becomes available from other sources, these will be agreed with the Section 151 Officer and reported to a future Audit Committee

8. Conclusions

8.1. The plan is designed to allow for appropriate coverage aligned to the PSIAS and to be flexible enough to respond to the changing risk environment of the Council.

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

Audit universe and resources analysis
Public Sector Internal Audit Standards
CIPFA Audit Committees, Practical Guidance for Local Authorities and Police, 2022 edition
Accounts and Audit Regulations
Risk in Focus – Hot topics for Internal Auditors ECIIA 2023

Local Member: N/A

Appendices

Appendix A: Summary of Draft Internal Audit Plan by Service,
Appendix B: Unplanned Call Off List: Audit areas of high priority for which no dedicated provision is made in this year's Internal Audit plan.

Appendix C: De Minimis Audit areas: Where managers will be able to provide any necessary assurance.

APPENDIX A

2023/24 SUMMARY OF DRAFT INTERNAL AUDIT PLAN BY SERVICE

	Days
CHIEF EXECUTIVE	
Governance	28
Total Chief Executive	**28**
RESOURCES	
Finance and Technology	235
Legal and Governance	38
Workforce and Improvement	52
Total Resources	**325**
HEALTH AND WELLBEING	
Public Health	25
Total Health and Wellbeing	**25**
PEOPLE	
Adult Social Care	23
Children's Social Care and Safeguarding	40
Early Help, Partnerships and Commissioning	14
Education and Achievement	41
Joint Commissioning	13
People	**131**
PLACE	
Business Enterprise and Commercial Services	26
Economy and Place	28
Homes and Communities	69
Infrastructure	83
Total Place	**206**
CONTINGENCIES	
ICT Contingency	20
Advisory Contingency	40
Fraud Contingency	50
Unplanned Audit Contingency	573
Other non-audit chargeable work	197
Total Contingencies	**880**
Total Shropshire Council	**1,595**
External Clients	**199**
Total Audit Plan	**1,794**

Appendix B

Unplanned Call Off List: Audit areas of high priority for which no dedicated provision is made in this year's Internal Audit plan.		
2 For U Education Places for 2 Year Olds	External Catering Contracts	Payroll - verification to establishment
Adaptations	Facilities Management & Security	PC Replacement Programme
Adoption Process including allowances	Feedback and Insight	Performance Management & PI's
Adult Placements / Care Assessments	Financial Rules	Performance Plus Online Register
Adult Services Management Controls (Safeguarding)	Firewall Management	Personal Allowances
	Flexi/ Annualised Time System	Personal Budgets - Deferred Payments
Adult Social care budget management	Flexiroute Project/Application	Personal Budgets / Direct Payments
Agency & Consultancy Staff	Flood Risk Management Arrangements	Finance Team- Adults
Anti-Money Laundering Arrangements	Fostercare	Pest Control
Application Development Management Arrangements	Free School Meals	PFI
	Funding & Programmes	Planning
Appointeships/Court of Protection and Deputyships	Galaxy - Libraries System	Plans & Deeds- Security
	GDPR / DPA / Freedom of Information	Power Apps
ARIS	Grey Fleet	Private Water Supplies
Assessments and looked after children	Hardware Inventories	Procurement Arrangements
Asset Management Strategy	Health & Safety	Procurement Cards
Assistive Technologies including BOTS	Health partnership Governance including budgets / approvals	Property Maintenance Select Lists
Back-up arrangements		Property Services
Bacstel-IP	Highways Development Control	Provider Services - Comforts Funds
Bank Contract	Highways Land Search	Provider Services - Establishments
Bankline	Highways Maintenance - Term Maintenance -Kier	PSG Portal (SFG20)
Benefit Options Team		PSN (public sector network)
Benefits Administration Grant	Highways Specialist Contracts	Public Health Funding /cross over & supporting processes
Bishops Castle Community College	Highways Transfer of Maintenance Contracts to Town and Parishes	
Blue Badge Scheme		Public Transport - Concession Fares
BluPrint - Print Unit Operations	Holiday Pay HR	Pump House
Bring Your Own Device (BYOD)	Home and Flexible Working Arrangements	Purchasing & Contract Arrangements
BT Contract Monitoring	Host Operator Processing System (HOPS)	Purchasing Domiciliary, Residential and Nursing Care: Adults, ALD, Mental Health
Budget Management and Control - Corporate	Housing & Planning Delivery Grant Housing Benefits	Quarry Swimming Pool

