

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

Date: 20 September 2023
My Ref:
Your Ref:

Committee:
Audit Committee

Date: Thursday, 28 September 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)
Nigel Lumby
Brian Williams (Chairman)

Roger Evans
Rosemary Dartnall

Independent Member: Jim Arnold

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 meeting held on the 20 July 2023 (Pages 1 - 10)

The Minutes of the meeting held on the 20 July 2023 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 Friday 22 September 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 Friday 22 September 2023.

6 First line assurance: Freedom of Information (FOI) Management Update (Pages 11 - 30)

The report of the Assistant Director – Legal and Governance is attached.

Contact: Tim Collard (01743) 252756

7 Governance assurance: AGS Action Plan 2023/24 Update (Pages 31 - 56)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

8 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24 (Pages 57 - 76)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

9 Second line assurance: Approval of the Council's Statement of Accounts 2021/22 (Pages 77 - 80)

The report of the Executive Director of Resources (Section 151 Officer) is attached

Contact: James Walton (01743) 258915

10 Second line assurance: Approval of the Council's Statement of Accounts 2022/23 (Pages 81 - 84)

The report of the Executive Director of Resources (Section 151 Officer) is attached

Contact: James Walton (01743) 258915

11 Third line of assurance: External Audit: Shropshire Council Audit Plan 2022/23 (Pages 85 - 114)

The report of the Engagement Lead is attached.

Contact: Grant Patterson (0121) 232 5296

12 Third Line Assurance: External Audit: Informing the Audit Risk Assessment 2022/23 (Pages 115 - 152)

The report of the Engagement Lead is attached.

Contact: Grant Patterson (0121) 232 5296

13 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 23rd November 2023 at 10am.

14 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.

15 Exempt minutes of the previous meeting held on the 20 July 2023 (Pages 153 - 156)

The exempt Minutes of the meeting held on the 20 July 2023 are attached for confirmation.

Contact: Michelle Dulson 01743 257719

16 Third line of assurance: External Audit Accounts Objection update

The exempt report of the Engagement Lead is to follow.

Contact: Grant Patterson (0121) 232 5296

17 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7) (Pages 157 - 170)

The exempt report of the Internal Audit Manager is attached.

Contact: Katie Williams 07584 217067



Committee and Date

Audit Committee

28 September 2023

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 20 JULY 2023 10.00AM – 12.35PM

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

Independent Member: Jim Arnold (remote)

12 Apologies for Absence / Notification of Substitutes

No apologies were received.

13 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.

14 Minutes of the previous meeting held on the 22 June 2023

It was reported that Jim Arnold, Independent Member of the Audit Committee had been omitted from the list of those present.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 22 June 2023 be approved as a true record and signed by the Chairman, subject to the above.

15 Public Questions

There were no questions from members of the public.

16 Member Questions

There were no questions from Members.

17 Second line assurance: Annual Treasury Report

The Committee received the report of the Assistant Director Finance and Technology - copy attached to the signed Minutes – which set out the borrowing and investment outturn for 2022/23 plus the Treasury Limits and Prudential Indicators. The Executive Director of Finance (Section 151 Officer) reported that all the appropriate CIPFA regulations and indicators had been followed (included within the Appendices) and that the treasury team had outperformed the benchmark by a very small percentage (0.03%) and achieved a return of 1.81%.

The Executive Director of Finance (Section 151 Officer) reminded the Committee that they were tasked with the requirement to oversee the treasury approach and to understand and ensure they were comfortable with the investments that were made. In terms of the performance, the Executive Director of Finance (Section 151 Officer) stated that where we had a market where the interest rates were increasing over a short period of time, by definition, performance would be reduced as although we had investments for up to 12 months, they would have been made by rates that appeared strong at the time and then if interest rates moved very quickly in that 12-month period, which is what has been seen over the last 12 months, then they become less competitive but we are fixed until the end of that period.

The Executive Director of Finance (Section 151 Officer) reported that the Council had not undertaken any external borrowing in the 2022/23 financial year and although there had been an element of that in the treasury strategy should it be needed but in terms of the delivery of the capital programme and the cash flow within the authority, the Council had not needed to borrow. They may look to borrow in the next financial year as the cash balances had started to reduce, which had been expected for a while, so from a cash flow point of view they may need to replace some borrowing.

The Executive Director of Finance (Section 151 Officer) drew attention to the debt maturity over the coming years, set out on page 3 of the report and reiterated that the Council had not undertaken any debt rescheduling for a number of years. In response to a query, the Executive Director of Finance (Section 151 Officer) gave an example of when, from a cashflow point of view, short term borrowing may be undertaken to ensure cash was in the bank on the 20th of the month to ensure the payroll could be made.

In response to concerns, the Executive Director of Finance (Section 151 Officer) explained that treasury staff were experienced as they had borrowed and invested previously however it became difficult when interest rates were low. As interest rates go up there would be more opportunities and areas to invest in and because the Council followed the security, liquidity, yield element, return of your money was more important than return on your money and understanding the importance of how long to tie the money up for rather than just looking for the best deals.

In response to a query about who makes the decision about whether to invest in variable or fixed rate investments, the Executive Director of Finance (Section 151 Officer) explained that this was set out in the Treasury Strategy that had been approved by Council and that any decision would be taken in consultation with the Council's Treasury Advisor. He confirmed that the approach taken would always be

to undertake fixed rate borrowing over the long term and although they could use variable rates over the short term, they tended not to do so.

The Executive Director of Finance (Section 151 Officer) confirmed that if the council exhausted its cash reserves it could undertake borrowing to cover its day-to-day activities and this would be secured against capital assets however they tried to keep a high level of cash balances in the bank but as this falls away the Council would need to borrow to keep that balance up as they could not borrow to cover revenue expenditure.

RESOLVED:

- a. To approve the actual 2022/23 prudential and treasury indicators in this report
- b. To note the annual treasury management report for 2022/23

18 Third line assurance: Internal Audit Performance Report

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which summarised the work of Internal Audit in the final quarter of 2022/23 to inform the year end opinion.

The Internal Audit Manager informed the Committee that 94% of the revised plan had been completed which was slightly below the previous year (97%). Three good, six reasonable, five limited and two unsatisfactory assurance opinions had been issued, and of the 126 recommendations made in the 16 final reports, five were fundamental. She reported that there were two outstanding audits at year end but had been assured by the external contractors that the work would commence imminently.

In response to a query, it was requested that the Community Infrastructure Levy (CIL) audit report be referred to the appropriate Scrutiny Committee.

In response to a query the Internal Audit Manager confirmed that there were still vacancies within the audit team but they were currently being recruited to with a closing date at the end of July but they would look to employ external contractors to fill any gaps.

In response to a further query, she drew attention to table 7 on page 39 of the report which set out the process for following up recommendations. She explained that any 'requires attention' or 'best practice' recommendations were left with management to address whereas any 'significant' or 'fundamental' recommendations were reported to the relevant Director for that service area when they became due. In addition, internal audit would do follow-up testing on any fundamental recommendations to confirm there was evidence that they had been implemented whilst any unsatisfactory audit opinion would have a follow-up audit the following year to test that those recommendations had been implemented as agreed.

In response to a query in relation to the refresh of Backup Arrangements which had been due for completion in June, the Head of Policy and Governance gave an update. He reported that the new back up solution had been procured and was now in place and operative however no audit testing had yet taken place since that audit report had been completed and finalised.

In response to concerns around Tree Safety, which had received a fundamental recommendation along with an unsatisfactory audit opinion, the Team Manager, Natural and Historic Environment was invited into the meeting to give an update on how the service was progressing with addressing the unsatisfactory audit. It was also recognised that trees were a vital resource in the fight against climate change and that a cohesive policy was needed to ensure that trees were managed to the best of our ability.

The Team Manager, Natural and Historic Environment explained that the focus of the audit report was around tree safety issues and he gave an overview of the structure of the tree team, for which he was service manager; there was a team leader who was a county arboriculturist who had two full-time equivalent technicians who dealt with enquiries coming into the team; there were four full-time arboricultural officers, two who dealt with tree safety matters and two who dealt with issues on the county's highways network plus two officers who deal with other aspects of the estate eg school safety inspections etc and 2.5 full-time equivalent Tree and Amenity protection officers who provide advice in relation to planning issues. They also had a Trees outside woodlands officer, which was a DEFRA funded post which had been extended up until 2025 and was looking for opportunities for planting trees outside of woodlands, primarily focussed on orchard type planting on farmland. He informed the Committee that they were about to go out to recruit to another externally funded post (woodland accelerator fund) again looking for opportunities for woodland planting across the county primarily in relation to mitigating climate change.

In relation to the audit report, they had an action plan in place, one item of which was an updated Tree Safety Policy and they were working their way through that, one of the issues being capacity for highways officers to undertake an element of the inspections regime and it was hoped to take a report on that to Cabinet later in the year. The Team Manager reported that there were a number of other pieces of work ongoing including looking at the software systems used, whether it was fit for purpose and would give an audit trail across the authority in terms of following through actioning of the tree team's recommendations.

RESOLVED:

1. To note the performance of Internal Audit against the 2022/23 Plan.
2. To refer the Community Infrastructure Levy (CIL) audit report to the appropriate Scrutiny Committee.
3. To note the content of the verbal update on Tree Safety.

19 Third line assurance: Annual Assurance report of Audit Committee to Council 2022/23

The Committee received the report of the Section 151 Officer - copy attached to the signed Minutes – which set out the Audit Committee's Annual Assurance Report to Council for 2022/23 and although the Committee had some concerns (as detailed in the report) it could, on balance, provide reasonable assurance.

RESOLVED:

That Council consider and comment on the contents of the Annual Assurance report for 2022/23 before recommending accepting it.

20 **Third line assurance: Internal Audit Annual Report 2022/23**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which provided Members with a summary of work undertaken by Internal Audit for 2022/23.

The Head of Policy and Governance explained that the plan had provided for a total of 1429 days, any revisions throughout the year were reported to the Committee, with the plan being revised to 1569 days. He explained the matters that he had taken into account when arriving at his opinion, as set out in paragraphs 8.17 and 8.18 and also Appendix A, tables 2 and 3.

The Head of Policy and Governance informed the meeting that there had been 26 good and reasonable assurances made in the year, accounting for 59% of the overall opinions delivered which was a 5% decrease on the previous year which was offset by a 5% increase in limited and unsatisfactory opinions. There had been 5 unsatisfactory and 13 limited assurance opinions issued. On this basis, and based on the management responses received, the Head of Policy and Governance was only able to offer limited assurance on the 2022/23 financial year on the Council's framework of governance, risk management and internal control.

The Head of Policy and Governance reported that despite some significant changes in terms of senior management within the team over the year, the feedback from customers has remained positive.

In relation to the chart set out at paragraph 8.6 (Trend in Internal Audit Recommendations), the Chairman commented that he was pleased to see that the number of unsatisfactory audit opinions, which had increased during the covid years (2019/20, 2020/21 and 2021/22), seemed to have dropped back down again.

In response to a query in relation to the direction of travel of the number of audit days delivered, the Internal Audit Manager explained that in 2021/22 they had planned for 1708 days and had delivered 1655, in 2022/23 there were 1569 planned and 1470 delivered and in 2023/24 there were 1794 planned however there would be some changes reported to the September Committee due to changes in staffing levels. Members were encouraged by this.

The Chairman referred to the highlighted text set out in paragraph 8.20 of the report. He expressed support for that statement and noted that only limited assurance could be offered and, although not the highest level of assurance, it was important that the Committee strongly endorse it.

RESOLVED:

- a) to note the performance of Internal Audit against the 2022/23 Audit Plan.
- b) to note that Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering public sector

internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2022/23.

- c) to strongly support the Chief Audit Executive's Limited assurance, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2022/23 based on the work undertaken and management responses received.

21 Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2022/23

The Committee received the report of the Section 151 Officer - copy attached to the signed Minutes – which informed Members of the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards.

The Section 151 Officer drew attention to the Appendix which identified those areas with full compliance, along with those areas with only partial compliance and the reasons for this. He stated that these areas were the same as those picked up previously and related to the way in which the Audit Committee was set up.

The Chairman reported that since the previous year the Committee had appointed an Independent Member and were now fully compliant against that standard.

RESOLVED:

To endorse the conclusion that the Council employs an effective internal audit to evaluate its risk management, control and governance processes that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards continuing and full compliance where appropriate.

22 Third line assurance: External Audit, Audit progress report and sector update

The Committee received a verbal update from the Engagement Lead. He reported that for the 2020/21 accounts he had issued an unqualified audit opinion for both the Authority's accounts and for the Pension Fund accounts along with a consistency opinion that stated that the Pension Fund Annual Report figures were consistent with what was in the Council's Statement of Accounts. The Certificate was however still open whilst they worked through an objection to the financial statements and finalised their Value for Money work.

Turning to the 2021/22 accounts, the Engagement Lead informed the meeting that the audit was now substantially complete, apart from finalising their work in relation to the potential changes to the Council's net pensions liability, for which they had some question for the actuary that they needed to resolve, and he would liaise with the Head of Pensions on this. Once a response was received back, they would be looking to conclude the 2021/22 audit.

The Engagement Lead explained that the Pension Fund audit for 2021/22 was complete so once the Council audit was finalised, they would be able to issue the Pension Fund Opinion alongside that.

RESOLVED:

To note the content of the verbal update.

23 Third line assurance: Pension Fund Audit Plan

The Committee received the report of the Engagement Lead - copy attached to the signed Minutes – which provided an overview of the planned scope and timing of the statutory audit of Shropshire County Pension Fund. The Engagement Lead explained that although the Pension Fund Audit Plan had been through the Pensions Committee, the Audit Committee were technically ‘those charged with Governance’ and approved the Council’s accounts of which the Pension Fund formed a part.

The Engagement lead drew attention to the significant risks in relation to the valuation of assets along with the change in their approach to materiality on the income and expenditure account, which effectively set a specific lower materiality on the fund account, the impact of which was increased testing around income and expenditure side of the fund.

The Engagement Lead reported that they were currently finalising their plan for the Council’s 2022-23 audit in relation to a new Auditing Standard Q315 which requires detailed documentation around the IT systems and arrangements. They had however received the draft accounts from the Council and had started to pick some interim samples. They hoped to make progress over the summer and would present an interim report to the September meeting and the final report to the November meeting. A final report on the Pension fund and value for money would be presented to the September meeting.

The Engagement Lead responded to a query about the outstanding objection to the 2020/21 accounts and confirmed that no objections had been received to the 2021/22 or 2022/23 accounts. A brief discussion ensued. Members felt it was unacceptable to take this long to settle two objections and requested an exempt item for the next meeting explaining what this objection was about.

RESOLVED:

- A) To note the Pension Fund Audit Plan;
- B) To note with satisfaction that no new risks had been identified in the Pension Fund accounts for 2022/23;
- C) To request an exempt item for the next meeting around the objection raised on the 2020/21 Statement of Accounts.

24 First line assurance: Dog Wardens Management Update

The Committee received the report of the Interim Assistant Director for Highways and Transport - copy attached to the signed Minutes – which updated Members on

developments within the Dog Warden Service and those measures being taken to address findings and recommendations from previous audit reports.

The Interim Assistant Director for Highways and Transport informed the Committee that the Street Scene and Ground Management service (which included the Dog Warden service) was now part of the Highways portfolio. He gave some background and explained that a full review had been undertaken of the dog warden service including a re-procurement exercise, which gave better control and ability to deal with stray dogs. Work had also been undertaken on a formal contract arrangement and a public protection order which would better able enforcement. He reported that the vast majority of the outstanding audit recommendations had either been completed or were in a far stronger position following the review.

The review had also allowed them to strengthen the administrative arrangements around the stray dog register and better control of how to capture and record the incidents of stray dogs being reported to the Council. In response to a query, the Interim Assistant Director for Highways and Transport confirmed that the Street Scene service now sat under the Highways service and that a management review was currently being undertaken which would lead to a transformation programme similar to the one that Highways Maintenance had been through, and which would result in some management changes which he would be happy to report back.

A brief discussion ensued in relation to dog fouling and it was requested that this be referred to the appropriate Scrutiny Committee.

RESOLVED:

To note the contents of the report.

To refer the issue of dog fouling to the appropriate Scrutiny Committee

25 Second line assurance: Annual Whistleblowing report

The Committee received the report of the Assistant Director of Workforce - copy attached to the signed Minutes – which provided an update on the number of whistleblowing cases raised regarding Council employees over the last financial year.

The Assistant Director of Workforce reported that there had been 29 whistleblowing reports in 2022/23 which was a 14% increase on the previous year. She drew attention to Paragraph 8.2.4 of the report which set out the number of cases reported over the previous five years. Most reports were received via email and telephone with the main theme being financial incident (the main theme in 2021/22 had been grant fraud). Six of these reports had been referred to external agencies.

The Assistant Director of Workforce felt that the Speaking up about Wrongdoing process provided an effective route for employees to raise issues along with elected members, contractors, partners and others and awareness would be raised of the Policy on the intranet. She reported that the Bullying and Harassment Policy was currently being reviewed by a Task and Finish Group.

In response to a query, the Assistant Director of Workforce explained that once investigated some reports were found to have no case to answer and occasionally some of these reports could be malicious.

RESOLVED:

To note the contents of the report.

26 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on the 28 September 2023 at 10.00am.

27 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.

It was agreed to take Agenda Item 18 (Payroll Management Update) next.

28 First line assurance: Payroll Management Update (Exempted by categories 2, 3 and 7)

The Committee received the exempt report of the Assistant Director of Workforce - copy attached to the signed Minutes – which updated Members on the actions taken to address recommendations from the Payroll audit for 2021/22 and also provided information on the revised approach to appraisals, known as Personal Development Planning (PDP), across the organisation.

RESOLVED: To note the contents of the report.

29 First line assurance: Highways Contract Management Update (Exempted by Category 5)

The Committee received the exempt report of the Assistant Director for Highways and Transport - copy attached to the signed Minutes – which provided Members with an update on progress toward a resolution of the issues relating to the Management of the Highways Service found in previous audits.

RESOLVED: To note the contents of the report.

30 Third line assurance: Fraud, special investigation and RIPA updates (Exempted by Categories 1, 2, 3 and 7)

The Committee received the report of the Internal Audit Manager - copy attached to the signed Minutes – 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: To note the contents of the report.

Signed (Chairman)

Date:



Committee and Date

Audit Committee

28th September 2023

10:00am

Item

Public



Freedom of Information (FOI) Management Update

Responsible Officer:	Tim Collard		
email:	Tim.Collard@shropshire.gov.uk	Tel:	01743 252756
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler		

1. Synopsis

This report summarises the Council's compliance with the Freedom of Information Act 2000 (FOIA) and sets out the actions taken since the Information Commissioner (ICO) issued an enforcement notice on the Council in April 2023.

2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by the Information Governance team and officers across the Council including Executive Directors to ensure it is meeting its legal obligations in respect of the FOIA.
- 2.2. A formal action plan was documented and published within the timescales set out in the enforcement notice. This was agreed by the Executive Director of Resources (SIRO) and Assistant Director Legal and Governance.
- 2.3. The Information Governance Team recruitment has taken place and further recruitment will be undertaken to improve the Council's compliance with the FOIA.

- 2.4. All overdue FOIA cases from 2022 were cleared by the end of June 2023 and the average 20-day compliance rate has increased from 47% in 2022 to 68% to the end of August 2023. Importantly, there has been a sustained month by month improvement with July 2023 recording an 83% response rate.
- 2.5. A follow up meeting with the ICO was held on 6th September 2023 to review progress on the actions set out in the published action plan. The Council was able to report the increase in compliance rates throughout 2023, clearance of the 2022 backlog of requests and that a clear plan was set out to achieve longer term improvements. A formal written response from the council to the ICO is required in early November 2023, when it will be considered whether the enforcement notice has been complied with.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment the on the Council's response to the ICO enforcement notice.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The consequence of failing to comply with an ICO Enforcement Notice is that the Commissioner may make written certification of this fact to the High Court pursuant to section 54 of FOIA. Upon consideration and inquiry by the High Court, the Council may be dealt with as if it had committed a contempt of court.

5. Financial Implications

- 5.1. The Information Governance function is delivered within approved budgets. The work of Information Governance contributes to improving the efficiency, effectiveness and management of the wider Council.

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 adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and the internal control environment.

7. Background

- 7.1. The Freedom of Information Act 2000¹ provides public access to information held by public authorities. FOIA entitles anybody to ask a local authority for any recorded information that they keep. FOIA gives us all greater access to

¹ [What is the Freedom of Information Act? | ICO](#)

information about how decisions are taken in government and how public services are developed and delivered and operates alongside the Data Protection Act 2018 and the Environmental Information Regulations 2004.

- 7.2. Public authorities are obliged to publish certain information about their activities.
- 7.3. Recorded information includes printed documents, computer files, letters, emails, photographs, and sound or video recordings.
- 7.4. Section 10(1) FOIA specifies that public authorities must respond to requests within 20 working days: "... a public authority must comply with section 1(1) promptly and in any event not later than the twentieth working day following receipt."
- 7.5. Information Governance is a Council wide responsibility. The Shropshire Plan sets out the priority of improving access to information for members of the public.
- 7.6. The Information Governance Team cover the full range of Information Governance activities including:
- Freedom of Information requests (FOIA)
 - Environmental Regulations Requests (EIR)
 - Data Subject Access Requests (SAR) and other Information Rights
 - Data Protection Compliance including data protection impact assessments and data sharing agreements
 - Responding to, and investigating and reporting data breaches
- 7.7. In 2022 Shropshire Council received 1169 FOI requests. This represents an 19% increase on 2021 and indications in 2023 indicate that this trend will continue with 862 received to 6th September 2023 which would result in approximately 1293 requests received across the whole year. Predictions on actual numbers of requests for information are always difficult as there are several dependencies including the number of public interest activities the Council is involved with during the year.
- 7.8. The Information Governance Team logs FOIA requests using an in-house developed system (Ivanti ticketing). Once logged, the requests are sent to the relevant service area. Responses are coordinated within the service areas. The Information Governance Team provides advice about how to deal with them, considers relevant exemptions and writes refusal notices. It also considers and responds to internal reviews and facilitate the investigation and preparing response to complaints made to the ICO about them.
- 7.9. On 26 April 2023 Shropshire Council was issued with a formal Enforcement Notice from the ICO in respect of its non-compliance with the Act as summarised in para 8.1 below. Compliance with the terms of the enforcement notice is required within six months of the notice being issued, 26th October.

