



Committee and Date

Audit Committee

26 June 2025

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 6 FEBRUARY 2025 10.00 AM - 12.45 PM

Responsible Officer: Michelle Dulson

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Present

Councillor Brian Williams (Chairman)

Councillors Roger Evans and Kate Halliday and Nigel Lumby (Substitute)

Independent Member: Jim Arnold

84 Apologies for Absence / Notification of Substitutes

An apology was received from Councillor Simon Harris. Councillor Nigel Lumby substituted for him.

85 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.

86 Minutes of the previous meeting held on the 20 December 2024

Paragraph 79 (First line assurance: Final Approval Statement of Accounts 2023/24)

For accuracy, Councillor Evans wished it to be noted that he had voted against this item which had therefore been approved by a majority decision.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 20 December 2024 be approved as a true record and signed by the Chairman, subject to the above.

87 Public Questions

There were no public questions.

88 Member Questions

A member question had been received from Councillor David Vasmer in relation to the North West Relief Road (NWRR). Councillor Vasmer was in attendance to ask

his question, and the Executive Director of Resources (Section 151 Officer) read out the response. The Executive Director of Resources (Section 151 Officer) confirmed that the budget, from inception of the project for the Oxon Link Road and the NWRR in its entirety, was £44.8m however, expenditure was significantly below that at that point in time and by year end.

A full copy of the question and response provided are attached to the web page for the meeting.

89 First line assurance: NWRR Management Update

The Assistant Director for Growth and Infrastructure gave a verbal update in terms of the recommendations from the external audit including the governance and management of the project. He confirmed that some work had already started in these areas, and he gave some examples. He explained that he had taken the principles of the commercial model that sat in his current service area and applied it to this project, and they had since taken some measures to improve and increase the level of transparency and substantiation around payments and so strengthening the commercial arrangements that sat within the project in its current form. They had also done some analysis on data management to ensure they had a good robust handle on all of that information before undertaking an assessment of the risks.

The Assistant Director for Growth and Infrastructure drew attention to the governance arrangements and he informed the Committee that an initial meeting had taken place to start to review the existing governance as this was something that was highlighted in the audit report and that needed to be revisited in order to strengthen and improve arrangements, taking into consideration all of the points raised in that external audit report. The findings from the audit report would be a key instrument in shaping what progress looked like and the areas for himself and his team to focus in on. He went on to explain that this work would come to a natural conclusion as the Business Case was finalised prior to going to Full Council for approval.

Finally, he wished to reassure the Committee that work around the governance arrangements had been started, along with work around the other areas highlighted in Internal Audit's report and were very much on the agenda for his team to focus on and would be moved forward as the project developed. Once the Business Case was approved by Council, they would need to look at how they would set the project up should it move into the construction phase because the governance arrangements would need to look different for that phase of the project.

The Chairman felt that the Assistant Director for Growth and Infrastructure seemed to have a grasp of the concerns of many Members around the governance of the NWRR. Members raised concerns around the seriousness of some of the recommendations contained within the audit report and were disappointed that they would not be getting any of the financial information at this meeting. In response to a query the Assistant Director for Growth and Infrastructure assured the Committee that the first new Executive Board, chaired by himself, had taken place, the appropriate officers were in attendance, and he was reassured that Minutes and Actions were captured. As the governance arrangements were being revisited, the things that could be changed quickly had been, and other issues, including the Terms of Reference, were coming together.

In response to further comments, the Assistant Director for Growth and Infrastructure assured the Committee that he was fully cognisant of the work of the Audit Committee and the need to work closely with both internal and external audit. He was committed to the organisation going forward and making sure that the whole council felt like it had the transparency that it was seeking, that audit recommendations were factored in quickly and that the correct procedures were in place.

Councillor Evans expressed his disappointment that no papers had been received for today's meeting and that the Business Case, which was due to be discussed at Council on 27 February, was still not available to the Audit Committee. The internal audit was undertaken some 15 months ago, and he had stated that it was the worst audit he had even seen. He understood that the NWRR would form part of the Medium-Term Financial Strategy, papers for which were due to be published that day, then going to Scrutiny and Cabinet the following week but the NWRR would not be referred to in detail before going to Council. It was a multi-million pound project that was at risk, the business case still needed to go to Government to decide whether they were going to fund it or not and in the meantime Shropshire Council was still spending millions, with no planning permission yet having been issued.

Councillor Evans wished to be assured that all of the recommendations from the internal audit were being carried out as the Committee had been assured on a previous occasion that they were, but the Committee had seen no proof of this, they had also been told that the NWRR was going to the September Council, then the December Council and now the February Council. This project seemed to be drifting, whilst the Council was spending money it could ill afford to lose, and it could have dire consequences for the Council.

The Internal Audit Manager gave an update from an internal audit perspective. She reported that they were scheduled to start the follow-up audit in quarter 4 and the terms of reference for the audit had been agreed with the Assistant Director and the field work had been commenced. As part of the audit, they would be following up all of the recommendations contained in the previous audit along with those raised by the External Auditors. It was hoped that this would be finalised and ready for the next meeting in June or possibly July. This would provide independent assurance on the actions taken to implement the recommendations.

In response to a query, the Assistant Director for Growth and Infrastructure explained the governance changes that had been put in place. The Chairman felt that all information that was available would be published later that month for discussion at Council on 27 February. The Assistant Director for Growth and Infrastructure was currently not sure when the Business Case would be ready to be presented to Council.

RESOLVED:

To note the contents of the verbal update.

90 First line assurance: Social Media Management Update

The Committee received the report of the Head of Communications and Engagement which provided Members with an update on the progress against recommendations

following an audit review of the Council's social media presence to ensure accounts were as effective as possible and properly managed by services.

The Head of Communications and Engagement explained that a 2017/18 audit had given a limited assurance rating whilst the latest audit gave an unsatisfactory opinion and identified six significant risks and one that requires attention. He explained that the Communications team took responsibility for social media from Digital Services in March 2024, very shortly before the audit was undertaken and that the issues identified were around the governance of the social media platforms rather than around the content of social media.

The Head of Communications and Engagement informed the meeting that the Communications team together with the Digital Services team were looking at swift action to address the identified risks and to implement the recommendations, as set out in the report. A restructure of the Communications team was also underway and would look at creating a specific role with responsibility for overseeing compliance with social media guidelines.

In conclusion, the Head of Communications and Engagement reported that there was a clear plan to address the audit recommendation, good progress was being made, and further improvements would be made to ensure a more consistent and effective approach to the Council's social media activities.

The Internal Audit Manager reported that a follow up audit would be undertaken after the target implementation date.

In response to a query, the Head of Communications and Engagement was confident that the restructure would not affect their ability to manage the Council's social media presence. He explained that the bulk of the day-to-day content had been devolved to those services that run the accounts, and they were provided with the governance, training and measures to help improve their presence. They would then report back to senior management who had oversight of the whole social media picture happening across the Council.

RESOLVED:

To note the updates as set out in the report and to endorse the responsibility on services to adhere to social guidelines and policies.

91 First line assurance: The Lantern Management Update

The Committee received the report of the Property Services Group (PSG) Facilities and Maintenance Manager which updated Members on the 2024/25 follow-up audit of The Lantern, assessed progress on the 2021/22 audit, and set out next steps to improve the assurance level.

The Head of Property and Development introduced and amplified the report. He explained that the 2021/22 audit identified control weaknesses around the booking and management of the centre. The 2024/25 audit had again highlighted that the improvements had not been made leading to the audit remaining unsatisfactory. He explained that the Facilities and Maintenance Manager had recently moved into the role following a restructure, and he was able to provide assurance that the

recommendations were now being dealt with, as set out in the report, with 70% having been addressed and completed, with the remainder (30%) being linked to the launch of a new booking system later that month, which would be a Council-wide system supporting many of the Council's assets including the Guildhall.