Unplanned Call Off List: Audit areas of high priority for which no dedicated provision is made in this year's Internal Audit plan.		
Business Continuity and Disaster Recovery	Housing Capital Client	Recharges - Internal Market
Business Continuity and Disaster Recovery - non IT	Housing Client ALMO / STAR	Recruitment / Retention / redeployment arrangements
Business Rates / NDR	Housing Options / Homelessness	Refocus Project Management
CALM	HR Policies	Registrars Booking System Zipporah Application
Capital - Management and Monitoring	Human Resources - JD's, PS's and Contracts, Leavers Guidance for PT Workers	Regulation of Investigatory Powers Act (RIPA)
Carbon Emissions (NI 185) & Trading		
Care Bill / Better Care Fund / Public Health Plans	Human Resources / Workforce Planning	Remote Access, Citrix & VPN
Case Management IKEN court bundling	ICT Governance Process / Approvals	Remote Support
Cash Offices - Regularity Audits	ICT Project Financing and Recharges	Rent of Council Owned Property
CASPAR	Idsall Sports Centre - Joint Use	Respite Care
Central Customer Services	Imprest Administration System	Safeguarding Support
CHARMS Adoption Service (IT)	Income Collection	Sales Ledger
Children's Residential Homes	Information Governance Arrangements	Sales Ledger-Periodic Income
Children's Social Care budget management	Information Security Management	School Planning & Transport Arrangements
Children's social care workers - recruitment, retention and agency	Insurance	Section 106 Agreements
	IT Code of Practice	Section 11 Arrangements
Chipside Parking System Application Review	IT Registration & Deregistration Procedures	Section 17 Payments Children
		SEN Hubs eg Kettlemere Centre
CIPFA Financial Management Self Assessment	IT Security Policy	Service Desk Procedures and Business Administration
	Job Evaluation	
Civica Icon Income Management Application	Joint Use Leisure Facilities	Shire Services Purchasing & Procurement
Code of Conduct - Gifts & Hospitality	Key Supply Contracts	Shirehall Refurbishment / Maintenance
Communications	Leaving Care	Shrewsbury Museums General (including regimental)
Community Infrastructure Levy	Legacy Infrastructure and Systems	
Community Mental Health Team	Leisure Centres / Facilities and Swimming Pools	Shropshire Archives and Records Management
Community Safety		
CONFIRM-Highways Management System	Licensing	Shropshire Children's Trust
Construction Industry Tax Deduction Scheme	Liquid Logic Application (Adults & Childrens) / Controcc	Shropshire Partners in Care (SPIC)
	Local Government Pension Pool (LGPS)	Sickness Monitoring and Other Leave
Contaminated Land	Local Joint Committee (LJC)	

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Unplanned Call Off List: Audit areas of high priority for which no dedicated provision is made in this year's Internal Audit plan.

Continuing Health Care Funding	Mail Room - Manual	SIMS - Schools Use & Control Arrangements
Contracts and Tendering - Corporate	Management & Control of CCTV Operations	Sixth Form Schools Calculation
Corporate Networking - Active Directory	Medium Term Financial Strategy	SNOW IT Asset Management
Council Tax Collection	Members Allowances	Social Care & Health Training
Counter Fraud Work Housing Tenancy Covenants	Mental Health across all service areas	Social Enterprises
COVID Business Grants - Follow Up Review	Meole Brace Golf Course	Social Media
COVID Grants - Bus subsidies	Microsoft Dynamics CRM Application	Software Inventories / Licensing
Customer First Points	Microsoft Mobile Applications	Solar Winds Network Monitoring
Cyber Security Contract Management (Normcyber)	MiPermit App	START
Database Access / Admin / Management	Mobile Device Management - Intune	Strategic Transformation Partner
Debt Recovery	Mobile Devices - Phones and Tablets Including Billing	Sustainability and Transformation Plan (STP)
Decommission Shirehall Data Centre Project	Modern.Gov	Teachers Pension Scheme
Design Team	Monitoring of Schools Deficit/Surplus Budgets	Telecommunications - Contracts, Procurement and Monitoring
Digital Customer Services	Monitoring Use of Facilities	Theatre Ticketing & Online Booking Application
Digital Mailroom Project	Multi Agency Teams	Third Party Audits for Hosted Systems
Direct Payments Children	Museum on the Move	Third Party Contractor Access Controls
Disability Facility Grants	Network Perimeter Defences	TOG (Transport Operations Group)
Diversity Arrangements	Network Routing	Together4Children Partnership
DOLS Deprivation of Liberty Safeguards	Northgate - Revenues & Benefits Application	TOMS-ITU
Economic Growth Projects	NRSWA - Road Openings & S278	Trading Standards
Economic Growth Strategy / Big Plan	Nursery Grants 3 to 5 years	Transforming Care Partnerships (TCP)
EDRM SharePoint	Occupational Health	Travel and Subsistence
Education Access Service	On-line payments	Treasury Management
Education Admission Policy	Out of County Education / Placements	University
Education Management System	PAMs Assessments	UNIX
Elections Administration & Charging Grant Claim	Partnership with Severnside & Shropshire Council	VAT
Electoral Registration System	Partnerships	ViceVersa Pro (Backup for Digital Images)
Emergency Planning		

Unplanned Call Off List: Audit areas of high priority for which no dedicated provision is made in this year's Internal Audit plan.		
Encryption End User Computing Environmental Service Ethics / Culture Insurance of IT Facilities Intranet and Website	Passenger Transport Compliance Arrangements Patch Management Payroll - Self Service Facility Section 38 Road Adoption	Waste - Policy & Management Arrangements Waste - Veolia Contract Web Self Serve CRM Application Wide area network WSP Contract Youth Activities / Community Hubs and Commissioning

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Appendix C

De Minimis Audit areas: Where managers will be able to provide any necessary assurance.	
Academy Exit Process	Legionella
Accountable Bodies	Libraries Establishment Audits
Adobe Sign	Local Enterprise Partnership
Adult Social Care - Financial Assessments	Local Transport Plan (LTP)
Animal Health & Welfare	Ludlow Museum & Resource Centre
AONB (Areas of Outstanding Natural Beauty) - Craven Arms	Man-8Man (Permissions Reporting)
Apprenticeship Levy	Microsoft Endpoint Manager
Arcview GIS Application	North Shropshire Countryside Rangers
Asbestos	Nutanix Data Centre Solution
Bereavement Services Contract	Occupational Therapy
Bio Digester	Old Market Hall, Shrewsbury
Broadband Contract / Grant	One App Online Planning Portal Application
Budget Management and Control - Shire Services	Parking - Enforcement and issue of NPOs & Fixed Penalty Notices
Building Control	Parking - Income Collection
Capital Accounting System	Parks & Countryside Sites Establishment Reviews
Cardholder Management System for Blue Badges (CMS)	Personal Budgets / Direct Payments Support Services (POhWER replacement)
Cleaning Services Review	
Commercial Strategy and Plans	PLUMS - Planning Policy Control
Community Car Scheme	Primary School Income Collection
Contracts and Tendering - Property	Private Sector Housing
Corporate Landlord (Estate Management)	Property Repair and Maintenance
COVID PPE procurement and allocation	Property Sales and Acquisitions
Culture & Leisure Grants	Provider Services - Trading Accounts
Domestic Abuse	Public access mapping server/e-planning
Employee Authentication Service	Public Health Contracts
Enable	Recruitment & Management of Volunteers
Energy Grants	Redundancy Process CR
Enterprise and Business Grants	Register of Electors
Environmental Enforcement & Byelaws	Remote Servers
Environmental Maintenance Grants	Revenues - Document Management System Application

De Minimis Audit areas: Where managers will be able to provide any necessary assurance.	
Equitrac Application	Road Safety
ERDF Grant Claims	Roman Road Sports Centre - Joint Use
Fishing and Sporting Rights	Salary Sacrifice Schemes (Childcare, AL etc)
Food Safety	School Census
Free Bus Entitlement Process	Schools Business Support Services
Gladstone - Leisure Centre system	Schools Library service
Hardware Replacement Programme	Secondary School Income Collection
Health Visiting Services	Severn Valley Park
Highways Maintenance - Bridges	Shropshire Music Service
Highways Permits	Shropshire Youth - Central Administration
Historic Environment & Listed Buildings	SKYPE
Home and Lone Working Arrangements	SLA's & Invoicing Arrangements
Homepoint Contract	Smallholdings Estate
Housing Client Side	SMR - Sites & Monuments Record
Housing Provision - Development Cornovii	Special Transport Contract Arrangements
Housing Strategy	Special Transport/ Routing Arrangements
IDOX Planning, Building Control & Gazetteer Management System	Street Lighting
Integration Hub	Technology Forge Application
Inventories Management	Tell Us Once Processes
Ivanti Service Desk	Traffic Schemes
Land Charges	Voluntary Car Scheme
Land Drainage	Waste - Non Veolia Contracts
Leasing Arrangements	Wireless Networking

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