A summary of the formal notice:

Taking into account the significant volume of unanswered FOI requests, their age profile including many requests subject to severe delay, and the need for significant and sustained improvement in timely FOI responses, the

Commissioner considers it a proportionate regulatory step to issue an Enforcement Notice to Shropshire Council. This Notice requires the Council to comply with section 1(1) of FOIA in respect of each FOI request, where the response is outside of 20 working days at the date of this Notice, and where a permitted extension of a maximum of a further 20 working days has not been applied. It is essential that the improvements that the Council has already achieved since the initial contact with the ICO are sustained.

The notice requires:

(i) In respect of each information request where the response is outside of 20 working days as at the date of this notice, and where a permitted extension has not been applied, to comply with section 1(1)(a) of FOIA and, if information of the description specified in the request is held, either:

(ii) communicate it pursuant to section 1(1)(b) FOIA; or issue a valid refusal notice under section 17 FOIA, unless section 17(6) FOIA applies.

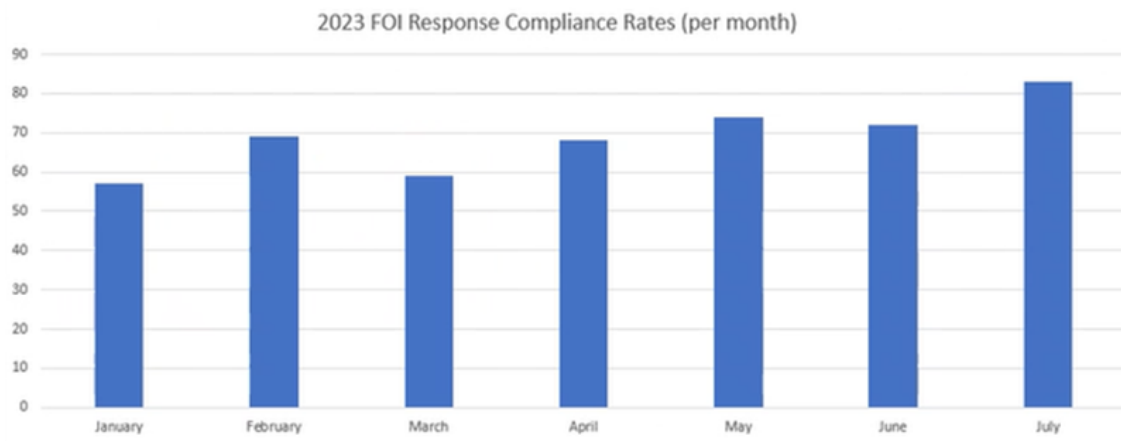
(iii) Devise and publish an action plan formalising the measures it will take to ensure it complies with its legal duties under Part 1 of FOIA to respond to information requests in a timely fashion, while also clearing its backlog of late requests as required by this notice.

8. Response to ICO enforcement notice

8.1. Over the last two years the Council's response rates on FOI requests have fallen short of the requirements of the legislation. 100% compliance rate should be achieved although the ICO accepts that more than 95% is a realistic target. Actual performance for the last two years:

Year	FOI Compliance rate
2021	51%
2022	47%
2023 January to August	68%

8.2. Month by month compliance for 2023 shows a clear upward trajectory in compliance rates with July peaking at 83%.



8.3. For context, the total number of FOIA requests received by the Council is increasing. There was a 18.5% increase in FOIs received from 2021 to 2022. Indications are that this trend is set to continue in 2023.

Year	Total FOIs Received
2021	986
2022	1169
2023 – 1 January to 6 September	862

8.4. The Head of Policy and Governance was appointed from 1st April 2023. Responsibility for overseeing the central Information Governance Team is included within remit of the role.

8.5. A recruitment process was completed during May 2023 to appoint a permanent Information Governance Team Leader. The post holder took up this position on 1 June 2023. Further recruitment process has been completed for a permanent Information Governance Officer who is due to commence the role in early October 2023. In addition, two further temporary posts are currently being considered to help embed the Council's Information Governance Framework and improve legislative compliance.

8.6. Additional legal support is also available within Legal and Governance from the Solicitor, Standards and Ethics. He has completed FOIA specific training and will act as a legal advisor, providing additional support on complex cases and provide internal reviews further enhancing the Council's approach.

8.7. Following receipt of the enforcement notice, in response to point three, an action plan (**Appendix A**) was developed and published within the timescale of 30 days set out in the notice. The actions were defined following completion of the ICO Self-Assessment FOIA Toolkit. The plan was approved by the Executive Director of Resources (SIRO / chair of the Information Governance, Leadership and Oversight Group) and the Monitoring Officer, Assistant Director Legal and Governance. The action plan was published on the Shropshire Council website² in May 2023 and was reviewed and updated in July 2023.

8.8. A meeting was held with the ICO on 5 June 2023 to review progress and comment on the documented action plan. The ICO commented during the meeting that the plan was appropriate but stressed the importance of both clearing the backlog of overdue requests, reducing the time taken to respond to FOIs and enabling sustainable improvement in the Council's response rate.

8.9. A PowerBI dashboard has been created and made available to Executive Directors and Assistant Directors which details the current status of all FOIA requests across the council. This includes details of overdue cases for them to be monitored and prioritised.

8.10. The Council has made good progress on clearing the backlog of overdue requests. By the end of June 2023, all 2022 cases that were overdue had been

² [shropshire-council-foi-improvement-plan-v10-may-2023.pdf](#)

cleared and the number of overdue cases (over 30 days) has reduced. The number of overdue cases the end of December 2022 was 198. The number as at 30 August is 14 overdue by more than 30 days.

- 8.11. An average compliance rate of 68% to the end of August. This represents an 21% improvement on the 2022 rate, but further work is required to ensure that the Council complies with legislation by the October 26th deadline.
- 8.12. Regular communication with those responsible for the collation of information and response to FOIA requests has been undertaken. Messages have been cascaded to all staff via the CEO weekly update email. In addition, the Executive Director of Resources (SIRO) has separately communicated with members of the Information Governance, Leadership and Oversight Group.

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

Freedom of Information Act 2000 (FOIA)

[What is the Freedom of Information Act? | ICO](#)

Local Member: All

Appendices

Appendix A

FOI Improvement Plan

Appendix B

ICO Enforcement Notice

Appendix C

[Freedom of information requests | Shropshire Council](#)

Shropshire Council FOI Improvement Plan - Review July 2023

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Governance Structure Page 17	There is governance oversight in place to ensure compliance with FOI/EIR	Information Governance Leadership and Organisational Oversight (Executive Directors - Quarterly Meetings)	n/a	ED Resources	n/a	Completed
	Responsibility has been assigned to ensure compliance with FOI/EIR	Responsibilities have been assigned	n/a	ED Resources	n/a	Completed
	Sufficient resources are assigned to the handling of requests for information to ensure response within the statutory timescales	Information Governance Team structure has been reviewed. Resources identified across directorates.	High	ED Resources	October 2023	Completed
Policies and Procedures	Policies and procedures are in place which explain the organisation's approach to, and responsibilities for, FOI and EIR	FOI handling procedure has been reviewed. This will continue to be monitored.	High	HP&G	September 2023	Completed
	Policies and procedures are easily accessible by staff	Updated and approved procedures are available to all staff via the corporate Intranet.	High	IGTL	September 2023	Completed

Compliance and Assurance Page 18	The organisation ensures that staff are informed of any changes to policies and procedures regarding FOI/EIR	Communications are cascaded via the Leadership Group and additional communication via ED Resources.	High	IGTL	September 2023	Completed
	Staff know who to contact for advice or assistance regarding policies and procedures for FOI/EIR	This information is published on the Intranet and Council website. Any changes will be communicated in a timely manner.	n/a	IGTL	n/a	Completed
	Policies and procedures for FOI/EIR account for personal information and how it should be dealt with	FOI handling procedure has been reviewed. This will continue to be monitored.	High	HP&G	September 2023	Completed
	There are reporting mechanisms in place to provide oversight of requests and ensure that statutory deadlines are met	Real time compliance reporting is now available for monitoring by Directors.	n/a	HP&G	n/a	Completed
	There are mechanisms to monitor the quality of responses to requests and ensure that any reasons for refusal/application of exceptions are valid.	Procedures are in place to ensure that exceptions are managed.	n/a	HP&G	n/a	Completed
	Contracts with third parties do not restrict the release of information that should be available to the public and provide for access to information, by the public authority, when needed.	Contracts and agreements include appropriate clauses that mean third parties must support the council when responding to requests for information.	n/a	IGTL	n/a	Completed

Documented governance arrangements exist where the authority works in partnership with other organisations in relation to the handling of requests and/or the management of records.	Information Sharing Agreements are in place and include relevant clauses about supporting the council when responding to requests for information.	n/a	IGTL	n/a	Completed
The organisation is complying with statutory timescales for FOI/EIR	Corporate priority that timescales are adhered to. Response rates have shown improvement through 2023. Backlog has been reduced.	High	ED Resources	October 2023	
	Standing item on agenda Item on Senior Leadership Meetings: Live monitoring via Management Dashboards. Focused targetting at areas continuing to not meet necessary timescales.	High	ED Resources	26 November 2023	
Internal review procedures comply with the relevant Codes of Practice and ensure that timely responses are provided to complaints.	Procedures for internal review are being reviewed to ensure the council follows best practice.	High	HP&G	October 2023	
Exemptions/Exceptions should be applied on a case-by-case basis, by appropriately trained staff, with no evidence of the use of blanket exemptions.	Information Governance Team undertake refresher training as overall specialists. Continue to keep skills up to date and undertake	High	IGTL	n/a	Completed

<p>There is evidence of an oversight or approval process for the use of exemptions.</p>	<p>refresher training where gaps are identified.</p>				
	<p>Service Areas given awareness training to apply exemptions relevant to their information. Obtaining further advice from the Information Governance Team when required.</p>	High	IGTL	August 2023	
	<p>Arrangements will be reviewed as part of review of Information Governance Team and Training/Awareness.</p>	High	IGTL	December 2023	
	<p>Review of Information Governance Team Structure and Procedures will address this gap.</p>	High	IGTL	December 2023	
	<p>Redactions should be applied on a case-by-case basis, by appropriately trained staff, and records should be maintained of what has been redacted.</p>	Redaction software and procedures for using it, is available to teams requiring them.	n/a	IGTL	n/a

Page 21	Training and Awareness	There is an induction training programme, with input from Information Governance or equivalent, which includes general training on how FOI/EIR applies to the organisation, what they currently do to comply, and how to recognise an FOI/EIR request.	Review training materials and training requirements and ensure this is included in the Induction Package.	High	IGTL	September 2023	
	Staff receive refresher training in the requirements of FOI/EIR, including, where appropriate, updates from the relevant decisions of the ICO and the Information Tribunal.	Link to guidance included with all requests. Guidance and specific advice provided by Information Governance Team with all new requests.	n/a	IGTL	n/a	Completed	
	There is specific training for staff with responsibility for handling requests for information, on FOI, EIR and Codes of Practice.	Information Governance Team have refreshed skills and continue to do so where gaps are identified.	High	IGTL	n/a	Completed	
		Training gaps identified during Information Governance Team restructure and appropriate training provided with ongoing mentoring.	High	IGTL	October 2023		
		Guidance is supplied to Service Areas for all requests they deal. To be updated when new structure and procedures are in place.	High	IGTL	October 2023		

	Records are maintained, either centrally or by local management, of the FOI/EIR training received by staff. These records are monitored to ensure that all staff receive or attend all relevant training.	Review of training material will include modules on a platform that allows training to be monitored.	High	IGTL	December 2023	
	Staff receive regular reminders of how to recognise FOI/EIR requests	Review of procedures will include a requirement for Information Governance Team to arrange for regular communications about recognising request.	High	IGTL	December 2023	

Page 22

ED Resources Executive Director Resources (Senior Information Risk Owner)
 HP&G Head of Policy and Governance
 IGTL Information Governance Team Leader

Key:

Action completed - solution in place
Solution in place but improvements are required
No solution is in place

Reference: ENF0987656

**FREEDOM OF INFORMATION ACT 2000 (SECTION 52)
ENFORCEMENT POWERS OF THE INFORMATION COMMISSIONER
ENFORCEMENT NOTICE**

DATED: 26 April 2023

To: Shropshire Council

Of: Shirehall

Abbey Foregate

Shrewsbury

SY2 6ND

1. Shropshire Council (The “**Council**”) is a “public authority” listed in Schedule 1 and defined by section 3(1)(a)(i) of the Freedom of Information Act 2000 (“**FOIA**”).
FOIA provides public access to information held by public authorities.

2. The Information Commissioner (the “**Commissioner**”) hereby issues the Council with an Enforcement Notice (the “**Notice**”) under section 52 FOIA. The Notice is in relation to the Council’s
 - a. Continuing non-compliance with section 1(1) FOIA;

 - b. Continuing breach of section 10(1) FOIA.

3. This Notice explains the Commissioner’s decision to take enforcement action. The specific steps that the Council is required to take are set out in **Annex 1**

Legal Framework for this Notice

4. A person requesting information from a public authority has a right, subject to exemptions, to be informed by the public authority in writing whether it holds the information, and to have that communicated to him, if the public authority holds it. This is set out in section 1(1) FOIA–

“(1) Any person making a request for information to a public authority is entitled –

(a) to be informed in writing by the public authority whether it holds information of the description specified in the request, and

(b) if that is the case, to have that information communicated to him.”

5. Section 10(1) FOIA specifies that public authorities must respond to requests within 20 working days:

“... a public authority must comply with section 1(1) promptly and in any event not later than the twentieth working day following receipt.”

6. There is provision under FOIA for a public authority to claim a reasonable extension to this limit in certain limited circumstances. The code of practice issued under section 45 of the FOIA recommends that, where those limited circumstances apply, an extension should be for a maximum of a further 20 working days¹. In all cases, the public authority must give the requester a written response within the

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744071/CoP_FOI_Code_of_Practice_-_Minor_Amendments_20180926_.pdf

standard time limit for compliance advising of reliance on the permitted extension.

7. The Commissioner has various powers under FOIA. One of these is the issuing of an Enforcement Notice. Section 52(1) of FOIA states –

“If the Commissioner is satisfied that a public authority has failed to comply with any of the requirements of Part I, the Commissioner may serve the authority with a notice (in this Act referred to as an “enforcement notice”) requiring the authority to take within such time as may be specified in the notice, such steps as may be so specified for complying with those requirements.”

Background

8. The Commissioner became aware of the Council’s poor FOI compliance performance when his representative made contact with it in late 2022. The Council provided the Commissioner with initial statistics which raised concerns about its timeliness rate for responding to requests.
9. In subsequent correspondence the Council experienced some difficulty in providing the Commissioner with accurate statistics regarding the number of requests which remained outstanding. The Council confirmed that this was due to a weakness in its system, with individual service areas being responsible for recording and collating their own FOI requests.
10. The Council confirmed that, prior to Christmas 2022, it had completed the Self-Assessment FOI Toolkit and that this was used as the basis for developing a Draft Recovery Plan. It also confirmed its intention to appoint a new post of Head of Policy and Governance with responsibility for overseeing the FOI processes and addressing the Commissioner’s concerns going forward. The Commissioner has since been contacted by the newly appointed post holder. The Council confirmed that it had

directed service areas to ensure that outstanding requests were cleared by the end of March 2023.

11. At the time of writing the Council still has a backlog of 143 overdue requests. The oldest unanswered request dates back to April 2021, with remaining requests dating from January 2022 and every subsequent month to the present day.

The Contravention and Reasons for this Notice

12. FOIA requires a public authority to inform people whether it holds information they have requested and to communicate it to them within 20 working days of receipt of their request.
13. Taking into account the significant volume of unanswered FOI requests, their age profile including many requests subject to severe delay, and the need for significant and sustained improvement in timely FOI responses, the Commissioner considers it a proportionate regulatory step to issue an Enforcement Notice to Shropshire Council. This Notice requires the Council to comply with section 1(1) of FOIA in respect of each FOI request, where the response is outside of 20 working days at the date of this Notice, and where a permitted extension of a maximum of a further 20 working days has not been applied. It is essential that the improvements that the Council has already achieved since the initial contact with the ICO are sustained.
14. The Commissioner also considers it a proportionate regulatory step to require the Council to finalise and publish an action plan which formalises measures to mitigate delays in responding to the requests it receives, in line with statutory requirements. This action plan should be supported by a 'lessons learned' exercise, which examines the root cause of delays in responding to FOI requests, with mitigations for any recurring problems addressed specifically in the plan. The Commissioner has produced a range of resources², including a template Action Plan, which should support the Council in complying with this step.

Terms of this Notice

15. The Commissioner therefore exercises his powers under section 52 of FOIA to serve an Enforcement Notice requiring the Council to take specified steps to comply with the requirements of Part 1 of FOIA. The specified steps are set out in **Annex 1** of this Notice.

16. The consequence of failing to comply with an Enforcement Notice is that the Commissioner may make written certification of this fact to the High Court pursuant to section 54 of FOIA. Upon consideration and inquiry by the High Court, the Council may be dealt with as if it had committed a contempt of court.

Right of Appeal

17. By virtue of section 57 of FOIA there is a right of appeal against this Notice to the First-tier Tribunal (Information Rights). If an appeal is brought against this Notice, it need not be complied with pending determination or withdrawal of that appeal.

18. Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals,
PO Box 9300,
LEICESTER,
LE1 8DJ

Tel: 0203 9368963

Email: GRC@justice.gov.uk

Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

19. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this Enforcement Notice is sent.



Phillip Angell
Head of Freedom of Information Casework
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

² <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/resources-toolkits-and-training/>

Annex 1

TERMS OF THE ENFORCEMENT NOTICE

THIS NOTICE REQUIRES SHROPSHIRE COUNCIL TO TAKE THE FOLLOWING STEPS BY NO LATER THAN SIX MONTHS FROM THE DATE OF THIS NOTICE:

- (i) In respect of each information request where the response is outside of 20 working days as at the date of this notice, and where a permitted extension has not been applied, to comply with section 1(1)(a) of FOIA and, if information of the description specified in the request is held, either:
- (ii) communicate it pursuant to section 1(1)(b) FOIA; or issue a valid refusal notice under section 17 FOIA, unless section 17(6) FOIA applies.

THIS NOTICE FURTHER REQUIRES SHROPSHIRE COUNCIL TO TAKE THE FOLLOWING STEP BY NO LATER THAN 35 CALENDAR DAYS FROM THE DATE OF THIS NOTICE:

- (iii) Devise and publish an action plan formalising the measures it will take to ensure it complies with its legal duties under Part 1 of FOIA to respond to information requests in a timely fashion, while also clearing its backlog of late requests as required by this notice.

This page is intentionally left blank



Committee and Date

Audit Committee

28th September 2023

Item

Public



Annual Governance Statement (AGS) Action Plan Update 2023/24

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 the Audit Committee Gwilym Butler, Portfolio Holder for Finance and Corporate Resources		

1. Synopsis

The Council produces an Annual Governance Statement to accompany the Accounts, signed off by the CEO and Leader. The AGS for 2022/23 was approved by Audit Committee in June 2023 and this report provides an update on the agreed Action Plan as at September 2023.

2. Executive Summary

2.1. The Shropshire Plan was approved by Council in May 2022 and sets out the Council's Strategic Objectives underpinning four priorities. The 'Healthy Organisation' priority incorporates five Strategic Objectives that reinforce the principles of good governance across the Council including an enabled workforce, our ability to manage change, communication, alignment of resources and strong Councillors. Shropshire Council is committed to the principles of good corporate governance and furthermore it is a requirement under the Accounts and Audit Regulations 2015, Regulation 6, to produce an Annual Governance Statement (AGS) to accompany the annual statement of

accounts, which must be signed by the Leader of the Council and the Head of Paid Service.

- 2.2. As part of the review of the effectiveness of the Council's system of internal controls, Shropshire Council's Code of Corporate Governance has been examined, the results of which informed the approved AGS.
- 2.3. At the meeting of the Audit Committee on 22 June 2023, the Council's draft Statement of Accounts and AGS were approved. Members requested an update on the agreed action plan, this report providing that update. For simplicity, the action plans from 2021/22 and 2022/23 have been combined and progress identified against both plans.

3. Decisions

- 3.1. The Committee is asked to consider, with appropriate comment, the progress made on the actions identified in the Annual Governance Statement Action Plan update at Appendix A.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Risk management is part of the overall arrangements for internal control and contributes to the Council's position of strong governance. Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements. The AGS is drafted based on information contained in the risk register alongside data from assurance statements and officer review groups. The strategic risk register is regularly monitored and updated by senior managers and is a useful, up to date tool to identify governance issues. Consequently, this creates a clear link between the AGS, the strategic risk register, business planning and performance.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 4.3. There are no environmental consequences of this proposal and consultation has been used to inform the original Annual Governance Statement by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

5. Financial Implications

- 5.1. There are no financial implications of this report, although financial details, where appropriate, are provided in the appendix. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.
- 5.2. By maintaining a system of good governance and managing and mitigating risks where practicable Shropshire Council can ensure that it gets the best value from its assets. The AGS also has a focus on value for money outcomes.

6. Climate Change Appraisal

- 6.1. The AGS recognises the impact of decisions on the climate and the need to reverse policies to reduce emissions in the climate. There are distinct activities allocated to the Executive Director of Place to consider the impact of key decisions and target management of such issues in line with the Council's Climate Change Strategy. Where appropriate, specific details relating to climate change actions are included in the appendix.

7. Background

- 7.1. Shropshire Council is required to prepare an Annual Governance Statement (AGS) to accompany the Statement of Accounts. The AGS is an accountability statement from the Council to stakeholders setting out how well it has delivered on governance over the course of the previous year. The Council demonstrates how it complies with the principles of corporate governance set out in the CIPFA and Solace governance framework; Delivering Good Governance in Local Government: Framework, April 2016, containing seven governance principles. Whilst CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework, by adopting the framework, the Council ensures that its governance arrangements accord with best practice.
- 7.2. The framework is a discretionary code against which the Council is judged. In addition to the Council acknowledging its responsibility for ensuring governance is effective, the AGS should:
- 7.2.1. focus on outcomes and value for money;
 - 7.2.2. evaluate against the local code and principles;
 - 7.2.3. be in an open and readable style;
 - 7.2.4. include an opinion on whether arrangements are fit for purpose;
 - 7.2.5. include identification of significant governance issues and an action plan to address them;
 - 7.2.6. be signed by the chief executive and leading member in a council.
- 7.3. The framework also requires a section to be included in the AGS that accounts for actions taken in the year to address the significant governance issues identified in the previous year's AGS. This has been integrated within each of the relevant principles and an Action Plan completed.
- 7.4. The Audit Committee play a very valuable role in the development of the AGS and in the finished look of the statement. The Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. Compliance with the Code helps to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.
- 7.5. The latest AGS was received by Audit Committee and commented upon, and the Committee can now review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for governance improvements.

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

Annual Governance Statement 2022/23 - Audit Committee 22 June 2023

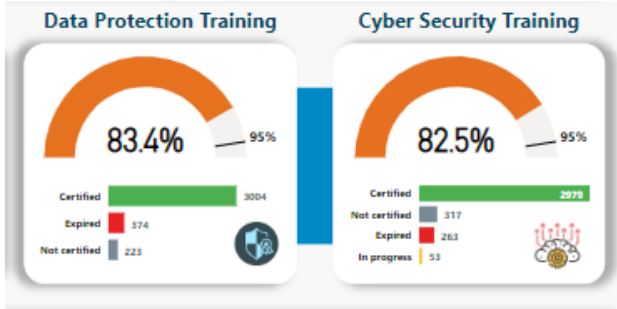
Approval of the Council's Statement of Accounts Appendix 4 - Annual Governance Statement 2021-22 – Audit Committee 14 February 2023

Local Member: All

Appendix

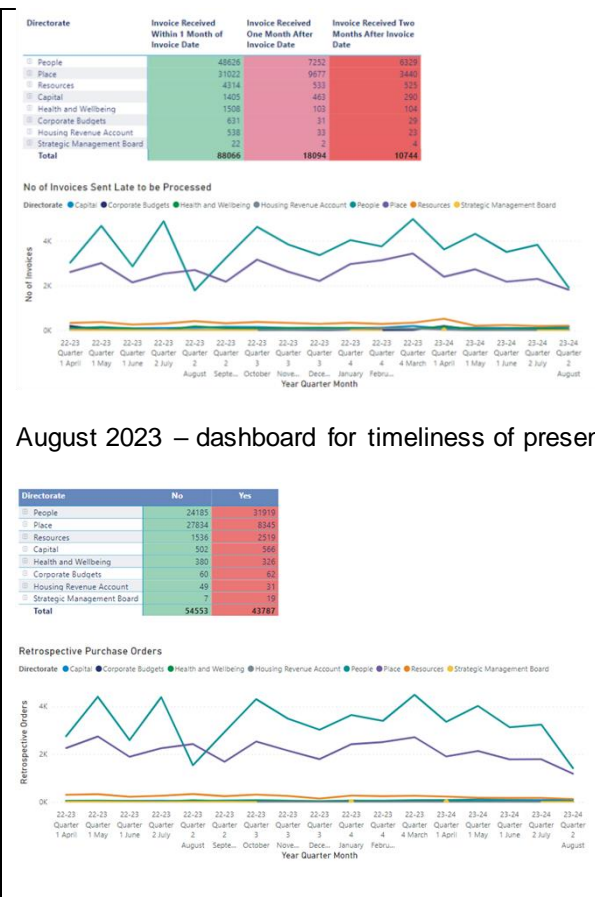
Appendix A – Annual Governance Statement Action Plan Update



	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date	August 2023 Update
1.	To provide a care and support service to adults appropriate to their needs.	Ability to fund Adult Services.	Development and delivery of early intervention strategy and the review and redesign of pathways.	ExDir ²⁹ People	Sept 2023	The reablement transformation programme is in progress and will continue for the next year. We are reviewing our front door model (in progress)
2.	To ensure compliance with legislative requirements in relation to information governance.	Governance	Implement agreed action plan to improve FOI response times.	ExDir Resources	Dec 2023	A formal action plan was documented and published on the Shropshire Council website within the timescales set out in the enforcement notice. This was agreed by the Executive Director of Resources (SIRO) and Assistant Director Legal and Governance. Implementation has been monitored since publication. All overdue FOIA cases from 2022 were cleared by the end of June 2023 and the average 20-day compliance rate has increased from 47% in 2022 to 68% to 14th August 2023. PowerBi reporting has been developed to ensure Director oversight of FOI requests in their areas and work with the directorate representatives to improve the response rate has been undertaken. Further work is required to increase the compliance rate by 26th October as detailed within the enforcement notice to satisfy the requirements set out by the Information Commissioner (ICO). The Information Governance Team Leader (Data Protection Officer) was recruited in June 2023 and an Information Governance Officer has been appointed with an indicative start date of October 2023.
3.	To provide a care and support service to children appropriate to their needs	Ability to fund Children's Services	Development of a growth model.	ExDir People	June 2023	Stepping Stones Project has expanded to extend its reach in working with families before children become looked after and those who can be supported through direct work to return home. A trajectory has been developed as the first step in the creation of a growth model, enabling the targeting of specific children to progress plans.
			Review of contract and commissioning arrangements for children and adult services. Further work with transformation partner to inform the model and approach.	ExDir People	Dec 2023	A review of the contracts and quality team was concluded with the recommendation that the team moves to the People Directorate from the 4th September into the Joint Commissioning structure. Further review on the work programme, gaps and areas of focus will commence with the transformation programme to align practice and resource across children, young people and adults with final recommendations to be concluded by Dec 2023. A council wide survey called 'Time to change' has been completed and reviewed by the directorate to understand where the workforce time is spent, areas of duplication and gaps. This will be reviewed as part of a transformation programme being supported by PWC for children's commissioning which includes a focus on quality and contract resource and infrastructure. It is envisaged the preliminary findings and recommendations will be concluded by Dec 2023.
			Implement improvement plan for strengthening families claims criteria.	ExDir People	April 2024	As part of the Early Help Transformation Programme, the Strengthening Families Programme is being reviewed in Shropshire. The Supporting families claims target (as part of the national Supporting Families Programme) were not achieved in 2022/2023. This has meant that Shropshire has missed out on funding through payment by results. Staffordshire has been allocated as an improvement partner, to help us review and amend our processes to achieve claims in the future. The Early Help Systems Guide, which provides indicators of success, has been completed in June 2023 and identified gaps within the current programme. This is provided to the DfE, which they review to understand the quality of provision. The Data Governance Board/Supporting Families Workstream has been set up to deliver actions needed – including a review of performance data and how this is used in identifying families who need support and their outcomes, reviewing our process for supporting families claims, and developing a Quality Assurance Framework for Supporting Families programme and targeted early Help Action – Continue with the data governance Board and Work in partnership with Staffordshire.

4.	To reduce the risks and impact of cyber attacks and have a clear recovery plan in the event of one.	ICT Infrastructure resilience	Ensure all staff and members complete annual training.	CEO ExDir Resources	April 2022	<p>A revised process was agreed by members in May 2023 to take a firmer approach on those who haven't completed their training. A live hacking demonstration was provided to members at audit committee training on the 14th July 2023, members found this useful and felt it really conveyed the importance of completing the training. This demonstration has now been videoed and will be used to help get the message across for those who ignore reminders to recertify. We have been waiting until after the summer holidays to launch communications to both members and staff that those who do not complete training will be locked out of their accounts in line with the new approach agreed in May. We are hoping that both techniques will significantly improve completion rates. We will review our approach on a regular basis to ensure we are doing all we can to get completion rates up.</p> <p>Current cyber security training completion rates are 90.54% for members and 82.48% for officers. Current data protection training completion rates are 51.35% for members and 83.42% for officers.</p>
			Investment in improved Monitoring solutions.	CEO ExDir Resources	May 2022	<p>The target for the end of the year training was achieved, and work is now focused on a changed approach to embed this level of engagement in a more sustainable way (i.e. without a periodic organisation-wide focus and moving towards a more self-sustaining process). The intended approach, being implemented through 23/24, is to include an automated notification of whether an individual user has up to date training for cyber security and GDPR, or whether they need to complete, or refresh, their training.</p> <p>Performance April 2023-August 2023 has seen a notable drop, explained through a combination of training which has 'expired' in recent months, associated with staff taking leave over the summer, and so expired training not being refreshed. This will form part of a wider approach to organisation health ('organisational discipline') through the coming months.</p> <p>PowerBI snip at end of August 2023:</p> 
			Work with the Local Digital Cyber team on remediation activities to improve our cyber position.	ExDir Resources	March 2024	<p>We have had regular sessions with the Local Digital Cyber Team, and these are continuing on a regular schedule. The initial meetings involved a series of assessments, and these were used to create an agreed Cyber Treatment Plan. 23 recommendations have been identified, 5 of these have already been completed, work on a further 13 has started, is ongoing, and is due for completion Q3 2023 and Q4 2023, the remaining 5 are dependent upon this ongoing work to be completed first. All 23 recommendations are on track to be delivered by March 2024. The exact details of the various recommendations are not outlined here for security reasons.</p> <p>More generally, work has been progressed to improve the level of surveillance of the firewall and the measure to resist cyber-attack. This has included the engagement of a third party to support 24/7/365 surveillance of the cyber security measures and their effectiveness. This has led to identification 'hard-to-spot' weaknesses which can then be rapidly addressed. It has also effectively doubled the level of staff resource deployed to support the ongoing cycle of planning, implementing, reviewing effectiveness, and then planning further development and enhancement of the defences. Work is also ongoing to bring the secondary datacentre up to the same level of capacity as the main data centre – this will help ensure the continuity of business operations in the event of an attack.</p> <p>The process to ensure a clear recovery plan is also in hand – but the current widespread pressures across the council in all service areas has proven an obstacle to getting a clear, up-to-date view of council systems and dependencies. Until these obstacles are removed and ICT system positions confirmed across the council, it will continue to hamper the preparation of a comprehensive Business Continuity Plan (BCP) for cyber-security and cyber-threat.</p>

5.	To reduce and mitigate the impact of increased demands on Council Services from the impact of climate change and therefore to life.	The effects of climate change	Replace street light lanterns with energy efficient LED.	ExDir Place	March 2024	LED replacement project on track for completion end of 2023 11,000 lanterns converted to LED to date, bulk of the programme on track for completion end of October 2023. Estimated 1000 lanterns to be converted under a mopping up exercise due to delays with birds nesting in brackets, parked cars hindering access, traffic management issues etc. This is expected to be completed by December 2023 ahead of the March 2024 deadline.
			Fit electric vehicle chargers at park and ride sites; Council buildings and car park sites		March 2024	15 Depot Electric Vehicle (EV) Chargers installed over 3 sites 16 Vehicle Charging Points (VCP) sites commissioned, 16 EVCP on site in construction phase Shropshire Council has an extensive ongoing programme of vehicle charger installations which will already result in over 300 public chargers across 40 locations in car parks and on streets to help meet the needs of those unable to charge vehicles at home. Shropshire Council is also part of a consortium of Midlands local authorities which has secured a total of £33m of Government funding to fund the commissioning and installation of more electric vehicle charging points. Around £2m of this is available to fund further installations in Shropshire. Monitoring data for existing chargers shows there is already strong demand for charging points, with 400 users responsible for more than 1,000 transactions.
					March 2024	Traffic Regulation Order (TRO) approval required for on-street Electric Vehicle Charging Points (EVCP) locations before progressing sites.
					March 2025	2023 Local Electric Vehicle Infrastructure (LEVI) Capability grant awarded £65k (Revenue) 2023/24. The award is to provide Officer support for all EVCP roll outs. New Officer role to be filled A.S.A.P for an initial period of 18 months. £296k (Revenue) Capability funding 2023/25 awarded 2023 LEVI grant provisional allocation of £2m (Capital) funding 2023/25. This could cover the installation of between 250-300 new EVCP including Rapid Chargers Countywide. Looking to progress this through Midlands Connect and will be dependent on a successful application to the DfT in 2023.
			Delivery of scheme assisting staff to reduce their carbon footprint.		November 2023	A 'lock screen' campaign will be launched to provide useful energy and carbon saving tips to staff during September. A scheme to help staff to access low-cost loans for home energy improvements and solar panels is being developed with funding and technology partners.
	Establishment of Carbon credits opportunities for carbon reduction.			July 2023	Working with national consultancy Anthesis to develop, measure and test a system to support the purchase of carbon credits in qualifying carbon mitigation and offsetting projects. National launch expected late 2023 – early 2024. Likely to be tested in Shropshire through the manufacture of biochar through pyrolysis.	
	Shire Services will work with the Climate Change task force to develop information that can be shared in tenders and with clients regarding carbon reduction and			Dec 2023	Detailed modelling of carbon emissions from our corporate supply-chain will be completed autumn 2023. Carbon literacy training is planned for staff involved in commissioning from external providers. Good practice advice from other local authorities is currently being adapted to help suppliers measure and reduce their emissions.	

6.	Deliver Projects that achieve savings targets and brings in sustainable income for the Council whilst maintaining a healthy commercial portfolio.	Failure to deliver the Commercial Strategy within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets to deliver a balanced budget	Refocus programme manager to work with P3M Community of Practice to develop standards to improve selections and deliverability of projects and achieve savings targets. Recruitment of project managers to lead the delivery of the capital Programme	ExDir Place	June 2023	<p>Project managers have been recruited and contracted in to ensure that the council's capital programme is delivered in line with the approved programme. Further project management and training needs for staff are being identified as part of the Personal Development Plan (PDP) process. The Place directorate is establishing a Capital Projects Programme Management Office (PMO) to ensure that we have sufficient and suitable resources, processes and practice to deliver the capital programme.</p> <p>The Economic Growth PMO function continues to develop and support the Shrewsbury Town Centre Redevelopment (STCR) - Smithfield Riverside Programme. Recent activity has been focused on a resource mapping exercise to capture the needs of the programme and building capacity around those identified requirements. This has resulted in the successful recruitment of 2 x Programme Technical Support Officers.</p> <p>The STCR PMO function continues to design, develop, implement, and embed robust governance, approvals, and reporting processes by streamlining workflows to bring efficiencies across the programme. Some examples of this include the removal of duplication, increased automation, and a move towards a sole source of the truth or CDE (common data environment). Some immediate quick wins in this have been setting up action, issues and decisions logs which sit alongside the corporate risk registers; creating financial trackers and reporting dashboards to track expenditure activity; developing a robust well-structured and well managed document register via SharePoint; and developing, with the use of digital tools (dashboards and visualisations) project updates and project status reporting across the programme. We are now developing a pipeline of PMO activity to improve the interface between client-side activity and the professional team now onboard particularly the Development Managers. It can be said that such PMO activity delivered to date is all scalable and could be rolled out across the other developing projects within the Capital Programme.</p>
7.	A balanced budget is delivered.	Inability to deliver a balanced budget.	Working with Strategic Transformation Partner to set direction and deliver the spending reductions in 2023/24.	ExDir Resources	June 2023	<p>Working with Strategic Transformation Partner to set direction and deliver the spending reductions in 2023/24 (Jun '23).</p> <p>Our Strategic Transformation Partner has been working closely with services, and most notably the Office of the Chief Executive (OCE) which is led by the Assistant Director of Efficiency and Transformation. This relationship was formed to create an ecosystem whereby our partner worked closely with, and within, existing projects and services to share experience and insight, add capability and capacity, and transfer knowledge and skills.</p> <p>This work has identified a range of opportunities to provide tactical and consultancy support to deliver our priority projects. Seven areas are currently being supported by our partner which relate to spending reductions of around £5m in the current year and a further £5m in the following two years.</p> <p>There are several more packages of work being worked up to create a pipeline of activity aligned to our spending reductions and delivery of The Shropshire Plan.</p> <p>For each package of work, we have clear demonstrable outcomes and alignment to identified spending reductions, with the return on investment monitored operationally through the OCE in liaison with the service areas, and the contract performance is managed through monthly Highlight Reports and overseen through monthly Partnership Governance meetings.</p>
			Service Delivery Plans and associated KPIs to be documented.		Dec 2023	<p>The Shropshire Plan delivery plans have been completed for 2022/23 for all Directorates and Services and from these the key performance indicators have been identified and agreed by Executive Directors and Members. Progress continues to identify all targets and the Q1 performance report for 2023/24 contains a subset of the Key Performance Indicators (KPIs). The aim is to include all KPIs for the Q2 report. A new dashboard has been developed to support the performance management of the KPIs.</p> <p>Work is ongoing to strengthen the organisation planning cycle to ensure plans are completed in a timely manner. Requests for 2024/2025 service plans will be commencing through September to ensure KPI's are agreed by December 2023.</p>
			Review and improve functionality and reporting from the ERP system.		Dec 2023	<p>ERP functionality has been expanded, in two ways: (1) where there are limitations within the current configuration of the ERP in terms of financial reporting, finding alternative ways to publish data. For example, the corporate budget position is now available via a PowerBI dashboard, and data relating to the timeliness of invoices payable and invoices receivable is also published to enable a better insight into corporate and service performance than is possible through the current ERP configuration. This work was prioritised to support delivery of The Shropshire Plan (TPS)/Mid-Term Financial Strategy (MTFS) objectives for 2023/24 financial year.</p> <p>(2) Key processes within the ERP are also under review to seek to ensure that those processes are simple to use, but also that data is available to ensure that successful compliance is recognised, and that areas of lower compliance are identified and tackled in a supportive way. These objectives are in hand and are targeting delivery for December 2023.</p> <p>August 2023 budget performance dashboard.</p>  <p>August 2023 – dashboard for timeliness of presentation of purchase orders</p>