In conclusion, he informed Members that the processes had been significantly improved, and they looked forward to a follow-up audit to confirm that all recommendations had been addressed and that there was a stronger system of control in place at The Lantern.

The Internal Audit Manager reported that the follow-up audit would be agreed with the Head of Property and Development, to allow time for the changes to be embedded. In response to a query, she confirmed that it was quite common to have two action owners, depending on the size of the team.

RESOLVED:

To note the corrective actions already undertaken and planned.

To report back on progress within six months to provide management assurance of improvements in governance and financial control to finalise the improvements with the new booking system implemented.

92 First line assurance: External Catering Management Update

The Committee received the report of the Shire Services General Manager which provided an update on the October 2024 audit follow up review for External Catering Contracts. It provided information on the action taken by Shire Services in response to a fundamental recommendation along with monitoring information of the external catering contracts.

The General Manager explained that during the audit of the external catering contracts, it had been identified that a number of schools did not have a signed, up to date contract in place and she drew attention to the table at 8.1 of the report which set out the different types of contracts along with how many were required and how many were in place. At the time of writing the report, out of the 118 schools, 93 had a contract in place along with 91 of the 92 external contracts. The remaining external contract was awaiting approval of the new budget proposals.

Councillor Evans congratulated the general manager for the considerable progress made in achieving budget targets. In response to a query, the general manager confirmed that there were some outstanding old contracts, one of which had been renegotiated, she had spoken to another one the previous day who were starting a new contract from September however, some still had another 18 months to run before going out to tender. She explained that the old contracts previously had not been fit for purpose and did not contain enough information in relation to deficits on the account and dispute resolution, but she did not anticipate any material financial impact from them. She confirmed that they had worked hard with the legal team on new contracts going forward which addressed those issues.

RESOLVED:

To note the position as set out in the report and the actions taken to address the recommendations from the audit report.

93 **Second line assurance: Strategic Risks Update**

The Committee received the report of the HR & OD Manager which set out the current strategic risk exposure following the December 2024 bi-annual review, subsequent discussions and amendments.

The Executive Director of Resources (Section 151 Officer) introduced and amplified the report. He informed the Committee that there were currently 11 strategic risks on the Strategic Risk Register which were reviewed every six months, in conjunction with the named risk owner, they were all scored, and a year-end target score identified. The controls and mitigations put in place throughout the year were then measured against that target score to see whether the year end target had been achieved. He drew attention to the Strategic Risk List (set out in paragraph 7.5 of the report) and explained that risk exposure was then plotted on a matrix (set out in paragraph 7.6).

The Executive Director of Resources (Section 151 Officer) explained that as all risks were either high or medium, and as such above the Council's tolerance level, these were actively managed on a regular basis. The emerging risk around the change in political balance had been considered but had not been added as a strategic risk. The Executive Management team met every two weeks and considered these risks one by one, and this was outside of the regular review of the risk process.

Members expressed concern at the number of risk scores that were increasing, several of which having increased to the highest risk score. This was felt to be synonymous with the Council's current position, and although no reference to the NWRR, it was felt that this was a great risk to the Council. A query was raised as to how the project risk scores were arrived at. In response, the Executive Director of Resources (Section 151 Officer) explained that the risks around the financial implications of delivery, or indeed non-delivery, of the NWRR were considered every month and were presented to Cabinet along with the risks around other external projects and all other financial risks of the whole authority. It would therefore be inappropriate to put all of those as separate strategic risks. He went on to discuss the three levels of risk (operation, project and strategic) and how these were defined and reviewed.

Councillor Evans requested that the Committee have a more detailed examination of the 'Inability to contain overall committed expenditure within the current available resources within this financial year' risk along with the 'failure of officers and members to adhere to Governance arrangements' risk. In response, the Executive Director of Resources (Section 151 Officer) explained that it was in order for the Committee to do so, but he queried what the scope of that consideration would be, so as not to duplicate work that was already being undertaken elsewhere, because the financial position was already reported to Cabinet each month, was considered by Scrutiny Committee who consider the impact of expenditure, including under and overspends, and it was also considered at the weekly collaborative budget group meetings which were attended by all group leaders.

The Executive Director of Resources (Section 151 Officer) explained that the 'failure of officers and members to adhere to Governance arrangements' had been identified as high risk related in part to the review that was undertaken every year on the internal control environment which was currently considered to have limited assurance, along with the Annual Governance Statement which had identified 9 or 10 governance issues that needed to be addressed. Based on that information, it would be inappropriate to not consider that to be a significant strategic risk and, until all of the actions were in place and improvements were being seen, the level of risk would not be reduced. He clarified that although a risk, it did not mean that officers and members were not adhering to governance arrangements.

The Chairman felt that the fact that the risk scores were increasing, although a matter of concern, indicated how well the assessment process operated and how seriously risks were taken. The Executive Director of Resources (Section 151 Officer) reiterated the point that the fact the scoring was moving was reflective of the fact that those risks were being considered, and, as an example, he explained that although there were a lot of mitigations around the ICT systems the risk was such that it should be kept on the highest alert, but that did not mean that anything was failing. He went on to explain why the three highest risk scores shift throughout the year.

In response to further concerns raised by Members, Councillor Evans proposed that the Committee have a more detailed examination of the 'Inability to contain overall committed expenditure within the current available resources within this financial year' risk along with the 'failure of officers and members to adhere to Governance arrangements' risk. Upon being put to the vote, and the Chairman using his casting vote, the proposal fell.

In response to concerns around the overall risk exposure being above the Council's tolerance level, the Executive Director of Resources (Section 151 Officer) explained that if a risk fell below the tolerance level, the Council were willing to accept that level of risk without putting additional controls in place and they were therefore not reported on. Therefore, only those risks that were above the Council's tolerance level were reported on and he went on to give a detailed reminder of how the process worked.

Councillor Evans voted against this proposal.

RESOLVED:

To accept the position as set out in the report.

94 Second line assurance: Treasury Strategy 2025/26

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which set out the arrangements for how the council will appropriately manage its arrangements for banking, cash flow management, investments, and borrowing, supporting the delivery of the MTFS and The Shropshire Plan.

The Executive Director of Resources (Section 151 Officer) introduced and amplified the report. He informed the meeting that the Council's level of borrowing had slowly

reduced, and was currently set at approximately £336m, this was due to historic borrowing being repaid and not being replaced. He explained that cash balances had also reduced and currently sat at around £25m which was as low as the Council was comfortable with and that they would now look to borrow against significant capital schemes and investment to bring those cash balances up. Currently, as interest rates were higher than anticipated, they were undertaking short-term borrowing.

The Executive Director of Resources (Section 151 Officer) reported that the Treasury Strategy set out the parameters by which they could enact that approach and process and although they did have capacity to borrow more, due to concern around the overall financial position of the Council, they wished to maximise the benefits of the holdings they already had rather than exposing the authority to unsustainable or unaffordable borrowing.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained that the amount of CDL borrowing was contained within the overall figures. In response to a query about why 'gross borrowing less than CFR' was estimated to increase by £130m from 2024/25 to 2025/26, it was explained that this did not mean that the Council was going to borrow at that level, merely that the Treasury Strategy allowed it should it become necessary. However, there was a separate calculation in the Medium-Term Financial Strategy around the cost of borrowing which did not have to reflect the total level of potential borrowing but could be more aligned to a more accurate estimation of the borrowing that had been undertaken.

In response to a query, the Executive Director of Resources (Section 151 Officer) confirmed that the capitalisation borrowing request and all other borrowing assumptions had been included within the Strategy.

RESOLVED:

To endorse the Treasury Strategy 2025/26.

95 Governance assurance: Draft Audit Committee work plan and future training requirements

The Committee received the report of the Head of Policy and Governance which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for Members to ensure that they were well informed and appropriately skilled to fulfil their role in providing assurance on the Council's delivery of its strategic objectives as outlined in the Shropshire plan.

The Head of Policy and Governance drew attention to the work plan for 2025/26, set out in Appendix A, along with the Audit Committee Member development topics, set out in Appendix B. He explained that as Membership of the Committee was likely to change following the Local Elections on 1 May, a full induction programme was planned for Audit Committee members as part of the 2025/26 training programme along with a scheduled training session in June.

He went on to explain that they were looking to develop a SharePoint folder which would include a library of reference documents for members of the Committee.

RESOLVED:

To approve the Audit Committee work plan for 2025/26, set out in Appendix A.

To approve a learning and development plan for Members of the committee taking into account information in Appendices A and B.

96 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2024/25

The Committee received the report of the Head of Policy and Governance which summarised Internal Audit's 2024/25 work to date. He reported that delivery was in line with previous delivery records and that lower assurances from reviews were highlighted within the report, providing members with an opportunity to challenge.

The Head of Policy and Governance informed the meeting that revisions to the internal audit plan for 2024/25 provided a total of 1,266 audit days. 73% of the revised plan had been completed (see Appendix A, Table 1), which was in line with previous delivery records (71% 2023/24, 64% 2022/23) and the team were on track to deliver a minimum of 90% of the revised annual plan by year end.

The Head of Policy and Governance reported that 10 final reports had been issued during the period (set out in paragraph 8.6) and of those reports, 83 recommendations had been made, one of which was fundamental. There were 6 draft reports awaiting management responses and would be included in the next monitoring report along with any other finalised internal audit work that had been completed. He drew attention to Appendix A, table 3 which set out the limited and unsatisfactory assurance levels and he reported that the Place Directorate had the highest number of lower assurance levels with 6 limited and 2 unsatisfactory audit opinions. Members were asked whether they wished to seek further assurances in those areas, and this was supported.

The Head of Policy and Governance updated members in terms of the resourcing within the team and members expressed concern about the reduction in audit staff.

A query was raised about the section 38 road adoption process (referred to on page 92 of the report) and when it was next due to be audited. In response, the Head of Policy and Governance reported that this would be followed up routinely as per the normal audit programme and the Internal Audit Manager explained that this was the first time this area had been looked at since 2018/19. She went on to explain the follow-up audit process that was now followed for unsatisfactory and limited audits and confirmed that this area was due to be looked at in quarter 2 of 2025. So, although they could not yet give independent assurance, the Committee could ask the service manager for an update.

A brief discussion ensued in relation to resourcing and recruitment. Members were extremely concerned that the team were down by four posts, yet no recruitment was planned until the new operating model was finalised and they felt that recruitment should be prioritised as it was now at a critical level. The Head of Policy and Governance reassured the Committee that there was enough coverage to provide a year-end opinion, and he clarified that there was no link between the limited audit

opinion and the size of the internal audit team. The only way to improve the assurance opinion was by the Council having an improved control environment.

Councillor Lumby suggested a further recommendation however it was agreed to take this resolution after the Internal Audit Plan report.

RESOLVED:

To endorse the performance of Internal Audit against the 2024/25 Audit Plan and to seek further assurances in those areas discussed.

97 Third line assurance: Report of the Audit Review of Risk Management

The Committee received the report of the Internal Audit Manager which set out the findings from the Internal Audit Review of Risk Management. The Internal Audit manager introduced and amplified her report, she drew attention to a slight amendment in paragraph 6.2 which should read January 2024 (not 2023) and she explained the changes that had occurred within the Risk & Business Continuity Team.

The Internal Audit Manager drew attention to the Audit findings, set out in paragraph 6.9 of the report and informed the meeting that the overall control environment of the risk management system had been assessed as Reasonable. However, two control objectives were not achieved as set out in Paragraph 6.9.

Concern was raised in relation to the information contained in paragraphs 6.3 - 6.5 of the report along with Items 1. and 2. of paragraph 6.9 and further details were requested.

Picking up the points around the project risks, the Internal Audit Manager explained that it was the responsibility of the project team to manage and coordinate the information and to provide the structure around the risk management policy and how risks should be managed and documented, but responsibility for identifying the risks and documenting them rested with the project board in the same way that the operational risks rested with the service manager.

In terms of the number of projects and being an area of increased risk, she explained that as the Council was going through a period of transition, there was a lot of projects ongoing and the risk management team, who were the specialists in those areas, were targeting the high risk projects where they could deploy their resources, but it was the project lead's responsibility to manage risk and ensure the risk registers were updated. The Assistant Directors also had access to all of those registers so they could oversee that process. She confirmed that a follow up audit would be undertaken the following year.

Concern was raised that Group Leaders were not being informed of changes happening across the Council and that the Audit Committee were only sighted on the top eleven strategic risks. It was felt that if not all risks were being fed into the structure as they should be, high risk projects may be missed. It was also commented that Councillors had not been involved in discussions around the new management restructure and there was a risk that following the May election there

could well be a new administration in place who required further organisational changes.

RESOLVED:

To endorse the findings from the review of Risk Management by Internal Audit.

98 Third line assurance: Internal Audit Plan 2025/26

The Committee received the report of the Head of Policy and Governance which provided Members with the proposed approach for the risk based Internal Audit Plan for 2025/26. The Head of Policy and Governance reported that due to the significant organisational restructure currently underway, it was proposed that a full plan be brought back to the Audit Committee in July for approval once the new Council structure had been determined and confirmed.

The Head of Policy and Governance drew attention to the approach being take for work to be completed between April and July 2025, set out at paragraph 7.3 of the report.

In relation to the vacant posts within the Audit team, the Head of Policy and Governance explained that it was a concern when there were vacant posts within the team, but he reassured the Committee that the situation was continually reviewed to ensure resources were matched to the current risk profile, with the planned work being spread out through the team to give the best level of assurance and insight around the Council's internal controls. As the organisation was becoming smaller, so too would the internal audit service, however, if he felt that they were at a point at which he was unable to deliver his responsibilities as Chief Audit Executive, he would take a report to the Workforce Board to demonstrate that, and to request permission to go out to recruit to fill the roles required.

A brief discussion ensued, and the Chairman pointed out that it was currently very difficult to recruit qualified auditors as there was a national shortage both in the public and private sector. The Committee were of the opinion that recruitment to the vacant audit posts should be undertaken urgently and to that end, Councillor Lumby proposed a further recommendation which was unanimously supported by the Committee, and the Independent Member also indicated that he was in favour of the resolution as a strong and robust audit presence throughout the organisation was imperative.

RESOLVED:

To note the contents of the report and to support the following resolution:

That whilst recognising the Head of Policy and Governance's reassurance, they were concerned about the further loss of an auditor. This compounded their reservations at recent meetings about the audit team's ability to provide sufficient audit function and provide more than the 'limited assurance' that they were getting used to.

The vacancy level within the team was unacceptable, and whilst recognising that there was a moratorium on recruiting, they considered that senior officers should recognise the seriousness of the situation and requested a report from the senior team for the next committee meeting.

The purpose of this motion was to support the audit team and process, and to reassure the Audit Committee.

99 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on the 26 June 2025 at 10.00am.

100 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.

101 Exempt Minutes of the previous meeting held on the 20 December 2024

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 20 December 2024 be approved as a true record and signed by the Chairman.

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

The Committee received the report of the Internal Audit Manager which provided 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 (RIPA) activity. It also included any exemptions from Financial and Contract rules in relation to procurement activity.

RESOLVED:

To note the contents of the report.

Members of the Committee and Officers thanked the Chairman, Councillor Brian Williams for his 20 years of service to the Council and in particular to the Audit Committee and wished him well for the future.

Signed (Chairman)

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Date: