



| <u>Committee and Date</u> |
|---------------------------|
| Audit Committee           |
| 22 February 2024          |

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 NOVEMBER 2023 10.00 AM - 1.10 PM**

**Responsible Officer:** Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk      Tel: 01743 257719

### **Present**

Councillor Brian Williams (Chairman)

Councillors Simon Harris (Vice Chairman), Nigel Lumby and Roger Evans and Julia Buckley (Substitute for Councillor Rosemary Dartnall)

Independent Member: Jim Arnold (remote)

### **48 Apologies for Absence / Notification of Substitutes**

An apology was received from Councillor Rosemary Dartnall. Councillor Julia Buckley substituted for Councillor Dartnall.

### **49 Disclosable Pecuniary Interests**

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

### **50 Minutes of the previous meeting held on the 28 September 2023**

#### **RESOLVED:**

That the Minutes of the meeting of the Audit Committee held on the 28 September 2023 be approved as a true record and signed by the Chairman.

#### Matters Arising

#### Paragraph 35 – Member Question

Referring to the Member Question raised by Councillor Vasmer in relation to the Northwest Relief Road, the Executive Director of Resources read a follow up statement that had been provided by the Executive Director of Place which stated that following the date of this question, the Government announced on 4 October that it would fully fund the development costs of the Northwest Relief Road, and that subsequent meetings and press statements by Ministers had confirmed this. The Executive Director of Place made it clear that that commitment related to the element of the entire project from the junction with the B4380 across to the A528. The Oxon Link Road was to be funded from a combination of Marches LEP Grant and

Community Infrastructure Levy/Capital Receipt released from the SUE West Development. Although the details of the above were being developed, it was anticipated that there would be no requirement for the Council capital borrowing and only very minimal financial risk to the Council in relation to the OLR development.

The Executive Director of Resources confirmed that he would ensure that Councillor Vasmer received a copy of the statement.

An update was requested in relation to the audit of the Northwest Relief Road. In response the Internal Audit Manager informed the meeting that the audit was still in progress and was at the draft stage so in line with their normal processes it would not come to the committee at a draft stage however once the management responses had been agreed it was anticipated that it would be reported back to the February 2024 Audit Committee meeting. She further explained that they had anticipated to have completed the field work and had hoped to have been in a position to bring the report back to this meeting however, given the delays from the service area in responding to the information they needed they had not been able to finalise the report in order to bring it back to the Audit Committee in time so it would have to be delivered to the February 2024 meeting.

#### **51 Public Questions**

There were no questions from members of the public.

#### **52 Member Questions**

There were no questions from members.

#### **53 Second line assurance: Risk Annual Report 2022/23 incorporating Strategic Risks Update**

The Committee received the report of the Risk and Business Continuity Manager - copy attached to the signed Minutes – which sets out the current strategic risk exposure following the June 2023 bi-annual review.

The Risk and Business Continuity Manager introduced and amplified her report. She informed the Committee that there were currently eight strategic risks (as detailed in the report), five of which were high risk, two were medium and the final one was yet to be scored as it was still in development. Two of the risks were subject to further analysis and review and were regarding the balanced budget and the extreme pressures on partners within the system impacting on Shropshire Council. She drew attention to those risks that had been archived (set out at paragraph 7.6 of the report) and confirmed that they had also been considered as part of the operational risk review that had just been finalised.

A query was raised as to whether the risks identified were generic to every local authority or whether they were specific to Shropshire Council. In response, the Risk and Business Continuity Manager confirmed that they were specific to Shropshire Council although the themes would be very similar to other Local Authorities.

Members felt there would have been more examples in the report of risk areas and that it would have covered more aspects, for example, a possible change in political leadership which was felt to be a risk to the authority. Another example was if savings were not attained whether this was incorporated in the balanced budget or not, as was mentioned in the External Audit report. There was also no mention of the Northwest Relief Road (NWRR).

The Executive Director of Resources (Section 151 Officer) gave an overview. The point being made was valid up to a point. The risk of change in political leadership was not in itself a risk. The question was however what that would lead to if, for example, it led to a lack of decision making then that could lead to a risk that the authority could not progress, but the actual change in political leadership in itself was not a risk. Other elements to consider were things like political uncertainty created through a general election as well as a local election, or things like a high turnover of members at a local election, for example, or a change in which particular parties worked together which could then lead to a risk around lack of decision making which would stifle the progress currently being made by the organisation. That was a risk that they were aware of, but the question was whether the risk fell below the risk appetite of the Council. The risks listed in the report were those that had fallen above the risk appetite.

Although there were risks around large scale projects, they sat within the project risks. So projects like the NWRR were listed in the project risk register and were considered but the question was whether those project risks became a strategic risk. Those risks that had been archived had fallen below the risk appetite. This did not mean that they had gone away but as they could not list all of them, they only listed those that were above the risk appetite. However, if the Committee felt that any of the archived risks should be reconsidered, they could be brought back for further discussion.

The Risk and Business Continuity Manager explained that as part of the strategic risk exposure they looked at risks that had the possibility of impacting all elements of how the Council operated. So part of reviewing the risk exposure was to consider any emerging risks that could impact across all the Council's operations. She confirmed that large scale projects such as the NWRR did have the possibility to have a very widespread impact but not on every area. These were however managed and monitored very closely and robustly to ensure they did not affect the strategic risk exposure.

A brief discussion ensued in relation to other risks not on the strategic risk register and a query was raised as to whether other local authorities included the change of political leadership as a strategic risk. Members were reassured that the project risks were being monitored and it was felt that this should be more widely known. It was felt that the NWRR ought to have been on the strategic risk register as the gap funding had not been identified until the previous month. It was also felt that the risk of large-scale contracts had been missed off the strategic risk register however they have been assured that the transformation team would be looking at these to check for value for money etc.

The Executive Director of Resources (Section 151 Officer) responded and took the point that the recent by-elections had raised the profile of the risk of a possible change in political leadership and it would therefore be looked at as part of the next

assessment. In relation to the project risks, it was confirmed that these were discussed at Audit Committee, but he accepted that some Members would not be aware of that. Turning to the NWRR, the risks around this had been discussed and it had been agreed that once planning permission had been granted a full financial assessment would be undertaken and at that point would be considered in relation to the strategic risks.

In terms of large-scale contracts, the Executive Director of Resources (Section 151 Officer) provided assurance that the Commissioning Assurance Board, which was an officer board which sat at Executive and Chief Executive level, considered the top 200 contracts on a quarterly basis and although reported to Audit Committee was not made publicly available. As part of the annual audit process the internal audit team would identify contract audits as part of the regular work undertaken by the team so there were always a number of audits around those significant contracts, including those larger in value as part of a broader cross section to allow the Chief Audit Executive to provide assurance at the end of the year that there was a reasonable control environment across the organisation which included the management of contracts.

The Risk and Business Continuity Manager took Members through the Annual Report of the Risk Management team for 2022/23 and highlighted the salient points. She reported a positive Direction of Travel. She informed the meeting that two new training modules, for risk and business continuity, had been added to Leap into Learning and which were due to go live shortly and would enable all officers and members to get an understanding of how both disciplines operated across the Council.

In response to a query, the Risk and Business Continuity Manager reported that there were 128 operational risk registers which were reviewed bi-annually to ensure that any emerging themes or risks associated with operational risks were fed up to the strategic risk leads as part of the strategic risk review. There were also registers in place for all key projects which were also reviewed on a regular basis.

Councillors Evans and Buckley wished it to be noted that they had requested that a possible change in political leadership should have been included as a strategic risk as they felt other authorities would do so and that the Council was two by-elections away from a change in control.

Councillor Evans voted against the recommendation contained in the report.

**RESOLVED:**

To accept the position as set out in the report, subject to the above.

**54 First line assurance: Blue Badge Management Update**

The Committee received the report of the Transactional Management and Licensing Manager- copy attached to the signed Minutes – which provided an update on the actions taken and the current position in response to the Blue Badge Audit 2022/23.

The Transactional Management and Licensing Manager reassured the Committee that a lot of work had been undertaken to address the recommendations identified in

the audit. She reported that there were only three outstanding recommendations which were due to the increased volume of applications being received. She informed the meeting that a full review of the service was being undertaken which included revised policy and procedures to be concluded and implementation by 1 April 2024.

She reported that they were processing applications in line with Department for Transport (DfT) requirements of 12 weeks however there was a backlog of over 1400 applications. The three outstanding recommendations were detailed in the report (paragraphs 7.2-7.3) and were very much around processes and procedures within the application process.

Members considered the current situation to be unsatisfactory, and they reported receiving complaints from their constituents. The situation was not new however and had been reported in the local press in October 2022, also, the service received a limited audit opinion in 2015/16. It was concerning that the outstanding recommendations would not be addressed for a further six months. It was queried whether there was sufficient staff to process the increase in applications.

In terms of the backlog, the Transactional Management and Licensing Manager confirmed that the outstanding applications were being processed in strict date order except for those applicants who came under the special rules criteria. She referred to the total volume of blue badge applications received by financial year (set out in paragraph 8.3 of the report) which demonstrated the increase of applications being received, the vast majority of which fell under the hidden disability criteria introduced in 2018 for which the assessment process was more complex.

A member referred to a question that had been raised at Cabinet about why there was not an automatic renewal process for a person who had a lifelong condition, rather than them having to re-apply every three years as whilst these applications were being processed the applicants were unable to go out. The Transactional Management and Licensing Manager explained the renewal process. She stated that as they were actually new applications rather than renewals, all of the required documents had to be uploaded again. She informed the Committee that it was a requirement of the DfT for applications to be submitted electronically and this had allowed them to continue processing applications throughout the covid-19 pandemic. There were advocates in the community who could assist with blue badge applications, for example Age UK.

It was felt that a recruitment process should have been undertaken in advance of the planned retirement of the long-standing officer with 25 years' experience of processing blue badge applications. In response, the Transactional Management and Licensing Manager informed the meeting that they had six weeks' notice of the retirement whereas it takes 3 months for recruitment. Members wished it to be fed back to HR that a six-week notice period was inadequate and had led to inefficiencies within the service.

The Committee requested that any review and monitoring of blue badge submissions be backdated to cover the period between now and April 2024 in order for it to be on record how long these applications took to process. It was also requested that the report be forwarded on to People's Scrutiny Committee to include when they consider the Blue Badge Service along with members' comments.

**RESOLVED:**

To note the position as set out in the report and for a further report to be submitted to the June 2024 meeting of the Audit Committee to include backdated monitoring information.

To forward this report to the People's Scrutiny Committee to include when they consider the Blue Badge Service along with members' comments.

**55 First line assurance: Freedom of Information (FOI) Management Update**

The Committee received the report of the Assistant Director – Legal and Governance - copy attached to the signed Minutes – which summarised the Council's compliance with the Freedom of Information Act 2000 (FOIA) and provided an update on the Information Commissioner (ICO) enforcement notice received in April 2023.

The Assistant Director – Legal and Governance explained that they had now got to the position they always should have been at. He had informed the Committee at its September meeting that things were moving in the right direction in terms of the enforcement notice. He was therefore pleased to say that progress had been maintained and that a meeting had been held with the ICO earlier in November who were pleased to confirm that as the Council had complied with the enforcement notice, they were no longer subject to it however, compliance would be kept under scrutiny as the progress that had been made needed to be maintained.

The report set out how the Council intended to maintain progress and embed the process. A new member of staff had been appointed to assist with this along with an internal review by the Office of the Chief Executive to review the processes to see where they could be streamlined and improved. Fundamentally, it was about focussing attention and really understanding the importance of responding to requests in a timely manner in accordance with the statutory requirements.

In response to a query, the Head of Policy and Governance confirmed that there was a Key Performance Indicator (KPI) that was monitored through Legal and Governance specifically for FOI requests. He confirmed that since the enforcement notice was issued on 26 April 2023 they had a six month period in which to turn around the Council's poor position in terms of FOI response rates which not only included responding to new requests, it also included a backlog of requests that went back over a number of months and the focus had been on undertaking that work in order to get to a compliant position. The work with the Office of the Chief Executive to undertake a review going forward would obviously identify some of those areas that could be further improved upon in order to improve efficiency and the way in which the council reacted as an organisation to FOI requests.

The Assistant Director – Legal and Governance confirmed that the Council were moving towards a more centralised arrangement and following on from the enforcement notice needed to take stock of the most effective mechanism moving forward to sustain compliance. It was suggested that the Council undertake some proactive communications work in areas where there was increased FOI interest which may reduce the number of FOI requests received and thereby reduce the burden on the Council. The Head of Policy and Governance confirmed that this was

being considered and had been worked on by the Information Governance team tirelessly over the summer alongside other service areas to try to increase publication of information where possible. This was also being picked up by the Office of the Chief Executive and would be reported back to a future meeting.

In response to a query, the Assistant Director – Legal and Governance confirmed that time would tell whether the Council had capacity going forward to manage the growth in FOI requests. He felt that, whilst there could be an increase in the number of FOI requests received, technology may proportionately help, including possibly AI (Artificial Intelligence), in understanding the information the Council held more effectively.

**RESOLVED:**

To note the Council's response to the ICO enforcement notice.

**56 Second line assurance: Treasury Strategy Mid-Year Report 2022/23**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided Members with an economic update for the first six months of 2023/24, along with reviews of the Treasury Strategy 2023/24 and Annual Investment Strategy, the Council's investment portfolio for 2023/24, the Council's borrowing strategy for 2023/24, any debt rescheduling taken and compliance with Treasury and Prudential limits for 2023/24.

The Chairman congratulated the team on its performance in generating additional income of £0.558m. Members were pleased to see that the Council had managed its borrowing, which had not gone up. It was noted that the indicator for gross borrowing (page 63) was £445m and a query was raised as to where that indicator had come from because the actual borrowed amount was £286m.

In response, the Executive Director of Resources (Section 151 Officer) explained that it was calculated on a standard framework which gave a feel for the financial position of the authority and took into account various different factors. He explained that over the last few years the Council had under-borrowed, although there had been opportunities to borrow which would bring them back to that indicator but as soon as you borrow money, that has a revenue implication as interest would be paid on it, so the position taken was while the cash balances were healthy the Council had not needed to undertake borrowing. Additionally, the Council had repaid some of its long-term borrowing as it matured and at that point the question was asked about whether they needed to replace that borrowing and the answer had been no.

In response to a further query, the Executive Director of Resources (Section 151 Officer) explained what the Triple B investments were, and he agreed to share details of the particular organisations with Members outside of the meeting.

**RESOLVED:**

To agree the Treasury Strategy activity as set out in the report.

**57 Governance Assurance: Annual Audit Committee Self-Assessment**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which asked Members to review and comment on the self-assessment of good practice questionnaire attached to the report. The questionnaire allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

There was one area of partial compliance as set out in paragraph 7.9 of the report for which there was an improvement plan in place.

**RESOLVED:**

To approve the self-assessment of good practice attached at Appendix A and C having identified any errors or amendments required.

**58 Third line assurance: Internal Audit Charter**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which set out the Internal Audit Charter. The Head of Policy and Governance informed the Committee that a consultation had been undertaken on the current standards in early 2023 and that he would advise them of any changes to the charter as a result of that consultation. Other changes to the Charter were set out in italics, bold and underlined.

**RESOLVED:**

To endorse the Internal Audit Charter as set out in Appendix A to the report.

**59 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which outlined the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

The Head of Policy and Governance drew attention to the Action Plan set out at paragraph 8.13. He confirmed that the Council had submitted its data for the 2022/23 National Fraud Initiative (NFI) matching process and that they were currently working through the results. A further update would be provided to the Committee when available.

The Head of Policy and Governance reported that only minor amendments had been made to the Strategy to reflect structure changes at the Council and the move to a more digital approach. All proposed changes were set out in bold italic and underlined.



A brief discussion ensued in relation to cyber-crime as a potential means to commit fraud rather than fraud in itself. The Head of Policy and Governance felt it was important to pull cyber-crime out as a potential means of fraud however concern was raised that it was getting blurred and that cyber-crime was not fraud in itself it was a means to fraud so it was important to be clear and not lose the point of what is fraud. The Head of Policy and Governance confirmed that he was the Anti-money laundering officer and that the Internal Audit Manager was his deputy.

In response to a query around the potential for fraud/bribery in relation to planning applications, the Head of Policy and Governance confirmed that from an Internal Audit perspective, counter fraud controls were included within the audit programmes that were undertaken and these controls were assessed as part of the audit process to check whether they were operating effectively which reduced the likelihood of fraud/bribery.

**RESOLVED:**

To endorse the Counter Fraud, Bribery and Anti-Corruption Strategy along with the measures detailed within the report to manage the associated risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

**60 Governance Assurance: Annual review of Audit Committee Terms of Reference**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which set out the review of the Audit Committee Terms of Reference. Only minor changes had been made to reflect current reporting titles and to further clarify the responsibilities of the Audit Committee in relation to approving the Statement of Accounts, these were set out in italics, bold and underlined.

**RESOLVED:**

To approve the revised Audit Committee Terms of Reference.

**61 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which provided members with an update of the work undertaken by Internal Audit in the two months since the September 2023 Audit Committee.

The Head of Policy and Governance informed the Committee that 50% of the revised plan had been completed which was in line with previous delivery records and that they were on track to deliver a minimum of 90% of the revised annual plan by year end. In total, nine final reports had been issued containing 85 recommendations (set out in paragraph 8.5 of the report). Of the 85 recommendations, two were fundamental (one of which was set out at paragraph 8.11 and the other in the

confidential part of the agenda). The unsatisfactory and limited assurance opinions were set out in table 3 of Appendix A.

In response to concerns around the use of WhatsApp, the Head of Policy and Governance explained that it was an historic issue when WhatsApp was implemented on corporate devices and was very much used as a last resort. From an information governance perspective, the report was welcomed, and he confirmed that the corporate information governance group (IGLOO) were due to sit the following Monday and the issue of WhatsApp use was on the agenda. He reported that Senior Leaders charged with information governance and the delivery of sound information governance across the organisation sat on that Group and that the Executive Director of Resources (Section 151 Officer), who was the Senior Information Risk Officer (SIRO), was Chair of that Group. The issues raised within the report in relation to the use of WhatsApp had been recognised and would be considered further at IGLOO and further work would be undertaken to understand how and why WhatsApp was currently being used and whether there were suitable alternatives available within the organisation.

Concern was raised at the reduction in days of planned activity from 1289 to 1228 and it was queried at what stage did this become a strategic risk. The Head of Policy and Governance confirmed that it was a risk and that the service was at its minimum in terms of resources. They were carrying vacancies within the team but they were due to go out for another recruitment round to address the issue. The Internal Audit Manager reassured the Committee that this was recognised as a high risk on the Internal Audit operational risk register and she had regular conversations with the Executive Director of Resources (Section 151 Officer). There has been no reduction in the number of posts within the Internal Audit team, however, there were no suitable applicants during the last recruitment exercise and they were looking to change the recruitment offer to make it more attractive to external applicants. The Head of Policy and Governance confirmed that in the past they had supplemented the internal resource with external providers.

In response to a query about whether the internal audit posts were subject to the staff vacancy management process that the finance team were asking every department to lose 5% and delete any vacancies. In response, the Executive Director of Resources (Section 151 Officer) explained that there were no exemptions to the 5% vacancy factor which was managed on the basis of turnover levels expected within the year within the organisation. He confirmed that the Resources Directorate had met its 5% vacancy turnover factor this year and he assured the Committee there were no implications for the Internal Audit team. He explained that there was a shortage of Auditors which also extend into the private sector.

The Executive Director of Resources (Section 151 Officer) felt it was important to note the benefit to the organisation of bringing in external internal auditors who were a completely independent external resource who could look at certain parts of the organisation or certain particular audits and bring an additional level of independence. So regardless of the position within the internal audit team in terms of recruitment, there would always be a best practice need for using external auditors as part of a clearly defined process. He reassured the Committee that he had regular conversations with the Internal Audit Manager and the Head of Policy and Governance in relation to whether there was adequate coverage across the organisation to ensure an assessment could be made at the end of the year.

Although at the minimum level of coverage, there were opportunities to look at different methodologies that would deliver the required outcome.

The Committee welcomed the reassurance but requested further data so they could understand the gap between planned days and actual days along with which of those were delivered by external specialists and which were generic day-to-day business as usual in order for the Committee to understand the growing gap in business-as-usual planned audit activity and the difference in cost of an internal employee compared to that of an external auditor. Assurance was sought that the current internal audit team would not be asked to save 5% of its staffing in the next financial year. The Executive Director of Resources (Section 151 Officer) informed the Committee that this was a decision for himself as the Section 151 Officer, and he had provided assurance that it was something they were constantly discussing and working through. In relation to the comparison of costs, he acknowledged that it was more costly to bring in external auditors but that was something that had been factored in due to the benefits it brought and was a separate issue to the number of audit days available in the plan however they were ensuring that there was adequate coverage over a period of time. As Section 151 Officer he understood the importance to the organisation of the internal audit function.

In response to a query, the Executive Director of Resources (Section 151 Officer) confirmed that the requirement for an Internal Audit Function was a responsibility specifically within the role of the Section 151 Officer that there was nothing mandatory about the particular posts within the internal audit team. It was requested that if the organisation wished to reduce the number of posts within the internal audit team that the Committee be informed.

**RESOLVED:**

To note performance against the 2023/24 Audit Plan.

*It was agreed to take Agenda Items 15 (Statement of Accounts 2021/22) and 17 (External Audit: Shropshire Council Audit Findings (Information) 2021/22) together.*

**62 Second Line Assurance: Statement of Accounts 2021/22**

**63 Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided for the final approval of the Statement of Accounts for 2021/22, following completion of the audit of the accounts. The Committee also received the report of the Engagement Lead - copy attached to the signed Minutes – which set out the Audit Findings for 2021/22.

The External Audit Senior Manager summarised the report and highlighted the key points. She reported that the audit was now substantially complete with the outstanding issues being detailed on page 3 of the report and she provided an update on two of the issues. One was a query regarding the gross internal area of the waste transfer site and although they had received a verbal response from the valuer further supporting documents had been requested. Turning to the cash flow

amendments, the External Audit Senior Manager confirmed that they had concluded their work in this area which related to 2022/23, 2022/21 and 2020/21.

She informed the Committee that the scope of the audit had not changed and that the significant risks outlined at the planning stage had remained the same (and were detailed on pages 7-14 of the report) as had the levels of materiality (£9m for the group, £8.9m for the Council). She then took Members through the key findings including two material adjustments to the financial statements, which although significant in value had no impact on the level of the general fund balances. One was in relation to infrastructure which resulted in an £148m increase in property, plant and equipment balances (details of which were set out on pages 13 and 36 of the report). The second adjustment was in relation to the net Pensions Fund liability following publication of the triannual valuation the Council obtained an updated valuation which led to an increase of £29.1m in the net pension liability.

The External Audit Senior Manager drew attention to two unadjusted misstatements (set out on page 35 of the report) and although above the trivial threshold of £445,000, they were not material and did not impact upon the proposed opinion however it was requested that they be included in the letter of representation. A number of recommendations had been made (set out in Appendix A) and an unqualified opinion would be issued.

In response to a query the Key Audit Partner explained that he hoped to bring a draft Annual Auditors report to the next meeting which would look at value for money and the medium-term financial strategy etc.

**RESOLVED:**

1. to approve the 2021/22 Statement of Accounts and that the Chairman of the Audit Committee sign them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
2. to agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
3. to agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.
4. to note the contents of the Audit Findings report for 2021/22.

*It was agreed to take Agenda Items 16 (Statement of Accounts 2022/23) and 18 (External Audit: Shropshire Council Audit Findings (Information) 2022/23) together.*

64 **Second Line Assurance: Statement of Accounts 2022/23**

65 **Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2022/23**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided for the final approval of the Statement of Accounts for 2022/23, following completion of the audit of the accounts. The Committee also received the report of the Engagement Lead - copy attached to the signed Minutes – which set out the Audit Findings for 2022/23.

In respect of the two queries raised on the 2021 accounts, the Engagement Lead confirmed that one had been answered but the second one was still in progress and it was hoped to bring the response to the February 2024 meeting of the Audit Committee. A query was raised as to whether that meant that the 2021 accounts had not been signed off. In response, the Engagement Lead explained that he had signed the opinion on the financial statements but had not certified the audit closed. It was hoped to certify all of the audits closed in February.

The External Audit Senior Manager informed the Committee that there had been significant progress since the report had been written. There had been one material adjustment which related to pensions adjustment of £29.1m so the opening balances for 2022/23 had changed however they were satisfied that that adjustment had now been made in the 2022/23 accounts. She confirmed that there were currently no unadjusted mistakes to note. Many of the outstanding matters had now been closed and she gave a verbal update on the red flagged items.

The External Audit Senior Manager reported that a response had been received from the valuer for both investment property and other land and building valuation inputs. They had reviewed the investment property points which had led to some minor queries for the valuer however for other land and buildings this was more complex as there was more variation in the sample and they were working through that and hoped to get the queries to the valuer the following week in order to draw this to a conclusion. She then took members through each significant risk area and provided an update on each.

The External Audit Senior Manager drew attention to page 40 of their report which set out the audit adjustments, the main one being the pensions adjustment which had been amended. She anticipated that an unqualified opinion would be issued. External Audit thanked the central finance team in particular for their assistance.

**RESOLVED:**

1. to approve the 2021/22 Statement of Accounts and that the Chairman of the Audit Committee sign them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
2. to agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
3. to agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.
4. to note the contents of the Audit Findings report for 2022/23.

**66 Date and Time of Next Meeting**

The next meeting of the Audit Committee would be held on the 22 February 2024 at 10.00am.

**67 Exclusion of Press and Public**

**RESOLVED:**

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

**68 Exempt minutes of the previous meeting held on the 28 September 2023**

**RESOLVED:**

That the Exempt Minutes of the meeting of the Audit Committee held on the 28 September 2023 be approved as a true record and signed by the Chairman.

*It was agreed to take Agenda item 22 (Fraud, Special Investigation and RIPA Update) last.*

**69 Third line assurance: Montagu Evans Contract Management Audit (Exempted by Categories 3 and 5)**

The Committee received the exempt report of the Head of Policy and Governance – copy attached to the signed exempt Minutes – which provided Members with an update on the recent unsatisfactory audit of the contract management arrangements with Montague Evans.

**RESOLVED:**

To note the contents of the report.

**70 First line assurance: Montagu Evans Contract Management Update(Exempted by Category 3)**

The Committee received the exempt report of the Head of Property and Development – copy attached to the signed exempt Minutes – which provided an update on the improvements that had already been made to address the recommendations contained in the audit report and set out the Action Plan which addressed the remaining recommendations.

**RESOLVED:**

To note the contents of the report.

**71 Third line assurance: Highways Other Major Contracts Audit (Exempted by Categories 3 and 5)**

The Committee received the exempt report of the Head of Policy and Governance – copy attached to the signed exempt Minutes – which provided an update on the recent unsatisfactory audit of the Highways Other Major Contracts.

**RESOLVED:**

To note the contents of the report.

**72 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7)**

The Committee received the exempt report of the Internal Audit Manager – copy attached to the signed exempt Minutes – which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

**RESOLVED:**

To note the contents of the report.

Signed ..... (Chairman)

Date: .....