

**Committee and Date**

Audit Committee

17 July 2024

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 JUNE 2024
10.00AM – 11.00AM****Responsible Officer:** Michelle Dulson

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Present

Councillor Brian Williams (Chairman)

Councillors Nigel Lumby, Roger Evans and Kate Halliday and Claire Wild (substitute).

4 Apologies for Absence / Notification of Substitutes

Apologies for absence were received from Jim Arnold, Independent Member and Councillor Simon Harris (Vice Chairman).

Councillor Claire Wild substituted for Councillor Harris.

5 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.

6 Minutes of the previous meetings held on the 22 February and 9 May 2024

A query was raised about the report on risk management that had been requested at the meeting on 22 February. It was confirmed that this would be provided at the July meeting.

RESOLVED:

That the Minutes of the meetings of the Audit Committee held on the 22 February and 9 May 2024 be approved as a true record and signed by the Chairman.

7 Public Questions

There were no questions from members of the public.

8 Member Questions

There were no questions from members.

9 Second line assurance: Strategic Risks Update

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

The Risk and Business Continuity Manager explained that the strategic risks were reviewed and reported on bi-annually and that the Executive Management Team reviewed individual strategic risks on a rolling programme. She went on to explain that the operational risk review took place first which enabled any emerging themes to be fed up to Executive Directors as part of the strategic risk review for consideration as a strategic risk. Some risks on the strategic risk register were as a result of operational risk reviews and issues being escalated, for example:

- Health & Wellbeing of Staff
- Recruitment, retention and succession planning
- Impact of extreme pressures upon partners

The Risk and Business Continuity Manager informed the Committee that, as at the December review, there were 11 strategic risks and that some modifications had been made to the Council's strategic risk exposure, with two risks being redefined to more clearly articulate what was being mitigating, and two new risks being added, one being 'Impact of extreme pressures upon partners (social care, health, and criminal justice)' and the other being 'Impact of increased waiting lists in relation to Deprivation of Liberty, Occupational Therapy and Sensory Impairment.' Also, as part of the last review the safeguarding children's risk, which had previously been archived, had been reinstated to address issues raised by Ofsted.

The Risk and Business Continuity Manager reminded Members that they could request a more detailed examination of any of the strategic risks and could invite the relevant risk owner to a committee meeting to discuss any of their risks. Finally, she went on to report that the June 2024 strategic risk review was coming to an end, the results of which would be reported to the Audit Committee at its September meeting.

In response to a query, the Risk and Business Continuity Manager explained that an overview of project and operational risks would be included in the Annual report that would be going to the July meeting of the Audit Committee. In response to further queries, the Risk and Business Continuity Manager explained the process undertaken to reduce any risks that were above the risk acceptance level, and she expanded on the reasons for the two risks being redefined.

The Executive Director of Resources (Section 151 Officer) explained that strategic risks were constantly kept under review and he confirmed that during the December 2023 review it had been decided that it would be better to redefine the risks so that they were much clearer about the ability to stay within the budget in a particular year, and so that became more of a clear and present risk to be managed and then there was a separate risk around becoming a more sustainable organisation and being able to manage financially over the term of the Medium Term Financial Plan. In terms of the management of those risks, in the previous year they were producing monthly reviews of the monitoring reports in relation to savings delivery with quarterly reports to Cabinet and Scrutiny around the overall financial position. That risk had

now been reviewed and reports were now going to Cabinet every month. Executive Directors were therefore aware of the risk and to help manage it were producing more information which was being put in the public domain more often.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained the measures that were being taken to protect the Council's IT system from cyber security attacks, such as having a separate organisation that monitors the system 24/7, removing access for staff and members whose cyber security training was not up to date and the development of a cyber response plan. He went on to say that the impact score was kept high as a precaution, but he was confident that the Council had a robust cyber security strategy. A brief discussion ensued, and it was agreed that the Head of IT be invited to the next meeting to discuss what would happen in the event of a successful cyber-attack. An update was also requested on the 10 outstanding recommendations in relation to the cyber security action plan.

A query was raised in relation to the critical skills shortage and why eg social workers were paid less in Shropshire. The meeting was informed that a report on the recruitment of Social Workers was going to the next meeting of the People Overview and Scrutiny Committee which Members of the Audit Committee were welcome to attend. The Executive Director of Resources (Section 151 Officer) briefly explained the initiatives that were being taken to address these workforce issues such as the apprenticeship scheme, bringing agency staff in-house and workforce/succession planning.

RESOLVED: To note the position as set out in the report.

Councillor Roger Evans voted against this item as he did not feel it satisfied the criteria and the responsibilities of the Audit Committee in ensuring there was a robust and efficient opportunity risk management.

10 **Overall assurance: Annual Governance Statement and Code of Corporate Governance 2023/24**

The Committee received the report of the Section 151 Officer – copy attached to the signed Minutes – which set out the Annual Governance Statement (AGS) and a review of the effectiveness of the Council's Internal Controls and Shropshire Council's Code of Corporate Governance.

The Section 151 Officer gave a brief introduction and explained that the AGS sat alongside the Statement of Accounts. He went on to explain how the AGS was produced and confirmed that once signed off by the Chief Executive and Leader of the Council, the AGS was published on the website and presented to the Audit Committee along with the Financial Outturn Report and Statement of Accounts so that overall assurance could be considered. He reminded Members that the AGS was looking back over the last financial year.

The Section 151 Officer drew attention to the Code of Corporate Governance set out at Appendix B, the Action Plan at the end of Appendix A, and the previous AGS at Appendix C which was also included for completeness. He explained that any risk that were identified in the previous year had been brought forward into the current year.

Councillor Evans expressed concerns about certain parts of the report and felt he could not support it. The Section 151 Officer responded to a number of points raised by Councillor Evans and he explained that the CQC review would be referred to in the 2024/25 AGS, as would the staffing issues referred to, as the financial position had been clarified around this but they could not retrospectively change were they were in the 2023/24 AGS. In terms of delivery plans, these were now in place for 2024/25 however they could not provide enough reliance on those plans at the time to include them in the reporting for period one as they had not had enough time to review them. These would however be reported on throughout the year.

RESOLVED:

1. To note the Annual Governance Statement 2023/24 at **Appendix A**.
2. To note the Internal Audit conclusion that the Council has reasonable evidence of compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, being contained in **Appendix B**.
3. To note the progress made on the actions identified in the 2022/23 Annual Governance Statement contained in **Appendix C**.

Councillor Evans voted against this item.

11 Second line assurance: Financial outturn report 2023/24

The Committee received the report of the Section 151 Officer – copy attached to the signed Minutes – which provided a detailed review of Shropshire Council 2023/24 financial performance for revenue and capital.

The Section 151 Officer gave a brief introduction and informed members that it had already been to the Transformation and Improvement Scrutiny Committee and Cabinet and the reason for it coming to the Audit Committee was that the Committee would be reviewing the Statement of Accounts as delegated by Full Council. Members were then able to see the final year-end financial position and could compare this with the very detailed Statement of Accounts.

Concern was raised that the amount of general reserves was not a sustainable position for the Council.

RESOLVED: To note the contents of the report.

12 Second line assurance: Approval of the Council's Draft Statement of Accounts 2023/24

The Committee received the report of the Deputy 151 Officer – copy attached to the signed Minutes – which set out the Council's Draft Statement of Accounts 2023/24.

The Executive Director of Resources (Section 151 Officer) introduced and amplified the report. He drew attention to the table of deadlines and confirmed that the draft Accounts had been produced by the 31 May 2024, unlike a number of other Local Authorities, and despite External Audit indicating that they would be unable to meet

the deadline of 30 September 2024 for publication of the audited Statement of Accounts. They have estimated publication would be by the end of November 2024.

The Executive Director of Resources (Section 151 Officer) drew attention to the Analytical Review (set out at Appendix 2) which set out the most significant changes between the 2022/23 Accounts and the 2023/24 Accounts ie a variance of either 10% or £8m.

Members of the Committee unanimously agreed to congratulate and thank the team for all their hard work in producing the draft Accounts by the deadline.

RESOLVED:

to note the 2023/24 Draft Statement of Accounts and that no changes had been made to the accounting policies used within the Statement of Accounts for 2023/24.

13 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on Wednesday 17 July 2024 at 10.00am.

14 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.

15 Exempt Minutes of the previous meeting held on 22 February 2024

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 22 February 2024 be approved as a true record and signed by the Chairman.

Signed (Chairman)

Date: