



<u>Committee and Date</u>	<u>Item</u>
Audit Committee, 27 June 2019	
Council, 25 July 2019	<u>Public</u>

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2018/19

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

Attached to this report is the Audit Committee's Annual Assurance Report to Council for 2018/19. This provides Council with independent reasonable assurance that it 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

2.1 Recommendations to Audit Committee

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2018/19 before forwarding to Council with a recommendation to accept this report.

2.2 Recommendations to Council

Council is asked to consider and comment on the contents of the Annual Assurance report for 2018/19 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 Audit Committee objectively examines and evaluates the adequacy of the control environment through the reports it receives and in turn can provide assurances to Council on its governance, risk management and internal control frameworks; internal and

external audit functions and financial reporting arrangements that inform the Annual Governance Statement.

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

4. Financial Implications

There are no direct financial implications from this report. In assessing the internal control environment, risk management and governance aspects of the Council, the Audit Committee can provide a perspective on the overall value for money of these.

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 27 June 2019 has also been considered.
- 5.3 In addition, this report has been reviewed to ensure its continuing compliance with CIPFA¹'s Audit Committees, Practical Guidance for Local Authorities and Police, 2018 edition. This requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:

Whether the;

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

¹ The Chartered Institute of Public Finance and Accountancy.

- 5.4 The annual assurance report to Council for 2018/19, 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, 2018 edition
Audit Committee reports 2018/19

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 2018/19

APPENDIX A

AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2018/19

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. Governance in and of the public sector continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. In Shropshire we have a Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE²; we have also produced an Annual Governance Statement, again in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives, and providing good service to our community.
2. Shropshire Council has an Audit Committee that is long established in seeking to maintain and improve our governance procedures. The Committee is a key component of the Council's corporate governance arrangements and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
 - Maintaining public confidence in the objectivity and fairness of financial and other reporting.
 - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing the Annual Statement of Accounts and the Annual Governance Statement.
 - Providing a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
 - Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
 - Providing additional assurance through a process of independent and objective review.
 - Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
 - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. The Committee continues to have a professional and arm's length relationship with Grant Thornton, the Council's external auditors, who attend all meetings of the Committee to offer their advice where needed.

² Society of Local Authority Chief Executives

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 Chair of the Audit Committee, I see training as a key priority for members 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:
 - The Committee's role in governance and an update on the latest guidance;
 - A site visit to explore digital transformation progress;
 - Risk Management;
 - Value for Money;
 - Financial resilience, how can the committee be assured of this?
 - Commissioning as a Strategic Risk;
 - The use of social media in improving communications;
 - Fraud risk assessments, organised crime, money laundering and other fraud, bribery and corruption activities aimed at prevention;
 - Cyber security – first and second line assurance; and
 - IT audit and general IT controls.Members also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, training events, and an informative web site and received various communication updates throughout the year on the following topics:
 - Northamptonshire report of the commissioners;
 - Financial resilience; and
 - National Audit Office (NAO) Local Authority governance.
7. This year the Committee has held five planned meetings including the meeting held on 27 June 2018. 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 2018/19 was made up of the following Councillors: Peter Adams (Chairman); Brian Williams (Vice Chairman); Chris Mellings, Michael Wood and Ioan Jones.
9. Substitutes were invited to attend and contribute at all meetings and training.
10. Meetings of the Committee have been held on:
 - 24 July 2018;
 - 13 September 2018;
 - 6 December 2018;
 - 25 February 2019; and
 - 27 June 2019.

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 reasonable 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.
 - The risk management and assurance framework was fit for purpose and operating as intended.
 - There have been improvements in the level of assurances for the internal control environment. There is still a need in the current situation with pressures on resources and changes to major systems, to ensure continual monitoring by management and members alike. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, commissioning, procurement, achieving planned income levels.
 - There were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
 - 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. The Head of Audit has offered reasonable assurance for the 2018/19 year that the Council's framework for governance, risk management and internal control is sound and working effectively. She states that; generally, risks are well managed but some areas require the introduction of, compliance with or improvement to internal controls to ensure the achievement of the Council's objectives. 2018/19 has been a challenging year given the level of key fundamental line of business system changes delivered (social care, customer services, financial and human resources) and the embedding of these continues. Alongside the challenge to deliver savings and increase income (Commercial and Digital Transformation). Audit Committee will help facilitate an improving control environment especially in these areas.

Additional Responsibilities

14. Members of the Audit Committee and the Head of Audit and her staff are 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. 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

15. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Head of Audit and her deputies, Principal Auditors: Katie Williams, Peter Chadderton and Barry Hanson.
16. Without the support of all Audit staff and 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 and that of my fellow committee members are given to all our Audit Service officers.

Annual Statement of Assurance

17. Based on:
- 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.

The Audit Committee can provide reasonable assurance, founded on those reports, explanations and assurances received, that the Council has in place adequate and effective governance, risk management and internal control systems; internal, 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.

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

- **Management report; Annual Governance Statement (AGS) and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance**

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement. In addition, he reported on compliance with the Corporate Governance Code as reasonable.

- **Internal Audit – Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2018/19**

Report of the Section 151 Officer which provided Members with the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Audit Standards, compliance against which demonstrates an effective Internal Audit service. There are no areas where the Internal Audit function is not complying with the Code and, whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code. It was noted the report should be read in conjunction with the Internal Audit Annual Report.

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

Report of the S151 Officer which set out changes proposed following CIPFA's refreshed:

Audit Committees, Practical Guidance for Local Authorities and Police 2018 Edition. Most issues were already covered and specific mention was included to consider standards and ethics as part of the control environment.

- **Annual 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. Members commented on the usefulness of the externally facilitator session in March 2018. Following the assessment Members have identified areas for future focus and refresh training sessions.

- **Internal Audit Charter**

Report of the Head of Audit which set out the requirement for an annual review of the Internal Audit Charter which had been completed and no changes were proposed.

- **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 they were well informed and appropriately skilled to fulfil their role and drew members attention to the workplan and the proposed amendments

- **Annual Assurance report of Audit Committee to Council 2018/19**
Report of the Section 151 Officer in respect of the Audit Committee's Annual Assurance report to Council.

The Audit Committee resolved that there were reasonable 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 2017/18**
Report of the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk Management Team during 2017/18. 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. She explained how the reviews of strategic and operational risks were undertaken along with reviews of the Council's Business Continuity Management arrangements to provide assurance that they were robust. Turning to Insurance, she confirmed that 745 claims had been received which was an increase of 7% on the previous year.
- **Management report: Strategic risks update**
Reports during the year from the Risk and Insurance Manager set out the current strategic risk exposure following completion of a strategic risk workshop with Directors and the quarterly review. The risk for Enterprising Council was to be replaced by two risks; Failure to Deliver Economic Growth Strategy and Failure to Deliver the Commercial Strategy, detailed risk profiles were being drawn up with the new risk owners.
- **Internal Audit report of the review of Risk Management audit 2018/19**
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, the highest rating that could be given.
- **Draft Internal Audit risk based plan 2019/20**
Report of the Head of Audit on the proposed risk based Internal Audit Plan for 2019/20. She drew attention to the summarised Internal Audit Plan which confirmed that 1,600 days had been planned for Shropshire Council audit work and 228 days for external clients. She also referred members to the Appendix, which set out those audit areas of high priority for which no provision had been made in this year's internal audit plan those low risk areas that would not be considered for review by Internal Audit on a rolling basis, to allow Members to consider first line assurances, if required, from managers on these areas.
- **External Audit: Informing the risk assessment**
Report of the Engagement Lead (Grant Thornton) which contributed towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The External Auditor drew Members' attention to the responses received from the Council's management to the

questions raised on those areas where External Audit were required to gain an understanding of management processes and the Audit Committee's oversight of those areas. The Committee confirmed that they were comfortable with the management responses.

The Audit Committee resolved that the risk management and assurance framework was fit for purpose and operating as intended.

Controls

➤ **Management Report: Digital Transformation Programme (DTP) Update**

Reports of the Director of Workforce and Transformation have been provided throughout the year on the progress of the Digital Transformation Programme, including the Social Care Project; Infrastructure and Architecture Project; Business Transformation Project; and the Customer Experience Project. Matters reported during the year included some resourcing issues which had led to the live date for the Social Care project been put back going live in December 2018, the Children's workstream in February 2019; and the ERP³ in April 2019. In relation to the Infrastructure and Architecture Project, Wi-Fi had been rolled out throughout Shirehall and was being rolled out to other sites and work was ongoing in relation to data capture; how to manage data and use it to predict future demand. The Data Migration Hub which automated the flow of data from the old systems to the new system was working well and Customer Service software had gone live. Projects were reported as being delivered within budget and overall the Quality Assurance Board were satisfied with the reasonable and good outcomes. Throughout the programme of work, the key risk was that the Council did not have enough people to support it, as it was a very lean organisation, however the risk was flagged and ways to mitigate it identified. Following go live of the ERP system, members were updated as to delivery to date, lessons learnt and the progress in moving to business as usual.

➤ **Management Report: Information Technology update**

Report of the Head of Human Resources and Development provided updates on IT Service Improvement, Compliance and Recovery/Business Continuity Project. She was pleased with the progress that had been made and reported on a full failover and recovery test. The Risk Management Officer explained that the service recovery plan set out certain timescales for recovery and could report that it only took six hours to completely fail over, recover and be operational.

➤ **Management report – Adult Social Care Financial Assessments Update**

The report of the Director of Adult Services set out the actions taken by the Financial Assessments Team and management following the 2017/18 Audit report. He reported that significant progress had been made over the last two months due to the application of the Digital Transformation Programme and he was confident that once implemented all recommendations contained in the Internal Audit report would be completed.

³ Enterprise resource planning (ERP) software system to integrate budget planning, purchasing inventory, sales, finance, human resources, and more.

➤ **Management Report: Estates Update**

The report of the Head of Business Enterprise and Commercial Services provided a further update following the report provided in June 2018 which set out the management action undertaken to address the recommendations in the internal audit report dated 21 April 2017. He confirmed that all 19 recommendations had now been addressed and management action taken across several areas, including the roll out of Tech Forge⁴. The additional staff resources that had been appointed have proved to be very successful and would be incorporated into the permanent structure through a pending restructure of the Assets and Estates area to ensure a more commercial / economic development focus. The Internal Audit review conducted at the end of the year attracted a good level of assurance and confirmed the progress made as reported by the managers. *This also demonstrates improved value for money.*

➤ **Management Report: Commissioning Strategy Update**

Report of the Head of Business Enterprise and Commercial Services following an Internal Audit unsatisfactory assurance report in 2018 updated Members of the management progress against internal control weaknesses to date. An Internal Audit follow up review is planned in 2019/20.

➤ **Management Report: Theatre Severn update**

Report of the Interim Head of Culture and Heritage Services following several Internal Audit reports and investigations that identified control weaknesses across the Theatre's operations that were reoccurring, Members were provided with management progress against internal control weaknesses to date in the following areas:

- Theatre Severn Audit (Limited)
- Theatre Severn Chip and Pin (Unsatisfactory)
- Theatre Ticketing and Online Booking (Limited)

An Internal Audit follow up review is planned in 2019/20.

➤ **Internal Audit performance report and revised annual audit plan 2018/19**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit throughout the year. By August she informed Members that 29% of the revised plan had been completed reporting five good, eleven reasonable and five limited assurance opinions and the 21 final reports contained 200 recommendations, none of which were fundamental. Members attention was drawn to the reduction in the overall audit plan from 2,258 to 1,911 days to reflect adjustments in risks and a reduction in resources.

By November 52% of the revised plan had been completed reporting one good, two reasonable assurance opinions, five limited and one unsatisfactory assurance opinion, Environmental Maintenance Grants. The nine final reports contained 112 recommendations, one of which was fundamental. She reported that the fundamental recommendation was in relation to Environmental Maintenance Grants, around the management of grants that needed improving and management had responded agreeing on actions taken to address the recommendations. The Head of Audit reported further significant revisions reducing the overall audit plan

⁴ Property and asset management software

from 1,911 days to 1,773 days due to adjustments in risk, more complex and sensitive reviews and a continuing reduction in resources.

At her February update the Head of Audit informed members that 77% of the revised plan had been completed; four good, 11 reasonable, three limited and two unsatisfactory assurance opinions had been issued. The Commercial Strategy and Plans and Theatre Severn Chip and Pin Machines were unsatisfactory. The 20 final reports contained 130 recommendations, one of which was fundamental. The fundamental recommendation was for a full review of the Commercial Strategy to ensure that targets are achievable, up to date and that the Strategy fully supports the corporate outcomes and the Financial Strategy's aims and objectives. Any changes to the Strategy should be approved by Cabinet. Members requested that the Manager with responsibility for the Commercial Strategy and Theatre Severn be invited to a future meeting of the Audit Committee to give an update on progress and provide management assurances. Further revisions reducing the overall audit plan from 1,773 days, as reported in December 2018, to 1,710 days were agreed.

Members expressed concern at the level of assurance that the Head of Audit could give considering the level of staff reduction together with the knock-on effect on the team's ability to carry out the function.

➤ **Management Report: Income Report update**

Report of the Section 151 Officer updating Members on the financial controls and monitoring performed on levels of income generated for the Council in 2018/19. For each income type the report considered key information, reporting and governance arrangements, risks and details of the monitoring performed on the level of income received during the year. Information was included to enable Members to consider the overall risks and assurances associated with the income and resources received by the Council. He also drew attention to the information which allows Members to consider areas for direct questioning and further consideration by the Audit Committee.

➤ **Internal Audit annual report 2018/19**

Report of the Head of Audit on achievements against the revised internal audit plan for 2018/19 and the annual internal audit assurance. The Head of Audit gave reasonable assurance for the 2018/19 year that the Council's framework for governance, risk management and internal control is sound and working effectively. She stated that generally, risks are well managed but some areas require the introduction of, compliance with or improvement to internal controls to ensure the achievement of the Council's objectives. 2018/19 has been a challenging year given the level of key fundamental line of business system changes delivered (social care, customer services, financial and human resources) and the embedding of these continues. Alongside the challenge to deliver savings and increase income (Commercial and Digital Transformation).

Controls: Contracts and Partnerships

Whilst individual reports have not been received by the Audit Committee in respect of this area. The Internal Audit Annual report and Annual Governance Statement signed by the Leader and Chief Executive highlighted some evidence that the internal control

environment in some areas of the Council required improvement, Members have received management assurance on these areas mentioned under controls above.

The Audit Committee resolved that there have been improvements in the level of assurances for the internal control environment. There is still a need in the current situation with pressures on resources and changes to major systems, to ensure continual monitoring by management and members alike. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, commissioning, procurement, achieving planned income levels.

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 and activities, including an update on the National Fraud Initiative**

Report of the Head of Audit provided which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud, and how the Council managed these risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption. It also provided an update on the action plan to ensure continuous improvement and an update to members in response to national and local issues. It was confirmed that no changes were being proposed to the existing strategy.

➤ **Annual Whistleblowing report**

Report of the Director of Workforce and Transformation 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 2017/18**

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 2018. He advised that most of the financial statements had been completed and he anticipated that an unqualified opinion would be given.

➤ **External Audit: Audit plan**

Report of the Engagement Lead (Grant Thornton) setting out the plan for the year ending 31 March 2019 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 2018/19**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the year ending 31 March 2019.

➤ **External Audit: Audit fee letter 2018/19**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2019.

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

Financial reporting

➤ **External Audit: Shropshire County Pension Fund audit findings report 2017/18**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2018 on the audit of the Pension Fund financial statements. He drew attention to the significant audit risks in the report and explained that there was a risk that the valuation of Level 3 investments was incorrect but this would not impact on his unqualified opinion.

➤ **External Audit: Audit progress report and sector 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. Members' attention was directed to the CIPFA Consultation on Financial Resilience Index which would provide an assessment of the relative financial health of each local authority including its level of reserves. He reported that the Institute of Fiscal Studies: Impact of 'Fair Funding Review' had been published in the summer the impact of which was not yet known. Additional work was reported on the audit of the shopping centres and a value for money risk assessment of financial resilience had been conducted. Members were informed of the National Audit Office local auditor reporting and local authority governance reports along with the Institute of Chartered Accountants in England and Wales (ICAEW) expectations gap report.

➤ **External Audit: Annual audit letter 2017/18 Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which summarised the key findings arising from the work carried out for the year ended 31 March 2018. The Senior Manager introduced the report and drew attention to the unqualified opinion given on the Council's Financial Statements and those for Shropshire County Pension Fund along with the Value for Money Conclusion for 2017/18.

➤ **External Audit: Certification letter**

Report of the Engagement Lead (Grant Thornton) detailing the Certification Work for 2017/18 relating to Housing Benefit subsidy claim. It was explained that due to two issues that had been identified, the claim had been qualified. Details of the errors were set out in the report.

➤ **Financial outturn report 2018/19**

Report from the Section 151 Officer providing details of the revenue outturn position for the Council and the full year capital expenditure and financing of the Council's capital programme.

➤ **Approval of the Council's Statement of Accounts 2018/19 including a review of accounting policies**

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

➤ **External Audit: Follow up of Recommendations**

Report of the External Auditor which provided an overview of the post-audit Action Plan for Shropshire Council. He drew Members' attention to the first three recommendations and satisfactory management responses, which related to work carried out in the previous financial year

Treasury Management

➤ **Annual treasury report 2017/18**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for the year and including the investment performance of the internal treasury team to 31 March 2018. He confirmed that the Internal Treasury Team had outperformed their investment benchmark over the last three years delivering additional income of £1.557 million.

➤ **Treasury Strategy 2018/19 mid-year report**

Report of the Section 151 Officer which provided an economic update for the first six months of 2018/19; including a review of the Treasury Strategy; Annual Investment Strategy, the Council's investment portfolio; the Council's borrowing strategy; any debt rescheduling undertaken and compliance with Treasury and Prudential limits all for 2018/19. He reported that the internal Treasury Team had outperformed its benchmark by 0.28%, delivering additional income of £161,320 for the first six months of the year. He drew attention to the Council's approach to Treasury Management which looked at risk, security, liquidity, yield and capital plans and how these were managed. He also informed Members that as from 2019/20 all local authorities are required to prepare a Capital Strategy and that a report setting out Shropshire Council's Capital Strategy would be taken to Full Council in February 2019.

➤ **Treasury Strategy 2019/20**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2019/20 and the recommended Prudential Indicators for 2019/20 to 2021/22.

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.