

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 19 September 2024
My Ref:
Your Ref:

Committee:
Audit Committee

Date: Friday, 27 September 2024
Time: 10.00 am
Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate,
Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director – Legal and Governance

Members of Audit Committee

Simon Harris (Vice Chairman)
Nigel Lumby
Brian Williams (Chairman)

Roger Evans
Kate Halliday

Independent Member: Jim Arnold

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719

Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the previous meeting held on the 17 July 2024 (Pages 1 - 12)

The Minutes of the meeting held on the 17 July 2024 are attached for confirmation.

Contact Michelle Dulson (01743) 257719

4 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on Monday 23 September 2024.

5 Member Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on Monday 23 September 2024.

6 First line assurance: NWRR Management update

The report of the Director of Place is to follow.

Contact: Mark Barrow (01743) 258919

7 Second line assurance: Strategic Risk Update (Pages 13 - 18)

The report of the Assistant Director – Workforce & Improvement is attached.

Contact: Sam Williams (01743) 252817

8 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2024/25 (Pages 19 - 36)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

9 Third line assurance: External Audit, Audit progress report and sector

update (Pages 37 - 54)

The report of the Engagement Lead is attached.
Contact: Avtar S Sohal (0121) 232 6420

10 Third line of assurance: External Audit: Shropshire County Pension Fund Annual Audit Findings (Information) 2023/24 (Pages 55 - 82)

The report of the Engagement Lead is attached.
Contact: Avtar S Sohal (0121) 232 6420

11 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 28 November 2024 at 10.00 am.

12 Exclusion of Press and Public

To RESOLVE 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.

13 Exempt Minutes of the previous meeting held on the 17 July 2024 (Pages 83 - 86)

The Exempt Minutes of the meeting held on the 17 July 2024 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

14 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7) (Pages 87 - 90)

The exempt report of the Internal Audit Manager is attached.
Contact: Katie Williams 07584 217067

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Committee and Date

Audit Committee

27 September 2024

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 17 JULY 2024 10.00 AM - 12.30 PM

Responsible Officer: Michelle Dulson

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

Present

Councillor Brian Williams (Chairman)

Councillors Nigel Lumby, Roger Evans and Kate Halliday and Claire Wild

16 Apologies for Absence / Notification of Substitutes

An apology for absence was received from Councillor Simon Harris (Vice Chairman).

Councillor Claire Wild substituted for Councillor Harris.

17 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.

18 Minutes of the previous meeting held on the 27 June 2024

It was agreed to include in the Minutes the question raised by Councillor Halliday about whether the critical skills shortage in Social Workers had been included in the current risk assessment.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 27 June 2024 be approved as a true record and signed by the Chairman, subject to the above.

19 Public Questions

There were no questions from members of the public.

20 Member Questions

There were no questions from members.

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

The Committee received the report of the Transactional Management and Licensing Team Leader – copy attached to the signed Minutes – which provided an update on the April 2024 follow up review of the 2022/23 Blue Badge Audit and monitoring details of the volume of applications received.

A comment was made that the average per week figures set out in the table at paragraph 8.1 of the report did not equate to the monthly total number of applications received and it was queried whether the average per week referred to the number of applications that had been processed out of those that had been received. The Transactional Management and Licensing Team Leader confirmed that this was the case and she confirmed that they were now recording the average time taken to process applications, as requested by the Committee at its November meeting.

She reminded Members that the Department for Transport (DfT) recommend that all applications were processed within 12 weeks, and they were making sure that they maintained that on a regular basis to ensure they remained within the guidelines of the DfT.

In response to a query about how far in advance someone could apply to renew their Blue Badge, the Transactional Management and Licensing Team Leader explained that reminders were sent out 12 weeks before. She drew attention to paragraph 12.3 of the report which demonstrated the increase year on year of Blue Badge applications.

The Transactional Management and Licensing Team Leader explained that all applications, including new applications, were dealt with in strict date order (with the exception of those dealt with under special rules eg, for someone who was terminally ill, for example).

In response to a query about a long-term plan, the Transactional Management and Licensing Team Leader explained that unfortunately, due to the current financial situation of the Council, they could only use the resources that they currently had which was why they were monitoring the situation very closely to ensure applications were processed within the 12 weeks set out by the DfT. Concern was raised as to whether the level of resources available was sufficient to meet the increasing demand. In response the Transactional Management and Licensing Team Leader informed the meeting that the vacant post within the team had been reduced as part of the savings proposals.

RESOLVED:

To note the position as set out in the report.

22 **Second line assurance: Risk Annual Report 2023/24**

The Committee received the report of the Risk and Continuity Manager – copy attached to the signed Minutes – which provided an overview of the activity of the Risk and Business Continuity Team during 2023/24 and a synopsis of the current risk exposure of the authority in relation to Strategic, Operational and Project risks.

The Risk and Continuity Manager reported that a Risk Management audit for 2023-2024 had been undertaken by the Internal Audit team who had issued a Reasonable assurance level as there was generally a sound system of control in place but there was evidence of non-compliance with some of the controls predominantly around how project teams were managing project related risks. The recommendations made within the report had all now been actioned by the team.

The Risk and Continuity Manager went on to state that the strategic risk reviews continued to take place on a bi-annual basis, a month after the bi-annual operational risk reviews to ensure that any emerging issues were considered strategically. This escalation also related to project risks and as project risks were reviewed any emerging risks were also considered for inclusion as a strategic risk. Reports following risk reviews were provided to Assistant Directors for operational risks, project board leads for project risks and EMT, Cabinet and Audit Committee from a strategic risk perspective.

As detailed in the report all current and additional controls were subject to review, with new controls being added as necessary. The risk score was reviewed and altered if necessary to reflect current risk exposure and assurance levels were also updated with narrative using the three lines model of assurance as set out in Appendix A.

The Risk and Continuity Manager informed the Committee that the strategic, operational and project risks were held digitally within the SharePoint system which enabled access at all times by all risk owners and enabled PowerBI reporting to provide real time information on the risk exposure. Automatic email reminders to project risk owners had also been implemented along with an escalation process should they still remain unreviewed. She went on to report that the Opportunity Risk Management strategy had recently been subject to its annual review.

She drew attention to the teams' continued involvement in ALARM, the national public sector risk management organisation, of which she was currently President Elect and she informed the meeting that the Council's Risk & Business Continuity Officer had been awarded the Rising Star Award for 2024/2025.

The Risk and Continuity Manager further reported that the team continued to manage the Business Continuity Management Programme and worked collaboratively with the Audit team to follow up any unsatisfactory audit reports. They also engaged with the Office of the Chief Executive and the new Assistant Director to support the transformation work being undertaken across the Council and they had completed the development of LEAP training modules for Risk management and business continuity.

A query was raised around the risk of 'Failure to protect from and manage the impact of a targeted cyber-attack on ICT Systems used by the authority'. In response, the Risk and Continuity Manager explained that the risk post-mitigation was captured within the Risk Register and could be shared with the Committee however it was not released into the public domain as it was quite sensitive information. She confirmed that they could include that information at year end for the Committee. A brief discussion ensued and it was agreed to discuss it further during the Cyber Security Management Update in the exempt part of the meeting.

In response to a query, the Risk and Continuity Manager expanded on the measures being taken to address the non-compliance referred to in the audit report which included a layer of reporting to Executive Directors on their project risk review status and holding the project leads accountable for the management of their risk environment.

In response to concerns raised, the Risk and Continuity Manager assured the Committee that the Council had a robust and efficient Opportunity Risk Management process in place and that any non-compliance was followed up to ensure that the additional management controls required had been implemented. In response to a further query, the Risk and Continuity Manager explained how third-party related risks were managed.

RESOLVED:

To approve the position as set out in the report.

Councillor Evans abstained from voting.

23 Second line assurance: Annual Whistleblowing report

The Committee received the report of the Assistant Director of Workforce – copy attached to the signed Minutes – which provided an update on the number of whistleblowing cases raised regarding Shropshire Council employees over the last financial year.

The Assistant Director of Workforce reported that there had been 23 whistleblowing reports in 2023/24 which was a decrease of six compared to the previous year. Predominantly, the reports had been received via telephone across a number of areas including staffing, council tax, financial incident and safeguarding. Two of these cases had been referred to external agencies.

She drew attention to Paragraph 8.2.6 of the report which set out the number of cases reported over the previous five years, which ranged between 20 and 35 giving an average of 26. Financial incident was a consistent theme each year.

In response to a query, the Assistant Director of Workforce confirmed that they would continue to offer different reporting methods including via telephone as they did not wish to deter anyone from raising any concerns they may have.

In response to concerns that the Whistleblowing Policy was not as well known amongst staff and members as it should be, it was suggested that the Chief Executive be requested to include a note in his weekly update to staff raising awareness of the policy.

RESOLVED:

to note the contents of the report and to request the Chief Executive to include a note in his weekly update to staff raising awareness of the Whistleblowing policy.

24 Second line assurance: Annual Treasury Report

The Committee received the report of the Assistant Director Finance and Technology (Deputy Section 151 Officer) – copy attached to the signed Minutes – which set out the borrowing and investment outturn for 2023/24 plus the Treasury Limits and Prudential Indicators. The Executive Director of Finance (Section 151 Officer) reported that all the appropriate CIPFA regulations and indicators had been followed (included within the Appendices) and that the treasury team had outperformed the benchmark by 0.79% and achieved a return of 4.79%.

The Executive Director of Finance (Section 151 Officer) reminded the Committee that they were tasked with the requirement to oversee the treasury approach and to understand and ensure they were comfortable with the investments that were made.

The Chairman congratulated the Treasury team on always exceeding the benchmark and felt that they operated at a higher level than in some other authorities.

In response to a query, the Internal Audit Manager confirmed that the Treasury service audit was due to be finalised that day and would be reported to the September meeting of the Audit Committee. She confirmed that the service had received a 'good' assurance rating.

RESOLVED:

- a. To approve the actual 2023/24 prudential and treasury indicators in the report.
- b. To note the annual treasury management report for 2023/24.

25 Third line assurance: Internal Audit Performance Report

The Committee received the report of the Head of Policy and Governance – copy attached to the signed Minutes – which summarised the work of Internal Audit in the final quarter of 2023/24 to inform the year end opinion. The report highlighted those lower-level assurances which provided Members with an opportunity to challenge.

The Head of Policy and Governance informed the Committee that 95% of the revised plan had been completed which was in line with previous delivery records (94% in 2022/23). One good, 11 reasonable, two limited and two unsatisfactory assurance opinions had been issued (as set out in paragraph 8.5 of the report) and of the 172 recommendations made in the 16 final reports, four were fundamental (set out in paragraph 8.10). The year end position was shown in Appendix A, Table 2, whilst the unsatisfactory and limited assurance opinions were set out in Appendix A, table 3.

He drew members attention to the heading of paragraph 8 which should read 'Performance Against the Plan 2023/24' (not 22/23). Also, paragraph 8.1 should refer to 23 audits still in progress with four reports awaiting comments.

The Chairman confirmed that he had requested the Head of Automation and Technology to provide an update on the fundamental recommendation made in relation to ICT Contract Management Follow up audit later in the meeting.

Concern was raised around the fundamental recommendation made in relation to Bishops Castle Community College which had received limited and unsatisfactory audit ratings over several years, and it was therefore agreed to invite the Head teacher and Chair of Governors to a future meeting of the Committee to provide a management update.

In response to a query, the Internal Audit Manager explained that the report provided an update for the final quarter of the year and that the next report detailed the performance for the whole year. She confirmed that a management update for the Northwest Relief Road would be going to the September Audit Committee with a further audit being undertaken in quarter 4.

Concern was raised that the annualised hours 2022/23 audit had received a reasonable assurance rating when 29 Significant and 16 Requires Attention recommendations had been made. In response, it was confirmed that the approach for this audit was slightly different as the policy was owned by HR but they also audited six different teams and looked in detail at how they recorded their time. So even though there were issues within some teams, overall, how the policy was implemented and communicated was reasonable.

RESOLVED:

1. To note the performance of Internal Audit against the 2022/23 Plan.
2. To request that the Headteacher and Chair of Governors of Bishops Castle Community College attend the next meeting to provide an update.

26 Third line assurance: Internal Audit Annual Report 2023/24

The Committee received the report of the Head of Policy and Governance – copy attached to the signed Minutes – which provided Members with a summary of work undertaken by Internal Audit for 2023/24, it reported on the delivery against the approved internal audit plan and included the Chief Audit Executive’s opinion on the Council’s internal controls as required by the Public Sector Internal Audit Standards (PSIAS).

The Head of Policy and Governance explained that the plan had provided for a total of 1799 days, any revisions throughout the year were reported to the Committee, with the plan being revised to 1239 days. He explained the matters that he had taken into account when arriving at his opinion, as set out in paragraphs 8.17 and 8.18 and also Appendix A, tables 2 and 3.

The Head of Policy and Governance informed the meeting that there had been 41 good and reasonable assurances made in the year, accounting for 60% of the overall opinions delivered which was a 1% increase on the previous year which was offset by a 1% decrease in limited and unsatisfactory opinions. There had been 12 unsatisfactory and 15 limited assurance opinions issued with a concerning upward trend in the number of unsatisfactory assurance opinions, increasing from 11% in 2022/23 to 18% in 2023/24. There was a total of 525 recommendations contained within 68 final reports, 45 of which were significant and fundamental compared to 38% last year. There had been a corresponding decrease in the number of requires

attention and best practice recommendations whilst the number of fundamental recommendations had remained at 2%.

On this basis, and based on the management responses received, the Head of Policy and Governance was only able to offer limited assurance on the 2023/24 financial year on the Council's framework of governance, risk management and internal control.

Concern was raised that 40% of assurance opinions issued were limited or unsatisfactory and that for the last five years the Chief Audit Executive had only been able to issue limited assurance, the direction of travel was therefore not improving, and the Chairman felt this should be drawn to the attention of the Chief Executive and the senior management team.

In response to a query, the Internal Audit Manager drew attention to the chart at paragraph 8.6 which set out the trend in internal audit recommendations broken down by percentage into the categories. She explained that the Internal Audit Performance report that had been considered earlier in the meeting, contained a table setting out the performance for the quarter and for the year to date and which showed the individual audits with the categories of recommendations against them. Table 2, Appendix A of this report listed the reports broken down by assurance rating. The Committee could seek extra assurance on any particular areas of concern.

In response to a query around benchmarking with other similar authorities, the Section 151 Officer explained that it was difficult to compare as every authority was different and they all had different Audit Plans focussed on their particular organisation etc. He drew attention to the table at paragraph 8.5 which demonstrate the concerns of the Committee ie the number of good assurances (green) had deteriorated whilst the number of unsatisfactory (red) had grown. As the audit team had less resources they tended to focus on the higher risk areas so looking at the table at 8.6, the difference was less stark and although there was a trend that the requires attention recommendations had reduced and the fundamental recommendations had increased, it was only by a very small percentage. This reflected those areas being reviewed and the types of recommendations being made. Therefore, when working with a smaller plan, if that control environment started to improve, it would not necessarily be seen very clearly in the recommendations, but you would hope to see it in terms of the overall audit opinions.

The work being done around reorganisation very much focused on how to tackle the reducing control environment with a smaller organisation and less staff, they were looking at far more automated approaches, more digitalisation, more use of artificial intelligence etc in order to reduce human error and the impact of discretion within decision making, so potentially even with less staff you could significantly improve the internal control environment leading to greater coverage across the organisation.

The Head of Policy and Governance informed the meeting that the audit process they followed was prescribed by PSIAS and he explained the way in which internal audit work was undertaken which gave him assurance that what was being seen was representative of the deteriorating control environment. The Section 151 Officer confirmed that the senior officers were actively looking to improve the internal control environment however he could not guarantee that things would improve in the space

of the next few months however they would be looking to ensure it did not deteriorate further before starting to see an improvement.

In response to a query, the Head of Policy and Governance explained the potential role of artificial intelligence within internal audit. The Head of Internal Audit assured the Committee that they would not compromise the quality of the audits as they had to comply with PSIAS.

RESOLVED:

- a) to note the performance of Internal Audit against the 2023/24 Audit Plan.
- b) to note that Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2023/24.
- c) to endorse the Chief Audit Executive's Limited assurance, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2023/24 based on the work undertaken and management responses received.

27 Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2023/24

The Committee received the report of the Section 151 Officer – copy attached to the signed Minutes – which confirmed that, following a self-assessment quality assurance review (QAIP) of the Internal Audit Service against the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), Internal Audit complied with the requirements of the Public Sector Internal Audit Standards (PSIAS) or guidance. He reported that an external assessment was required every five years and that the next assessment would be undertaken by 31 March 2027.

The Section 151 Officer confirmed that in the majority of cases Internal Audit were fully compliant apart from two areas of partial compliance, one around the objectivity of internal auditors and the other around the objectivity of the Chief Audit Executive (set out in paragraphs 7.9 and 7.10 of the report). These areas of non-compliance were not considered significant and did not compromise compliance with the code.

RESOLVED:

To endorse the conclusion that the Council employs an effective internal audit service to evaluate its risk management, control and governance processes that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards continuing and full compliance where appropriate.

28 Third line assurance: Annual Assurance report of Audit Committee to Council 2023/24

The Committee received the report of the Section 151 Officer - copy attached to the signed Minutes – which set out the Audit Committee’s Annual Assurance Report to Council for 2023/24 and although the Committee had some concerns (as detailed in the report) it could, on balance, provide reasonable assurance.

RESOLVED:

That Council consider and comment on the contents of the Annual Assurance report for 2023/24 before recommending accepting it.

Councillor Evans voted against this item as he had concerns about certain aspects of it which he would raise when it was discussed at Full Council the following day.

29 Third line assurance: Internal Audit Plan 2024/25

The Committee received the report of the Head of Policy and Governance – copy attached to the signed Minutes – which provided Members with the proposed risk based Internal Audit Plan for 2024/25. He explained that due to the ongoing recruitment process the Internal Audit Plan had not been presented to the February meeting however, since then four new appointments had been made to the team (a principal auditor and an auditor who had commenced in role, whilst two further auditors had been appointed and were working through their notice period but would be starting within the 2024/25 financial year).

The Head of Policy and Governance explained that the Internal Audit Plan provided coverage across high-risk areas within the Council and also provided internal audit services to a range of external organisations. The proposed Internal Audit Plan also considered the requirement to produce an annual audit opinion on the assurance framework. He discussed the ongoing challenges and pressure on services and the need for the plan to be agile to respond to the changing risk environment throughout the year.

The Chairman drew attention to paragraph 7.9 which stated that based on a risk analysis approximately 3,527 days would be required to review all high-risk areas. It was therefore of grave concern that the plan only allowed for 796 days which was approximately 35% less than what had been delivered in previous years. However, the Head of Policy and Governance had reassured him that following the recruitment of four new members of staff the service would achieve many more than 796 days. The issue of recruitment was not specific to Shropshire but was an issue across the industry as there was a desperate shortage of auditors.

RESOLVED:

to approve the approach taken to create the proposed Internal Audit Plan for 2024/25 and to approve its adoption.

30 Third line assurance: External Audit, Audit Plan 2023/24

The Committee received the report of the Engagement Lead – copy attached to the signed Minutes – which provided members with an overview of the scope and timing of the statutory audit of Shropshire Council for those charged with governance.

The Senior Audit Manager confirmed that the audit for 2023/24 was due to start in the next few weeks and would look at the financial statements for the year to 31 March 2024. She provided a high-level overview and drew attention to the key areas of the report, including the significant risks which took up a significant amount of auditor time to work through. She then highlighted their approach to materiality and their work around the Council's Value for money arrangements, planning work for which was in progress and would be reported to the next meeting of the Audit Committee.

RESOLVED:

To note the contents of the report.

31 Third line assurance: External Audit, Informing the Audit Risk Assessment

The Committee received the report of the Engagement Lead – copy attached to the signed Minutes – which contributed to the two-way communication between Shropshire Council's External Auditors and Shropshire Council's Audit Committee, as those charged with governance.

RESOLVED:

To note the contents of the report.

32 Third line assurance: External Audit, Pension Fund Audit Plan 2023/24

The Committee received the report of the Engagement Lead – copy attached to the signed Minutes – which provided an overview of the planned scope and timing of the statutory audit of Shropshire County Pension Fund. It was explained that the Pension Fund Audit Plan had been through the Pensions Committee but came to the Audit Committee as those charged with governance.

RESOLVED:

To note the contents of the report.

It was agreed to take Agenda Items 18 (External Audit, Auditors Annual Report 2021/22) and 19 (External Audit, Auditors Annual Report 2021/22 and 2022/23) together.

33 Third line assurance: External Audit, Auditors Annual Report 2020/21

34 Third line assurance: External Audit, Auditors Annual Report 2021/22 and 2022/23

The Committee received the reports of the Engagement Lead – copies attached to the signed Minutes – which set out External Auditors' commentary on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Engagement Lead explained that the reports covered the value for money over 2020/21, 2021/22 and 2022/23. This was the first time that the Council had seen the extended reporting now required by the Code of Audit Practice which looked at the

three areas of sustainability, governance and improving economy, efficiency and effectiveness.

In 2020/21, one area of weakness that had been identified was around governance and in particular a specific negotiation settlement with the senior officers where arrangements were not being followed nor done in a clear and transparent manner (details of which were set out in the report). This led to a number of recommendations being raised and on 29 February 2024 the full Council approved a senior officer employment procedure which addressed those recommendations.

Turning to 2021/22 and 2022/23 the Engagement Lead informed the meeting that a significant weakness had been raised around finances, medium-term financial planning and the low levels of reserves. Although they did appreciate the financial challenges being faced by the Council and that they had partnered with PriceWaterhouseCooper to undertake a large and complex transformation programme to identify savings etc to ensure that operations were sustained and could deliver a balanced budget each year.

In response to a query, the Engagement Lead confirmed that there was one outstanding objection on the accounts from 2020/21 and they were awaiting confirmation that the objector was satisfied with the response. Some matters of concern had been brought to their attention for 2023/24 however one of these was still being investigated as to whether it was a valid objection, the other was not really an objection but had led to them doing some focused work around which would be covered in the 2023/24 annual report.

A brief discussion ensued around the arrangements for the dismissal of senior officers and whether the Council exceeded its authority in agreeing the termination of the former Chief Executive Officer. A query was raised as to whether External Audit would have taken this matter further had the senior officer employment procedure not been taken to Full Council. In response, the Engagement Lead explained that they would have looked into it further if it was felt that this weakness had not been addressed and more statutory reporting might have been undertaken which could lead to a statutory recommendation or a public interest report. However, they were content at this point in time that it had been adequately addressed. Any issues that they felt had not been adequately addressed would be reported in their 2023/24 report.

The Section 151 Officer clarified that the audit had concluded that there was a difference of opinion in terms of the following of procedures. External Audit felt there were procedures that should have been followed whereas the interpretation followed by officers was slightly different and so to address the ambiguity, the Council ensured that there was a very clear process in place that has been approved by Council.

RESOLVED:

To accept the contents of the reports.

35 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on Friday 27 September 2024 at 10.00am.

36 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.

37 First Line assurance: Cyber Security Management Update

The Committee received the exempt report of The Head of Automation and Technology – copy attached to the signed Minutes – which provided Members with an update on the Council’s current position and response to the key strategic risk of ‘Failure to protect from and manage the impact of a successful targeted cyber-attack on ICT systems used by the authority’.

RESOLVED:

To note the contents of the report.

38 Third Line Assurance: : 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 Minutes – which provided members with a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act activity.

RESOLVED:

To note the contents of the report.

Signed (Chairman)

Date:



Committee and Date

**Audit Committee
27th September 2024**

Item

Public



Strategic Risk Report

Responsible Officer:	Sam Williams		
email:	sam.williams@shropshire.gov.uk	Tel:	01743 252817
Cabinet Member (Portfolio Holder):	Cllr. Gwilym Butler, Portfolio Holder Resources		

1. Synopsis

Audit Committee regularly review the Council's underlying risk exposure by considering the Council's Strategic Risks. This report sets out the current strategic risk exposure following the June 2024 bi-annual review and subsequent discussions/ amendments.

2. Executive Summary

The management of the strategic risks is a key process which underpins the successful achievement of our priorities and outcomes. Strategic risks are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.

3. Recommendations

Members are asked to accept the position as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The authority has an Opportunity Risk Management Strategy which details the methodology to be followed when identifying and monitoring risks which affect the Council. This is available on the intranet.

4.2. The risks identified can either be operational, project or strategic risks. This report refers to the strategic risks, i.e. those risks which affect the Council as a whole (not project or particular service area specific).

5. Financial Implications

- 5.1. If the strategic risks are not well managed, then this could lead to severe financial implications for the council.
- 5.2. There are two strategic risks specifically financial related, but all the strategic risks will have a financial implication for the whole authority to some degree.

6. Climate Change Appraisal

- 6.1. The importance of Climate Change is recognised within the council and as such it is listed as a strategic risk with a score of Likelihood 4, Impact 4 making it a high scoring risk.

7. Background

- 7.1. Our strategic risks are reviewed on a bi-annual basis ensuring that the level of risk exposure is monitored regularly in our rapidly changing environment.
- 7.2. The review was undertaken through virtual meetings with the nominated strategic risk leads, assurance providers and Executive Directors.
- 7.3. The Strategic Risks are held within a SharePoint site where controlled access is available for everyone who has controls assigned to them and access is available to the Executive Management Team. The risks are therefore able to be updated in real-time.
- 7.4. Following the bi-annual review, there are currently eleven strategic risks on the risk register, and these are each managed by specific Executive Directors. These are detailed below together with the direction of travel following the review:

Risk	Risk Owner	L	I	Status	Travel
Failure to protect from and manage the impact of a targeted cyber-attack on ICT Systems used by the Authority.	James Walton	5	5	25	=
Failure to proactively manage and mitigate the health & wellbeing of Staff.	James Walton	5	4	20	=
Critical Skills shortage impacting on Recruitment, Retention & Succession Planning	James Walton	5	4	20	=
Impact of extreme pressures upon partners (social care, health, and criminal justice)	Rachel Robinson/ Tanya Miles	5	4	20	Finalised
Inability to set a balanced budget for a given year within the MTFS.	James Walton	4	4	16	=
Responding and Adapting to Climate Change.	Mark Barrow	4	4	16	=

Inability to contain overall committed expenditure within the current available resources within this financial year.	James Walton	3	5	15	â
Economic Growth Strategy.	Mark Barrow	3	4	12	=
Failure of Officers and Members to adhere to Governance arrangements.	James Walton	4	3	12	=
Safeguarding children.	Tanya Miles	3	4	12	Finalised
Impact of increased waiting lists in relation to DoLs, OT and SI.	Tanya Miles	3	3	9	Finalised

7.6 During the detailed review some of the risk titles were redefined to more clearly articulate the actual risk and what we are mitigating.

7.7 The following outlines the narrative only where changes were made to the strategic risks score or assurance levels:

Failure of Officers and Members to adhere to Governance Arrangement

- Legal assurance level reduced from Reasonable to Limited due to the proximity of upcoming elections both local and national necessitates a review of officers understanding of their relationship with Members. This assurance level should revert back to reasonable following these elections during future reviews.

Health & Wellbeing of the Workforce

- Overall management assurance has lowered from Reasonable to Limited due to resources and capacity requirements. Additionally, the finance assurance has also decreased from a Limited to Unsatisfactory due to being unable to anticipate capacity requirements.

Failure to protect from and manage the impact of a targeted cyber-attack on ICT Systems used by the Authority

- All assurance comments have been updated to reflect current situation and performance assurance level has moved from Limited to Reasonable (improving picture).

Critical skills shortage impacting on Retention, Recruitment & Succession Planning

- The finance assurance level has changed from Unsatisfactory to Limited (improving picture). The operational risk review analysis showed an increase in capacity based risks across service areas which will be kept under close review.

Inability to contain committed expenditure within the current available resources within this financial year

- This risk has now been developed and finalised with up to date current and additional controls and assurance levels. The overall risk owner assurance level is Limited.

Inability to set balanced budget for a given year within the MTFS

- This risk has also now been developed and finalised with up to date current and additional controls and assurance levels. The overall risk owner assurance level is Limited.

Impact of Extreme Pressures upon Partners

- This risk has also now been developed and finalised with up to date current and additional controls and assurance levels. The overall risk owner assurance level is Limited.

Safeguarding Children

- This risk has been reinstated since the previous risk review. The overall risk owner assurance level is Reasonable due to some undertakings requiring completion. When the demand management trajectory work is complete this will provide us with improved data dashboards allowing us to move forward.

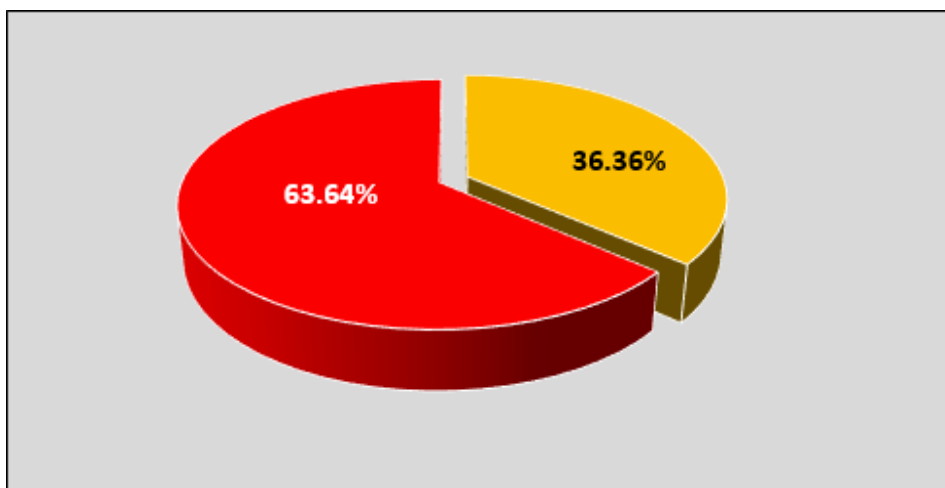
Impact of Increased Waiting Lists in relation to DoLs, OT and SI.

- It was decided that this risk to be lowered from the indicative draft score of Likelihood 4 x Impact 4 to a Likelihood of 3 x Impact of 3. Overall management assurance has been set to Reasonable and work is continuing to address the waiting lists including exploring ways to manage demand by working with internal and external partners

7.7 Our current exposure plotted on our matrix looks as follows:

IMPACT	5			1		1	No. of Strategic Risks	
	4			2	2	3		High
	3			1	1			Medium
	2							Low
	1							Very Low
		1	2	3	4	5		
		LIKELIHOOD						

7.8 Our overall current risk exposure following the latest review is demonstrated below. This shows that the strategic risk exposure above our tolerance level (i.e. high and medium risks) is currently 100% with all current strategic risks being either high or medium risks.



8. Additional Information

- 8.1 The strategic risk profiles which sit behind each strategic risk, incorporate in greater detail the risk description, the current controls, the additional controls, ownership and implementation dates, levels of assurance following the Three Lines Model and year-end target scores.
- 8.2 The Executive Management Team have undertaken to review each strategic risk one by one on a cyclical basis at their regular meetings in between the bi-annual formal reviews. A risk is considered and challenged at a high level to ensure it is still relevant and to monitor the controls proposed for mitigation. The score and target score are considered, and future implications considered.

9 Conclusions

- 9.1 The report details the changes to the strategic risk profile following the review in June 2024.
- 9.2 Audit Committee can at any time elect to have a more detailed examination of any of the strategic risks and can invite the relevant Executive Director (risk owner) to a committee meeting to discuss their risk/s.
- 9.3 The next review of Strategic Risks takes place in December 2024 and a report will be provided to Audit Committee following that review.

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

Opportunity Risk Management Strategy

Local Member: N/A

Appendices

None



Committee and Date

Audit Committee

27th September 2024

10:00am

Item

Public



Internal Audit Performance 2024/25

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources and Communities		

1. Synopsis

This report summarises Internal Audit's 2024/25 work to date. Delivery is in line with previous years. Lower audit assurances are highlighted, providing members with an opportunity to challenge.

2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by Internal Audit in the first four and a half months of the approved internal audit plan for 2024/25. 31% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is in line with previous delivery records (34% 2023/24: 26% 2022/23).
- 2.2. Five good, 15 reasonable, three limited and one unsatisfactory assurance opinions have been issued. The 24 final reports contained 131 recommendations, none of which were fundamental.
- 2.3. This report proposes revisions in the coverage of planned activity for Shropshire Council, with an increase of 211 days from 1,136 days as reported in July 2024 to 1,347 days. Changes to the planned activity are required due to a successful recruitment campaign with two new Auditors joining the team and the departure of one team member. Revisions to the plan are targeted to provide enough activity

to inform an end of year opinion. The additional days will be held in an unplanned contingency and allocated on a needs basis throughout the remainder of the 2024/25 financial year. This allows for appropriate flexibility to respond to the rapidly changing risk environment. Results of all audit works undertaken will be reported to the Audit Committee following completion and will contribute directly to the CAE year end opinion.

- 2.4. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment:
 - a) the performance of Internal Audit against the 2024/25 Audit Plan.
 - b) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 4.3. 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, has been managed proactively throughout 2023/24 and activities

undertaken to mitigate and manage associated team risks going forward in 2024/25. There are currently four vacancies within the team. Further recruitment will be considered following the successful integration of the new team members.

- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

5. Financial Implications

- 5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

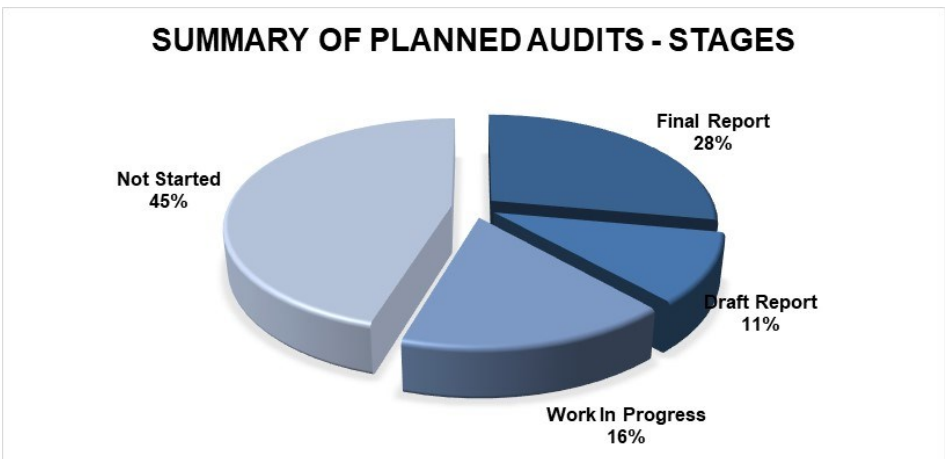
- 7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2024/25 Internal Audit Plan was presented to, and approved by the Audit Committee at the 17th July 2024 meeting with the caveat that further adjustments may be necessary. This report provides an update on progress made against the plan up to 25th August 2024 and includes revisions to the plan.

8. Performance Against the Plan 2024/25

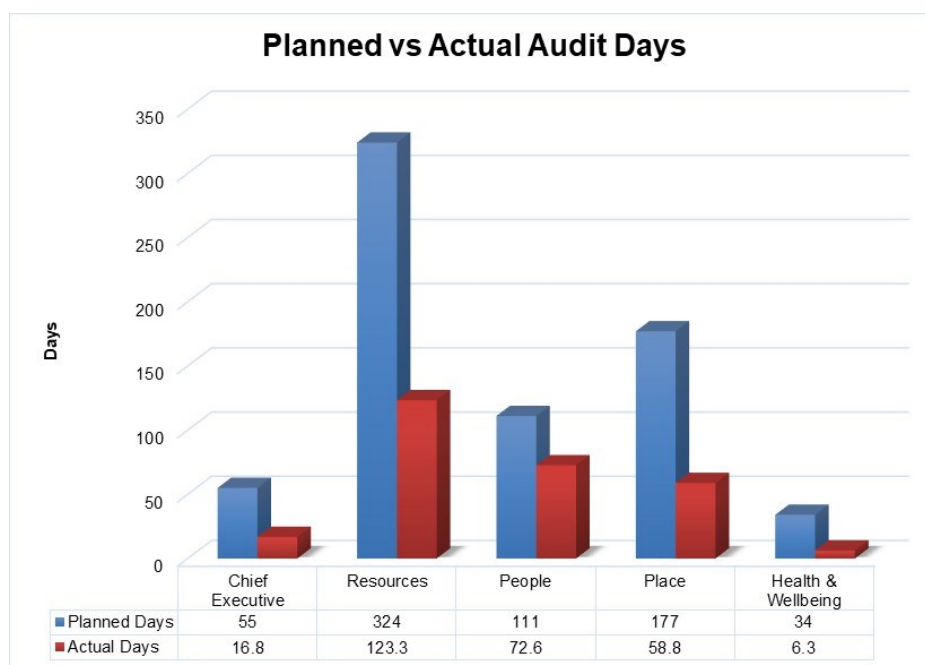
- 8.1. Revisions to the 2024/25 plan provide for a total of 1,347 audit days, an increase of 211 days from those approved by the Committee in July 2024. Changes to the planned activity are required following a successful recruitment campaign in May 2024 with two new Auditors joining the team and the departure of one team member. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.
- 8.2. Since the last Internal Audit performance update, one Auditor has left the team, however, following a successful recruitment campaign in May 2024 two Auditors have been appointed.
- 8.3. The additional days will be held in an unplanned contingency and allocated on a needs basis throughout the remainder of the 2024/25 financial year. This allows for appropriate flexibility to respond to the rapidly changing risk environment.

Results of all audit works undertaken will be reported to the Audit Committee following completion and will contribute directly to the CAE year end opinion.

- 8.4. Pressures within the organisation to address the immediate critical issue of financial sustainability have resulted in many competing priorities for service areas. It is therefore difficult to get audits underway / completed in a timely manner as service areas need to identify savings, participate in PwC transformation project work and are now starting to feel the impact of redundancies which is affecting their capacity to cope with internal audit work. Many assignments are taking longer to complete due to these pressures resulting in delays in completion and finalisation of reports. At this stage it is not clear how this will impact on the overall opinion at the end of 2024/25.
- 8.5. The S151 officer has been briefed on the situation and a summary of the critical elements contributing to the CAE year end opinion have been shared. This includes key areas such as corporate governance, risk management, fundamental systems and follow-up of low assurance audit reports. Deterioration of controls in these areas during 2024/25 will certainly impact the year end opinion.
- 8.6. To improve engagement and ensure that internal audit work is deemed a priority, the team are working with the S151 Officer to improve reporting into the executive management team to help manage this situation. The team continues to work with service areas to ensure that required evidence is received to support the audit work.
- 8.7. Performance is in line with previous delivery records at 31% (34% 2023/24: 26% 2022/23). In total, 24 final reports have been issued in the period from 1st April 2024 to 25th August 2024, all are listed with their assurance rating and broken down by service area at paragraph 8.9. The following chart shows performance against the approved Internal Audit Plan for 2024/25:



- 8.8. Audits have been completed over several service areas as planned:

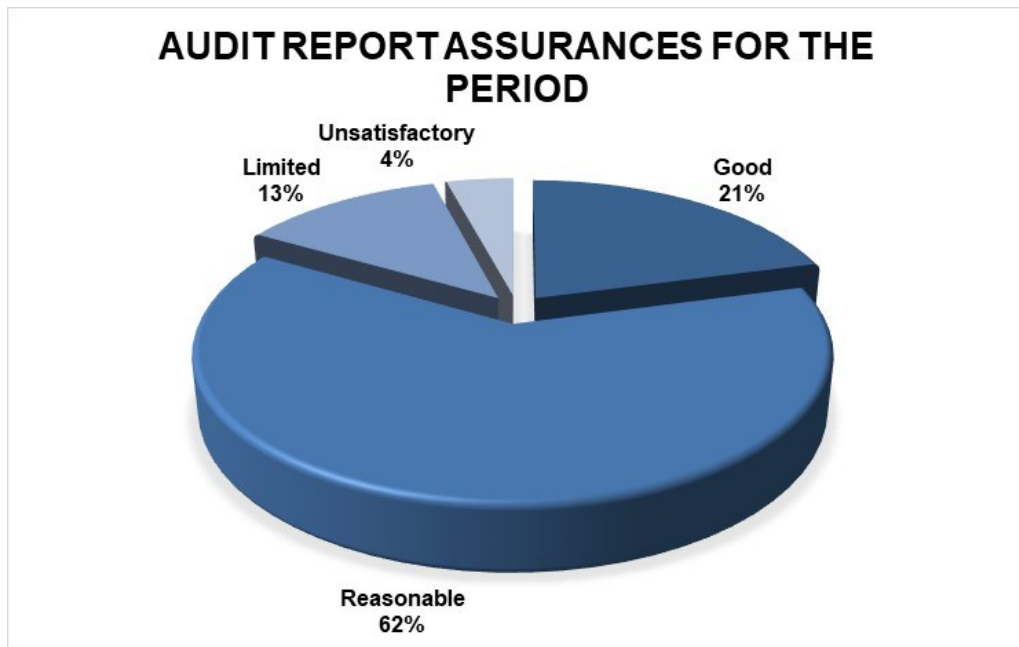


8.9. The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance 2023/24		1						
CCTV Follow up 2023/24			1			10	7	
	0	1	1	0	0	10	7	0
Health and Wellbeing								
Community Safety Partnership Responsibilities 2023/24		1				1	2	
	0	1	0	0	0	1	2	0
People - Adults								
Individual Service Funds Follow Up	1					1		
Abbots Wood Comfort Fund		1				2	4	1
Albert Road Comforts Fund		1				2	4	
Greenacres Comfort Fund		1				3	3	
	1	3	0	0	0	8	11	1
People - Children								
Section 17 Payments Children 2023/24			1			7	7	1
Direct Payments Children 2022/23				1		8	1	
	0	0	1	1	0	15	8	1
Place								
Blue Badge Scheme Follow Up	1						2	
Section 106 Agreements 2023/24	1						4	
Licensing Follow up 2023/24		1					3	
Tree Safety Follow up 2023/24		1				2	2	
Dog Wardens Follow Up 2023/24		1				6	1	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Leisure Services Contract Follow up 2023/24		1				1	4	1
ASC Pre-Planned Maintenance Contract Management			1			2	1	
	2	4	1	0	0	11	17	1
Resources - Finance and Technology								
Treasury Management 2023/24	1						4	1
Firewall Management Follow Up 2023/24		1				1	4	
IT Service Delivery Management 2023/24		1				2	4	
Microsoft Dynamics CRM Application Follow Up 2023/24		1				2		
Third Party Contractor Access Controls Follow Up 2023/24		1				2	1	
Security Management and Cyber Response 2023/24		1				1	8	
	1	5	0	0	0	8	21	1
Resources - Legal and Governance								
IT Security Policy 2023/24	1						2	1
GDPR/DPA/Freedom of Information Follow up		1				4	1	
	1	1	0	0	0	4	3	1
Total	5	15	3	1	0	57	69	5
%	21%	62%	13%	4%	0%	43%	53%	4%

8.10. The assurance levels awarded to each completed audit area appear in the graph below:



8.11. The overall spread of recommendations agreed with management following each audit review are as follows:



8.12. At this stage, given the limited data, it is difficult to look for or rely on any patterns; the mix of audit reviews completed varies to previous years and there is no strong pattern of areas attracting lower assurance levels. In the period up to the 25th August 2024, 20 reports have been issued providing good or reasonable assurances and accounting for 83 % of the opinions delivered. This represents a significant increase in the higher levels of assurance for this period, compared to the previous year outturn of 60%. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 17% for the period compared to the previous year outturn of 40%.

8.13. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 2**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 3 and 4** and provides a glossary of common terms, **Table 5**.

[Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?](#)

8.14. Nine draft reports are awaiting management responses, which will be included in the next performance report. There are six Limited and two Unsatisfactory assurances included in these which should be considered when reviewing the Q1 assurance results.

8.15. Work has also commenced for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.

8.16. A total of 131 recommendations have been made in the 24 final audit reports issued during this period; these are broken down by service area at paragraph 8.9. There are no fundamental recommendations to report in this period.

8.17. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 6** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

8.18. The following demonstrates areas where internal audit have added value with unplanned, project or advisory work, not included in the original plan located at **Appendix A, Table 1**.

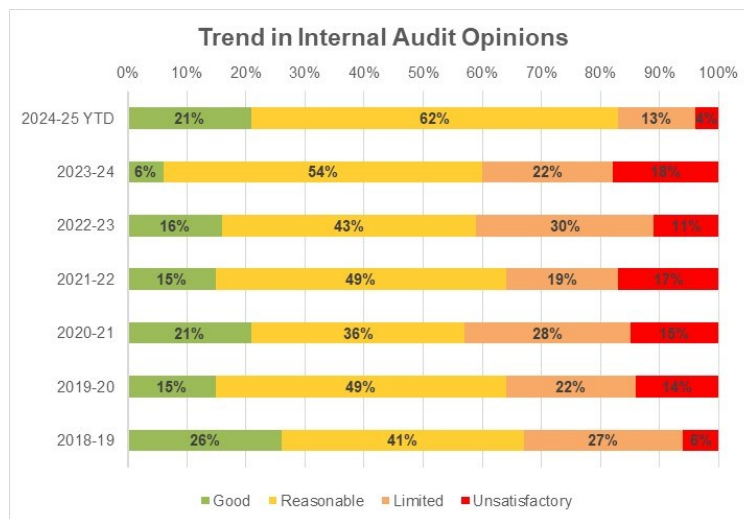
- **Schools self-assessment review and feedback**
Annually a sample of schools are asked to complete a controls evaluation self-assessment. The results are reviewed by Internal Audit to inform the annual plan of work and specific feedback provided to schools where appropriate.
- **Payroll Data Analytics**
Analysis of payroll data was undertaken to identify data quality improvements. This information was shared with the HR/Payroll Manager to enable the HR Business Partners to support those not using the system correctly.
- **National Fraud Initiative (NFI)**
The team are co-ordinating the submission of the data for 2024/25 NFI process.
- **Schools Financial Value Standard(SFVS)**
Assessed for maintained schools to inform the programme of financial assessment and audit. Individual SFVS's are referred to as part of specific audits, to evaluate their alignment with Audit's independent judgements. Audit informs the governing body and the local authority of any major discrepancies in judgements and follows up on recommendations in line with agreed processes.
- **Imprest and purchasing card briefing note**
A review was undertaken of imprest and purchasing card transactions to identify trends in spending which could indicate a lack of financial probity or non-compliance with financial rules with a view to identify areas of potential savings. This was presented as a PowerBi Dashboard to enable users to drill down into the transaction to see the detail of each item of expenditure. Following an initial presentation to the S151 Officer, the executive management team were tasked with identifying opportunities for savings in their areas.
- **Adult social care caseload management briefing note**
A review was undertaken to provide independent assurance around the demand led pressures within adult social care regarding the allocation of workload to teams and individual social workers. There is an established process for performance reporting and a recent project has been undertaken with the Data and Insight team to improve reporting in this area. Due to the substantial overlap with the existing project an audit would not add value at this time. A management assurance was received at this time.
- **Children's Improvement Board review**

The Childrens Improvement Board was established to address concerns raised in the OFSTED focussed visit in November 2023. A request made by the Executive Director of Resources for internal audit to provide feedback on whether the actions identified by the board to ensure the OFSTED action plan is implemented. A number of suggestions were made to improve controls, efficiency and to ensure resources were targeted to the right areas.

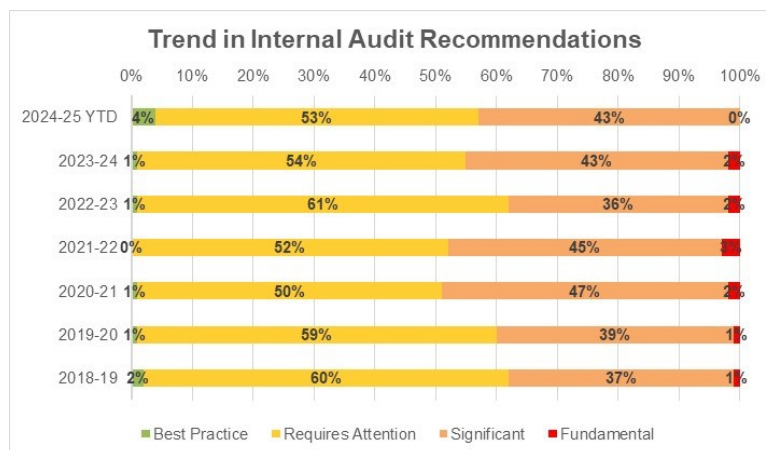
Direction of travel

8.19. This section compares the assurance levels (where given), and categorisation of recommendations made, to demonstrate the direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)



Comparison of recommendation by categorisation



8.20. The number of lower-level assurances to date, 17%, is lower than the outturn for 2023/24 of 40%. It should be noted that at this point the number of good assurances is significantly higher, currently 21% compared with the previous year outturn of 6%, whilst the number of unsatisfactory assurances is currently 4%

against a previous year outturn of 18%. There are also six limited and two unsatisfactory audits at draft stage.

8.21. It is also important to note that audit reviews for fundamental systems are yet to be completed and there are some significant areas of risk in progress and in draft that may impact upon this. Full details of the audits completed and their assurance opinions can be found at paragraph 8.9.

Performance Measures

8.22. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

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

Draft Internal Audit Risk Based Plan 2024/25 - Audit Committee 17th July 2024
 Public Sector Internal Audit Standards (PSIAS)
 Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 1st April to 25th August 2024

Table 2: Unsatisfactory and limited assurance opinions in the period 1st April to 25th August 2024

Table 3: Audit assurance opinions

Table 4: Audit recommendation categories

Table 5: Glossary of terms

Table 6: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 25th August 2024

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 25th August 2024

	Original Plan	Revised Plan	25 th August 2024 Actual	% of Original Complete	% of Revised Complete
Chief Executive	52	55	16.8	32%	31%
Health and Wellbeing	34	34	6.3	19%	19%
People	76	111	72.6	96%	65%
Adult Services	25	40	34.1	136%	85%
Children's Services	31	51	33.5	108%	66%
Education and Achievement	20	20	5.0	25%	25%
Place	127	177	58.8	46%	33%
Resources	287	324	123.3	43%	38%
Finance and Technology	175	205	83.3	48%	41%
Legal and Governance	51	54	23.3	46%	43%
Workforce and Improvement	61	65	16.7	27%	26%
S151 Planned Audit	576	701	277.8	48%	40%
Contingencies and other chargeable work	336	420	107.1	32%	26%
Total S151 Audit	912	1,121	384.9	42%	34%
External Clients	224	226	37.7	17%	17%
Total	1,136	1,347	422.6	37%	31%

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Unsatisfactory and limited assurance opinions issued in the period from 1st April 25th August 2024¹**Unsatisfactory assurance****People– Children's Direct Payments 2022/23 (Limited 2018/19)**

- The recommendations made in the previous audit have been implemented.
- The system is operated in accordance with up-to-date policies, procedures, financial rules, statutory regulations and legislation, to which relevant staff have access.
- Contractual agreements are in place between all parties involved in the scheme.
- Appropriate processes are in place to set up and assist new service users on direct payments.

¹ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

- Satisfactory arrangements are in place to make accurate payments to service users.
- Management information is produced on a regular basis and is subject to independent review in a timely manner.

Limited assurance

Chief Executive – CCTV Follow Up 2023/24 (Limited 2022/23)

- Appropriate management arrangements are in place which govern the use of CCTV within the Council.
- Administration of the CCTV systems is undertaken in line with the Corporate Policies.
- CCTV systems comply with data protection legislation and internal policy.
- CCTV technical operations are managed in line with legislation.

People– Section 17 Payments – Children’s Services 2023/24 (Limited 2015/16)

- The recommendations made in the previous audit have been implemented.
- Section 17 payments (cash) are appropriate, authorised and recorded correctly.
- Purchasing cards are used appropriately for reasonable and necessary expenditure.

Place– ASC Pre Planned Maintenance Contract Management

- There are clear and documented checks which demonstrate that the services are being delivered as agreed in the contract.
- The payment process follows Council policy and there is a clear and documented check on invoices received to ensure that the invoices are correct.
- The data held by the contractor agrees to the Council data and regular reconciliations are completed.

Table 3: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 4: Audit recommendation categories: an indicator of the effectiveness of the Council’s internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 5: Glossary of terms

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Chief Audit Executive Annual Opinion

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 6: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL TO 25th AUGUST 2024

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	25th August 2024 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE								
Governance	19	0	0	0	19	3.9	21%	21%
OCE	25	0	0	0	25	1.4	6%	6%
Communications	8	3	0	0	11	11.5	144%	105%
CHIEF EXECUTIVE	52	3	0	0	55	16.8	32%	31%
RESOURCES								
Finance and Technology								
Finance and S151 Officer	55	0	0	0	55	19.2	35%	35%
Financial Management	28	6	0	0	34	8.7	31%	26%
ICT	52	11	0	0	63	15.1	29%	24%
Information Governance	7	0	0	0	7	0.5	7%	7%
Revenues and Benefits	10	0	0	0	10	13.7	137%	137%
Treasury	0	6	0	0	6	6.4	0%	107%
	175	30	0	0	205	83.3	48%	41%
Workforce and Improvement								
Risk Management	8	0	0	0	8	0.0	0%	0%
Human Resources	37	4	0	0	41	16.7	45%	41%
Corporate Performance Management	16	0	0	0	16	0.0	0%	0%
	61	4	0	0	65	16.7	27%	26%
Legal and Governance								
Information Governance	13	3	0	0	16	7.9	61%	49%
Procurement	38	0	0	0	38	15.4	41%	41%
	51	3	0	0	54	23.3	46%	43%
RESOURCES	287	37	0	0	324	123.3	43%	38%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	25th August 2024 Actual	% of Original Complete	% of Revised Complete
PEOPLE								
Joint Commissioning								
Community and Partnerships	21	7	0	0	28	25.6	122%	91%
Business Support	4	0	0	0	4	2.5	63%	63%
	25	7	0	0	32	28.1	112%	88%
Adult Social Care								
Long Term Support	0	8	0	0	8	6.0	0%	75%
	0	8	0	0	8	6.0	0%	75%
Education and Achievement								
Education Access	10	0	0	0	10	5.0	50%	50%
Secondary Schools	10	0	0	0	10	0.0	0%	0%
	20	0	0	0	20	5.0	25%	25%
Children's Social Care and Safeguarding								
Children's Placement Services & Joint Adoption	23	14	0	0	37	23.1	100%	62%
Assessment & Looked After Children	0	6	0	0	6	6.4	0%	107%
	23	20	0	0	43	29.5	128%	69%
Early Help, Partnership and Commissioning								
	8	0	0	0	8	4.0	50%	50%
PEOPLE	76	35	0	0	111	72.6	96%	65%
PLACE								
Business Enterprise and Commercial Services								
Property and Development	23	4	0	0	27	8.5	37%	31%
Shire Services	0	10	0	0	10	1.1	0%	11%
	23	14	0	0	37	9.6	42%	26%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	25th August 2024 Actual	% of Original Complete	% of Revised Complete
Economy and Place								
Business Growth and Investment	18	8	0	0	26	4.4	24%	17%
Environment and Sustainability	3	0	0	0	3	2.7	90%	90%
	21	8	0	0	29	7.1	34%	24%
Infrastructure and Communities								
Highways	30	11	0	0	41	12.2	41%	30%
Public Transport	4	3	0	0	7	6.3	158%	90%
Library Services	10	0	0	0	10	9.3	93%	93%
	44	14	0	0	58	27.8	63%	48%
Homes and Communities								
Business and Consumer Protection	14	-1	0	0	13	4.8	34%	37%
Leisure Services	12	0	0	0	12	5.4	45%	45%
Theatre Severn and OMH	5	0	0	0	5	0.5	10%	10%
Housing Services	8	15	0	0	23	3.6	45%	16%
	39	14	0	0	53	14.3	37%	27%
PLACE	127	50	0	0	177	58.8	46%	33%
HEALTH AND WELLBEING								
Public Health								
Public Health	30	0	0	0	30	0.3	1%	1%
Ecology and Pest Control	4	0	0	0	4	5.7	143%	143%
Community Safety	0	0	0	0	0	0.3	0%	0%
	34	0	0	0	34	6.3	19%	19%
HEALTH AND WELLBEING	34	0	0	0	34	6.3	19%	19%

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	25th August 2024 Actual	% of Original Complete	% of Revised Complete
Total Shropshire Council Planned Work	576	125	0	0	701	277.8	48%	40%
CONTINGENCIES								
Advisory Contingency	20	0	0	0	20	1.1	6%	6%
Fraud Contingency	150	0	0	0	150	72.4	48%	48%
Unplanned Audit Contingency	50	77	0	0	127	0.0	0%	0%
Other non audit Chargeable Work	116	7	0	0	123	33.6	29%	27%
CONTINGENCIES	336	84	0	0	420	107.1	32%	26%
Total for Shropshire	912	209	0	0	1,121	384.9	42%	34%
EXTERNAL CLIENTS	224	2	0	0	226	37.7	17%	17%
Total Chargeable	1,136	211	0	0	1,347	422.6	37%	31%

Shropshire Council

Audit progress report and sector updates

September 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Avtar Sohal or Mary Wren.

Progress at September 2024

Financial Statements Audit

Our Audit Plan was presented to the July 2024 Audit Committee. As planned, our work on the financial statements audit commenced in August 2024.

Up to now, our main emphasis has been on advancing substantive audit sample testing, as this demands substantial engagement from central finance. Depending on the specific sample item, it may also necessitate additional explanation and involvement from departments outside of central finance.

We maintain a positive working relationship with the finance team and recognize that they face various competing demands on their time. We established initial sample response return dates with the relevant contacts at the council. Although we have made good progress and received responses for several sample items, there are instances where the initial sample evidence delivery date has been exceeded.

A detailed sample tracker is shared regularly with management. Although not exhaustive, the main sample items outstanding at 16 September relate to receivables, fees and charges, grant income, Property, Plant and Equipment (valuation) and operating expenditure.

Whilst we are able to reallocate work at this stage the delivery of the remaining initial sample items will be key to the audit progressing in line with agreed timescales.

Value for Money

As part of our planning work, we consider whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. At the time our Audit Plan was presented to Audit Committee (July 2024) our Value for Money risk assessment was in progress.

Our initial risk assessment regarding your arrangements to secure value for money is now complete. At this stage we have identified the following risks of significant weakness:

- 1) Financial sustainability - in particular regarding the Councils financial planning arrangements in 23/24 and beyond
- 2) Governance and funding arrangements regarding the North West Relief Road
- 3) Children's services and action plan progress following the Ofsted review in November 2023

Planning is an iterative process. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report

We will also follow up recommendations made as part of prior year reporting.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	July 2024	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	November 2024	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2024	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	November 2024	Not yet due

Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:

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1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).

Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.

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To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

Learning from the new unitary councils

In September 2024, Grant Thornton published findings from Auditors' Annual Reports for eight unitary councils created since 2019 (or, where relevant, from Auditors' Annual Reports for their predecessor councils).

Grant Thornton's report includes a series of key messages for Councils who may be facing local government re-organisation in the future, including:

During the transition period

- Appoint shadow authority roles as soon as possible;
- Allocate adequate resources to planning and transformation;
- Consider how to reduce legacy staff capacity.

Financial sustainability

- Have a finance team in place at the start;
- Understand the legacy reserves position early.

Governance

- Prioritise the production of legacy accounts;
- Don't underestimate the complexity of internal audit.

Effectiveness, economy, efficiency

- Develop a performance management framework early; and
- Put in place clear strategies.

For a full copy of the report and the key messages within it, see attached link [Learning from the new unitary councils \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

“Local government re-organisation is here to stay....(but) One size does not fit all, and local government is no exception”.



Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers in Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)

The seven standards of the Golden Triangle are:



Understand Governance

Roles and responsibilities



Act Wisely

A duty of enquiry & the exercise of statutory functions



Lead Ethically

The Seven Principles of Public Life



Act Effectively

Robustness in working arrangements



Resource the Roles

Get the tools to do the job



Build Resilience

Deputies and development



Deliver sound decision making

The outcome of good governance

Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;
- Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;
- Lack of member understanding of the work of internal audit; and
- Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) (iia.org.uk)

Summary of respective responsibilities to provide:

Support:

Audit committee

Champion the internal audit function.

Senior management

Support recognition of the function throughout the organisation.

Oversight:

Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

Resources:

Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 [new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#) recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

For a full copy of the Ombudsman's Annual Review, see [Annual Review of Local Government Complaints](#).



Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30th July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).

For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

£2.44bn

Spent by local government in 2022/23 on homelessness services

60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

15

Cross-government boards that have a remit relevant to homelessness



National Audit Office



New approaches needed to key educational issues

Two recent reports highlighted weaknesses in the educational system that councils have to work with. Both include recommendations for the new government, intended to give disadvantaged children and children with special educational needs and disabilities better outcomes for the money spent.

On 23rd July 2024, the National Audit Office (NAO) published its report on [Improving educational outcomes for disadvantaged children \(nao.org.uk\)](https://www.nao.org.uk/publications/2024/july/improving-educational-outcomes-for-disadvantaged-children/), noting that disadvantaged children include those who are currently, or have previously been, looked after by the council.

The report highlighted that the government spends an estimated £9.2 billion on supporting disadvantaged children and narrowing the attainment gap between them and their peers, but that disadvantaged children still perform less well than their peers across all areas and across all school phases.

Two days later, on 25th July, the ISOS Partnership published an [independent report commissioned by the County Councils network and the Local Government Association](#) showing that educational attainment amongst children with special educational needs and disabilities (SEND) has not improved since 2014, despite councils being projected to spend £12 billion on these services by 2026 (compared to £4 billion a decade ago).

Going forward for SEND, local government could play a pivotal role in delivering any changes of policy. It is important for members to be aware of the changes that could happen in future. The ISOS partnership recommends that the new government:

- Invests in building capacity in mainstream schools to meet children's needs, such as therapists, educational psychologists, and wider inclusion support, helping to reduce the reliance on specialist school places;
- Resets the vision and guiding principles of the SEND system towards inclusion, prevention and earlier support which would cater for young people who do not have a statutory plan, with such plans reserved for the most complex cases;
- Provides a new 'national framework' for SEND;
- Establishes 'Local Inclusion Partnerships' to enable more effective assessments, commissioning and collaboration between councils, schools and health; and
- Creates a National Institute for Inclusive Education as an independent arbiter around inclusive education and support for children and young people with additional needs.



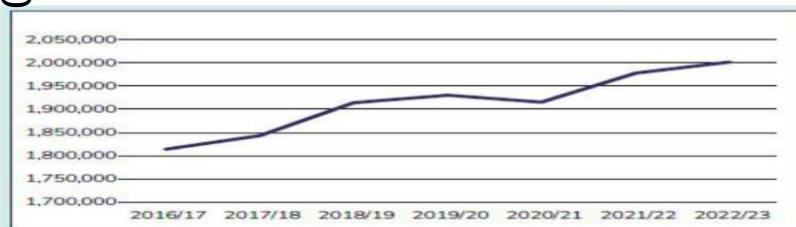
Demand management for social care

In July 2024 CIPFA published a guide to managing rising demand in adult and children's social care, drawing on lessons from nineteen different English councils.

Having highlighted that requests for adult social care and the number of children in need are both rising, CIPFA shared examples of good practice around:

- Adult Social Care – Market management; transitions; transformation and innovation; and
- Childrens' Social Care - Market management; transitions; transformation and innovation.

Rise in the demand for adult social care support for new clients:



Rise in the number of children in need:



The report shows the importance of strong corporate and leadership buy-in; utilising funding and resources from diverse sources; focusing on improving outcomes; making use of monitoring, forecasting and benchmarking tools; and investing in preventative action. However, CIPFA also highlighted the specific contributions that innovative finance professionals can make:

- Financial oversight, analysis and management;
- Grant and resource management;
- Compliance, reporting and risk management;
- Evidence-based decision making and communication;
- Monitoring, forecasting and benchmarking;
- Strategic thinking;
- Funding maximisation;
- Business case and scenario planning;
- Sustainable commissioning; and
- Data utilisation, monitoring and evaluation.

The examples of proactive work by professionals from across the nineteen councils show how co-operation can make a real difference. For more details on the report, see [Managing rising demand in adult and childrens social care \[cipfa.org\]](https://cipfa.org).

The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman’s membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints’ function, including promoting internal cooperation and engagement with the complaints process;
- Don’t lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord’s full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident’s experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord’s opportunity to regain a resident’s trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council’s relationship with residents.



Devolution

On 16th July 2024, the new Deputy Prime Minister wrote a [Letter to Local Leaders](#) setting out the new government's ambition to:

- Devolve new powers over transport, skills, housing, planning and employment support;
- Provide more regions with integrated settlement and with access to financial flexibility;
- Move away from a deal-based approach, “setting out clear conditions and a clear offer in return for places seeking devolution agreement”; and
- Enshrine a presumption towards devolution, so that places can take on new powers automatically if they meet certain conditions.

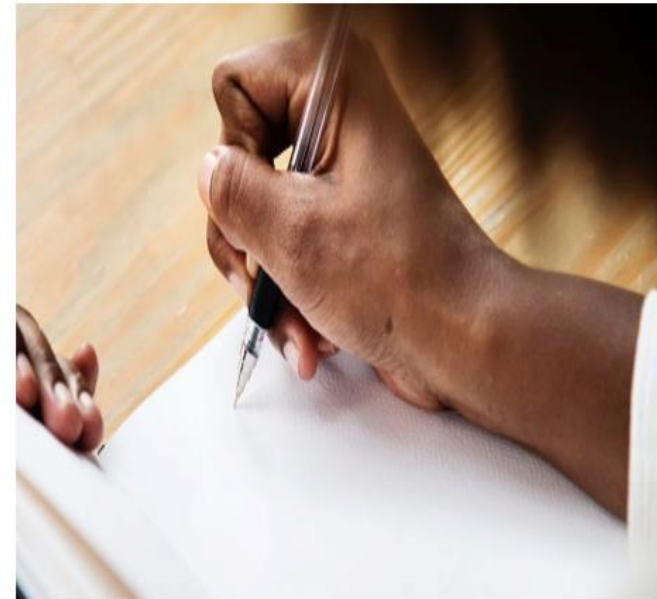
the English Devolution Bill one day later, the government started arrangements to legalise a new devolution framework; address within it growth drivers such as employment and planning; and make devolution the “default setting”.

How and when the details of the new devolution revolution will work remains to be seen, but the Deputy Prime Minister has made it clear that new arrangements will be tailored to sensible economic geographies so that local leaders can act at the scale needed to effectively deploy their powers. In most cases that will require councils to come together in new combined authorities. Councils are now encouraged to begin discussions with their neighbouring authorities on this basis.

Members will need to start asking themselves both how ready their organisation is, and how ready their neighbours are.



Ministry of Housing, Communities & Local Government



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

The Draft Audit Findings (ISA260) Report for Shropshire County Pension Fund

Pages
Year ended 31 March 2024
4 September 2024





Shropshire County Pension Fund

Shirehall

Abbey Foregate
Shrewsbury
SY2 6ND

4 September 2024

Dear Cllr Biggins

Audit Findings for Shropshire County Pension Fund for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management, the Pensions Committee and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 – PSAA](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Grant Patterson

Grant Patterson

Director
For Grant Thornton UK LLP

**Private and
Confidential**

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Chartered Accountants

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This Draft Audit Findings Report (AFR) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management, the Pensions Committee and Audit Committee.

Grant Patterson

Grant Patterson

For Grant Thornton UK LLP

4 September 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed in a hybrid approach during July-August. Our findings are summarised on pages 5 to 16.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position at this stage.

We have identified £12.7m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2024 and the valuation statements received from the third-party investment managers. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements. Management are proposing not to amend the financial statements on the basis that the differences are not material (0.05% of investment assets) and the Pensions Committee and Audit Committee will be asked to confirm their agreement through the Letter of Representation. These unadjusted differences are detailed in Appendix D (page 24).

We have identified a small number of classification and disclosure changes in Appendix D (Page 23). The most significant disclosure amendments relate to note 14a 'fair value hierarchy' (adjustment of £6.4m) and note 15a 'classification of financial instruments' (adjustment of £8.895m). Disclosure adjustments have no impact upon the value of assets available to the Fund.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements. A schedule of outstanding items as at 2 September is attached on page 6.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report (the Annual Report) on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion at the same time as our audit opinion. We currently anticipate this will be before the 1 December 2024 statutory publication deadline for the Annual Report.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Pensions Committee .

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Shropshire County Pension Fund, the Audit Committee is formerly those charged with governance. However, in practice the Pension Committee fulfils the role of those charged with governance i.e. it considers the draft financial statements and is part of the overall member oversight process and recommends adoption of the financial statements to the Audit Committee. We have therefore determined the Pensions Committee as the body we would communicate with and copy our reports to the Audit Committee.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered our audit plan, as communicated to you on 15 March 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified opinion on the pension fund financial statements and an unqualified consistency opinion for the Annual Report.

Our outstanding work is attached on the following page.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the Pension Team staff.

2. Financial Statements: audit progress

Our work is largely complete and there are currently no matters of which we are aware that would require further modification of our audit opinion, subject to the more significant outstanding matters detailed below.

- Receipt of evidence to support Level 2 investments in respect of LGIM (1 sample item)
- Receipt of evidence to support Level 3 investments (1 sample item)
- Receipts of journal enquiry responses and finalisation of our work on Journals
- Manager and Engagement review of above following team completion

- Completion of procedures regarding subsequent events
- Finalisation of our work regarding technical review of the financial statements
- Other non-material disclosures to review, including disclosure checklist.
- Completion of our work on litigation and claims
- Completion of our work regarding IAS 19 responses
- Receipt of letter of representation
- Manager and Engagement review of above following team completion

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- Status:
- **Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements**
 - **Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements**
 - **Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements**

Subject to the receipt of the outstanding items and satisfactory completion of the above points, we anticipate issuing an unqualified opinion on the pension fund financial statements and an unqualified consistency opinion for the Annual Report.

2. Financial Statements: materiality



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 15 March 2024

We set out in this table our determination of materiality for the Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£27.9m	Materiality is calculated as approximately 1.25% of the gross assets per the prior year draft accounts. We deem this to be level above which errors or omission would alter the economic decisions of users of the accounts
Performance materiality	£20.98m	We have determined £20.98m (75% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of accounting issues, and this continues to be the case.
Trivial matters	£1.39m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Pensions Committee or the Audit Committee.
Specific Materiality for fund account	£11.3m	Materiality is calculated as approximately 10% of the gross expenditure per the prior year draft accounts. We deem this to be level above which errors or omission would alter the economic decisions of users of the accounts



2. Financial Statements: Overview of audit risks

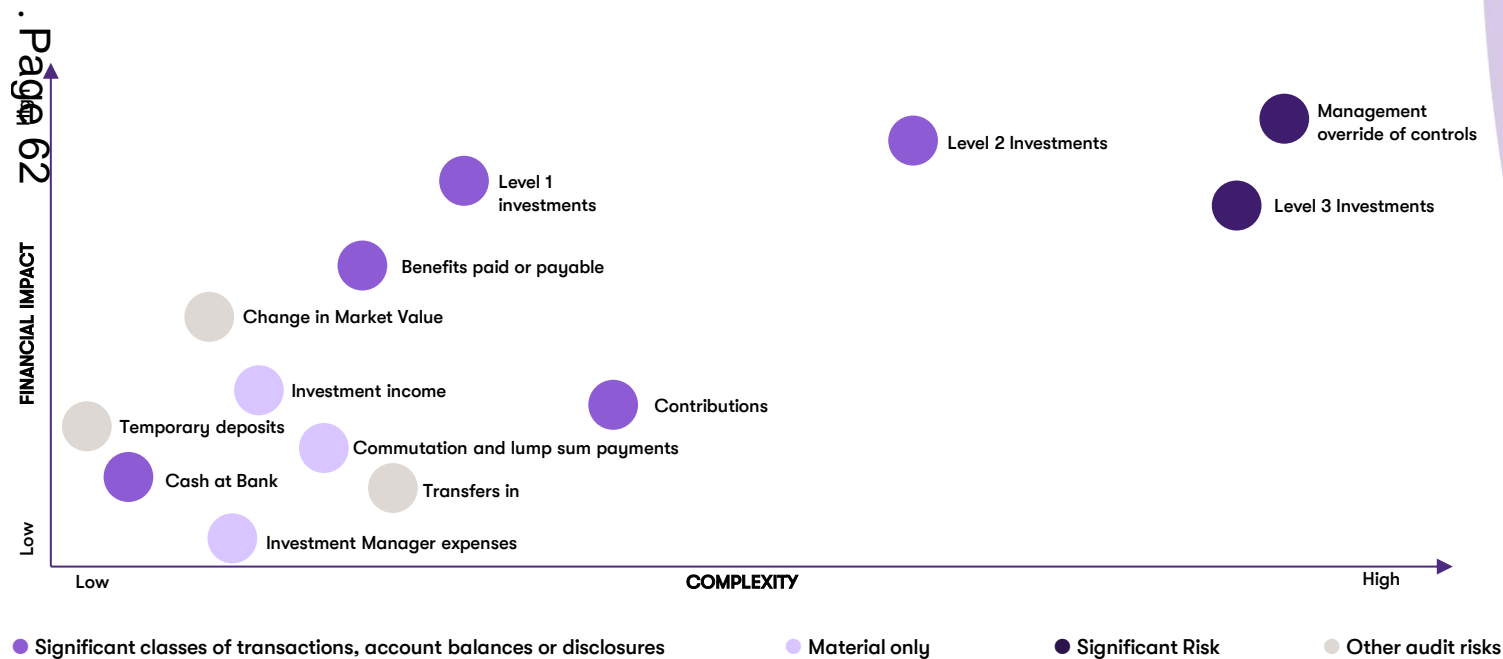
Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks.

Material financial statement line items not associated with risks of material misstatement.

Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

In the graph below, we have presented the significant risks, SCOT+ and material only and other risks relevant to the audit.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management Override of Controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of assets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>Below is a summary of the work performed. We have;</p> <ul style="list-style-type: none"> evaluated the design and implementation of management controls over journals analysed the journals listing and determined the criteria for selecting high risk and unusual journals identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>No changes have been identified to the accounting policies and the estimation process for the valuation of the defined benefit schemes and plan assets.</p> <p>Our work is substantially complete. At this stage we have not identified any significant issues in respect of management override of controls. We will reconsider this conclusion upon receipt of outstanding information as detailed on page 6.</p>
<p>Presumed risk of fraud in revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the relevant risk factors and material income streams we determined that the risk could be rebutted.</p>	<p>There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of revenue recognition.</p>
<p>Risk of fraud related to expenditure recognition</p> <p>PAF Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets.</p> <p>Having considered the relevant risk factors and material expenditure streams, we have determined that no separate significant risk related to expenditure recognition was required.</p>	<p>There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of expenditure recognition.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments

By their nature Level 3 investment valuations lack observable measurable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Below is a summary of the work performed:

- evaluated management's process for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuation provided for these types of investment to ensure the requirement of the Code are met
- independently requested year-end confirmations from investment managers and the custodian and considered the role played by the custodian in asset valuation
- for a sample of investments, we have tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and comparing these to the fund manager reports at the same date to ensure within appropriate variance threshold. We also reviewed service auditor reports for relevant investment managers
- tested valuations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available, sample reviewed investment manager service organisation reports on design effectiveness of internal controls. Identified the key valuation controls at the fund managers (and where appropriate the custodian) and considered the design effectiveness of the controls through enhanced documentation of our consideration of the relevant controls (service auditor) reports.

Our audit work identified that the actual value of investments as at 31 March 2024 is £12.7m greater than the estimate made when preparing the accounts. This is largely attributed to timing differences as a result of final capital statements not being available when the Pension Fund's draft accounts were being compiled. Timing differences such as this are not unusual within Pension Funds. The difference is 0.10% of total investment assets and less than 50% of our performance materiality. Management has determined not to amend the Pension Fund's Statement of Accounts on the basis that the difference is not materially quantitatively or qualitatively to readers of the accounts. The Pensions Committee will be asked to confirm their agreement to this through the Letter of Representation.

Our work is substantially complete, outstanding information is detailed on page 6 .

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £596.3m	<p>The Pension Fund has investments in unquoted equity and pooled investments vehicles that in total are valued on the net assets statement as at 31 March 2024 at £596.3million.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation that the investment managers provides.</p> <p>Northern Trust is the pension fund's custodian, their role is the safeguarding and keeping assets records. The valuation of the funds is provided by the investment managers.</p> <p>Service auditor reports for investment managers and custodians were obtained and considered by management at the pension fund.</p> <p>The value of the investment has increased by £6.09m in 2023/24, this is largely due to sales, transfers, purchases and change in the market value for these funds.</p>	<p>Management determine the value of level 3 investments through placing reliance on the expertise of the investment managers. We have performed an assessment of management's expert i.e. Investment manager.</p> <p>In addition to the investment manager confirmations at year end; we have obtained latest audited accounts and reviewed cash flow movements to 31 March 2024.</p> <p>We have also tested a sample of Level 3 investments to audited accounts and final capital statements to determine if the values estimated are reasonable.</p> <p>Through this work we have identified difference in investment values to those used by management of £1.4m in Level 3 valuations. We are satisfied that management's estimation approach is reasonable.</p> <p>Through this work we have identified potential differences in investment values to those estimated by management of £1.4m in Level 3 valuations. This is 0.23% of the balance and close to our trivial level of £1.39m. We are therefore satisfied that management's estimation approach is reasonable.</p> <p>Please see our findings on page 10 where we identified a £12.7m difference between the final value of the private equity and infrastructure portfolio reported by investment managers from the estimated value in the accounts. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements.</p> <p>Our work is substantially complete, outstanding information is detailed on page 6 .</p>	TBC

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £974.7m	<p>The Pension Fund have investments in pooled investments that in total are valued on the net assets statement as at 31 March 2024 at £974.7million.</p> <p>The investments are valued using the closing bid price where bid prices and offer prices are published or where the funds are index tracked, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly bonds, equities and property unit trust in which prices are easily obtained in the market.</p> <p>The value of the investment has decreased by £172.7m in 2023/24 due to , this is largely due to sales, transfers, purchases and change in the market value for these funds.</p>	<p>Management determine the value of level 2 investments through placing reliance on the expertise of the investment managers</p> <p>In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price. Where prices could not be obtained, we obtained the latest audited accounts and reviewed the unaudited valuation.</p> <p>We have also tested a sample of level 2 investments to determine if the values estimated are reasonable. Through this work we have identified potential differences in prices to those used by management of £1.5m in Level 2 valuations. This is 0.15% of the balance and close to our trivial threshold of £1.39m. As prices can come from different sources at slightly different times we are therefore satisfied that management's estimation approach is reasonable.</p> <p>Our work is substantially complete, outstanding information is detailed on page 6.</p>	TBC
Level 1 Investment – £932.1m	<p>The Pension Fund have investments in pooled investments, cash and other deposits that in total are valued on the net assets statement as at 31 March 2024 at £932.1million.</p> <p>The investments are valued using the closing bid price where bid prices and offer prices are published, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly equities and bonds and cash deposits and other net current assets in which prices are easily obtained in the market.</p> <p>The value of the investment has increased by £425.7m in 2023/24 this is largely due to sales, transfers, purchases and change in the market value for these funds.</p>	<p>Management determine the value of level 1 investments through placing reliance on the expertise of the investment managers.</p> <p>In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price.</p> <p>We have also tested a sample of level 1 investments to determine if the values estimated are reasonable.</p> <p>No findings have been identified in our testing</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious













Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology





This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

The full IT report will be reported to the Council's Audit Committee. Our summary assessment is detailed below and recommendations specific to the pension fund are attached within Appendix B

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Altair	Detailed ITGC assessment (design effectiveness only)					N/A
Unit 4	Detailed ITGC assessment (design effectiveness only)					N/A
Active Directory	Detailed ITGC assessment (design effectiveness only)					N/A

We also performed specific procedures in relation to the Altair data migration in year. We have no issues to report in this regard.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pension Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Pension Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We send confirmation requests to all investment managers. The number of requests sent were 9 and all of these requests were returned with positive confirmation. We are completing our audit procedures in respect of reviewing these confirmations but at the time of drafting this report no matters have been identified.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

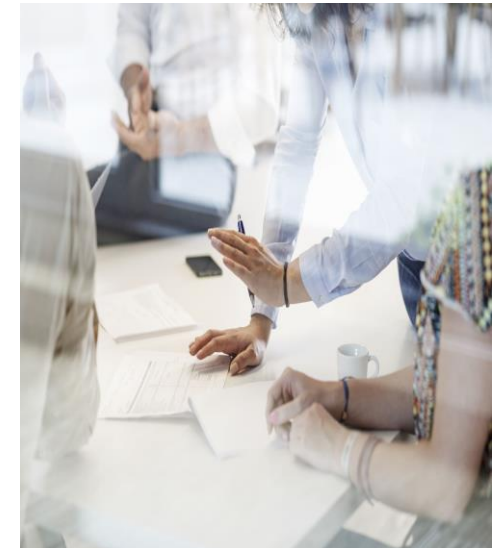
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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by Shropshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to separate item on the Committee agenda for our draft audit opinion.</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion at the same time as our audit opinion. We currently anticipate this will be before the 1 December 2024 statutory publication deadline for the Annual Report</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p> <p>We have received one objection in relation to the pension fund financial statements. This is currently under review by the Engagement Lead of Shropshire Council as the Administering Authority. We will update the Pensions and Audit Committee in due course.</p>

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3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 – PSAA](#).

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following audit services were identified which were charged in the current financial year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurances	£2,200 (2 requests)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,100 per request in comparison to the total proposed fee for the audit of £83,094 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. National Context- Audit Backlog

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. Both are related to the IT environment and are best practice opportunities. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low - Best practice improvement opportunity	<p>IT recommendation - Lack of Change Management Controls for Batch Scheduling in Altair</p> <p>The IT audit uncovered a deficiency in change management controls related to batch scheduling configurations. Specifically, there is a lack of formalised procedures for documenting, reviewing, and approving changes made to batch scheduling parameters and job schedules.</p> <p>Risk</p> <p>Without adequate change management controls, unauthorised or undocumented changes to batch scheduling configurations can lead to disruptions in critical business processes, data loss, and security vulnerabilities.</p> <p>Furthermore, the absence of a structured change management process increases the likelihood of configuration errors and inconsistencies.</p>	<p>Establish a formalised change management process for batch scheduling configurations, including documentation of proposed changes, impact assessment, approval workflows, and implementation controls. Implement segregation of duties to ensure that only authorised personnel can make and approve changes to batch scheduling parameters.</p> <p>Management response</p> <p>It has been confirmed that the only batch jobs managed by the Pension Fund are the scheduled monthly reports. A process will be implemented to manage any change to these. It will involve the change and sign off by Senior Systems Officers.</p>
Low - Best practice improvement opportunity	<p>IT recommendation - Lack of UAT testing completed for Altair changes</p> <p>We noted that for the sample change obtained, testing was not conducted before promoting the change into the live environment. Additionally, no approval was given prior to implementation.</p> <p>However, we noted that post implementation approvals were given to confirm the change implemented had met that change request.</p> <p>Risk</p> <p>Failure to adequately perform change management testing prior to releasing the change into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time.</p>	<p>Management should ensure that change management procedures are recomunicated to staff so that testing is performed and approved prior to introducing a change into the live environment.</p> <p>Management response</p> <p>When a system release is being deployed by Heywood's there will be Systems Team Leader sign off on the test plan following the testing undertaken in the TEST environment to the release being deployed into the LIVE environment. Please note that dates to the TEST and LIVE environment are agreed before testing is undertaken.</p>

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice improvement opportunity

C. Follow up of prior year recommendations

We identified the following issues in the audit of Shropshire County Pension Fund's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations as part of the 2023/24 audit and note that one has been superseded and one has been closed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>There were differences identified between the fair value of investments reported in the financial statements and the statements received from investment managers. Investment valuations are based on a roll forward from the most recent capital statements available, which is not always 31 March.</p> <p>We recommend management explore ways to improve estimation techniques to enhance the accuracy of the valuation of fund assets at 31 March.</p>	<p>Management have utilised the closest available valuation and adjusted for cashflows to 31 March 2024, to estimate year end valuation.</p> <p>The difference identified through audit procedures is £12.7m and is below our performance materiality threshold.</p> <p>Recommendation considered closed.</p>
Recommendation superseded	<p>We identified a number of controls issues in security and access of Shropshire Council's IT systems that is, Altair, Unit 4 ERP and Active Directory:</p> <ul style="list-style-type: none"> - we noted that there was inadequate control over privileged accounts within Active Directory (28 accounts) and Altair (3 accounts). Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. - lack of review of the Access control policy and the Application security policy. Further to the above, the absence of a comprehensive IT security policy will have an adverse impact on the organization to ensure that the data and network are protected from potential and emerging security threats. - evidence requested but not provided – Leaver's process. There is a risk that key aspects of the design and development process including functional design and testing may not be appropriate. - lack of review of the third-party IT assurance reporting for the ERP system. While an independent service organization assurance report SOC 1 is available, Shropshire Council has not assessed the IT controls findings. As businesses continue towards digital transformation and a simplified IT architecture, dynamic service delivery models are becoming the norm. There is a risk that organizations have less visibility over the effectiveness of the outsourced IT control environment and whether there are sufficient controls in operation. 	<p>IT audit have completed design and implementation procedures over relevant IT general controls for the Pension Funds main IT systems. Altair, Unit 4 and Active Directory.</p> <p>One previous recommendation has been addressed, however there are still four recommendation points either from prior periods or the current period.</p> <p>Revised recommendations specific to Altair are included in Appendix B, as such this recommendation has been superseded</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusted misstatements to report at this stage.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
A number of typographical and presentation errors have been identified throughout the financial statements.	Amend as required	TBC
Note 1 : Description of fund Current disclosure states "Currently, employer contribution rates range from 5.8% to 27.6% of pensionable pay". This is incorrect and needs to be amended to 'employer contribution rates range from 0% to 30.0% of pensionable pay.'	Update description	TBC
Note 3 – accounting policies Additional disclosure needs to be added in respect of LGPS central equity investment- The Pooling company was set up for a specific purpose there is no market value to attach to the shares. We can change the wording to reflect this but from a prudence perspective we hold capital at cost. • Disclosures in relation to IFRS 16 are not compliant with the code.	Update accounting policy	TBC
Note 5 Sources of estimation uncertainty This is not fully compliant with IAS 1 and as such narrative should be amended to clarify for the reader of the financial statements.	Update accounting policy	TBC
Audit fee - Note 8 management expenses The Financial statements audit fee of £70k does not agree to that included within audit plan of £84k. The Pension Fund should ensure financial statements reflect anticipated audit charge for the year.	Audit fee to be amended to agree to notified value as per audit plan	TBC
Note 14a – Fair Value Hierarchy Cash Deposits & Other (including net Current Assets) of £23.698m includes £6.430m which should be removed from this note as these are not investment assets. This adjustment will ensure note 14a agrees to the £2.496bn classified as 'total investment assets' in the net asset statement. This amendment will also be required to the comparative values with 'as restated' added to column heading and high level explanation of change made.	Reclassify	TBC
Note 15a Financial instruments The debtors balance disclosed in Note 15a - financial instruments includes "Contributions due" of £7.171m (PY: £6.463m) and "Lifetime and annual tax allowances" of £1.724m (PY: £1.551m). As these are statutory and not contractual in nature they are not deemed to be financial instruments and should therefore be removed from the disclosure. This amendment will also be required to the comparative values with 'as restated' added to column heading and high level explanation of change made.	Remove non-financial instruments from the disclosure.	TBC

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements that are based on estimated value at 31 st March 2024 compared to the Actual investment valuation statement received following accounts preparation. The draft financial statement investment balance is £12.7m lower based on estimated value compared to if actual investment value	£12.7m	£12.7m	£12.7m	Not material qualitatively or quantitatively
Overall impact	£12.7m	£12.7m	£12.7m	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements that are based on estimated value at 31 st March 2024 compared to the Actual investment valuation statement received following accounts preparation. As assets are revalued at 31 March 2024 there is no impact upon the 2023/24 financial statements	£2.187m	£2.187m	£2.187m	Not material qualitatively or quantitatively
Overall impact	£2.187m	£2.187m	£2.187m	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee
Shropshire County Pension Fund –PSAA Scale Fee	£75,564
ISA 315	£7,530
Total audit fees (excluding VAT)	£83,094
Non-audit fees: Shropshire Towns and Rural Housing Ltd (STAR Housing)/Harper Adams (IAS 19 Assurance Letter)	£2,200
Total audit fees (excluding VAT)	£85,294

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The fees reconcile to the financial statements as follows:

Fees per financial statements note 8	£70,000
Reversal of prior year accrual	£14,000
IAS19 letter not in audit plan	£1,100 (Harper Adams)
total fees per above (rounded)	£85,100 (rounded)

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

F. National Context- Audit Backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024 and 28 February 2025 for the 2023/24 financial year. As audits for the administering authority and pension fund are up to date and 2023/24 audits are due to be completed in the final quarter of the 2024 calendar year we do not expect this to apply but are reporting for the Fund and Council's information.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer and showed that the solvency funding level is 99%. The results of the latest triennial valuation are reflected in Note 40 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

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