



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
31 July 2020	
1:30 pm	<u>Public</u>
24 September 2020	

## **ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2019/20**

**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 2019/20. 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 2019/20 before forwarding to Council with a recommendation to consider, comment upon and accept this report.

#### **2.2 Recommendations to Council**

Council is asked to consider and comment on the contents of the Annual Assurance report for 2019/20 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. Climate Change Appraisal**

Energy and Fuel Consumption; This report does not directly make decisions on energy and fuel consumption. Therefore, no effect.

Renewable Energy Generation; This report does not directly make decisions on renewable energy generation. Therefore, no effect.

Carbon offsetting or mitigation; This report does not directly make decisions on carbon offsetting or mitigation. Therefore, no effect.

Climate Change Adaption; This report does not directly make decisions on climate change adaption. Therefore, no effect.

#### **6. Background**

- 6.1 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.
- 6.2 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 31<sup>st</sup> July 2020 has also been considered.
- 6.3 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, 2018 edition. This requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:

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

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.

6.4 The annual assurance report to Council for 2019/20, 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 2019/20

**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 2019/20

## AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2019/20

### 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 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.

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<sup>2</sup> 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 (Director of Finance, Governance and Assurance {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:
  - Single person discount council tax review
  - Programme assurance – what to look for
  - Cloud service – what does this mean for Shropshire Council and the Audit committee
  - New systems programme assurance for the Audit Committee;
  - CIPFA Statement on the Head of Internal Audit
  - Assurance on the process of identifying, monitoring and achieving savings to stay within identified budgets
  - Challenging officers on the systems within their area to deliver against the financial strategy ...from a finance perspective and from a service perspective
  - Strategic risks including children and adults safeguarding
  - Treasury managementMembers 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:
  - Champions of Fraud, National Fraud Initiative;
  - LGA A Councillor's workbook on bribery and fraud prevention (shared with all Shropshire Council Councillors);
  - National Audit Office (NAO) Round up for Audit Committees November 2019.
  - Local Authority Investment in Commercial Property
7. This year the Committee has held five planned meetings including the meeting held on 31<sup>st</sup> July 2020. A meeting planned for the 25<sup>th</sup> June was cancelled in responding to COVID19 changes to the financial framework for submitting and approving the financial accounts. 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 2019/20 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:
- 23 July 2019;
  - 12 September 2019;
  - 5 December 2019;
  - 25 February 2020; and
  - 31<sup>st</sup> July 2020<sup>3</sup>.

### 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:
- 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.
  - The Audit Committee resolved that the risk management and assurance framework was fit for purpose and operating as intended.
  - The Audit Committee resolved that 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 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, major contracts; commercial activities; commissioning, and achieving planned income levels especially during and following the Council's response to COVID19.
  - The Audit Committee resolved that 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 was evidence of effective arrangements in place to support Value for Money but recognised the links to 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.
  - The Audit Committee resolved that Financial Statements reflected the Council's true position, were complete including all transactions, and

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<sup>3</sup> Included because this meeting will cover the reports originally planned for the 25<sup>th</sup> June 2020 which was cancelled and the timetable for completion of the financial accounts extended following COVID19.

were prepared in accordance with International Financial Reporting Standards.

13. The Head of Audit has offered limited assurance for the 2019/20 year on the Council's framework for governance, risk management and internal control. There are an increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected. In addition to which, the response to the Coronavirus pandemic has led to scope limitations which restricts the independent assurances provided on the key systems that have undergone fundamental changes during the year. Where systems have been evaluated to a draft stage, assurances remain low. Management of Coronavirus has introduced unprecedented pressures and responses. Managers have been diverted onto business continuity pressures and unable to plan improvements to known internal control processes, leading to increased risks in some areas that will impact on delivery of the Council's objectives. 2019/20 has been a challenging year given the embedding of key fundamental line of business systems (financial and human resources) alongside the challenge to deliver savings, increase income and respond to Coronavirus.

#### **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 reports on the resources 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) 2019/20**

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 in the Terms of Reference in respect of reflecting the Council's political balance.

- **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. 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 only a minor clarification change was proposed being the introduction, for clarity and completeness, of the Overall Assurance Opinion.

- **Draft Audit Committee 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. The only proposed change was for the Audit Committee and not Council to approve the final statement of accounts and accompanying documents at its meeting on 31 July 2020). It was agreed that the Audit Committee's Terms of Reference would be amended and a change to the Constitution sought to permit this.

- **Annual Assurance report of Audit Committee to Council 2019/20**  
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 2018/19**  
Report of the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk and Insurance Team during 2018/19. The Risk and Insurance Manager informed the meeting that the Emergency Planning Unit had recently been incorporated into the team, which had been renamed 'Risk, Insurance and Resilience Team'. She then drew attention to the 'good' assurance level achieved following a risk management audit. The Risk and Insurance Manager informed the Committee how the quarterly reviews of strategic risks were undertaken in order to ensure that risk levels were closely monitored. The Risk and Insurance Manager reported that an additional level of business continuity tactical plans were being developed for HR, Finance and Assets which were currently being finalised and would provide a corporate approach across these areas. She then drew attention to the Business Continuity exercise recently undertaken along with the week-long live exercise undertaken during Business Continuity week in May each year. Both the Risk and Insurance Manager and the Risk Management Officer answered several queries from Members in relation to the following strategic risks: Staffing, Work Related Stress, Failure to Safeguard Vulnerable Children/Adults and the Economic Impact of Brexit. The Risk and Insurance Manager explained that there were detailed risk profiles sitting behind each risk and reminded Members that if they wished they could ask for individual risk profiles to be brought by the risk owner to future meetings for Members to look at in more detail. In relation to Failure to Safeguard Vulnerable Children/Adults the Risk and Insurance Manager explained that the impact of the risk could be mitigated by having a lot of controls in place and this may well be the reason for the lower 'likelihood' score for Safeguarding Vulnerable Children. Members requested that both the Director of Children's Services and the Director of Adult Services be invited to the next meeting to discuss the risk profiles. This was completed at a training session.

- **Management report: Strategic risks update**  
Reports during the year from the Risk and Insurance Manager set out the current strategic risk exposure. There were currently 17 strategic risks on the strategic risk register, which was an increase of one strategic risk relating to the effects of Climate Change, for which a Lead Officer had been appointed and was in the process of completing the risk profile. The Economic Growth Strategy risk had increased from low to medium because of the impact of Brexit on the economy being unknown at the time. The reputation risk had been reduced from high to medium however this had since been increased due to an emergency being announced within highways in relation to the number of potholes in the county. The risk score for Safeguarding

Children had also been reduced from high to medium following the recruitment of more social workers.

➤ **Internal Audit report of the review of Risk Management audit 2019/20**

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 2020/21**

Report of the Head of Audit on the proposed risk based Internal Audit Plan for 2020/21. She drew attention to the summarised Internal Audit Plan which confirmed that 1,794 days had been planned for Shropshire Council audit work and 171 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: Liquid Logic Project Review Update**

The Assistant Director of Adult Services introduced the report of the Director of Adult Services and confirmed that appropriate action had been taken to address the 6 recommendations (4 Significant and 2 Requires Attention) following the Audit review of Liquidlogic Adults Social Care System (LAS) Project which concluded that the current level of assurance was 'limited' and that the direction of travel was 'a weakening control environment'. Members were pleased that all recommendations had been taken on board however they did not agree that the management controls in place at the time of the audit were robust nor that the limited assurance level was due to the delay in providing information and documents to the Audit team.

➤ **Management Report: Children's Direct Payments Update**

The Head of Safeguarding reported the progress that had been made following the 2018/19 internal audit, the final report of which was issued in March 2019. The Service Manager informed the meeting that following a management review in June 2019, progress implementing recommendations had been made. Members raised

concerns that the level of assurance had fallen from being good to limited with 17 areas of concern reported. The Service Manager explained that the service had been missing a key post for a significant amount of time which had finally been filled in December 2018, following which, the system control weaknesses in this area were strengthened. A further progress report was planned and received in February 2020. The Interim Assistant Director of Children’s Social Care and Safeguarding informed Members of the progress made to address the recommendations. She informed the Committee that both an Interim Service Manager and a Short Breaks Reviewing Officer had been appointed. She drew attention to the progress made against the Action Plan and confirmed that only five actions remained outstanding. She reported that development and implementation of the all age payment service was progressing and was being overseen on a bi-monthly basis by the Strategic Board.

➤ **Management report: Digital Transformation Programme (DTP) Update**  
Report of the Director of Workforce and Transformation on the progress and outcomes to date of the Digital Transformation Programme, delivery to date, lessons learnt and the progress in moving to business as usual.

➤ **Third line assurance report: Highways Term Maintenance Contract**  
Report of the Head of Audit provided members with the key findings following a review of the Term Maintenance Contract and the actions that management were taking.

➤ **Management report – Highways Term Maintenance Contract**  
The Director of Place and Enterprise provided Members with an update on progress of the Action Plan following the audit undertaken to review payment mechanisms for the Highways Term Maintenance Contract, he reported a positive direction of travel.

➤ **Management Report: Commercial Strategy Update**  
The Assistant Director Commercial Services explained that the ‘Hopper’ process was an assessment method used to appraise proposals coming forward with potential commercial prospects. An investment fund of up to £40m had been identified to help deliver additional revenue. Following a review of all proposed projects, three were currently being delivered, three had been approved by Council and others in the pipeline required further appraisal. The Assistant Director Commercial Services addressed the issue of the revision of the target to deliver a minimum of £5m of new revenue income down to £2m in the revenue budget. He explained that it had been recognised that the Council had not been on course to achieve £5m in this financial year and it had therefore been accepted that £2m would be a more realistic target. He reported that work was currently being undertaken to demonstrate how the savings target of £2m as set out in the Financial Strategy would be achieved.

➤ **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).

➤ **Internal Audit performance report and revised annual audit plan 2019/20**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit throughout the year. By mid-July she informed Members that 35% of the revised plan had been completed reporting four good, nineteen reasonable and seven limited and four unsatisfactory assurance opinions had been issued and the 34 final reports contained 360 recommendations, two of which were fundamental in relation to Brockton CE Primary School and Legionella. The Head of Audit highlighted those areas where Audit had added value in the delivery of work and reported that the number of lower level assurances to date (32%) was slightly lower than for the previous year (33%).

By mid-November 2019 the revised plan was on target for 90% completion. The Head of Audit drew attention to the audit recommendations and the decrease in the higher levels of assurance along with a corresponding increase in unsatisfactory assurances and explained that it was too early to say whether the reviews to be undertaken in the final quarter would reveal a risk to the internal control environment, but she confirmed that it was an early indicator as to the direction of travel.

At her February 2020 update the Head of Audit informed members that 79% of the revised plan had been completed; There had been minor revisions to the plan and in total, 18 final reports had been issued. There had been 12 good or reasonable assurances accounting for 66% of the opinions delivered, which was a slight decrease compared to the previous year. This was offset by a corresponding increase in limited and unsatisfactory assurances up from 33% in the previous year to 34% this year. Turning to Direction of Travel, the Head of Audit cautioned that the lower level assurances and the higher proportion of areas attracting unsatisfactory and limited assurances were an early indication of a weakening control environment. Members expressed concern at the direction of travel.

➤ **Internal Audit annual report 2019/20**

Report of the Head of Audit on achievements against the revised internal audit plan for 2019/20 and the annual internal audit assurance. The Head of Audit gave limited assurance for the 2019/20 year that the Council's framework for governance, risk management and internal control is sound and working effectively. She explained that there are an increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected. In addition to which, the response to the Coronavirus pandemic has led to scope limitations which restricts the independent assurances provided on the key systems that have undergone fundamental changes during the year. Where systems have been evaluated to a draft stage, assurances remain low. Management of Coronavirus has introduced unprecedented pressures and responses. Managers have been diverted onto business continuity pressures and unable to plan improvements to known internal control processes, leading to increased

risks in some areas that will impact on delivery of the Council's objectives. 2019/20 has been a challenging year given the embedding of key fundamental line of business systems (financial and human resources) alongside the challenge to deliver savings, increase income and respond to Coronavirus.

The Audit Committee resolved that 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 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, major contracts; commercial activities; commissioning, and achieving planned income levels especially during and following the Council's response to COVID19.

### **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 2018/19**

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 2019. 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 2020 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 2019/20**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the year ending 31 March 2020.

➤ **External Audit: Audit fee letter 2019/20**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2020.

The Audit Committee resolved that there was evidence of effective arrangements in place to support Value for Money but recognised the links to 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.

## Financial reporting

➤ **External Audit: Shropshire County Pension Fund (Information) 2018/19 letter 2018/19**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2019 on the audit of the Pension Fund financial statements. He drew attention to the unadjusted misstatements set out in the report but confirmed that an unqualified opinion would be given.

➤ **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 progress to date on the audit delivery and he confirmed that External Audit continued to meet with officers as appropriate. In relation to the Annual Certification Letter, it was confirmed that any matters arising from this work going forward would be clarified in the letter. In December, the Engagement Manager highlighted emerging risks and the approach to the Council's Value for Money Conclusion and explained that a detailed risk assessment would be undertaken following discussions with the Chief Executive and the Chief Financial Officer.

➤ **External Audit: Annual audit letter 2018/19 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 2019. 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 2018/19.

➤ **Financial outturn report 2019/20**

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 2019/20 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 2018/19**

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 2019. He reported that the Internal Treasury Team had outperformed their investment benchmark by 0.29% and that performance over the last three years was 0.29% per annum above benchmark delivering an underspend of £5.061 million. This was mainly due to a review of the Minimum Revenue Provision policy. He also drew attention to the significant levels of ongoing savings and one-off adjustments and highlighted the minimum reporting requirements for the review and scrutiny of the Council's treasury management policy and activities undertaken by Audit Committee before being reported to full Council for approval

➤ **Treasury Strategy 2019/20 mid-year report**

Report of the Section 151 Officer which provided an economic update for the first six months of 2019/20; 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 2019/20.

➤ **Treasury Strategy 2020/21**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2020/21 and the recommended Prudential Indicators for 2021/22 to 2022/23.

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.