



<u>Committee and Date</u>	<u>Item</u>
Council 20 July 2017	
Audit Committee	
29 June 2017	<u>Public</u>
9:30 am	

## **ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2016/17**

**Responsible Officer** James Walton  
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### **1. Summary**

Attached to this report is the draft Audit Committee's Annual Assurance Report to Council for 2016/17. This provides Council with an independent assurance that the Council has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains consistently.

### **2. Recommendations**

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2015/16 before forwarding to Council with a recommendation to accept this report.

#### **On the 20<sup>th</sup> July:**

Council is asked to consider and comment on the contents of the Annual Assurance report for 2016/17 before recommending accepting this report.

## **REPORT**

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

- 3.1 The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. The Committee objectively examines and evaluates objectively the adequacy of the control environment

through the reports it receives and in turn can provide assurances to Council on its governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that inform the Annual Governance Statement.

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

#### **4. Financial Implications**

There are no direct financial implications from this report.

#### **5. Background**

- 5.1 A key part of the Audit Committee's role is to report annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements. In addition, the Audit committee should report to Council where they have added value, improved or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.
- 5.2 The Audit Committee has a well established role within the Council and it is important that an Annual Assurance report based on the work of the Committee is produced and recommended to Council. In compiling this assurance report, information provided at the Audit Committee meeting on 29 June 2017 has also been taken into account.
- 5.3 In addition, this report has been reviewed to ensure its continuing compliance with CIPFA<sup>1</sup>'s Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition. Section 6.34 requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:

Whether the;

- committee has fulfilled its agreed terms of reference;
- committee has adopted recommended practice;
- development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities;
- committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,
- the committee has had an impact on the improvement of governance, risk and control within the Council.

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<sup>1</sup> The Chartered Institute of Public Finance and Accountancy

- 5.4 The annual assurance report to Council for 2016/17, attached to this report, is an aid to addressing the key areas where the Committee should be held to account. **(Appendix A).**

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

CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition  
Audit Committee reports 2016/17

**Cabinet Member (Portfolio Holder)**

Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee

**Local Member**

N/A

**Appendices**

Appendix A - Draft Audit Committee Annual Assurance Report 2016/17

## AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2016/17

### STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. Governance in and of the public sector continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. In Shropshire we have a Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE<sup>2</sup>; we have also produced an Annual Governance Statement, again in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives, and providing good service to our community.
2. Shropshire Council has an Audit Committee that is long established in seeking to maintain and improve our governance procedures. The Committee is a key component of the Council's corporate governance arrangements and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
  - Maintaining public confidence in the objectivity and fairness of financial and other reporting.
  - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing the Annual Statement of Accounts and the Annual Governance Statement.
  - Providing a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
  - Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
  - Providing additional assurance through a process of independent and objective review.
  - Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
  - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. The Committee continues to have a professional and arm's length relationship with Grant Thornton, the Council's external auditors, who attend all meetings of

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<sup>2</sup> Society of Local Authority Chief Executives

the Committee to offer their advice where needed.

5. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Chief Finance Officer (Section 151 Officer) in achieving our aims and objectives. We have put together a work and development plan for the year to enable key tasks to be considered and completed.
6. As incoming Chair of the Audit Committee, I see training as a key priority for members in order to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. Training has been received in relation to:
  - Public sector procurement of external audit
  - ICT operational risk management
  - Accounts overview
  - The assurance framework – Internal Audit's role
  - The assurance framework – Risk Management's role
  - Assurance framework for the Corporate Plan
  - Audit Committee's self-assessmentMembers also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, training events, and an informative web site.
7. This year the Committee has held four planned meetings including the meeting held on 29 June 2017. We have received and considered a substantial number of reports across key areas of the Council's activity (see **Annex A**).

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

8. Membership of the Audit Committee for 2016/17 was made up of the following Councillors: Tim Barker (Chairman) who stood down from the Committee in May 2017 when Peter M Adams took his place and was appointed to the Chair; John Cadwallader (Vice Chairman); Pamela Moseley; Chris Mellings, and David Turner.
9. Substitutes were invited to attend and contribute at all meetings and training.
10. Meetings of the Committee have been held on:
  - 15 September 2016
  - 24 November 2016
  - 22 February 2017
  - 29 June 2017

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

11. **Annex A** provides a summary of the key reports and information received by the Audit Committee at its meetings. These appear categorised in the areas which,

under the Terms of Reference, Audit Committee have a responsibility to consider and report upon. They are:

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

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

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

- There were effective arrangements in place for corporate governance and, where improvements are required, there is a clear improvement plan with dedicated lead officers that will be monitored by Members.
- The risk management and assurance framework was fit for purpose and operating as intended.
- There had been ongoing reductions in the level of assurances for the internal control environment, whilst not unexpected in the current situation, this needed to be monitored continually by management and members alike. In particular, ongoing concern was expressed relating to the controls in place on the IT infrastructure and application systems, on which the Committee would be looking for further assurances. This will be an area of focus in the coming year and is a key component of the changes in the risk management and assurance framework referred to above.
- Following management reports that there is evidence of effective management and monitoring of contracts and partnerships. The Audit Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.
- There were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
- The Audit Committee resolved that there were effective arrangements in place to support Value for Money.
- Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards.

13. Given the Head of Audit's qualified opinion on the Council's internal control environment, the Audit Committee confirms that it had been made aware of the increase, in terms of numbers and negative direction of travel, of the internal audit assurances provided on the control systems overall, which has made it difficult to classify the internal control environment as either strong or weak.

Three<sup>3</sup> of the high level assurances relate to key financial systems through which a significant amount of the Council's financial business is transacted. Two<sup>4</sup> financial system applications also attract higher level assurances. Whilst the Payroll audit was not completed in 2016/17, data tested as part of the audit applied to that year and a Reasonable assurance level was given. Payroll is the largest financial system in the Council. These results combine to provide a high level of confidence in the robustness of the data reflected in the accounts.

Eleven of the lower assurance levels concern IT systems/processes. IT Services continue to invest in and implement required control improvements. Whilst there has been some improvement in the IT control environment which led to the qualified opinions in 2013/14, 2014/15 and 2015/16, business continuity, disaster recovery and physical and environmental controls have improved from unsatisfactory to limited. Hardware replacement remains at an unsatisfactory level in its fourth year of reporting. Improvements are still being embedded and yet to be reflected fully in the control environment. This further supports qualification of the current opinion. The lower levels of assurance in social care and schools, whilst not significant enough to sway the opinion, should be used by managers to target areas for improvement.

14. Given the overall impact of assurances as described above, the Audit Committee accepts that there is no option other than for the Head of Audit's year-end opinion to be qualified. There is a concern that this is the fifth year where the opinion has been qualified and neither management nor members should accept this as the norm, instead they should continue to be robust and challenging in their improvement agenda. The Audit Committee is satisfied that there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Council's accounts and reliance can be placed upon them for that purpose.

#### **Additional Responsibilities**

15. Members of the Audit Committee and the Head of Audit and her staff are well aware of the changing nature of local government in relation to the greater responsibilities for innovative practice allowed by the Government's Powers of Competence Act. In particular we are aware that the Audit function has an essential and on-going role to play in monitoring the risks involved in the arrangements for strategic commissioning. Members continue to receive training in this extended aspect of their responsibilities, and the Head of Audit is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice.

#### **Audit Service Staff**

16. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Head

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<sup>3</sup> Purchase, housing benefits, income (not all fundamental systems are reviewed every year)

<sup>4</sup> Samis, Northgate

of Audit and her deputies, Principal Auditors: Katie Williams, Peter Chadderton and Barry Hanson.

17. Without the support of all Audit staff and, in particular, of the officers mentioned above, it would not be possible for the Audit Committee to be as highly effective as peer comparisons show us to be. My thanks, that of the outgoing Chairman and my fellow committee members are given to all our Audit Service officers.

### **Annual Statement of Assurance**

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

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

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

Signed ..... Date.....

On behalf of the Audit Committee

Peter M Adams



## Summary of assurance reports received by Audit Committee

### Governance

➤ **Code of Governance**

Report of the Section 151 Officer which sought approval to the Code which had been refreshed following publication of a new governance framework for local authorities, police and fire authorities in April 2016 for application for the 2016/17 year.

➤ **Management report; AGS Action plan update**

Report of the Chief Executive Officer which provided Members with an interim progress update against each of the activities identified in the Annual Governance Statement Action Plan

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

Report of the Section 151 Officer which sought and secured a formal decision from Council to 'opt-in' to the Public Sector Audit Appointments Ltd (PSAA) national auditor appointment arrangements.

➤ **Annual Governance Statement and a review of the effectiveness of the Council's system of internal control 2016/17**

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

➤ **Internal Audit - Quality Assurance and Improvement Programme (QAIP)**

Report of the Head of Audit which provided Members with an update on the External Assessment review planned for 21 November 2016 by CIPFA during which Members of Audit Committee may be interviewed.

➤ **Internal Audit Quality Assurance Improvement Programme**

Report of the Head of Audit which provided Members with an update following the external assessment conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2016. The review confirmed that Shropshire Council complied with the requirements of the Public Sector Internal Audit Standards.

➤ **Annual review of Internal Audit Quality Assurance Improvement Programme (2016/17)**

Report of the Section 151 Officer on the effectiveness of the system of Internal Audit in 2016/17.

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

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

➤ **Audit Committee self-assessment**

Report of the Section 151 Officer which requested members to review and comment on the

self-assessment of good practice questionnaire to assess the effectiveness of the Audit Committee and identify any further improvements.

➤ **Internal Audit Charter**

Report of the Head of Audit which set out the changes being proposed to the Internal Audit Charter following a refresh of the Public Sector Internal Audit Standards (PSIAS) in March 2016.

➤ **Draft Audit Committee's annual work plan and future training requirements**

Report of the Head of Audit which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for Members to ensure that they were well informed and appropriately skilled to fulfil their role.

➤ **Changes to Approvals Process for Statement of Accounts**

Report of the Section 151 Officer which outlined the necessary amendments required to the timescales and process for the production and approval of the Statement of Accounts in 2017/18 to take account of the faster closedown agenda introduced in the Accounts and Audit Regulations 2015. It was confirmed that the Audit Committee would still receive the draft Statement of Accounts at its June meeting however, it would not receive the audited Statement of Accounts prior to it being presented to Full Council in July. It was therefore being proposed that the Audit Committee would instead receive the external audit findings report at its September meeting to ensure it was still fulfilling its core objectives.

➤ **Annual Assurance report of Audit Committee to Council 2016/17**

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

➤ **Review of Shropshire Council's Code of Corporate Governance 2016/17**

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

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

## **Risk Management Framework**

➤ **Management report: Risk and Insurance Annual Report 2015/16**

Report from the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk Management Team during 2015/16. The Risk and Insurance Manager informed Members that following an audit of both risk management and insurance, an assurance level of "good" had been identified with no recommendations being made. She explained that strategic risks were updated monthly and monitored closely through meetings with key officers, Directors, the Chief Executive and Portfolio Holder. The outcome of each review was then reported to Directors and Informal Cabinet.

➤ **Management report: Strategic risks update**

Report of the Risk and Insurance Manager set out the current strategic risk exposure and advised of recent modifications and planned changes to the management of strategic risk within the authority.

➤ **Management report: Strategic risks update**

Report of the Risk and Insurance Manager which set out the current strategic risk exposure of the Council and detailed recent movements within the register following the most recent review. The Risk and Insurance Manager informed the Committee that there were currently 14 strategic risks which was two less than previously reported in September 2016. The reduction had arisen from the removal of one risk (in relation to a union challenge) and the amalgamation of two others. Of these 14, half were high risk and the other half were medium risk. There were three changes to risk ownership since the last report, with specific Directors taking ownership from the Chief Executive who would now have a full overview of all risks. A brief discussion ensued in relation to cyber security as a strategic risk. The Risk and Insurance Manager reported that the Council undertook quite a bit of work in this area and a business continuity exercise had been undertaken. She explained that there was a strategic risk around IT so it was on the radar and was being monitored. If it was felt that a specific strategic risk was required for cyber-attacks, this would have to be approved by Directors. Members were reassured that the Council had sufficient software in place to protect against significant breaches of the software.

➤ **Internal Audit report of the review of Risk Management audit 2016/17**

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

➤ **Draft Internal Audit risk based plan 2017/18**

Report of the Head of Audit on the proposed risk based Internal Audit Plan for 2017/18. She confirmed that 1,547 days had been planned for Shropshire Council audit work and 223 days for external clients. She reported that for the second year all fundamental system audit reviews, except for the Payroll System, would be done on a cyclical basis after considering the risk profile for each area. The Head of Audit explained that a separate risk based analysis of the IT audit areas had been undertaken. Turning to Schools, she explained that it was hoped to review primary schools at least every five years either by a direct audit or a self-assessment process whilst secondary schools would be audited every four years. Schools would be prioritised based on any previous issues or an unsatisfactory assurance rating etc.

➤ **External Audit: Informing the risk assessment**

Report of the External Auditor which contributed towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report gave Audit Committee assurance that the Council had appropriate arrangements in place. In response to a query it was confirmed that external audit were satisfied that the going concern assumption in the financial statements was correct. It was explained that ip&e was not audited on a going concern basis.

The Audit Committee resolved that the risk management and assurance framework was fit for purpose and operating as intended but expressed concerns over the reduced

level of Internal Audit resources when compared to the risk profile demands of the Council.

## Controls

### ➤ **Management report on IT**

Exempt report of the Head of Human Resources and Development which provided an update on a number of areas within ICT which had been prioritised for improvement.

### ➤ **Management report on programme controls and risks**

Report of the Director of Place and Enterprise providing an update on the existing and emerging assurance and management controls and risk management arrangements within the Council. It included work undertaken to develop strong governance around commissioning, and also provided an update on the Commissioning Support Unit. The report gave assurance on the robustness of governance arrangements for all commissioning activity arising from the Council's 2014-2017 business plan and financial strategy. The Director of Place and Enterprise explained that higher value contracts went through quite a vigorous process and that the relevant Scrutiny Committee also looked at some of the larger Contracts which demonstrated that full governance arrangements were in place. Turning to the Procurement and Contract Management update, the Director of Place and Enterprise explained that this section built on previous reports and referred to the new Contract Reference System and Delta, the Council's e-tendering system.

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

Report of the Revenues and Benefits Service Manager which provided members with performance monitoring information on the collection of housing benefit overpayments for the year 2015/16.

### ➤ **Management report on sales ledger; update on progress implementing improved management controls**

Report of the Head of Financial Management and Reporting provided an update on progress with implementing improved management controls within Sales Ledger in order to address the "limited" assurance opinion given in the internal Audit review carried out in June 2016. The Head of Financial Management and Reporting drew attention to the positive direction of travel and reported that a number of actions had been undertaken to address the significant recommendations highlighted by the review and confirmed that a more targeted approach to debt recovery had been created.

### ➤ **Internal Audit performance report and revised annual audit plan 2016/17**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit in the two and a half months since the last report in September 2016 summarising progress against the Internal Audit Plan. She informed the meeting that 53% of the revised plan had been completed which was in line with the target to achieve 90% by year end. She went on to say that twenty four final reports had been issued which contained 274 recommendations, one of which was fundamental. The fundamental recommendation was around the lack of a Hardware Replacement Strategy. The Head of Audit drew attention to the Direction of Travel which showed that the

unsatisfactory assurance levels had increased from 9% in 2015/16 to 21% in 2016/17 year to date. The unsatisfactory assurance opinions were listed by service area in the report.

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

Report from the Revenues and Benefits Manager which set out the performance monitoring information on the collection of income through Council Tax and National Non Domestic Rates (NNDR) for the year up to 31 March 2016 and progress on the year to 31 March 2017. He reported that the final collection rate for council tax for 2015/16 was 98.4% which compared favourably to the previous year's collection rate of 98.3% and for NNDR the final in-year collection rate for 2015/16 was 99.1% which again compared favourably with the previous year's collection rate of 98.7%.

➤ **Internal Audit performance report and revised annual audit plan 2016/17**

Report of the Head of Audit provided members with an update of the work undertaken by Internal Audit since the last report and summarised progress against the 2016/17 Internal Audit Plan. Twenty nine percent of the revised plan had been completed which, although lower than in previous years, was in line with the profile of available resources and it was hoped to achieve 90% completion by year end. The Head of Audit drew attention to performance to date and the direction of travel. She explained that compared to previous years Internal Audit resources were much reduced and had been focussing on the high risk areas which may impact on the year-end opinion.

➤ **Internal Audit Performance Report and Revised Annual Audit Plan 2016/17**

Report of the Head of Audit which provided Members with an update of work undertaken by Internal Audit in the three months since the last report in November 2016 summarising progress against the Internal Audit Plan. She informed the meeting that 81% of the revised plan had been completed and the team were on track to deliver the target of 90% by year end. She went on to say that 29 final reports had been issued which contained 368 recommendations, three of which were fundamental. It was reported that none of the recommendations had been rejected by management. The Head of Audit informed the Committee that two posts were being recruited to within Internal Audit so it was hoped that there would soon be a full complement of resources. Turning to the direction of travel, the Head of Audit explained that the level of assurances were comparable with those for 2015/16, however, the level of unsatisfactory assurances were considerable higher. The Section 151 Officer explained that a number of changes within the authority including the reduction in its workforce, the transformation programme, cyber-crimes, etc. had all had an impact on the underlying assurances. With a Risk Based approach, where there was less resources only the higher risk areas could be focussed on.

➤ **Management Report: Digital transformation update**

Report of the Head of Human Resources and Development providing an update to members on governance of the ICT Digital Transformation Programme.

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

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

➤ **Internal Audit annual report 2016/17**

Report of the Head of Audit on achievements against the revised internal audit plan for 2016/17 and the annual internal audit assurance. The Head of Audit qualified her overall opinion on the Council's internal control environment based on continuing numbers of the internal audit assurances provided on the IT infrastructure and a number of application systems.

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

**Controls: Contracts and Partnerships**

➤ **Management report on Assurance of Social Care Services (Adults and Children's) Commissioning**

Report of the Chief Executive Officer which set out the range of processes and activities which were applied through Social Services Commissioning (Adults and Children's) to ensure that the services which had been procured were delivering the volume, cost and quality set out in their contracts. It also gave assurance on the robustness of the commissioning of Adult and Children Social Care Services, and highlighted the potential to continuously improve how commissioning and contract management was carried out by the Council.

The Audit Committee resolved, following management reports, that there is evidence of effective management and monitoring of contracts and partnerships. The Audit Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.

**Controls: Fraud, Corruption and Whistleblowing**

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

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

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

Report of the Head of Audit provided members with an update following the latest review of the Counter Fraud, Bribery and Anti-Corruption Strategy in line with best practice. The

Strategy continued to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on or from within the Council, thus demonstrating the strategy's continuing and important role in the corporate governance and internal control framework. It also set out an Action Plan for adoption to ensure continuous improvement.

➤ **Annual review of Counter Fraud, Bribery and Anti-Corruption activities, including an update on the National Fraud Initiative**

Report of the Head of Audit which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud and how the Council managed those risks with the aim of prevention, detection and subsequent reporting of fraud and corruption. She informed the Committee that the Council had taken part in the CIPFA Fraud and Corruption Tracker (CFaCT) annual survey examining the levels of fraud detected in local authorities across the UK, the results of which were outlined in the report. In addition, the results from the National Fraud Initiative data matching exercise for 2016/17 were due to be published at the end of January 2017 and the outcomes of any resulting investigations would be reported to a future meeting.

➤ **Annual Whistleblowing report**

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

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

**Controls: Value for Money**

➤ **External Audit: Shropshire Council audit findings 2015/16**

Report of the Engagement Lead (Grant Thornton) on key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2016. The Engagement Lead advised that the vast majority of the financial statements had been completed and he anticipated that an unqualified opinion would be given. He reported that there had been one material change to how the CIES<sup>5</sup> was disclosed but this had no overall impact on the total income or expenditure. He highlighted the control issues identified in the areas of ICT resilience and Sales Ledger and confirmed that an unqualified Value for Money conclusion would be given.

➤ **External Audit: Audit plan**

Report of the Engagement Lead (Grant Thornton) setting out the plan for the year ending 31 March 2017 for Shropshire Council in relation to the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

➤ **External Audit: Pension fund audit plan 2016/17**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the

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<sup>5</sup> Comprehensive income and expenditure statement

year ending 31 March 2017.

➤ **External Audit: Audit fee letter 2016/17**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2017.

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

## Financial reporting

➤ **Audited Annual Statement of Accounts 2015/16**

Report of the Section 151 Officer which set out the final audited outturn position for the financial year 2015/16 which would be confirmed by Council on the 30th September 2016. The Head of Finance, Governance and Assurance informed members that there had been no material objection to the main accounting statement since the version considered by the Committee in June.

➤ **External Audit: Shropshire County Pension Fund audit findings report 2015/16**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2016 on the audit of the Pension Fund financial statements. He informed the meeting that this report would be considered by the Pensions Committee and had been brought to the Audit Committee as an information item.

➤ **External Audit: Audit Committee update**

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

➤ **External Audit: Annual audit letter 2015/16 Shropshire Council**

Report of the External Auditor which summarised the key findings arising from the work carried out for the year ended 31 March 2016. The Engagement Lead introduced the report and drew attention to the Value for Money findings for 2015/16. He explained that the biggest risk for Shropshire Council's financial position was Adult Social Care costs which would be taken into account going forward. He reported that the change required to how the Highways Network Asset was accounted for had been deferred to 2017/18. The final fees were set out in the report and the Engagement Officer highlighted that there would be a fee for work on the elector's objection which was still unresolved.

➤ **External Audit: Certification summary report**

Report of the Engagement Lead (Grant Thornton) detailing the Certification Work for 2015/16 relating to grants, subsidy and the return of financial information. It was explained that there was a requirement for the Housing Benefit subsidy to be certified by external audit because the funding came from the Department of Work and Pensions. The certification had been qualified due to a £4,800 amendment to the Housing Benefit subsidy claim.



Individual errors had been identified in other areas however these could not be amended due to the nature of the claim

➤ **Revenue outturn report 2016/17**

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

➤ **Capital outturn report 2016/17**

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

➤ **Annual Statement of Accounts 2016/17 including a review of accounting policies**

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

### **Treasury Management**

➤ **Annual treasury report 2015/16 (9/16)**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for 2015/16. He reported that the Council had a reasonable level of return against risk with a higher level of returns than similar authorities for the same level of risk. He confirmed that the internal treasury team had outperformed their investment benchmark by 0.27% in 2015/16 and explained that the Council was currently cash rich and as such would not be looking to borrow any money.

➤ **Treasury Strategy 2016/17 mid-year report**

Report of the Section 151 Officer on a mid-term review of Treasury activities of the Council for the first six months of the year. He highlighted that the internal treasury team had outperformed its benchmark by 0.32% and that all treasury management activities had been in accordance with the approved limits and prudential indicators set out in the Council's Treasury Strategy. The Council currently had £175m held in investments and borrowing of £326m at fixed interest rates

➤ **Treasury Strategy 2016/17**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2017/18 and the recommended Prudential Indicators for 2017/18 to 2019/20.

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