			 <p>Directorate Invoice Received Within 1 Month of Invoice Date Invoice Received One Month After Invoice Date Invoice Received Two Months After Invoice Date</p> <table border="1"> <tr><td>People</td><td>48026</td><td>7252</td><td>6329</td></tr> <tr><td>Place</td><td>31022</td><td>9877</td><td>3443</td></tr> <tr><td>Resources</td><td>4274</td><td>523</td><td>156</td></tr> <tr><td>Capital</td><td>1405</td><td>463</td><td>192</td></tr> <tr><td>Health and Wellbeing</td><td>1506</td><td>103</td><td>194</td></tr> <tr><td>Corporate Budgets</td><td>611</td><td>31</td><td>29</td></tr> <tr><td>Housing Revenue Account</td><td>338</td><td>33</td><td>32</td></tr> <tr><td>Strategic Management Board</td><td>22</td><td>2</td><td>4</td></tr> <tr><td>Total</td><td>88664</td><td>18864</td><td>18744</td></tr> </table> <p>No of Invoices Sent Late to be Processed</p> <p>Directorate: Capital, Corporate Budgets, Health and Wellbeing, Housing Revenue Account, People, Place, Resources, Strategic Management Board</p> <p>August 2023 – dashboard for timeliness of presentation of invoices</p> <table border="1"> <tr><td>Directorate</td><td>No</td><td>Yes</td></tr> <tr><td>People</td><td>24185</td><td>31919</td></tr> <tr><td>Place</td><td>27824</td><td>8345</td></tr> <tr><td>Resources</td><td>1536</td><td>2518</td></tr> <tr><td>Capital</td><td>502</td><td>366</td></tr> <tr><td>Health and Wellbeing</td><td>380</td><td>238</td></tr> <tr><td>Corporate Budgets</td><td>60</td><td>62</td></tr> <tr><td>Housing Revenue Account</td><td>49</td><td>31</td></tr> <tr><td>Strategic Management Board</td><td>7</td><td>19</td></tr> <tr><td>Total</td><td>54551</td><td>43782</td></tr> </table> <p>Retrospective Purchase Orders</p> <p>Directorate: Capital, Corporate Budgets, Health and Wellbeing, Housing Revenue Account, People, Place, Resources, Strategic Management Board</p>	People	48026	7252	6329	Place	31022	9877	3443	Resources	4274	523	156	Capital	1405	463	192	Health and Wellbeing	1506	103	194	Corporate Budgets	611	31	29	Housing Revenue Account	338	33	32	Strategic Management Board	22	2	4	Total	88664	18864	18744	Directorate	No	Yes	People	24185	31919	Place	27824	8345	Resources	1536	2518	Capital	502	366	Health and Wellbeing	380	238	Corporate Budgets	60	62	Housing Revenue Account	49	31	Strategic Management Board	7	19	Total	54551	43782
People	48026	7252	6329																																																																		
Place	31022	9877	3443																																																																		
Resources	4274	523	156																																																																		
Capital	1405	463	192																																																																		
Health and Wellbeing	1506	103	194																																																																		
Corporate Budgets	611	31	29																																																																		
Housing Revenue Account	338	33	32																																																																		
Strategic Management Board	22	2	4																																																																		
Total	88664	18864	18744																																																																		
Directorate	No	Yes																																																																			
People	24185	31919																																																																			
Place	27824	8345																																																																			
Resources	1536	2518																																																																			
Capital	502	366																																																																			
Health and Wellbeing	380	238																																																																			
Corporate Budgets	60	62																																																																			
Housing Revenue Account	49	31																																																																			
Strategic Management Board	7	19																																																																			
Total	54551	43782																																																																			
8.	Staff are healthy and happy.	Failure to manage and mitigate the mental health and well-being of staff	<p>Extension of programme GLR for existing managers.</p> <p>Define and implement service delivery plans.</p> <p>Rollout of Personal Development Plans for all staff.</p> <p>CEO</p> <p>July 2023</p> <p>Phase 2(a) of the Getting Leadership Right (GLR) programme starts on 14th September 2023 and covers approximately 100 leaders. Phase 2(b), covering approximately 300 leaders will commence in 2024 and is currently being scoped. GLR Development Gyms (6) are taking place from October 2023 to 'flex the GLR muscles' learned in Phase 1. GLR is being embedded into the existing Manager Essentials programme/training offer to support managers to lead and manage their employees effectively.</p> <p>Personal Development Plans (PDPs) have been rolled out via the GLR programme – as at 30th June 580 had been completed – estimated at approximately 40% of the workforce.</p> <p>The Shropshire Plan delivery plans have been completed for 2022/23 for all Directorates and Services and from these the key performance indicators have been identified and agreed by Executive Directors and Members. Progress continues to identify all targets and the Q1 performance report for 2023/24 contains a subset of the KPI's. The aim is to include all KPI's for the Q2 report. A new dashboard has been developed to support the performance management of the KPI's. Work is ongoing to strengthen the organisation planning cycle to ensure plans are completed in a timely manner. Requests for 2024/2025 service plans/updates will be commencing through September to ensure KPI's are agreed by December 2023.</p>																																																																		
9.	Adults are safe.	Failure to safeguard vulnerable adults	<p>Operational process is that all cases referred to ASG are considered in line with risk matrix within 24 hours. Cases identified as high are considered by senior staff and consideration given for visit to be completed on the day. Staff undertake lateral checks on all new referrals and identify cases for allocation following these checks. Based on the operational model the ASG team review and explore cases on the same day with cases being identified for allocation based on urgency. Allocations discussions take place every week where senior's consider cases before these are allocated to specific workers.</p> <p>ExDir People</p> <p>Sept 2023</p>																																																																		
	Peer review in the field of housing and homelessness.	ExDir Place	<p>Homelessness Link are currently leading a review of homelessness in Shropshire, to inform a Homelessness Strategy, with a view to preventing homelessness and reducing the numbers of homeless households. The review will be finalised in October 2023 with a draft strategy due in November 2023.</p> <p>A planned Local Government Association (LGA) Housing peer review was subsequently ruled out by changes to their funding resulting in a proposed charge which could not be shown to represent good value. The Council is now working with the Social Housing Regulator to initiate a pilot inspection of Shropshire's housing service and Shropshire Towns and Rural Housing (the Council's ALMO), planned to start in October and complete in January 2024.</p> <p>ExDir Place</p> <p>Dec 2023</p>																																																																		
	Second Tenants Voice conference where social housing tenants can find out more about the way in which their landlords, including	ExDir Place	<p>The Tenants Voice conference programmed for July was cancelled due to low take up. A review with engaged tenants of the reasons for this revealed that they are more likely to attend shorter events with a narrower focus. Discussions are in hand with Shropshire registered providers and Shropshire Towns and Rural (STaR) Housing to rebook events in line with this approach.</p> <p>ExDir Place</p> <p>Dec 2023</p>																																																																		

			Shropshire Council, can support them			
10.	Establishment of robust co-produced Health and Care system to deliver the desired outcomes.	Impact of pressures in the wider Health and Care system.	Influence the governance of the new ICS to ensure all partners are equal within the system.	ExDir Health, Wellbeing and Prevention, Public Health and General Management	March 2024	Integrated Care Partnership (ICP) meetings have been established with representation from across all partners, this will strengthen role of place through the Shropshire Integrated Place Partnership. In addition to look at issues around capacity in the Voluntary and Community Sector a VCS summit is planned for later in the year.
			Shropshire prevention strategy to highlight the role of communities in delivery of better outcomes and key actions.			Draft prepared and shared with the July Health and Wellbeing Board, a further update will be taken to the Health and Wellbeing Board members in September with a November planned publication following a workshop and a conference to follow early 2024. This is also the focus for discussion at Shropshire Integrated Place Partnership (SHIPP)/Health and Wellbeing Board (HWB) with the deliverables attached. New Integrated Care Board (ICB) Prevention and Inequalities board as part of the prevention governance has also been established to provide assurance around progress against key deliverables and outcomes.
			Increase delegation of responsibilities to place to allow more local leadership			There has been a focus on strengthening the role of place within the Integrated Care System including agreement of the SHIPP deliverables and presentations to ICB development session which has led to further discussions around delegation to Shropshire place.
			Continue to build evidence in JSNA to reflect community level needs.			<p>There is information on this available on the website as the offer continues to roll out and Health and Wellbeing Board reviews progress regularly. https://www.shropshire.gov.uk/public-health/joint-strategic-needs-assessment-jsna/place-based-joint-strategic-needs-assessment/place-based-profiles/</p> <p>See Health & Wellbeing Board (HWBB) report and current role out timetable.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>SHIPP Priorities and Strategic Plan 23-24</p> </div> <div style="text-align: center;">  <p>2023 HWBB paper 14092023 JSNA upda</p> </div> </div>



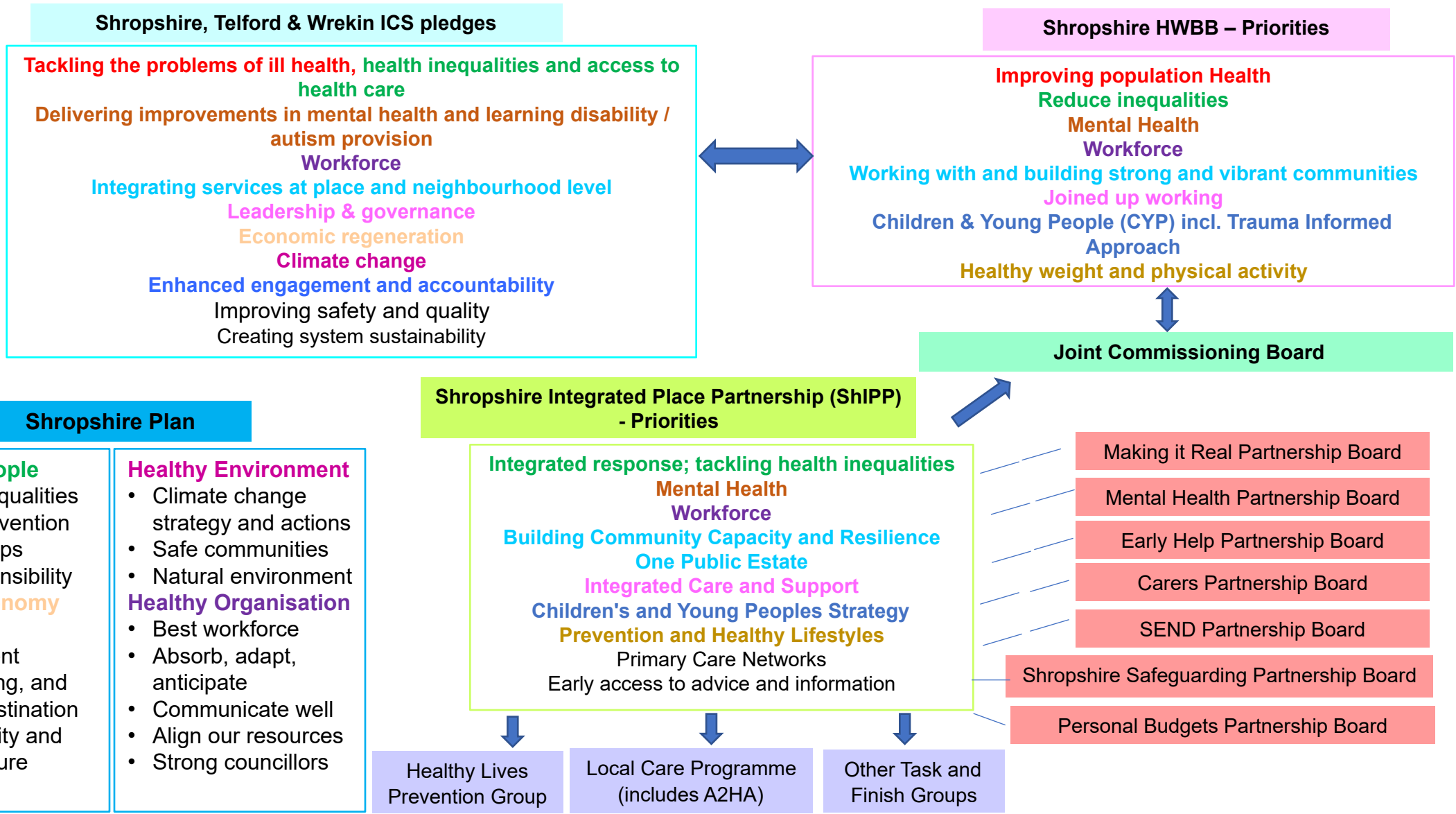
Shropshire Integrated Place Partnership

Update to ICB Development Session – April 2023

Priorities and Strategic Plan for 2023/24 – Agreed March 2023

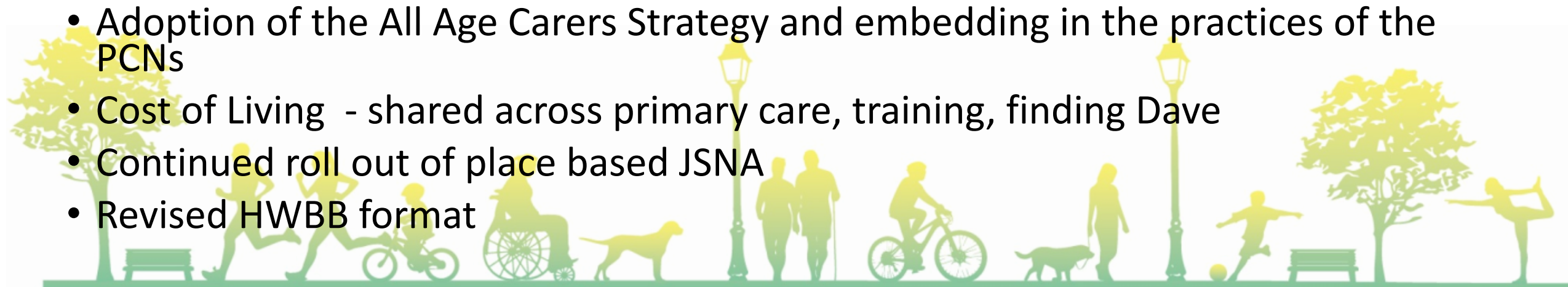


System priorities and linkages across Boards



Key SHIPP Developments and Successes to March 2022/23

- Driving the Personalised Care (Person Centred) approach for Shropshire, including:
 - Social Prescribing & Health Coaching
 - Delivery of regional MoU, Training, and Commissioning
 - Creative Health & Community Led approaches for health improvement
 - Community led approaches for improving outcomes for SEND
- Falls – leadership and action on falls prevention and the development of an alternative falls response service following data and evidence on avoidable deaths and poor outcomes for people who had long lays due to long response times
- Integration – Test and learn site in Oswestry providing early support and interventions for improving outcomes for children and families, and for managing and reducing demand for children’s social care provision; embedding trauma informed approaches
- Adoption of the All Age Carers Strategy and embedding in the practices of the PCNs
- Cost of Living - shared across primary care, training, finding Dave
- Continued roll out of place based JSNA
- Revised HWBB format

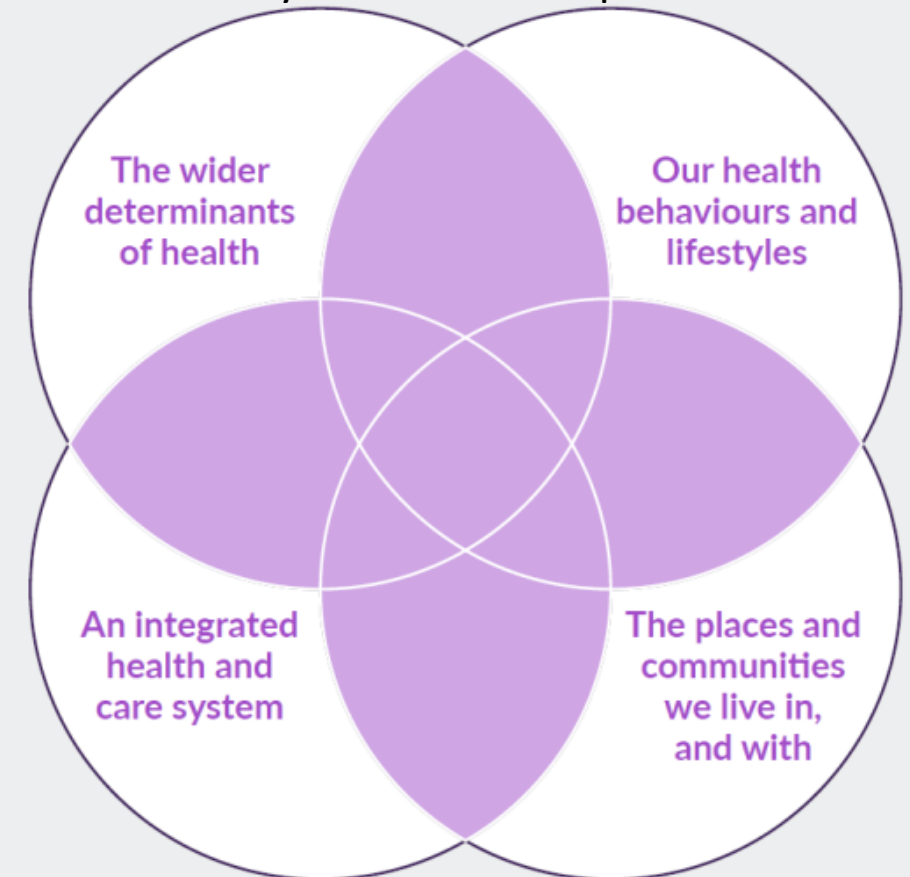


Principles for service transformation and integration

STW has adopted the following principles for place-based working which have been developed by, the SROs for Population Health Management, Inequalities and Prevention:

- Take a **person centred approach** to all that we do; celebrating and responding to the diversity within our population.
- Ensure all programmes involve local people and embed **coproduction** in all planning.
- Follow the Public Health England guidance described in the document **Place Based Approaches to reduce inequalities**, which involves 3 keys segments:
 - civic-level interventions, all aspects of public service from policy to infrastructure (including health in all policies)
 - community-centred interventions, asset (human and physical) and strength based community development
 - service-based interventions, including unwarranted variability in service quality and delivery (effectiveness; efficiency and accessibility), as well as embedded Brief Interventions and Making Every Contact Count pathways (including social prescribing).
- Seek to understand, take a **Population Health Management** approach to all transformation.
- Recognise the importance **of system thinking** for all ages and families, ensuring that inequalities are addressed from pre-birth.
- Systematically undertake **integrated impact assessments** to determine how its delivery could better reduce inequalities and support protected groups (9 protected characteristics);
- **Value and support the community and voluntary sector** and consider how the voluntary sector can work alongside statutory services to reduce inequalities.
- Promote understanding of how to **prevent or reduce inequalities** for staff working in all partner organisations.
- Use **digital** resources to remove geographical barriers to place based working.

Population Health System – what improves our wellbeing?



Source: Kingsfund [Buck et al 2018](#)

SHIPP Integration Model

This model focusses on the strengths of people and communities as a cornerstone of how we will work. Our programmes will focus first on supporting people to help themselves; followed by ensuring there is high quality, integrated, easily understood universal services for people to access when they need it; and high quality, integrated, easily understood specialist services available when they are needed.





Supported by Population Health Management, Digital Infrastructure, Voluntary and Community Sector and Engagement



Priorities

Delivering the HWBB Strategy, Key Focus:

- Children's and Young People's Strategy
- Prevention/Healthy Lifestyles/Healthy Weight
- Mental Health
- Workforce
- Community Capacity & Resilience with the VCSE
- Local Care and Personalised Care (incl. involvement)
- Supporting Primary Care Networks
- Integration and Better Care Fund (BCF)
- Tackling health inequalities

Supporting programmes and subgroups

- HWBB Priority groups – Integration Board, MH Boards Partnership Boards
- Healthy Lives / Prevention (subgroup)
- Local Care Programme including:
 - Anticipatory Care/Rapid Response/Respiratory
 - Personalised Care
- Community MH Transformation, MSK, MH LD & Autism, UEC, CYP & SEND Board
- Joint Strategic Needs Assessment

SHIPP Deliverables for 2023 – 2024 – Local Care

- **Delivering an all age Local Care Programme across communities in Shropshire; improving access to health, care and wellbeing services and community support. This includes:**
 - Expanding the current Local Care programme and aligning services across health, care and the voluntary and community sector
 - Using the Shropshire Integration Model to integrate services where possible, and working in partnership where integration is not possible, to deliver multi-disciplinary approaches in local communities
 - Unleashing the power of communities and the voluntary and community sector and maximizing their power to support people to maintain their independence and wellbeing at home
 - Using public sector estate in our communities to best effect, collocating in local communities where possible (see case studies below)
 - Delivering specific elements of the Local Care programme in a collaborative and integrated way, including:

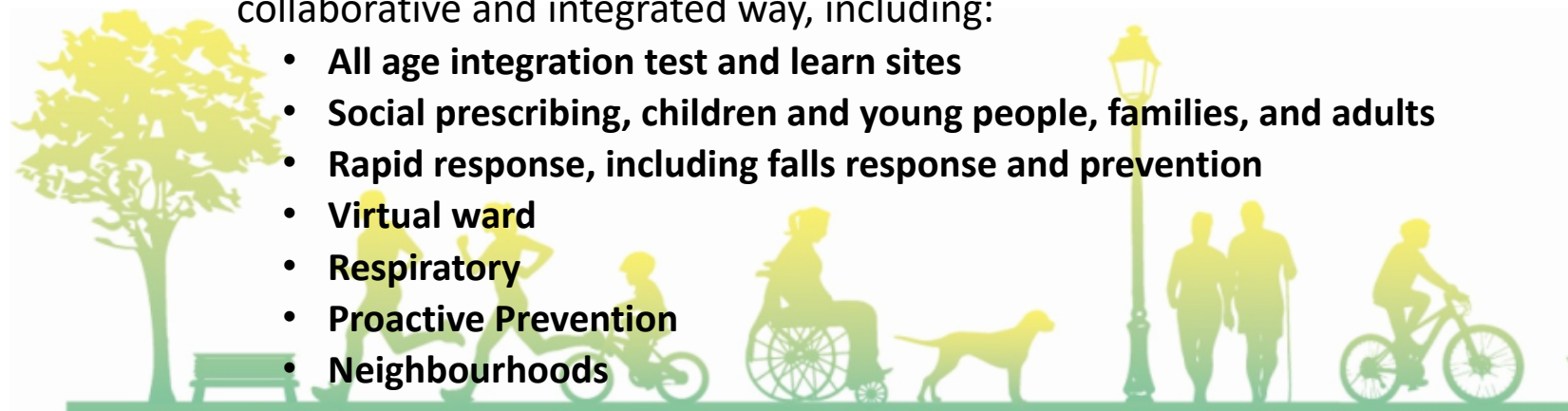
- **All age integration test and learn sites**
- **Social prescribing, children and young people, families, and adults**
- **Rapid response, including falls response and prevention**
- **Virtual ward**
- **Respiratory**
- **Proactive Prevention**
- **Neighbourhoods**

Enablers for the delivery of place-based programmes

- Locality Joint Strategic Needs Assessments (18 Place Plan areas) Ongoing Development
- Embedding Personalised Care/ Person Centred Care in all transformation programmes
- Supporting Primary Care
- Development of Trauma informed approaches across the workforce
- Making best use of technology

Board alignment

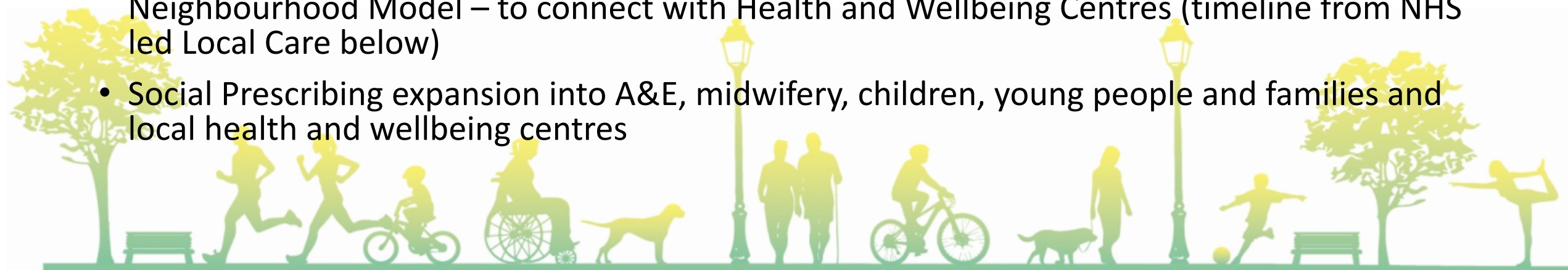
- Health and Wellbeing Board
- Population Health Management Board
- Demand Management Board
- Local Care Board
- Local Shropshire



