



Committee and Date

Audit Committee:
20 July 2022, 10:00 am

Council: 22 September 2022
10am

Item

Public

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2021/22

Responsible Officer

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1. Synopsis

A key part of the Audit Committee's role is to report annually to Full Council on the Committee's findings, conclusions and recommendations. Audit Committee has some concerns but on balance can provide reasonable assurance.

2. Executive Summary

- 2.1. Attached to this report is the Audit Committee's Annual Assurance Report to Council for 2021/22. 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
- 2.2. The Audit Committee recognises and is concerned about the limitations identified in the internal control framework as reported in the Head of Audit's Opinion and the potential impact on value for money but on balance, can provide reasonable assurance, founded on those reports, explanations and assurances received, throughout the year.

3. Recommendation to Audit Committee

- 3.1. Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2021/22 before forwarding to Council with a recommendation to consider, comment upon and accept this report.

3.2. Recommendation to Council

Council is asked to consider and comment on the contents of the Annual Assurance report for 2021/22 before recommending accepting this report.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. 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
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change requirements or consequences of this proposal.

5. Financial Implications

- 5.1. 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.

6. Climate Change Appraisal

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

7. Background

- 7.1. 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.

7.2. 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 20th July 2022 has also been considered.

7.3. 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.

8. Conclusions

8.1. The annual assurance report to Council for 2021/22, attached to this report, is an aid to addressing the key areas where the Committee should be held to account

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 2021/22

Cabinet Member (Portfolio Holder) Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member N/A

Appendices:

Appendix A - Draft Audit Committee Annual Assurance Report 2021/22



¹ The Chartered Institute of Public Finance and Accountancy.

AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2021/22

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; 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 and approving 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.

5. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Chief Finance Officer (Executive Director of Resources /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 :
 - What to expect from Internal Audit reports?
 - Counter fraud
 - Audit Committee self-assessment
 - Update on the Statement of accounts
 - Risk management
 - Financial management
 - Treasury management
 - Resources Directorate and how the revised structure will help provide assurance on the internal control, risk management and governance environment of the Council
 - People Directorate and how Adult and Children's Services are working to provide assurances on the internal control, risk management and governance environment of the Council
 - Strategic risk management
 - Governance replacement for the Clinical Commissioning Group going forward and the Assurance processes for the Council.

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:

- The latest strategic, finance and governance issues and briefings that will have implications for audit committee members
 - Supporting improvements to risk management arrangements
 - Defining the relationship between the audit committee and the scrutiny function
 - Consultation on local audit and audit committee arrangements
 - NAO Climate change risk good practice guide
 - Guidance for audit committees on cloud services.
7. This year the Committee has held eight planned meetings including the meeting held on 20th July 2022. We have received and considered a substantial number of reports across key areas of the Council's activity (see Annex A).

8. This year the Committee has held five planned meetings including the meeting held on 20th July 2022. 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

9. Membership of the Audit Committee for 2021/22 was made up of the following Councillors: Brian Williams (Chairman), Simon Harris (Vice Chairman), Rosemary Dartnall, Nigel Lumby and Roger Evans. Substitutes were invited to attend and contribute at all meetings and training.

10. Meetings of the Committee have been held on:
- 15 September 2021
 - 22 October 2021
 - 22 February 2022
 - 12 May 2022 (Election of Chairman and Vice only) and
 - 20 July 2022.

Training sessions have also been held on the following dates using Teams:

- 17 June 2021
- 10 September 2021
- 2 December 2021
- 17 February 2022.

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

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

12. Following receipt of the reports 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.
 - Resolved that the risk management and assurance framework was fit for purpose and operating as intended.

- Recognised the increased risks in the control environment and resolved that there is still a need with pressures on resources and following the Council's response to COVID and changes to major systems, to ensure continual monitoring by management and members alike on the internal control environment. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, IT management and cyber security, major contracts and commercial activities.
- Resolved that there were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
- Resolved that there was evidence of effective arrangements in place to support Value for Money but recognised the links to good financial management and sound internal controls in minimising opportunities for waste and fraud and maximising income and use of all assets, and the need to ensure continual monitoring by management and members alike given the reported direction of travel of the internal control environment.
- 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.

13. The Head of Audit has offered limited assurance for the 2021/22 year on the Council's framework for governance, risk management and internal control. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon her opinion. Managers' priorities have been diverted to business continuity pressures and this has reduced capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Audit Service Staff

14. 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. The Council is fortunate that these officers have all been in their roles for several years now and their lengthy experience is greatly beneficial to the Council.

15. 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 greatly effective as peer comparisons show us to be. My fellow Audit Committee members will wish to join me in thanks and appreciation of the high professional competence and dedication of the Head of Audit and all her staff.

Annual Statement of Assurance

16. 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 recognises and is concerned about the limitations identified in the internal control framework and the impact on value for money. However, on balance, 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
Brian Williams

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. It confirmed the Council's commitment to the principles of good corporate governance and set out clear improvements targeted at managing known strategic risk areas for 2022/23.

- **Internal Audit – Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2021/22**

Report of the Head of Audit confirmed, following a self-assessment quality assurance review 2021 (QAIP), that Internal Audit complies with the Public Sector Internal Audit Standards (PSIAS) and where there is some limited partial conformance, this is normal in local government environments and not significant enough for escalation in the Annual Governance Statement. An external assessment was planned for the current year, in compliance with the PSIAS, details of which had been confirmed with the Chairman and Section 151 Officer. Following receipt and consideration of several quotations the contract had been awarded to the Chartered Institute of Public Finance and Accountancy (CIPFA) for an assessment of the self-assessment process.

Report of the Head of Audit reported that CIPFA conducted an external assessment and concluded that; 'Shropshire Council's Audit Services self-assessment is accurate and they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'. The results of the review have been shared with all customers to demonstrate the level of compliance and quality of the Service.

Report of the Section 151 Officer which provided Members with the results of the 2022 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 ensures that the Council continues to provide an effective Audit Committee. Terms of Reference are considered and approved by members annually. There were no significant changes proposed in 2021.

➤ **Annual Audit Committee self-assessment**

Report of the Section 151 Officer which requested members to review and comment on compliance with the Chartered Institute of Public Finance and Accountancy's guidance on the function and operation of audit committees. There is significant compliance with the code and an improvement plan to address a few areas of partial compliance.

➤ **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. The Charter demonstrates how Internal Audit complies with Public Sector Internal Audit Standards. The Audit Committee approves the Charter which incorporates the mission, code of ethics, definition and core principles of Internal Audit. There were no significant changes.

➤ **Draft Audit Committee annual work plan and future learning and development requirements 2022/23**

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. Therefore ensuring the integrity of the financial reporting and governance of the Council.

Following membership changes, early training focus has been around the role of Audit Committee and bringing new members up to speed on the Committee's demands of them, enhanced with more detailed training as the calendar of work progresses.

➤ **Annual Assurance report of Audit Committee to Council 2021/22**

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 Annual Report 2020/21 incorporating strategic risks update**

Report of the Risk and Insurance Manager who provided assurances on and an overview of the activity of the Risk, Insurance and Resilience Team during 2020/2021 with a synopsis of the current risk exposure of

the Council in relation to strategic, operational and project risks. It also identified key activity for 2021/2022.

The team includes both business continuity management and the civil contingencies responsibilities of emergency planning and because of this have continued to experience unprecedented workload given significant weather events, recovery to and response from Coronavirus. The team has worked tirelessly to respond to all these incidents whilst maintaining delivery of the day job. A 'good' assurance level was achieved following a risk management audit and confirmed that robust policies and procedures were in place, including a shared site for all risk registers allowing for real time updating and reporting. The Opportunity Risk Management Strategy is reviewed annually and reported to the Executive Directors, Cabinet and Audit Committee and all 128 operational risk registers have a named lead officer as the overall risk owner

➤ **Management report: Strategic risks update**

Reports during the year from the Risk and Insurance Manager set out the existing strategic risk exposure. There were currently 17 strategic risks on the strategic risk register. Risks have been reported on separately for Cyber Attack and ICT Infrastructure and Reliance. The Economic Impact of Brexit was managed under the Economic Growth Strategy and therefore removed as a Strategic Risk, the Strategic Vision and Strategy was to be reviewed at the annual Strategic Workshop. Members reviewed and noted the position reported to them.

Strategic risks are monitored to enable achievement of Council priorities and outcomes and are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.

➤ **Internal Audit report of the review of Risk Management audit 2021/22**

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 Reasonable, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.

➤ **Draft Internal Audit Annual plan 2022/23**

Report of the Head of Audit on the proposed risk based Internal Audit Plan for Audit Committee approval. Designed to evaluate the effectiveness of the Council's risk management, internal control and governance processes across all Directorates and report this in the Annual Governance Statement 2022/23. Given the need to respond flexibly to both the Council's demands and the available resources in the team, at different times throughout the year, the plan is designed to ensure that all externally contracted work for the service is completed and for Shropshire Council, must do areas of work are delivered alongside an element of high risk audits. This leaves an unplanned element to be allocated as resources become available. Allocations will be made on risk priority matched to auditor skill sets from

high risk areas within the Council not covered in the planned element. She also referred members to the appendix, which set out 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.

Members noted the ongoing impact of the Pandemic but recognised that business areas were picking up. The current low staffing position of the Audit team was understood and the measures being taken to address the vacancies were noted. The Head of Audit stressed that the quality of the work provided by the team remained sound, as exemplified by the external assessment.

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

Controls

➤ **Management Report: Highways Term Maintenance update (exempted)**

The Executive Director of Place provided an update on progress towards a resolution of the issues identified by Audit relating to the management of the Council's Term Maintenance Contract with its Highway's provider.

➤ **Management report: Highways Term Maintenance Contract**

The Executive Director of Place updated Members with continued progress towards a resolution of the issues identified by Audit relating to the management of the Council's Term Maintenance Contract with its Highway's provider. An update on the implementation of Fix my Street was also provided.

➤ **Internal Audit performance report and revised annual audit plan 2021/22**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit throughout the year. By September Members were informed that 32% of the revised plan had been completed, the Council's response to COVID continued to have an impact on Internal Audit resources at the beginning of the year, these pressures were reducing and there was an opportunity to recruit to vacancies and a need to reduce planned activity in the short term to reflect resignations of long service staff. The fluidity of the plan was discussed and that any significant changes responding to the risk environment would be shared with the S151 Officer and reported back to the Committee.

By the year end the Head of Audit informed members that 97% of the revised plan had been completed and Internal Audit continued to add value to the Council in supporting its business continuity processes and the

delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

➤ **Internal Audit Fundamental recommendations (Exempted 2,3,7)**

The exempted report of the Head of Audit set out five fundamental recommendations for the Audit Committee, three from the public update report and two within the exempt report. The information was noted.

➤ **Internal Audit annual report 2021/22**

Report of the Head of Audit on achievements against the revised internal audit plan for 2021/22 and the annual internal audit assurance. The Head of Audit gave limited assurance for the year that the Council's framework for governance, risk management and internal control is sound and working effectively.

Business continuity plans were mobilised for the complete year and this impacted on delivery in terms of changing scopes as did the impact of reduced resources, but activity still provided sound coverage for her opinion. Revisions were made to the plan to reflect both changing resources and risks. She explained that there are continuing, and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon her opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

The Audit Committee recognise the increased risks in the control environment and resolved that there is still a need with pressures on resources and following the Council's response to COVID and changes to major systems, to ensure continual monitoring by management and members alike on the internal control environment. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, IT management and cyber security, major contracts and commercial activities.

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 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 the Strategy had been reviewed and updated to reflect both best practice and to continue to be aligned with the updated Fighting Fraud and Corruption Locally Strategy 2020. The Council can never be free from fraud activities, but continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption and Audit Committee members reaffirmed the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

➤ **Annual Whistleblowing report**

Report of the Assistant Director of Workforce and Improvement which detailed the cases reported under the Whistleblowing arrangements. Assurance was provided as to the currency of the Whistleblowing Policy and its effectiveness.

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

Sound internal controls lead to the effective, efficient and economic use of Council resources (VFM), assurances are taken from the robustness of the internal control environment, management of risks, soundness of governance and any additional reports add weight to these.

➤ **External Audit: Pension fund audit plan 2021/22**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the year ending 31 March 2022.

➤ **External Audit: Audit fee letter 2021/22**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2022.

The Audit Committee resolved that there was evidence of effective arrangements in place to support Value for Money but recognised the links to good financial management and sound internal controls in minimising opportunities for waste and fraud and maximising income and

use of all assets, and the need to ensure continual monitoring by management and members alike given the reported direction of travel of the internal control environment.

Financial reporting

➤ **External Audit: Shropshire County Pension Fund Audit Findings (Information) 2020/21**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2021 on the audit of the Pension Fund financial statements. It confirmed that there were no issues around the Fund's ability to continue as a going concern and that it was intended to issue an unqualified opinion to the Pensions Committee.

➤ **External Audit: Audit progress report and sector update**

Report of the Engagement Lead (Grant Thornton) which highlighted progress and provided a summary of emerging national issues and developments of relevance to the Council. Including changes to arrangements for securing Value for Money to be included in the Auditor's Annual Report. The Engagement Manager explained that there was a slight delay in reporting on the Whole of Government Accounts, due to a delay with the workbook.

In February he confirmed that the audit of the 2020/21 financial statements had been substantially completed with just a couple of areas awaiting evidence. Certification of the Housing Benefit grant had been completed and work ongoing for the Pooling of Housing Capital Receipts and Teachers Pensions returns.

Sector updates were provided on: Supporting local economic growth by the Department for Levelling up, Housing and Communities and Consultation - Changes to the capital framework: Minimum Revenue Provision.

➤ **Financial outturn report 2021/22**

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.

➤ **Appointment of External Auditors, Changes to Arrangements for**

Report of the Section 151 Officer asked Members to consider and propose the most efficient and effective way of procuring an External Auditor from April 2023, to Council for their consideration and final decision.

The current arrangement with External Audit was coming to an end and the Council needed to go through the process of appointing a new External Auditor. There were three options contained in the report, two of which would place enormous demand on officer time along with unnecessary expense and therefore the Committee agreed to using the

Sector Led Body, the PSAA by indicating an option to “opt-in” as the preferred approach be recommended for approval to Council.

➤ **Approval of the Council’s Statement of Accounts 2020/21 including a review of accounting policies**

September: Report of the Section 151 Officer on the final unaudited outturn position for the financial year 2020/21 and detailed amendments made to the draft Statement of Accounts during the audit process to date.

The report identified what each of the amendments since the draft position were and included a summary of the reasoning for that change. The External Audit of the accounts was ongoing and therefore an additional meeting in October was arranged to consider and sign off the Statement of Accounts and any adjustments.

➤ **Final approval of the Council’s Statement of Accounts 2020/21 and the External Audit: Draft Annual Audit Findings Report 2020/21**

Report of the Section 151 Officer which presented members with the audited outturn position for the financial year 2020/21 and detailed amendments made to the Draft Statement of Accounts during the audit process. Grant Thornton had substantially completed the audit and no material changes were identified during the audit to date, however there had been one amendment to the core financial statements and a few other amendments made to the disclosures. The main changes were summarised and in summary the adjustments included amendments to the balance sheet and the group balance sheets in relation to the classification of a grant, an adjustment had also been made in the group income and expenditure statement of accounts and some adjustments had been made in the accounting policies in relation to non-current assets as well as critical judgment and applying accounting policies. Amendments had also been made to a few notes to the accounts which were listed on the report. The Interim Director of Strategic Finance confirmed that the final audit opinion would not be available until the audit had been completed however External Audit were anticipating an unqualified opinion pending the satisfactory conclusion of outstanding matters. The Annual Governance Statement had been approved by the Audit Committee on 30 July 2021.

Report of the Engagement Lead which set out the findings from the audit that were significant to those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. He was hopeful that they would be able to report back to the Audit Committee at its December meeting.

➤ **Approval of the Council’s Statement of Accounts 2021/22**

Report of the Section 151 Officer on the final unaudited outturn position for the financial year 2021/22.

Treasury Management

➤ **Annual treasury report 2020/21**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for the year including the investment performance of the Internal Treasury team to 31 March 2021. He reported that the Internal Treasury team had continued to outperform their investment benchmark by 0.47% and that performance over the last three years was 0.40% per annum above benchmark delivering an underspend of £3.21 million. This was mainly due to a review of the Minimum Revenue Provision savings following the Council's review of the policy and interest payable savings as no borrowing was undertaken.

Treasury activities during the year had been within approved prudential and treasury indicators set and have complied with the Treasury Strategy.

➤ **Treasury Strategy 2021/22 mid-year report**

Report of the Section 151 Officer which provided an economic update for the first six months of 2021; including a review of the investment portfolio and borrowing strategy for 2021/22 and confirmed compliance with Treasury and Prudential limits. The report was prepared in accordance with the CIPFA Code of Practice on Treasury Management. As of 30 September 2021, the Council held £175m in investments and had £292m of borrowing.

➤ **Treasury Strategy 2022/23**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2022/23 and the recommended Prudential Indicators for 2022/23 to 2024/25.

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