SHIPP Deliverables for 2023 – 2024 – Local Care

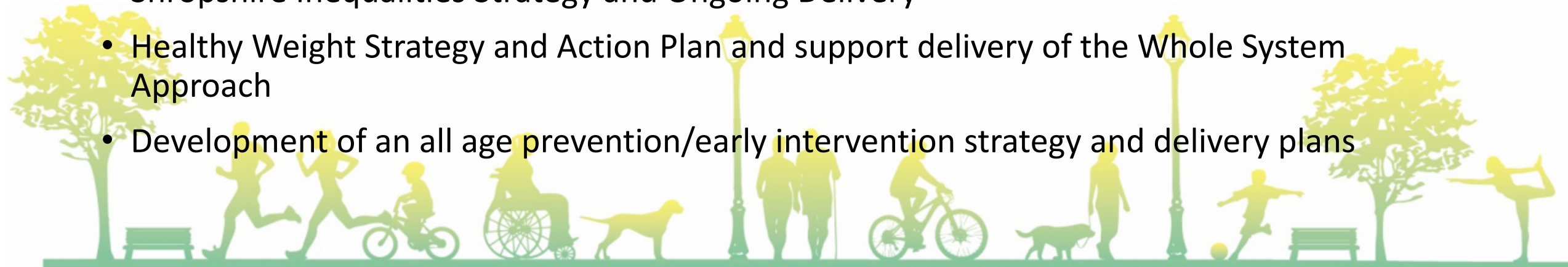
What will be delivered in 23/24:

- Expand CYP integration test and learn sites to become all age delivery in North Shrewsbury, Ludlow, Market Drayton, and develop roll out plan for rest of county, inclusive of:
 - Trauma informed approaches, Social Prescribing and Carers (underpinned by Personalised Care)
 - Multi-disciplinary teams to include Social Care, Public Health Nursing, MPFT (Mental Health in Schools), voluntary sector and other partners
 - Grant funding for additional community activity for children, young people and their families (working with Town and Parish Councils)
- Develop more Health and Wellbeing Centres; Oswestry, Highley, Ludlow, Shrewsbury, that include MDT approaches (as per below)
- Primary Care Networks are supported by joint working and integrated approaches on Proactive Care, Neighbourhood, Integrated Discharge and Social Care Hubs (including reablement), and Rapid Response , to be developed together, through a jointly developed Neighbourhood Model – to connect with Health and Wellbeing Centres (timeline from NHS led Local Care below)
- Social Prescribing expansion into A&E, midwifery, children, young people and families and local health and wellbeing centres



SHIPP Deliverables for 2023 – 2024 - Oversight

- Coproduction and codesign – as much as is possible, involving the people who use services in transformation, service design and service improvement
- Better Care Fund – Prevention, Admission Avoidance and System Flow
- System transformation work
 - Carers and carers support services,
 - Mental Health
 - Health pathways such as Diabetes, CVD, MSK,
 - ensuring prevention and personalised care is embedded within programmes
- Inspection regimes including SEND and CQC
- Shropshire Inequalities Strategy and Ongoing Delivery
- Healthy Weight Strategy and Action Plan and support delivery of the Whole System Approach
- Development of an all age prevention/early intervention strategy and delivery plans



Case Studies – Communities delivering real health and wellbeing improvement

The Centre - Oswestry

The Centre, Oak St, Oswestry has organically developed over the last few years as a vibrant community wellbeing centre. The space is used by Shropshire Council Early Help, the Integration Test and Learn site – which is a collaboration of health and care services, supporting children, young people and families, youth clubs, Osnosh (details in blue), New Saints Foundation (the Power of Ten - details in green aside) and other voluntary and community organisations.

The vision is for the Centre to continue to grow its community offer in partnership with a range of organisations providing a fantastic space for the community to receive support and to thrive.

OsNosh CIC

- OsNosh are passionate about bringing the community together in ALL aspects of the food cycle, for example; building community gardens with the help of local growers, using creative cooking to educate and inspire, creating a space to learn, grow and belong, fighting food poverty, promoting food equality and preventing waste through surplus food recycling.
- They started with community meals, providing a “pay as you can” offer. Their work involves supporting the local voluntary sector through providing opportunities for volunteers to work in the kitchen, learn new skills in cooking and working with the local residents. OsNosh provide a welcoming space for everyone within our community to sit down together and help fight food waste.
- At the beginning of the Covid-19 pandemic, Osnosh received a small amount of funding from Shropshire Council and space at the Centre in Oswestry, delivering meals to a handful of people. This service swiftly grew to supporting over 200 people. Since the easing of restrictions, Osnosh offers share tables, takeaway hot meals and community events and regular community meals, and have seen their volunteer workforce growing to include over 180 volunteers.
- This sustainable community project has had an overwhelmingly positive and heart-warming response from local charities and businesses. Every week they deliver dishes to a wide range of people in the local community, including those in need, saving food going to waste, and sharing their culinary knowledge with ways to cook up tasty and nutritious food for pennies.

The Power of 10

This project forms part of an 'Early Intervention' Pilot aimed at developing more effective collaborative working between the statutory and community sector to improve outcomes for local people. Delivered from the Centre, a ten-week programme delivered in partnership and led by The New Saints FC Foundation (TNSFC Foundation) to ten 'secondary level' young people on the verge of exclusion, based on co-design principles and 'invitation' criteria agreed in partnership with Marches Academy Trust and West Mercia Local Policing Team, using a central theme of sport/physical activity (in particular football and boxing) as the 'hooks' to engagement

Summary and Ask from ICB to support place

- Shipp is a very well attended system meeting
 - Good engagement from our PCN's and all partners
- It is an all age place board focussed on key priorities and deliverables
- The Partnership has held a joint workshop with HWBB and another planned this June
- Future reporting should be directly to the ICB not via IDB and support the delivery of the Joint Forward Plan
- The partnership want to start to work towards delegated funding to meet the priorities and deliverables for 2023/24. Examples include:

- **Personalised Care, Prevention and Inequalities** at place with clear system leadership ownership also of the system inequalities/prevention priorities

- Developing and commitment to a strong VCSA and Community Development
- Roll out of integration test and learn

- **Tackling Rural Exclusion** e.g. investment in our health and wellbeing hubs



This page is intentionally left blank



SHROPSHIRE HEALTH AND WELLBEING BOARD

Report

Meeting Date	14 September 2023			
Title of report	JSNA Update			
This report is for (You will have been advised which applies)	Discussion and agreement of recommendations		Approval of recommendations (With discussion by exception)	Information only (No recommendations) x
Reporting Officer & email	Rachel.robinson@shropshire.gov.uk			
Which Joint Health & Wellbeing Strategy priorities does this report address? Please tick all that apply	Children & Young People	x	Joined up working	x
	Mental Health	x	Improving Population Health	x
	Healthy Weight & Physical Activity	x	Working with and building strong and vibrant communities	x
	Workforce		Reduce inequalities (see below)	x
What inequalities does this report address?	Inequalities in health outcomes, service provision/access			

Report content - Please expand content under these headings or attach your report ensuring the three headings are included.

1. Executive Summary

This report presents to the Health and Wellbeing Board an update on Shropshire's JSNA; progress to date, future direction of the JSNA and timescales.

2. Recommendations (**Not required for 'information only' reports**)

The Health and Wellbeing Board:

- Note the update to work programmes and timescales

3. Report

Joint Strategic Needs Assessment (JSNA)

Work continues on the JSNA development programme. The JSNA has been managed as separate workstreams; a place-based approach and development of web-based media (Power BI interactive reports) to present needs assessments. We continue to aim to draw these two workstreams together to create web-based interactive profiles for Place Plan areas in Shropshire. The third element comprises the thematic based JSNAs.

Place-Based Needs Assessment (PBNA)

"Wave 1" priority Place Plan Areas

Alongside profiles for Highley and Oswestry, Bishop's Castle profile is now complete following engagement and stakeholder event and has been published on the Council website (also attached as Appendix A). Following the local community stakeholder engagement events, an action plan for each area has been produced and are in the process of being implemented in partnership with community groups (Appendix B Highley Action plan). The first and second profiles (Highley and Oswestry) have already been used by system partners to identify and address Health Inequalities in the South-East and North-West of the County.

The remaining “Wave 1” priority Place Plan area Whitchurch is in its final draft regarding the profile and action plan. Following an insightful community stakeholder event that raised additional themes for consideration. The profile will be published shortly, and working group formed.

“Wave 2” Place Plan Areas

Shrewsbury Place Plan area profile has commenced. The place plan area has been divided into four zones: North East, Central and West, South and Surrounding (Map, appendix C). This facilitates a deep dive into the specific areas of need in each zone as well as Shrewsbury overall. Following successful engagement and stakeholder events for North East, Central and West, South zones, they are in their final draft regarding the profile and action plans. The final stakeholder event for the Shrewsbury Surrounding area will take place early September 2023. The stakeholder presentation for the three zones has been published on the Council website. The profiles will be published shortly, and the working groups formed.

Ludlow Profile is currently in production. This is being developed concurrently with preliminary engagement, the results of which will be analysed and taken to the local community engagement event in November 2023. The production of profiles for Market Drayton and Bridgnorth (the remaining “Wave 2” Place Plan areas) will follow, with the aim to publish all “Wave 2” profiles by Autumn 2023.

Our ambition is to publish all 18 Place Plan Area profiles by Autumn 2024.

Work is underway to develop and update the Place Plan Health and Wellbeing Index with Census 2021 data and further measures. We will report back to the Board with details of these as prototype products are created.

The Place Plan data and profiles are supporting the development of integration and transformation work as part of the Shropshire Plan. In Highley, as part of the JSNA action plan, funding is being sought to retrofit the Severn Centre to support the new General Practice offer as well as Primary Care Network and other health and wellbeing services. In Oswestry, North Shrewsbury and soon to be in Ludlow, the data is supporting the development of the Integration Test and Learn sites as well as the Early Help transformation programmes. Continued improved understanding of our local communities is vital to support transformation and commissioning decisions across public sector organisations.

Web-Based Needs Assessment

Substantial content has been added to WBNA. As well as the overview of key demographic data for Shropshire overall and (where available) its communities, several sections have been added taking a life-course approach focusing on particular cohorts and wider determinants of health. To date the following sections have been added:

People – population, ethnicity, life expectancy and population density.

Starting Right - conception, perinatal measures, and family environment/vulnerability at birth

School Years - educational attainment, provision, SEND, FSM

Adult Wellbeing - currently predominantly behavioural measures; obesity, physical activity, drug and alcohol

Ageing Well – Health checks, outcomes associated with older populations

IMD – Deprivation indices

Employment and Economy – Activity, occupations, qualifications, business health, earnings.

Quality of Life – Crime, measures of social fabric communities, franchise etc.

Further content and narrative sections are in the progress of being added, including updating data using the 2021 Census. Subsequent to these reports being developed and signed-off, the dashboard will be implemented into the Shropshire Council public facing webpage in a similar way to how traditional static reports have been published. This new way of presenting information will allow audience to explore and appropriate the information for their own uses beyond what traditional reporting allows. In addition, as part of developing these tools many of the underlying data retrieving has been automated, with the intention that the data that audience access in the web-based needs assessment is always the latest available independent of any need for manual updating.

Thematic Joint Strategic Needs Assessments

Pharmaceutical Needs Assessment (PNA)

The final PNA was published on 1st October 2022. Any substantial changes to the provision or need for pharmacy services will be brought to the Board and supplementary publications to reflect said changes considered.

Other ongoing and significant workstreams in the coming period

- Annual Public Health Report (APHR)- draft under review
- Children and Young People Needs Assessment (0-19s)- this work has been paused whilst we recruit a Public Health Intelligence Analyst who will lead the JSNA

Summary of key milestones completed and forthcoming in Public Health Intelligence

October 2022 – Publication of Pharmaceutical Needs Assessment.

October 2022 – Profiling to support Dental Programme Targeting.

October 2022 – Alignment of WBNA and PBNA through initial high-level profile for Highley Place Plan

November 2022 – Refinement and initial publication of Web-Based Needs Assessment tool.

December 2022 – First stages of APHR initial development.

January 2023- Planning and commencement of the Comprehensive Children and Young's People's Needs Assessment

February 2023 – Autism strategy evidence review.

May 2023 - Publication of the Drug and Alcohol Needs Assessment (see Appendix)

Summer 2023 - Ongoing refinement, data acquisition and analysis in relation to Place Plan indices for Place-Based Needs Assessments.

May to March 2024- Production of the Children and Young's People's JSNA (six chapters: Maternity, Early Years, School Aged Children 5-11 and 12-16 and Young People)

March 2024- Presentation of Children and Young's People's Service User Survey (as part of the Children and Young's People's JSNA)

March 2024 – Publication of the Comprehensive Children and Young's People's Needs Assessment

July 2024- Publication of all 18 Place Plan Area Profiles.

Risk assessment and opportunities appraisal

(NB This will include the following: Risk Management, Human Rights, Equalities, Community, Environmental consequences and other Consultation)

A single, coordinated approach continues to be supported in the development of place-based profiles and needs assessments which in turn support place-based working. This will take time to develop and is intrinsically linked to the refresh of the HWB Strategy.

Therefore, this report seeks agreement to the approach and ongoing work programme in terms of the development of a coordinated evidence base for the whole system, delivered under the JSNA umbrella.

Financial implications

(Any financial implications of note)

Climate Change Appraisal as applicable

Where else has the paper been presented?

System Partnership Boards

Voluntary Sector

Other

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

Cabinet Member (Portfolio Holder) Portfolio holders can be found [here](#) or your organisational lead e.g., Exec lead or Non-Exec/Clinical Lead

Appendices

(Please include as appropriate)

Appendix A -Place Plan profiles: Highley, Oswestry, Bishops Castle:

<https://www.shropshire.gov.uk/public-health/joint-strategic-needs-assessment-jsna/place-based-joint-strategic-needs-assessment/place-based-profiles/>

Appendix B- Place Plan Action Plan for Highley

Appendix C- Map of Place Plan Areas:

<https://shropshire.maps.arcgis.com/apps/webappviewer/index.html?id=fa75f921e771451382533a854cce6a1e>

Published thematic JSNAs can be found here, including the Drug and Alcohol JSNA:

<https://www.shropshire.gov.uk/public-health/joint-strategic-needs-assessment-jsna/>



Committee and Date

Audit Committee

28th September 2023

10:00am

Item

Public



Internal Audit Performance 2023/24

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 the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

This report summarises Internal Audit's 2023/24 work to date. Delivery is impacted by resourcing challenges which are being recruited to supported by external contractors. Lower assurances from reviews are 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 first four and a half months of the approved internal audit plan for 2023/24. 34% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is slightly ahead of previous delivery records (26% 2022/23; 32% 2021/22).
- 2.2. Two good, 18 reasonable, seven limited and four unsatisfactory assurance opinions have been issued. The 31 final reports contained 182 recommendations, two of which were fundamental.
- 2.3. This report proposes significant revisions in the coverage of planned activity for Shropshire Council, with a decrease of 510 days from 1,799 days as reported in February 2023 to 1,289 days. Changes to the planned activity are necessitated due to a reduction in available resources whilst talking into account the changing

risk environment. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.

- 2.4. 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:
- a) the performance of Internal Audit against the 2023/24 Audit Plan.
 - b) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated.

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 adaptation. 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 2023/24 Internal Audit Plan was presented to, and approved by the Audit Committee at the 14th February 2023 meeting with the caveat that further adjustments may be necessary. This report provides an update on progress made against the plan up to 3rd September 2023 and includes revisions to the plan.

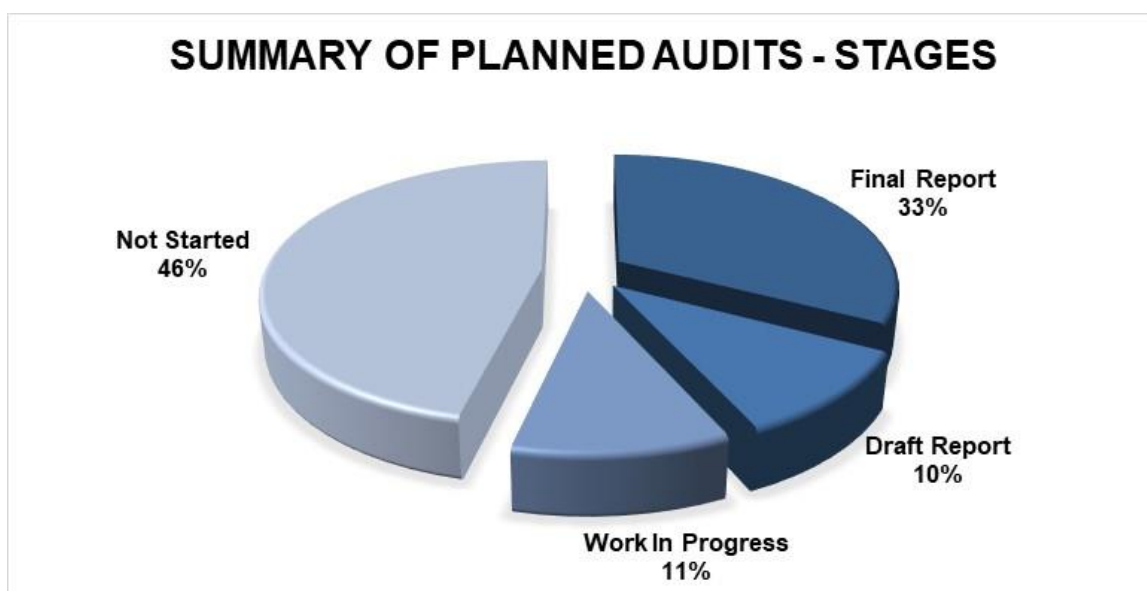
8. Performance Against the Plan 2023/24

- 8.1. Revisions to the 2023/24 plan provide for a total of 1,289 audit days, a reduction of 510 days from those approved by the Committee in February 2023. Changes to the planned activity are necessitated due to a reduction in available resources whilst taking into account the changing risk environment. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.
- 8.2. Since the last update a further two Auditors have left the team and a Principal Auditor is due to leave in October. Whilst additional resource has been secured through buying in from an external provider, this is at a greater cost and therefore less days are available.
- 8.3. There is a need to identify savings within the Internal Audit budget. Currently, this can be met from existing vacancies, however this is not sustainable in the longer term, particularly against a deteriorating control environment and the need to provide appropriate assurances.
- 8.4. In the short term, in light of the reduction in available resources significant changes are required to the planned audit activity and coverage:

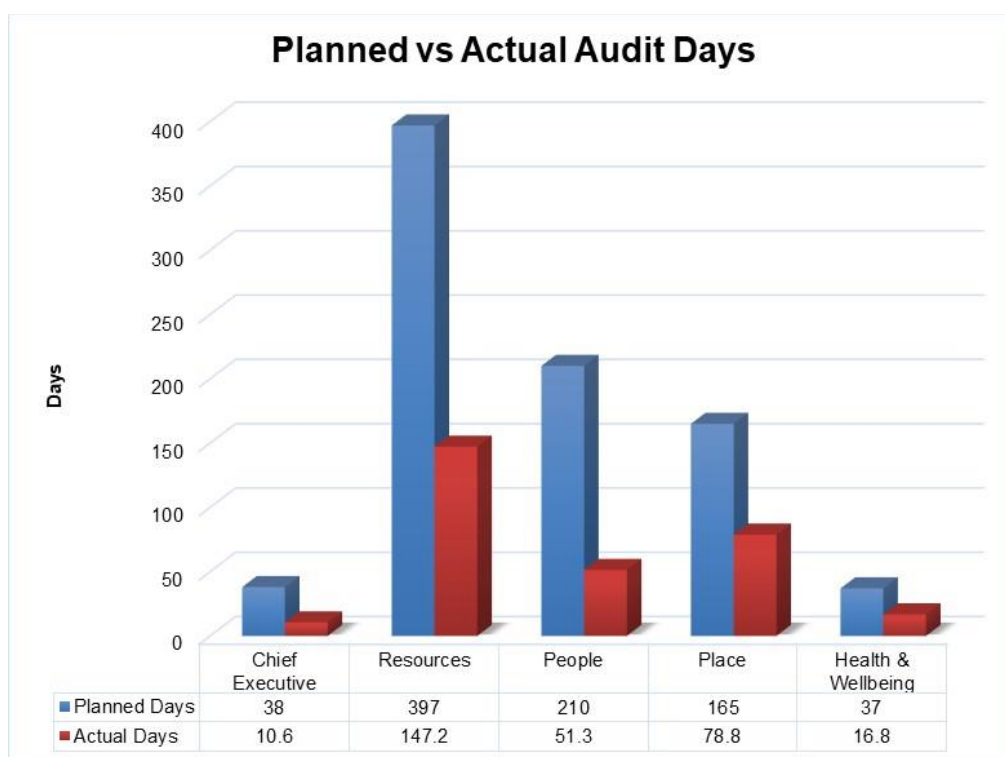
- The contingency / call off list has been removed. A number of audits had been bought on to the plan prior to the resignations and therefore this work needs to be completed.
- Unsatisfactory audits and fundamental recommendation follow ups will be delayed until 2023/24 with the exception of Payroll.
- Fundamental systems audits removed from the plan other than payroll

8.5. Performance is slightly ahead of previous delivery records at 34% (26% 2022/23; 32% 2021/22). However, due to recent resignations significant adjustments to the plan have been made.

8.6. In total, 31 final reports have been issued in the period from 1st April 2023 to 3rd September 2023, all are listed with their assurance rating and broken down by service area at paragraph 8.8. The following chart shows performance against the approved Internal Audit Plan for 2023/24:



8.7. Audits have been completed over several service areas as planned:



8.8. The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Strategic Transformation Partner Framework		1				3	4	
Communications - Brand Roll Out 2022/23		1					3	1
	0	2	0	0	0	3	7	1
Health and Wellbeing								
Community Safety 2022/23		1				1	1	
Health and Wellbeing Board Governance 2022/23		1				2		
	0	2	0	0	0	3	1	0
People - Adults								
Personal Allowances 2022/23		1				1	1	
Comforts Funds Review - Albert Road 2022/23			1			3	4	
Comforts Fund Reviews - Abbots Wood 2022/23				1		5	3	
Comforts Fund Reviews - Aquamira 2022/23				1		5	5	
	0	1	1	2	0	14	13	0
People - Children								
Other, including added value and briefing notes							2	
	0	0	0	0	0	0	2	0
Place								
Property Sales and Acquisitions 2022/23	1							1
Planning 2022/23		1				1	2	
Trading Standards 2022/23		1					4	
Blue Badge Scheme 2022/23			1			1	9	
Licensing 2022/23			1			5	8	
School Planning and Transport Arrangements 2022/23			1			5	3	



8.10. The overall spread of recommendations agreed with management following each audit review are as follows:



8.11. At this stage, given the limited data, it is difficult to look for or rely on any patterns; the mix of audit reviews completed varies to previous years and there is no strong pattern of areas attracting lower assurance levels. In the period up to the 3rd September 2023, 20 reports have been issued providing good or reasonable assurances and accounting for 64% of the opinions delivered. This represents a

slight increase in the higher levels of assurance for this period, compared to the previous year outturn of 62%. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 36% for the period compared to the previous year outturn of 38%.

- 8.12. 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 2**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 3 and 4** and provides a glossary of common terms, **Table 5**.

[Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?](#)

- 8.13. Ten draft reports, awaiting management responses, will be included in the next performance report. Work has also commenced for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.
- 8.14. A total of 182 recommendations have been made in the 31 final audit reports issued during this period; these are broken down by service area at paragraph 8.8. Two fundamental recommendations have been identified which is detailed below:

IT Contract Management

Recommendation: Signed contract documentation should be located for all contracts entered into and managed by ICT. Once located, copies should be retained centrally and be available to officers involved in the management of the contract to ensure that:

- Payments are accurate and in accordance with the contract terms.
- Contract management meetings are held regularly.
- Officers are aware of the KPIs and requirements of the contract.
- Officers are aware of the reporting that should be provided by the supplier.

Risk: Without a contract/agreement as a reference document staff may be unaware of the performance requirements and reporting requirements leading to sub-par performance not being identified or incorrect invoices being authorised for payments.

Management Response: Managers who are responsible for contracts will be educated on the importance of keeping contracts and saving them in the centralised local. Payments and KPIs etc will be reviewed in line with the contract at contract management meetings. Quarterly contract meetings held with suppliers unless specified differently in contract.

Date to be Actioned: June 2023

Disposal of IT Equipment

Recommendation: A formal contract for disposal of IT equipment which includes the following should be put in place as soon as possible:

- explicit direction on the services to be undertaken and that it may only act in accordance with your instructions;
- an approved specification for IT asset disposal which is aligned to your disposal/security policy; and

- full details of all downstream partners involved in the service. Any downstream partner contracts should include the same data controller specification for IT asset disposal as the minimum service level to be met.

Risk: Non-compliance with the Data Protection Act 2018 which could lead to fines being imposed by the Information Commissioner's Office.

Management Response: Will review and arrange a new contract for this service.

Date to be Actioned: September 2023

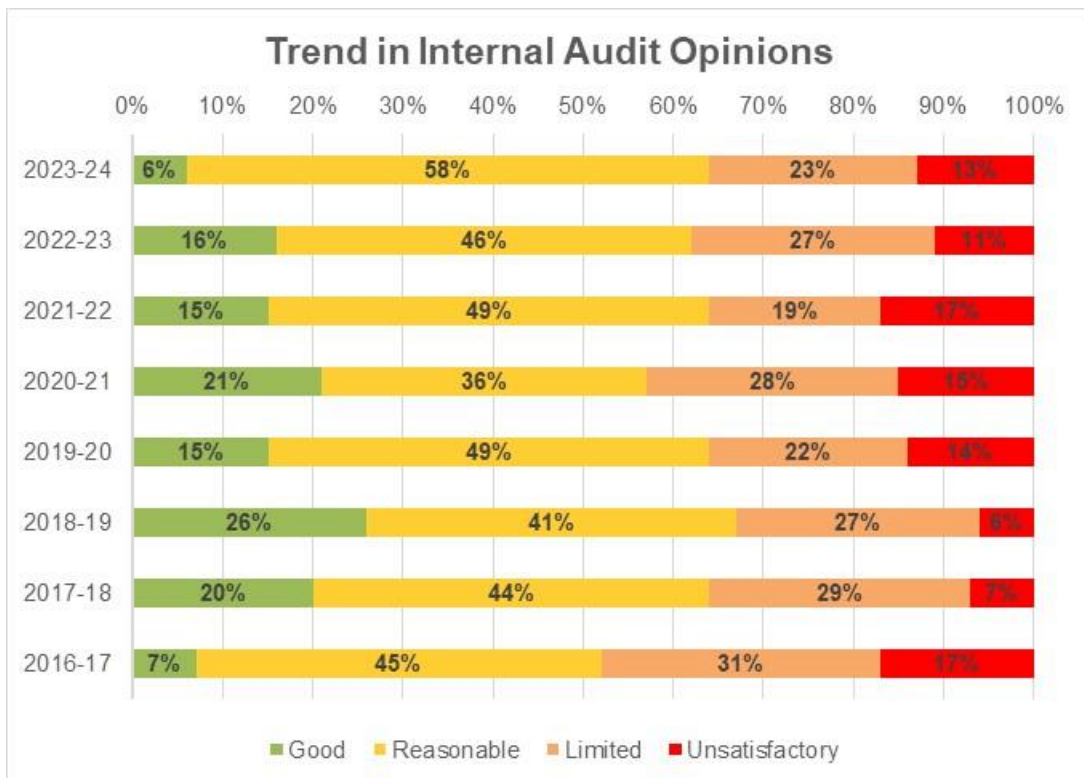
Question 2: Do Members wish to receive any updates from managers regarding the fundamental recommendations?

8.15. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 6** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

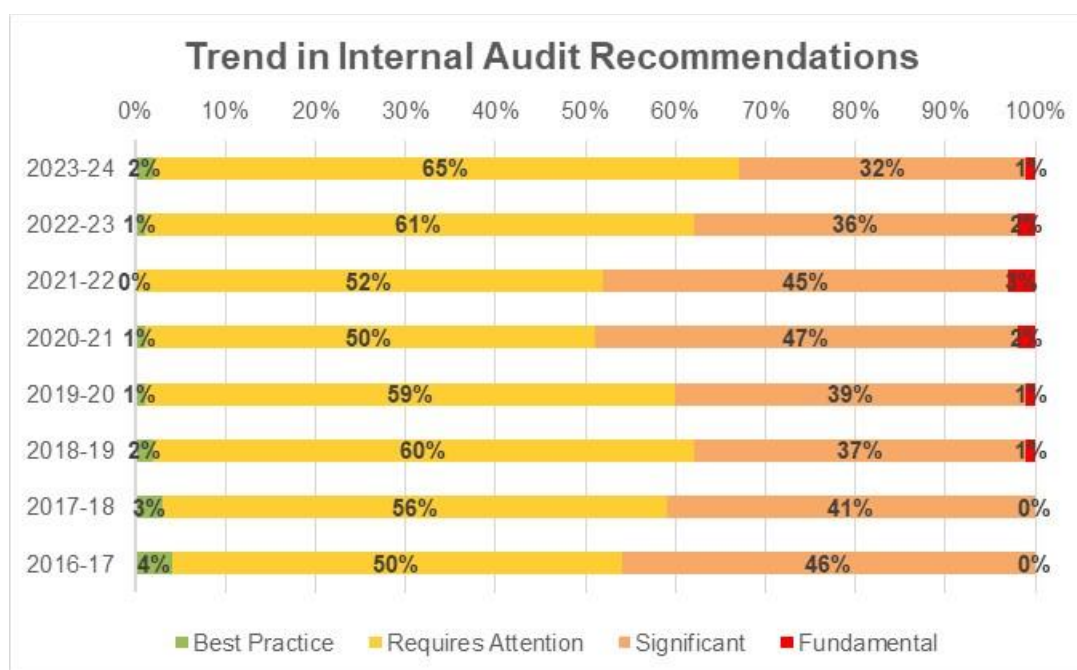
Direction of travel

8.16. 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)



Comparison of recommendation by categorisation



8.17. The number of lower-level assurances to date, 36%, is slightly lower than the outturn for 2022/23 of 38%. It should be noted that at this point the number of good assurances is significantly lower, currently 6% compared with the previous year outturn of 16%, whilst the number of unsatisfactory assurances is currently 13% against a previous year outturn of 13%. There are also six limited and three unsatisfactory audits at draft stage, this represents a deteriorating control environment.

8.18. 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 paragraph 8.8.

Performance Measures

8.19. 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)

Draft Internal Audit Risk Based Plan 2023/24 - Audit Committee 14th February 2023
 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 3rd September 2023

Table 2: Unsatisfactory and limited assurance opinions in the period 1st April to 3rd September 2023

Table 3: Audit assurance opinions

Table 4: Audit recommendation categories

Table 5: Glossary of terms

Table 6: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 3rd September 2023

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 3rd September 2023

	Original Plan	Revised Plan	3 rd Sept. 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	28	38	10.6	38%	28%
Health and Wellbeing	25	37	16.8	67%	45%
People	131	210	51.3	39%	24%
Adult Services	36	63	10.0	28%	16%
Children's Services	54	99	12.8	24%	13%
Education and Achievement	41	48	28.5	70%	59%
Place	211	165	78.8	37%	48%
Resources	325	397	147.2	45%	37%
Finance and Technology	235	259	100.2	43%	39%
Legal and Governance	38	48	12.3	32%	26%
Workforce and Improvement	52	90	34.7	67%	39%
S151 Planned Audit	720	847	304.7	42%	36%
Contingencies and other chargeable work	880	202	71.5	8%	35%
Total S151 Audit	1,600	1,049	376.2	24%	36%
External Clients	199	240	58.9	30%	25%
Total	1,799	1,289	435.1	24%	34%

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

Table 2: Unsatisfactory and limited assurance opinions issued in the period from 1st April 2023 to 3rd September 2023¹**Unsatisfactory assurance****Resources– IT Contract Management**

- There are signed and up to date contracts in place.
- The contracts include key performance indicators which are monitored in accordance with the contract.

Resources– Disposal of IT Equipment (Reasonable 2017/18)

- Appropriate management arrangements are in place, governing the processes around disposals.

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.

- All IT disposal requests are made via the ICT Helpdesk.
- Equipment marked for disposal is recorded.
- Security vulnerabilities have been considered.
- Personal data is removed prior to the disposal of IT equipment.
- Proof of disposal is obtained from the asset disposal service.

People– Abbots Wood Comforts Fund (Reasonable 2019/20)

- Previous audit recommendations have been implemented.
- Income is identified and recorded in a permanent record.
- Expenditure is appropriate and recorded in a permanent record.
- Petty cash transactions are recorded in a permanent record.
place for the control of stocks.
- Accounts are prepared summarising the transactions for the year.
- Analytical review of income and expenditure is performed to identify and investigate anomalies.

People – Aquamira Comforts Fund

- Income is identified and recorded in a permanent record.
- Expenditure is appropriate and recorded in a permanent record.
- Petty cash transactions are recorded in a permanent record.
- Accounts are prepared summarising the transactions for the year.
- Analytical review of income and expenditure is performed to identify and investigate anomalies.

Limited assurance

Resources– Recruitment Arrangements (Limited 2017/18)

- Previous audit recommendations have been implemented.
- The need to recruit into vacant or new posts is fully evaluated.
- Staff involved in recruitment and selection are sufficiently trained and have the appropriate experience.
- Management information is produced on a regular basis and is subject to independent review in a timely manner.
- New members of staff adhere to the terms and conditions set out in employment contracts.

Place– Licensing (Limited 2018/19)

- The recommendations made in the previous audit have been implemented
- Applications for licenses are processed in accordance with the criteria established.
- Upon revocation or expiry all plates and licences are recovered. There is adequate control over the enforcement process.
- A register is maintained detailing all licences issued, and what they have been issued for, date of issue etc.
- Management information is produced on a regular basis and is subject to independent review in a timely manner.
- There are appropriate arrangements in place for the prevention and detection of fraud. Suspected or attempted fraudulent activity is investigated and action is taken where appropriate.

Place – School Planning and Transport Arrangements (Limited 2019/20)

- There are appropriate procedures and policies in respect of the school transport arrangements.
- There are agreements with transport providers and the most appropriate provider is appointed in accordance with Council Contract Rules.
- There are appropriate financial procedures and initiatives to control expenditure which include where possible attempts to reduce the reliance on the service.
- There are procedures to ensure that complaints are dealt with appropriately and in a timely manner.

Place– Blue Badge Scheme (Limited / 2015/16)

- Written procedures are up-to-date and made available to relevant staff.
- Applications are processed accurately and promptly.
- Income due is identified, collected, receipted and banked promptly into nominated accounts.
- Reviews (appeals) are dealt with promptly through an independent process and the outcomes are communicated to individuals.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Resources– Diversity Arrangements

- Appropriate management arrangements are in place which govern Equality, Diversity and Inclusion within the Council.
- Administration of Equality, Diversity and Inclusion is undertaken in line with the Corporate Policies.
- Manager and staff awareness of Equality, Diversity and Inclusion in relation to roles and responsibilities

People– Albert Road Comforts Fund (Reasonable 2019/20)

- Previous audit recommendations have been implemented.
- Income is identified and recorded in a permanent record.
- Petty cash transactions are recorded in a permanent record.
- Accounts are prepared summarising the transactions for the year.

Resources– Physical and Environmental Controls (Reasonable 2017/18)

- To ensure that recommendations made in the 2017/18 Physical and environmental controls audit have been implemented.
- The authority complies with internal and external policies and legislation.
- Siting of computer equipment is planned to take all risks into account.
- Equipment is maintained effectively.

Table 3: 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 4: 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 5: 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 6: 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.

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL TO 3rd SEPTEMBER 2023

	Original Plan Days	August Revision	Revised Plan Days	3rd Sept 2023 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE						
Governance	28	10	38	10.6	38%	28%
Communications	0	0	0	0.0	0%	0%
CHIEF EXECUTIVE	28	10	38	10.6	38%	28%
RESOURCES						
Finance and Technology						
Finance Transactions	20	13	33	33.4	167%	101%
Finance and S151 Officer	63	-21	42	8.0	13%	19%
Financial Management	36	-18	18	6.0	17%	33%
ICT	100	30	130	44.3	44%	34%
Information Governance	16	4	20	4.2	26%	21%
Revenues and Benefits	0	4	4	4.2	0%	105%
Treasury	0	12	12	0.1	0%	1%
	235	24	259	100.2	43%	39%
Workforce and Improvement						
Insurance	10	1	11	1.6	16%	15%
Human Resources	42	33	75	29.4	70%	39%
Occupational Health & Safety	0	4	4	3.7	0%	93%
	52	38	90	34.7	67%	39%
Legal and Governance						
Procurement	38	0	38	12.2	32%	32%
Elections	0	10	10	0.1	0%	1%
	38	10	48	12.3	32%	26%
RESOURCES	325	72	397	147.2	45%	37%

	Original Plan Days	August Revision	Revised Plan Days	3rd Sept 2023 Actual	% of Original Complete	% of Revised Complete
PEOPLE						
Joint Commissioning						
Commissioning and Governance	8	-8	0	0.0	0%	0%
Community and Partnerships	0	18	18	8.1	0%	45%
Business Support	5	-5	0	0.0	0%	0%
	13	5	18	8.1	62%	45%
Adult Social Care						
Long Term Support	15	8	23	1.7	11%	7%
Housing Services	8	14	22	0.2	3%	1%
	23	22	45	1.9	8%	4%
Education and Achievement						
Business Support	0	0	0	0.0	0%	0%
Education and Achievement	8	11	19	9.5	119%	50%
Primary/Special Schools	33	-14	19	18.8	57%	99%
Secondary Schools	0	10	10	0.2	0%	2%
	41	7	48	28.5	70%	59%
Children's Social Care and Safeguarding						
Children's Placement Services & Joint Adoption	40	31	71	6.0	15%	8%
Assessment & Looked After Children	0	12	12	0.1	0%	1%
	40	43	83	6.1	15%	7%
Early Help, Partnership and Commissioning						
	14	2	16	6.7	48%	42%
PEOPLE	131	79	210	51.3	39%	24%

	Original Plan Days	August Revision	Revised Plan Days	3rd Sept 2023 Actual	% of Original Complete	% of Revised Complete
PLACE						
Business Enterprise and Commercial Services						
Property and Development	26	7	33	14.7	57%	45%
Development Management	0	0	0	0.0	0%	0%
	26	7	33	14.7	57%	45%
Economy and Place						
Business Growth and Investment	8	14	22	13.5	169%	61%
Development Management	0	8	8	0.2	0%	3%
Environment and Sustainability	5	-5	0	0.2	4%	0%
Project Development	15	-14	1	1.1	7%	110%
	28	3	31	15.0	54%	48%
Infrastructure and Communities						
Highways	68	-22	46	13.6	20%	30%
Public Transport	10	-2	8	8.4	84%	105%
Library Services	10	-10	0	0.0	0%	0%
	88	-34	54	22.0	25%	41%
Homes and Communities						
Superintendent Registrar	10	-10	0	0.0	0%	0%
Business and Consumer Protection	8	12	20	9.0	113%	45%
Bereavement	15	-15	0	0.0	0%	0%
Leisure Services	18	9	27	17.9	99%	66%
Theatre Severn and OMH	10	-10	0	0.0	0%	0%
Visitor Economy	8	-8	0	0.2	3%	0%
	69	-22	47	27.1	39%	58%
PLACE	211	-46	165	78.8	37%	48%

	Original Plan Days	August Revision	Revised Plan Days	3rd Sept 2023 Actual	% of Original Complete	% of Revised Complete
HEALTH AND WELLBEING						
Public Health						
Public Health	25	-10	15	4.5	18%	30%
Ecology and Pest Control	0	12	12	11.9	0%	99%
Community Safety	0	10	10	0.4	0%	4%
	25	12	37	16.8	67%	45%
HEALTH AND WELLBEING	25	12	37	16.8	67%	45%
Total Shropshire Council Planned Work	720	127	847	304.7	42%	36%
CONTINGENCIES						
Advisory Contingency	60	-40	20	3.8	6%	19%
Fraud Contingency	50	0	50	21.7	43%	43%
Unplanned Audit Contingency	573	-573	0	0.0	0%	0%
Other non audit Chargeable Work	197	-65	132	46.0	23%	35%
CONTINGENCIES	880	-678	202	71.5	8%	35%
Total for Shropshire	1,600	-551	1,049	376.2	24%	36%
EXTERNAL CLIENTS	199	41	240	58.9	30%	25%
Total Chargeable	1,799	-510	1,289	435.1	24%	34%



Committee and Date

Audit Committee
28th September 2023

Item

Public



Approval of the Council's Statement of Accounts 2021/22

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 for the final approval of the Statement of Accounts for 2021/22, detailing the final amendments to the Draft Statement of Accounts during the audit process.

2. Executive Summary

2.1. The statutory deadline for publishing the audited 2021/22 accounts was 30th November 2022. The audit of the 2021/22 accounts has been delayed significantly due to a combination of technical accounting issues and delays in carrying out audit work. The following timeline demonstrates when these issues have arisen:

Date	Requirement/Issue
March 2022	Auditors raise queries over treatment of Infrastructure Assets relating to 2020/21 accounts which were still open.
May – June 2022	CIPFA consultation on Infrastructure Assets
20 th July 2022	Draft Statement of Accounts published by the Council (11 days before statutory deadline of 31 st July)
30 th November 2022	Statutory deadline for publishing audited accounts (not met due to Infrastructure issue)

12 th January 2023	CIPFA issue Bulletin: Accounting for Infrastructure Assets
14 th February 2023	Audit Committee receive and approve 2021/22 Statement of Accounts including adjustments for Infrastructure assets.
31 st March 2023	Auditors informally raise potential issue around impact of triennial valuations for 2021/22 accounts
8 th June 2023	Auditors formally confirm 2021/22 audit work fundamentally complete however new issue highlighted with triennial valuations affecting IAS19 within accounts.
5 th September 2023	Auditors confirm happy with IAS19 restatement work and subsequent queries raised.
7 th September 2023	Auditors raise query around whether (Reinforced Autoclaved Aerated Concrete (RAAC) could be an issue for Shropshire and therefore will be a further delay to signing off 2021/22 accounts until this is resolved.

- 2.2. It should be noted that each time the issues have arisen which have impacted on the ability to sign off the accounts, these have been national issues which organisations such as the National Audit Office, CIPFA and hence the PSAA pass on to local audit firms to investigate.
- 2.3. As shown in the table above, the 2021/22 accounts cannot be signed off as complete due to issues now being raised around whether RAAC may be a prevalent issue for Shropshire and so potentially affect asset valuations. All other issues relating to 2021/22 accounts have been closed down now and had the RAAC issue not arisen, the intention was for the letter of representation and audit findings report to be presented at this audit committee. It is now anticipated that this will need to be deferred to November 2023 Audit Committee.

3. Recommendations

- 3.1. Consider and approve the amendments made to the 2021/22 Statement of Accounts as a result of triennial pension valuation.
- 3.2. Note that the audit opinion on the 2021/22 Statement of Accounts will be delayed until the Council can state the potential impact that RAAC would have on the Council's asset base.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report, which will be delayed due to the RAAC issue,

highlights that the audit work has been focussed on the significant risk areas identified for the audit.

5. Financial Implications

5.1. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

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.

7. Background

7.1. The Audit Committee has received a number of reports relating to the approval and audit of the 2021/22 Statement of Accounts:

Audit Committee Date	Report Received
20 th July 2022	Approval of the Council's Draft Statement of Accounts 2021/22
24 th November 2022	Draft Audit Findings Report 2021/22
14 th February 2023	Approval of the Council's Statement of Accounts
	Audit Progress Report 31 March 2022

7.2. These have provided updates on the progress of the audit and various national issues that have arisen which have delayed the audit opinion being issued.

8. Additional Information

8.1. Since Audit Committee reviewed and approved the 2021/22 accounts on 14th February, the Council has updated the accounts to reflect the impact of the triennial valuation on the Pension Fund. The table below details the changes that have been made within the core statements for this issue:

Value in Draft Accounts (£'000)	Amendment (£'000)	Value in Final Accounts (£'000)	Section in Statement of Accounts Amended
Comprehensive Income and Expenditure Statement			
262,932	-233	262,699	Net Cost of Services
31,872	-24	31,848	Financing and Investment Income and Expenditure
-15,762	-257	-16,019	(Surplus) or Deficit on Provision of Services
-63,870	38,162	-25,708	Remeasurement of the Net Defined Benefit Liability
-111,894	37,905	-73,989	Total Comprehensive Income and Expenditure

Balance Sheet			
-498,624	-37,905	-536,529	Pensions Liability
322,999	-37,905	285,094	Net Assets
156,247	-37,905	118,342	Unusable Reserves
322,999	-37,905	285,094	Total Reserves

In addition, the impact of these changes have been reflected in the following Notes to the Accounts and throughout Group Accounts:

- Note 5** – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty
- Note 6** – Events after the Reporting Period
- Note 7** – Expenditure and Funding Analysis
- Note 8** – Note to the Expenditure and Funding Analysis
- Note 9** – Expenditure and Income Analysed By Nature
- Note 11** – Adjustments between Accounting Basis and Funding Basis Under Regulations
- Note 14** – Financing and Investment Income and Expenditure
- Note 30** – Unusable Reserves
- Note 31** – Cash Flow Statement – Operating Activities
- Note 42** – Defined Benefit Pension Schemes

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

Approval of the Council's Draft Statement of Accounts 2021/22 – Audit Committee, 20th July 2022

Draft Audit Findings Report 2021/22 – Audit Committee, 24th November 2022

Approval of the Council's Statement of Accounts – Audit Committee, 14th February 2023

Audit Progress Report 31 March 2022 – Audit Committee, 14th February 2023

Local Member: All

Appendices

None



Committee and Date

Audit Committee

28th September 2023

Item

Public



Approval of the Council's Statement of Accounts 2022/23

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 sets out the Statement of Accounts for 2022/23, detailing any amendments made to the Draft Statement of Accounts during the audit process, and progress of the audit of the accounts.

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. The Statement of Accounts demonstrates how the organisation has spent its resources during the course of the year to deliver its priorities and demonstrates the financial position of the Council.

2.2. For 2022/23 the statutory deadlines for publishing the final audited accounts is 30th September with unaudited accounts needing to be published by 31st May. The table below summarises the key deadlines with regards to preparing and approval of the Statement of Accounts.

Task	Responsible Organisation	Deadline
Year end	N/A	31st Mar 2023
Produce and approve Draft Accounts	Local Authority	31st May 2023 - Statutory deadline Complete (31st May 2023)
External Audit carried out	External Audit	19th Jun – 30 Sep 2023 (Substantive testing due to be completed by 30th September, further audit work and review to take place in October and November)
Approve and Publish Audited Accounts	External Audit / Local Authority	30th Sep 2023 – Statutory deadline (Unable to meet this as audit not complete, Grant Thornton plan to complete audit work by end of November 2023)

3. Recommendations

- 3.1. Consider the amendments currently proposed to the 2022/23 Statement of Accounts and note that due to the audit not being completed by the statutory deadline, the approval of the audited Statement of Accounts will have to be deferred until the November Audit Committee.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report, that will be provided at the November audit committee, highlights that the audit work has been focussed on the significant risk areas identified for the audit.

5. Financial Implications

- 5.1. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

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.

7. Background

- 7.1. The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts after, rather than before, the findings of the audit are

known. The statutory deadline for audited accounts to be published is 30th September, however Grant Thornton have stated that they will be unable to meet this timeframe and are instead planning to finalise the audit of the 2022/23 accounts by 30 November.

8. Additional Information

- 8.1. Grant Thornton began the audit of 2022/23 accounts on 19th June 2023 and the audit has progressed over the course of the summer.
- 8.2. Following the publication of the Draft Statement of Accounts on 31st May, the auditors highlighted the need to update the IAS19 figures relating to pensions for the 2021/22 accounts to reflect the triennial actuarial valuation that had been completed on 31 March 2022. This would also impact on the opening balances and figures quoted in the 2022/23 IAS19 report and so a revised IAS19 statement for 2022/23 accounts was requested and the following amendments have been made to the draft accounts:

Value in Draft Accounts (£'000)	Amendment (£'000)	Value in Final Accounts (£'000)	Section in Statement of Accounts Amended
Comprehensive Income and Expenditure Statement			
328,916	-440	328,476	Net Cost of Services
47,286	+1,015	48,301	Financing and Investment Income and Expenditure
70,589	+575	71,164	(Surplus) or Deficit on Provision of Services
-419,732	-29,449	-449,181	Remeasurement of the Net Defined Benefit Liability
-390,020	-28,874	-418,894	Total Comprehensive Income and Expenditure
Balance Sheet			
-117,328	-9,031	-126,359	Pensions Liability
713,019	-9,031	703,988	Net Assets
581,193	-9,031	572,162	Unusable Reserves
713,019	-9,031	703,988	Total Reserves

* The total movement in year of £28,874,000 as shown in the Income and Expenditure Statement includes the movement in the 2021/22 opening balance of the Pensions Liability and Unusable Reserves of £37,905,000.

In addition, the impact of these changes have been reflected in the following Notes to the Accounts and throughout Group Accounts:

Note 4 – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Note 6 – Expenditure and Funding Analysis

Note 7 – Note to the Expenditure and Funding Analysis

Note 8 – Expenditure and Income Analysed By Nature

Note 10 – Adjustments between Accounting Basis and Funding Basis Under Regulations

Note 13 – Financing and Investment Income and Expenditure

Note 31 – Unusable Reserves

Note 32 – Cash Flow Statement – Operating Activities

Note 41 – Defined Benefit Pension Schemes

- 8.3 No further amendments have been identified during the course of the audit work completed so far.
- 8.4 In the last 2 weeks, it has been highlighted nationally that Reinforced Autoclaved Aerated Concrete (RAAC) has been identified initially in school buildings across the country which may result in buildings having to shut, and for the accounts, may impact on the valuations held within the accounts. There have been no schools identified in the Shropshire Council area that have RAAC, and the property and development team are now reviewing other buildings that the Council are responsible for to identify if RAAC is present. Should any amendments be required to asset values held within the account, this will be notified in the final audit adjustments presented to the November Audit Committee.

9. Next Steps

- 9.1. Following conclusion of the audit work in November, the audited accounts will be presented to the November Audit Committee for formal approval. This should be accompanied by the Letter of Representation which provides assurance to the auditors that the information submitted within the accounts is accurate and all material information has been disclosed to the auditors. Also the auditors will produce the Audit Findings Report for 2022/23 which will provide the audit opinion on the accounts.

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

Audit Committee, 22nd June 2023 - Approval of the Council's Draft Statement of Accounts 2022/23

Local Member: All

Appendices

None

Shropshire Council audit plan

Year ending 31 March 2023

28 September 2023

Page 85



Contents



Your key Grant Thornton team members are:

Grant Patterson

Key Audit Partner

T 0121 232 5296

E grant.b.patterson@uk.gt.com

Mary Wren

Audit Manager

T 0121 232 5254

E mary.wren@uk.gt.com

Section

Key matters	3
Introduction and headlines	5
Significant risks identified	7
Other risks identified	11
Group audit scope and risk assessment	12
Other matters	14
Materiality	15
IT Audit Strategy	17
Value for Money	18
Audit logistics and team	20
Audit fees	21
Independence and non-audit services	24
Communication of audit matters with those charged with governance	27

Appendices

Audit letter in respect of delayed VFM work	
---	--

Page

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time. Locally, the Council continues to operate in an uncertain and challenging environment, balancing service delivery against the impact of its decisions on the citizens of Shropshire, Council staff and their families.

Local context

For several years the Council has been reporting medium-term financial challenges. The Medium Term Financial Strategy (MTFS) for 2023/24 presented in February 2023 detailed the very challenging outlook for the Council. The Council took on board the recommendations detailed in the Local Government Association peer review [\(Link\)](#) and, as a result of the work of Cabinet and Officers during 2022, the Council reduced the total budget gap in its current MTFS forecasts to £9.2m to 2027/28. Whilst this is positive news, the budget is predicated on the delivery of £51.3m of service-based savings in 2023/24. This will be extremely challenging given the budgetary pressures facing the Council, particularly those relating to the growth in numbers of service users within Adult Social Care and Children's Social Care. The level of contract inflation has also increased significantly - to provide context, contract inflation historically has been approximately £2-3m, however for 2023/24 the Council was funding contract inflation up to £23.4m. The Council has however taken steps to mitigate this through use of reserves and balances.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters



Emerging issues

A recent national issue has emerged regarding Reinforced Autoclaved Aerated Concrete (RAAC) and its potential impact on public sector buildings. We have enquired with management as to whether an assessment has been made regarding the existence of RAAC in any of council buildings (not just schools) and whether the valuer has taken account of any potential impairment in their latest valuation.

We understand management's assessment is in progress. The Council's Property and Development team is carrying out a data gathering exercise to identify if RAAC is present in any of the buildings that Shropshire Council is responsible for.

We have not identified a specific risk in relation to RAAC at this stage, we will however reconsider, once the work of the Property and Development team is complete and any impact on the Council's financial statements (2021/22 and 2022/23) considered by management.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further on page 22 will be agreed with the Executive Director of Resource.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work. A joint report is being completed for the 2021/22 and 2022/23 financial years. A draft of this is in the final stage of review and will be shared with the Council's management team for comment by 6 October. A VFM delay letter is attached at appendix A.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We reported our 2020/21 Audit Findings Report to the July 2023 Audit Committee. Included in this report were improvement recommendations relating to the financial statements audit. Due to the proximity of prior year reporting we will report progress against recommendations as part of our final accounts procedures.
- We are currently waiting for management's response regarding the Council's exposure to the national RAAC issue before we can close the 2021/22 financial audit fully.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Shropshire Council ('the Council') for those charged with governance.

Respective responsibilities

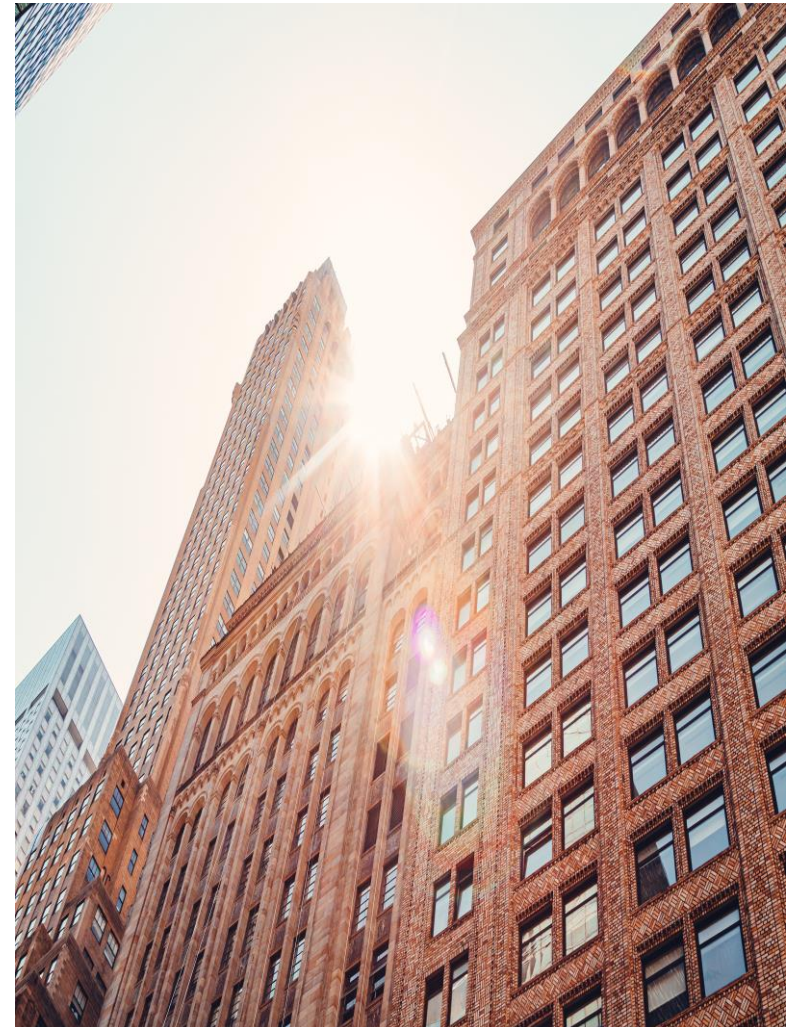
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Shropshire Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance, the Audit Committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Land and Buildings
- Valuation of Council Dwellings
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £9.0 million (PY £9.0 million) for the group and £8.9m (PY £8.9m) for the Council, which equates to 1.3% of your current year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £450k (PY £450k).

We will apply headline materiality of 1.3% to the total senior officer remuneration. We will apply this materiality on an individual officer level.

Total senior officer remuneration per the draft 2022/23 accounts is: £819k, and lower materiality (1.3%) for senior officers' note is therefore £10,600.

Value for Money arrangements

Our planning risk assessment has identified the following risks of significant weakness:

- Financial Sustainability -Risk identified because of the Council's significant medium-term challenges
- Improving economy, efficiency and effectiveness - Risk identified because of the inadequate rating issued by Ofsted in respect of children in care

We will report our 2021/22 and 2022/23 Value for Money findings as part of a combined Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 19.

Our work on the Council's IT systems and business processes is ongoing at the time of writing this report. Should our work identify any changes to the proposed audit strategy we will report to management and the Corporate Governance Committee.

Audit logistics

Our final accounts visit started in August 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £178,249, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition</p> <p>ISA (UK) 240</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 91</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Shropshire Council and its subsidiaries mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue streams, as they are material. We will:</p> <p>Accounting policies and systems</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code • update our understanding of the Council's business processes associated with accounting for income <p>Fees, charges and other service income</p> <ul style="list-style-type: none"> • Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <p>Taxation and non-specific grant income</p> <ul style="list-style-type: none"> • Income for national non-domestic rates and council tax is predictable and therefore we will conduct substantive analytical procedures • For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate <p>We will also design tests to address the risk that income has been understated, by not being recognised in the current financial year .</p>
<p>Risk of fraud related to expenditure recognition</p> <p>PAF Practice Note 10</p>	<p>In line with the Public Audit forum Practice Note 10 (PN10), in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatement due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure of the expenditure streams of Shropshire Council, and on the same basis as set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's expenditure streams, as they are material. We will:</p> <p>Expenditure</p> <ul style="list-style-type: none"> • update our understanding of the Council's business processes associated with accounting for expenditure • evaluate the Council's accounting policies for recognition of expenditure for its various material expenditure streams and compliance with the CIPFA Code • agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence <p>We will also design tests to address the risk that expenditure has been overstated, by not being recognised in the current financial year – see page 11</p>

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Management override of controls</p> <p>Risk relates to Group and Council</p>	<p>Under ISA [UK] 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals; Analyse the journals listing and determine the criteria for selecting high risk unusual journals; Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; Gain on understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence: and Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Valuation of land and buildings</p> <p>Risk relates to Group and Council</p>	<p>The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years and are subject to an annual desktop review, in year where a full valuation is not undertaken.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£436.6m relating to Other land and Buildings and the sensitivity of this estimate to changes in key assumptions.</p> <p>We will focus our audit attention on those assets that have large/unusual changes in valuation or approaches to valuation, including key inputs, has changed. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; Evaluate the competence, capabilities and objectivity of the valuation expert; Write to the value to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; Challenge the information and assumptions used by the value to assess completeness and consistency with our understanding; Engage our own valuer to assess the instructions issued by the Council to its valuer, the scope of the Council's valuer's work, the Council's valuer's reports and the assumptions that underpin the valuations; Test revaluations made during the year to see if they had been input correctly into the Council's asset register; Evaluate the assumptions made by management for those assets not revalued during the year end how management have satisfied themselves that these are not materially different from current value at year end . For all assets not formally revalued or revalued on an indexation basis only, evaluate the judgements made by management or others in the determination of current value of these assets.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA [UK] 315)

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Council Dwellings £236m	<p>The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Ministry of Housing, Communities and Local Government (now Department for Levelling Up, Housing and Communities). They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor for Shropshire. Dwellings are divided into asset groups (a collection of property with common characteristics) and further divided into archetype groups based on uniting characteristics material to their valuation, such as numbers of bedrooms.</p> <p>A sample property, the “beacon” is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype.</p> <p>The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons.</p> <p>We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding • engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council’s valuers’ work, the Council’s valuers’ reports and the assumptions that underpin the valuations • test revaluations made during the year to see if they had been input correctly into the Council’s asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p> <p>Risk relates to Group and Council</p>	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The Council's pension fund net liability is considered a significant estimate due to the size of the numbers involved (£117m at 31 March 2023 and £498m as at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We therefore identified valuation of the pension fund net asset/liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert {an actuary} for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Shropshire County Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Operating Expenses</p> <p>Risk relates to Group and Council</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding.</p> <p>We therefore identify completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness • gain an understanding of the Council's system for accounting for non-pay expenditure • test a sample of balances included within trade and other payables • test a sample of payments immediately after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. • test a sample of expenditure accounted for immediately prior to and after the year end to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period
<p>Completeness, existence and accuracy of cash and cash equivalents</p> <p>Risk relates to Council</p>	<p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position.</p> <p>Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring special audit consideration.</p>	<p>We will</p> <ul style="list-style-type: none"> • agree all period end bank balances to the general ledger and cash book; • agree cash and cash equivalents to the the bank reconciliation; • agree all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence; • obtain the bank reconciliation for the following month end and review the reconciling items against those included on the period end bank reconciliation; • write to the bank and obtain a bank balance confirmation; • agree the aggregate cash balance to the relevant financial statement disclosures.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group:

The Group risk assessment has not identified any changes from the prior year.

Page 96



Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Shropshire Council	Yes	Audit of the financial information of the component using component materiality	See pages 7 to 10 of this report for risks identified.	Full scope audit performed by Grant Thornton UK LLP
Shropshire Towns and Rural Housing (STaRH) Ltd	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.
West Mercia Energy	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.
Cornovii Developments Limited	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.
IP & E Limited	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.
West Mercia Energy (Pension)	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act

- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £9m, which equates to 1.3% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. As such, we have not set a level of materiality in relation to senior officer remuneration as disclosures will be tested fully.
<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £450k (PY £450k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Page 100

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	9,000,000 (Group) 8,900,000 (Council)	<p>We have determined planning materiality to be £9.0 million (PY £9.0 million) for the group and £8.9m (PY £8.9m) for the Council, which equates to 1.3% of your current year gross expenditure.</p> <p>This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.</p> <p>We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £450k (PY £450k).</p>
Materiality for specific transactions, balances or disclosures: senior office remuneration	Various – see commentary	<p>We will apply headline materiality of 1.3% to the total senior officer remuneration.</p> <p>We will apply this materiality on an individual officer level.</p> <p>Total senior officer remuneration per the draft 2022/23 accounts is: £819k, and lower materiality (1.3%) for senior officers' note is therefore £10,600.</p>



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 21.

The following IT system has been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

Page 101

IT system	Audit area	Planned level IT audit assessment
Unit 4 ERP	Financial reporting and payment system	• Detailed ITGC assessment (design effectiveness only)

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office –issued its latest Value for Money guidance –to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body’s arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Page 102



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Financial sustainability

Risk identified because of the Council's significant medium-term challenges.



Improving economy, efficiency and effectiveness

Risk identified because of the inadequate rating issued by Ofsted in respect of children in care

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

Planning and
risk assessment

Audit planning
April – May 2023

Audit
Committee
September 2023

Audit Plan

Year end audit
August – November 2023

Audit
Committee
November 2023

Audit Findings
Report, Audit
Opinion and
Auditor's Annual
Report

Page 104



Grant Patterson, Key Audit Partner

Grant leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the Council.



Mary Wren, Audit Manager

As the engagement manager, Mary is responsible for overseeing delivery of our service and managing the audit process in respect of the Council. She will be in hand to answer any queries, whilst ensuring an efficient audit process.

Phil Wood, Audit Incharge

Phil will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. He will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017 PSAA awarded a contract of audit for Shropshire Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing and any impact on the audit fee. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf. This will be agreed with the Executive Director of Resources.

Audit fees

	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Shropshire Council Audit	£177,811 (estimated)	£178,249
Audit of subsidiary company Shropshire Towns and Rural Housing Limited (STaRH)	£27,500 (Actual)	£34,000 (Estimated)
Total audit fees (excluding VAT)	£205,311	£212,249

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Fees relating to objections are charged on a time basis plus any costs for professional advice sought by us, for example legal costs. These will be reported as part of our ongoing reporting to the Audit Committee.

Audit fees – detailed analysis

Scale fee published by PSAA for 2022/23	121,811
(This includes 'baked-in' increases from previous years which continue to apply for future years in relation to:	
<ul style="list-style-type: none"> • £4,375 pension valuations • £4,375 for Group accounting • £3,750 for PFI • £6,250 for additional FRC challenge 	
Increases not included within revised scale fee - £5,438 for PP&E valuations	£5,438
Continued impact in relation to decreased materiality	£3,750
Impact of ISA540	£6,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Increased audit requirements for ongoing raising of quality standards - FRC	£1,500
Infrastructure	£2,500
Other complex issues	£3,000
Appointment of auditor's expert in respect of PP&E valuations	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund - reliefs testing	£750
Increased audit requirements of revised ISAs 315	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Total proposed audit fees 2022/23 (excluding VAT)	£178,249

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

Other services provided by Grant Thornton UK LLP have been identified, as set out on the next page.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

4. Independence and ethics

Audit related service	Fees £	Threats identified	Safeguards
2021/22 Certification of Housing capital receipts grant	£3,000 (complete and billed)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
2022/23 Certification of Housing capital receipts grant	£7,500* (expected)		To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
2021/22 Certification of Teachers Pension Return	£5,400 (complete and billed)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
2021/22 Certification of Teachers Pension Return	£7,500 (complete and billed)		To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
2022/23 Certification of Teachers Pension Return	£10,000* (in progress)		
2021/22 Certification of Housing Benefit Claim	£22,200 (complete and billed)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £25,700 (based on prior year volume of testing) in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
2022/23 Certification of Housing Benefit Claim	£25,700* (in progress)		To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

* £43,200 relating to 2022/23 audit year

4. Independence and ethics

Audit and non-audit services – continued

Audit-related service	Fees £	Threats identified	Safeguards
Homes England 2021/22	£5,500	Self-Interest	<p>This is potentially a recurring fee and therefore high self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £5,500 in comparison to the total fee for the audit and in particular to GTUK's turnover overall.</p> <p>The work is on audit related services. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This is potentially a recurring fee and therefore high self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £5,500 in comparison to the total fee for the audit and in particular to GTUK's turnover overall. The work is on audit related services. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p>
iXBRL tagging – Service carried out by separate Grant Thornton team for the Council's subsidiary Shropshire Towns and Rural Housing Limited (STaRH) 2022/23 first year	£550	Self - Interest	<p>This is potentially a recurring fee and therefore high self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £550 in comparison to the total fee for the audit of either Shropshire Council or Shropshire Towns and Rural Housing Limited (STaRH) and, in particular, to GTUK's turnover overall.</p> <p>The work is on audit related service. It is carried out for and billed to STaRH, not the Council. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This is potentially a recurring fee and therefore high self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £550 in comparison to the total fee for the audit and in particular to GTUK's turnover overall.</p>

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

A. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Audit Committee Chair
Shropshire Council

Dear Councillor Williams, Chair of Audit Committee as TCWG,

2021/22 & 2022/23– Auditors’ Annual Report

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

We wrote to you on 27 September 2022 to confirm that we expected to publish our Auditor’s Annual Report for 2021/22 including our commentary on arrangements to secure value for money, no later than 30 September 2023. Since this date, and taking into consideration guidance issued by the NAO, a joint report will now be prepared for the 2021/22 and 2022/23 audit years. As such we now expect to publish our joint report for 2021/22 and 2022/23 by 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Grant Patterson

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor



© 2022 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Informing the audit risk assessment for Shropshire Council 2022/23

Page 115

Grant B Patterson
Director, Audit
T +44 (0)121 212 4000
E Grant.B.Patterson@uk.gt.com



Agenda Item 12

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	5
Fraud	8
Laws and Regulations	13
Related Parties	15
Going Concern	17
Accounting Estimates	19
Appendix A – Accounting Estimates detail	23

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council's external auditors and Shropshire Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

General Enquiries of Management

- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Shropshire Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for the period end?	Inflation has been a factor again throughout the accounts with increased costs in comparison to 2021/22.
2. Have you considered the appropriateness of the accounting policies adopted by Shropshire Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies are reviewed annually. There have been no events or transactions that may require a change or a new accounting policy
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council holds financial assets and liabilities in the general running of the Council but does not use derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No, all impairments that we are aware of will be reflected in the Draft Statement of Accounts. We are currently considering the councils exposure to RAAC.

General Enquiries of Management

Question	Management response
6. Are you aware of any guarantee contracts? If so, please provide further details	No new guarantee contracts have been provided in 2022/23.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Contingent liabilities that the Council is aware of will be detailed within the Draft Statement of Accounts. No further contingencies or un-asserted claims have been identified.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Shropshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Sharpe Pritchard, Anthony Collins, Gowlings, Freeths, Browne Jacobsen, Geldards, Trowers and Hamlin, Bevan Brittan, Leonie Cowan and Associates, Setfords, Eversheds, Thompsons Solicitors</p> <p>There are a number of legal cases outstanding that may result in future costs for the Council. These include:</p> <ul style="list-style-type: none"> • Employment tribunal appeal • Potential changes to CIL regulations and impact that this may have on Council CIL liabilities • Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs. • Judicial review regarding adult social care regarding responsibility for care costs • Planning litigation • Potential property tenancy dispute.

General Enquiries of Management

Question	Management response
9. Have any of Shropshire Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None identified
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council has sought out general advice for a variety of service areas over the course of the year which will include general advice specifically around capital programme schemes.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The Council recognises expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations, For trade receivables we apply the simplified approach and recognise lifetime losses.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Shropshire Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Shropshire Council's management.

Fraud risk assessment

Question	Management response
1. What is management assessment of how the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments	The statement of accounts is also subject to an analytical review each year which considers any significant or material changes to figures, to confirm that the accounts are presented without such misstatements
2. Management's process for identifying and responding to the risks of fraud in the entity, including any identified specific risks of fraud and risks of fraud likely to exist	Fraud risks are identified by Internal audit in their audit plan, and fundamental systems which feed the statement of accounts are reviewed on a risk basis to ensure that controls in place are satisfactory.
3. How do the Council's risk management processes link to financial reporting?	Strategic and operational risks are regularly reported and monitored including key financial risks. Also finance are involved in providing evaluation of all strategic risks on a quarterly basis which highlights anything that may then need to be reflected in financial reporting.
4. Their knowledge of any actual, suspected or alleged fraud affecting the entity	<p>Yes, but none of a material nature and levels are very low. All reports of fraud are investigated by Internal Audit and outcomes reported to Audit Committee as part of the exempt agenda items.</p> <p>External Audit attend all Audit Committee meetings and receive copies of the exempt agenda reports pack.</p>

Fraud risk assessment

Question/challenge	Management response
<p>5. Their communication, if any, to those charged with governance regarding their processes for identifying and responding to the risks of fraud in the entity</p>	<p>Where there has been a breakdown in internal controls that has contributed to the fraud a management report is produced detailing the required control improvements.</p> <p>Outcomes reported to Audit Committee as part of the exempt agenda items.</p>
<p>6. Their communication, if any, to employees regarding their views on business practices and ethical behaviour</p>	<p>The vision and values for the Council identify the need for staff to act with integrity in all the undertakings.</p> <p>The Council shares the whistleblowing policy with the public and all contractors. The terms and conditions within Council contracts also include ethical considerations for contractors and suppliers.</p> <p>A fraud and corruption module is available on Leap into Learning for relevant staff.</p>
<p>7. Whether any fraud has been raised by employees or other parties</p>	<p>Staff are encouraged to report their concerns about fraud as set out in the Speaking up about wrongdoing (whistleblowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.</p> <p>No significant issues have been reported to Internal Audit.</p>

Fraud risk assessment

Question/challenge	Management response
<p>8. How do you assess the overall control environment for Shropshire Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal Audit sets a risk assessed annually plan of work identifying the key areas for review and the need for assurance.</p> <p>Audit Committee undertakes a regular self-assessment, challenged by officers and External Audit, and undertakes regular training sessions based on the identification of areas for improvement and key risks.</p> <p>Service managers have been required to attend Audit Committee to provide assurance not otherwise secured on their control and risk management environment.</p> <p>Based on the Internal Audit work and management responses received; the Chief Audit Executive reported limited assurance for the 2022/23 year on the Council's framework for governance, risk management and internal control.</p>
<p>9. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not to my knowledge.</p>

Fraud risk assessment

Question/challenge	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts are risk assessed by service areas with the support of HR and where identified as politically restricted, or requiring DBA checks comply with approved processes.</p> <p>Systems and processes are designed with separation of duties; access controls; recruitment checks, training and induction plans, etc. to ensure that risks are minimised and managed regardless of the post holder.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>Potential conflicts of interest are declared at public and private meetings. Officers in specialist roles also declare any conflicts to ensure their work programmes can be planned around these. Employee and Member Codes of Conduct specify clear processes for this.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Any complaints of this nature are dealt with under the Speaking up about wrongdoing (whistleblowing) policy. Any instances of fraud reported as part of this policy are investigated by Internal Audit and the outcome is reported to the Monitoring Officer and Audit Committee .</p>
<p>13. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Shropshire Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. Has management identified possible litigation and claims which may give rise to a risk of material misstatement?	We are not aware of any actual or potential litigation or claims that would affect the financial statements.
2. What arrangements does management have in place to identify, evaluate and account for litigation or claims?	Risk management, insurance and legal work together to identify and evaluate any potential litigation or claims against the Council. Any potential liabilities are highlighted each year in the Council's Statement of Accounts.
<p>3. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Shropshire Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Each year the Council's corporate governance arrangements and risk management arrangements are reviewed and reported upon by Internal Audit and Risk Management teams. The Council has a robust corporate governance and risk management process in place.</p> <p>The Council has a Monitoring Officer and Section 151 Officer who provide assurance that all relevant laws and regulations have been complied with. Also all Cabinet reports now have a standard section detailing any legislative issues.</p> <p>Any non compliance is reported to management via Internal Audit reports and appropriate plans are put in place to remedy such issues.</p>
4. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	All reports on the Council's corporate governance arrangements are presented to Audit Committee to provide assurance that the appropriate arrangements are in place and that they are working well.
5. Is management aware of any non-compliance with any laws and regulations?	We are not aware of any instances of non-compliance with relevant laws and regulations in 2022/23.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No such reports have been received

Related Parties

Matters in relation to Related Parties

Shropshire Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Shropshire Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. The identity of the entity's related parties, including changes from the prior period.	The Council's related parties include Central Government; organisations on which it is represented by members including West Mercia Energy and Shropshire Fire and Rescue Service; and entities which are controlled or significantly influenced by the Authority which includes, Cornovii Developments Limited, SSC No.1 Ltd, the Shropshire County Pension Fund and Shropshire Towns and Rural Housing. West Mercia Energy and West Mercia Supplies are incorporated into the Council's Group Accounts.
2. What controls does Shropshire Council have in place to identify, account for and disclose related party transactions and relationships?	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers/officers and members requiring confirmation that they read and understood the declaration requirements and stating details of any known related party interests.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	All significant transactions will be subject to appropriate approval and scrutiny in accordance with the authorisation requirements of the Financial Rules.
4. The nature of the relationships between the entity and these related parties.	The nature of the relationship is disclosed in the Register of Interest or annual return. Relationships with group entities are assessed to establish the level of control to determine the treatment in Group Accounts.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
Whether events or conditions, that individually or collectively, may cast significant doubt on the Councils ability to continue as a going concern were identified?	No such events have been identified. Management regularly review operational risks to highlight any issues with providing statutory services. Risks are an area that are discussed regularly at DMTs and so this would be an opportunity for Directorates to highlight and discuss any particular issues with provision of services, and flag accordingly to EMT.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<ul style="list-style-type: none"> • Property, Plant and Equipment valuations including investment properties and infrastructure • Pensions Liability • Fair Value Measurements • Significant accruals • Expected credit losses • NDR Appeals Provision
<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Operational risk registers will consider such risks.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The process to calculate estimates is reviewed annually. This review includes establishing the methodology, basis for assumptions and the source data required. The methodology and assumptions are reviewed to ensure they are still accurate and are updated if required. All of this is done in reference to the Code and other prevailing guidance.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Any changes in accounting estimates between years are investigated to determine the underlying reasons and then taken into consideration for future estimates.</p>
<p>5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?</p>	<p>The estimation processes are reviewed annually and updated to take account of current circumstances/emerging issues</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Where accounting estimates are required for classes of assets which relate to material assumptions specialist knowledge is obtained. For example in the case of using qualified valuers to carry out PPE valuations.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Where we use external expertise we consider the appropriateness of their qualifications and extent of their expertise. All data provided is reviewed and checked for consistency and accuracy. In relation to PPE valuations a significant exercise is undertaken to check for anomalies and outliers that might indicate an issue with the data. Terms of Engagement issued by the Valuer in commissioning the valuations. Review of externally provided valuations by Estates based on their professional knowledge and of the assets and from Finance on an analytical review basis of movements from last valuations and across groups of assets. Narrative provided by Valuers on reasons for significant valuation swings.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Property numbers and classifications are agreed by Strategic Management Accounting and ST&RH assets staff prior to providing data to DVS for valuation.</p> <p>DVS valuations and reports are subjected to review by the Lead Valuer and subject to internal sign off before the report is released.</p> <p>Once received the reports are subject to review by Strategic Management Accounting, both in terms of reconciling the asset numbers and total valuation back to the total of the property data and analytical review of any movements. If any are significant or out of sync with other movements, these are queried with the Valuers to understand the reasons for the movements.</p> <p>Local property indices are also viewed (once available) to ensure movements are broadly in line with these, excepting there will be variations, both geographically and specific to the type of properties. Where there are any differences in movements, the Valuers are asked for further commentary as to the reasons for the differences.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used <p>The resultant accounting estimates included in the financial statements.</p>	<p>The Finance Team carries out detailed work to derive or review externally provided estimates. Significant estimates are discussed with the S.151 officer during the drafting. The Audit Committee is briefed on the process and they oversee the presentation and publication of the financial statements.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>These are reviewed annually and external advisors are used to provide assurance around the significant estimates used.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The accounting policies and notes included in the Statement of Accounts provide information. External Audit provide assurance.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
General Fund Assets Page 137	<p>Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice of Practice on local Authority, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset.</p> <p>A full valuation is undertaken at least every 5 years, but usually within 3 years and a desktop valuation exercise annually to update the valuations to the balance sheet date in the intervening years. Assets within the same category (categorised based on use) are revalued simultaneously to avoid selective revaluation of assets.</p>	<p>Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information.</p> <p>Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer.</p> <p>Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, whom are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market.</p>	<p>Yes, external valuer used</p>	<p>Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
General Fund Assets continued	Estates and Finance evaluate if there have been any specific changes e.g. change of use, Council Policy or external factor(s), in year that may result in the requirement to review and update the existing full asset valuation(s) for an individual asset or category of assets (where not subject to full valuation in year). The capital programme is also reviewed for additions or significant revaluations that would result in the requirement for new valuations.	As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.	Yes, external valuer used	Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2023. The personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards and are RICS Registered Valuers. These are provided based on the latest information available to the Valuers e.g. market information or indices, at the point of valuation. In the Statement of Accounts we assess the financial implications of a 1% movement in the valuations.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations Page 139	<p>The Beacon Valuation approach is used for the valuation of the Council dwellings, which is the approach instructed in the DCLG guidance .</p> <p>A full valuation is undertaken every 5 years and a desktop valuation exercise annually to update the valuations to the balance sheet date.</p>	<p>Property numbers and classifications are agreed by Strategic Management Accountant and ST&RH assets staff prior to providing data to DVS for valuation, including verification against additions and disposals data. DVS valuations and report are subjected to review by the Leader Valuer and subject to internal sign off before the report is released.</p>	<p>Yes, external valuer used</p>	<p>Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time.</p> <p>Valuations are based on desktop valuations to 31st March carried out by Property Specialists for the Public Sector. These are done by assessment of the Beacon properties based on recent and relevant market based evidence of comparative properties to ensure a sound estimation. In the statement of accounts we assess the financial implications of a 1% movement in the valuations.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations continued		Once received the reports are subject to review by Strategic Management Accountant, both in terms of reconciling the asset numbers and total valuation back to total the property data and analytical review of any movements, which if any are significant or out of synch with other movements, these are queries with the valuers for the reason for the movements. Local property indices are also viewed (once available) to ensure movements are broadly in line with these, excepting there will be variations, both geographically and specific to the type of properties. Where there are any differences in movements, the Valuers are asked for further commentary as to the reasons for the differences.	Yes, external valuer used		No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property Page 141	<p>Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset. As Investment Properties are valued on a Market Value (MV) basis, these are subject to annual review and assessment to ensure the valuation reflects current value at the balance sheet date. They are not subject to indexations as was not felt an appropriate methods for this group of assets.</p>	<p>Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information. Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer.</p>	<p>Yes, external valuer used</p>	<p>Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time.</p> <p>In the statement of accounts we assess the financial implications of a 1% movement in the valuations.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property continued Page 142		<p>Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, who are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market.</p> <p>As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.</p>	Yes, external valuer used		No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PPE useful lives Page 143	<p>Property Assets: Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice of Practice on local Authority, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset.</p>	<p>Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information. Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer. Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, whom are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market.</p>	<p>Yes, external valuer used</p>	<p>Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time.</p> <p>Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2023. The personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards and are RICS Registered Valuers. These are provided based on the latest information available to the Valuers e.g. market information or indices, at the point of valuation.</p> <p>In the Statement of Accounts we assess the financial implications of a 1% movement in the valuations.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PPE useful lives - cont'd Page 144	<p>A full valuation is undertaken at least every 5 years, but usually within 3 years and a desktop valuation exercise annually to update the valuations to the balance sheet date in the intervening years. Assets within the same category (categorised based on use) are revalued simultaneously to avoid selective revaluation of assets.</p>	<p>As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.</p>	<p>Yes, external valuer used</p>	<p>Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time.</p> <p>Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2023. The personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards and are RICS Registered Valuers. These are provided based on the latest information available to the Valuers e.g. market information or indices, at the point of valuation.</p> <p>In the Statement of Accounts we assess the financial implications of a 1% movement in the valuations.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
<p>PPE useful lives – continued</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 145</p>	<p>Estates and Finance evaluate if there have been any specific changes e.g. change of use, Council Policy or external factor(s), in year that may result in the requirement to review and update the existing full asset valuation(s) for an individual asset or category of assets (where not subject to full valuation in year). The capital programme is also reviewed for additions or significant revaluations that would result in the requirement for new valuations.</p> <p>Plant & Equipment: An assessment is made of asset life at the point of capitalisation in accordance with the Council's accounting policies.</p>		Yes, external valuer used		No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, Plant & Equipment - Infrastructure Page 146	<p>Infrastructure assets are measured at historic cost and depreciated over the useful lives of the various types of works on the highways network as assessed by the Asset Manager in Highways using industry standards.</p> <p>Highways assets are assumed to have been fully consumed once the useful life applied has expired. The carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is considered to be nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.</p>	<p>Additions in relation to Highways Infrastructure assets are identified through the capital programme each year. Useful lives of different categories of infrastructure assets expenditure are evaluated by the Highways Asset Manager and these are reviewed against industry standards to consider if they are appropriate. The Strategic Management Accountant also requests that the useful lives used to depreciate highways infrastructure assets are reviewed to consider any local circumstances specific to Shropshire that we are aware of. The Highways Asset Manager is also asked to identify if there have been any events identified in the Financial Year that may indicate the requirement to assess for an impairment of highways infrastructure assets or that current estimates for asset lives need to be re-evaluated.</p>	<p>No – external expert not used</p>	<p>If the useful life of assets is different to the life applied, depreciation is over or under charged in year and the carrying amounts of the assets are misstated.</p> <p>If previous expenditure has not been fully depreciated (carrying amount not nil) at the point replacement expenditure is incurred, the carrying amounts for assets will be overstated.</p>	<p>No</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability Page 147	An actuary is engaged to calculate the pension liability based on a set of complex judgements.	Management are provided with the assumptions for review prior to the calculation being performed and challenge if needed. The calculation provided by the actuary is reviewed by the Treasury and Finance Team to confirm accuracy based on the information provided to them and the movements in the liability based on the analysis provided.	Yes, actuary used	The actuary provides sensitivity analysis on a range of assumptions including the rate of inflation and the rate of increase in salaries. Details of these are disclosed in the financial statements.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Significant accruals	Accruals for income and expenditure are often based on known values. Where estimates are used they are based on the latest information available and service specific knowledge.	Accruals are reviewed by management to monitor the methods and assumptions used to calculate the estimates. Management review the budget monitoring position throughout the year and the outturn position to identify accruals required and the basis for the accruals.	No	<p>The accrual working papers reviewed by management require confirmation if the accrual is based on an estimate and supporting documents provided to evidence the methodology used.</p> <p>The total value of estimated accruals is calculated and a sensitivity analysis carried out to establish the potential variance.</p>	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Expected credit losses Page 149	The method used takes into account the age profile of the debt and likelihood of collection. This is reviewed by management.	The calculation of bad debt provision is reviewed during the course of the year, and aged debt reports are now made available to FBPs and management to make them aware of likely impact that this may have on the bad debt provision.	No	The calculation is reviewed using different assumptions to assess the uncertainty and sensitivity of the estimate to changes in the assumptions	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value of loans Page 150	A Treasury Advisor is engaged to calculate the Fair Value of loans and selects the methodology and assumptions to be used in line with the code of practice.	The information provided by the Treasury Advisor is reviewed by Treasury and Finance colleagues to ensure accuracy. The Treasury Advisor provides details behind the basis of the methodology and assumptions and also provides market analysis to enable management to review the estimate.	Yes, an external treasury advisor is used	The Treasury Advisor determines the accounting estimate and provides details behind the basis of methodology and assumptions and market analysis The Treasury Advisor provides details of the impact on the estimates of movements in assumptions to enable management to assess the sensitivity of the estimate.	No
NDR appeals 36	Data is provided from the VOA on outstanding and settled appeals. This is provided to external advisors who use the data to calculate the estimated reduction in RV for appeals yet to be settled.	The data used from the VOA is as at the Balance Sheet date to provide the most up to date data as possible. This data is reviewed and the assumptions used are reviewed by Senior Management	Yes, an external advisor is used	The estimate is reviewed against previous year's calculations and assumptions made to challenge any significant variations as well as taking into account current circumstances	No



This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 5, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank