



<u>Committee and Date</u>
Audit Committee
28 November 2024

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 SEPTEMBER 2024 10.00 - 11.30 AM**

**Responsible Officer:** Michelle Dulson

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### **Present**

Councillor Brian Williams (Chairman)

Councillors Simon Harris (Vice Chairman), Nigel Lumby, Roger Evans and Kate Halliday

Independent Member: Jim Arnold

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

None received.

### **40 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.

### **41 Minutes of the previous meeting held on the 17 July 2024**

#### Minute 25 – Internal Audit Performance Report

It was confirmed that the Head Teacher of Bishops Castle Community College would attend the November meeting of the Audit Committee to provide an update.

### **RESOLVED:**

That the Minutes of the meeting of the Audit Committee held on the 17 July 2024 be approved as a true record and signed by the Chairman.

### **42 Public Questions**

A public question had been received from Mr Frank Oldaker. The Executive Director of Resources (Section 151 Officer) read out the question and the Executive Director of Place provided the response.

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

### **43 Member Questions**

There were no questions from members.

#### **44 First line assurance: NWRR Management update**

The Committee received the report of the Executive Director of Place which provided an update on continuing actions made to address the recommendations contained in the Audit report, previously submitted to the Audit Committee on 22 February 2024.

The Executive Director of Place introduced and amplified his report. He explained that the audit had identified a range of opportunities to tighten the approach and make improvements to various aspects of the project and its governance, which have been taken on board and he thanked the audit team for their support in setting up the project for success. He drew attention to the two fundamental recommendations set out in paragraph 2.2 of the report and confirmed that they had both been addressed as far as they could be. The first related to governance and the clarification of certain roles and responsibilities and had been completed. The second related in part to updating Council delegations and current levels of financial approvals, which had been approved at Council on 29 February 2024.

Turning to the confirmation of the potential cost and confirmation of government funding, the Executive Director of Place confirmed that they were on track to report to a special meeting of Full Council to consider the Full Business Case, hopefully in November. In relation to any higher-level financial risks to the Council, he confirmed that they had met with the Department for Transport (DFT) on numerous occasions, including since the General Election, and he had no reason from any of those conversations to give Members any sense that this was a project at risk in their programme. The DFT were saying that this continued to be a large local major funded project within their programme which was not affected by any of the reviews heard about in the press.

The Executive Director of Place confirmed that the governance and financial reporting had been strengthened and the project was operating well within its financial headroom as agreed by full Council. The oversight of financial commitments had been reviewed and an authorisation and monitoring process was in place giving full openness to those issues raised in relation to the 'Confirm' system. He went on to clarify that management responsibility for the project now sat with Andy Wilde as the lead Assistant Director and who was taking on new levels of oversight including Manager of the Confirm system. Any orders of a significant size that were above Matt Johnson's (Strategic Project Executive Manager) level would be committed by Andy Wilde (Assistant Director for Growth and Infrastructure) with the support of the commercial manager within the project. So, there were multiple layers of governance within the Confirm system.

In terms of the firewall between planning and those promoting the project, Andy was positioned in the promoter/delivery side of things whilst the planning / development control function sat with Rachel Robinson, the Executive Director for Health and Wellbeing, further strengthening the governance arrangements. Andy Wilde was also the lead officer in conversations with WSP in terms of ensuring best value from consultants during this process and was looking at a range of opportunities around the wider contract with WSP.

In terms of transparency and the public interest, the Executive Director of Place informed the Committee that all of the meeting notes and all of the papers that relate to the projects were recorded and saved within a SharePoint site that all key project members from

various departments within the Council including the audit team had access to which provided full visibility. They were also looking to publish as much as they could publicly during October as there was a great deal of interest in the project including a number of Freedom of Information requests and questions at full Council so they were hoping to let people self-serve on as much of that information, albeit redacted where necessary, but then being open and transparent which would hopefully provide some reassurance to members of the community and provided that transparency highlighted by the audit.

The Executive Director of Place reported that teams were currently evaluating the final tender submissions, and it was hoped to complete that by the 25<sup>th</sup> October to allow for the construction costs contained therein to feed into the Full Business Case. He confirmed that good progress was being made in response to discharging the planning conditions and in formalising the legal agreements with the landowners for the Section 106 Agreements. Following this, and once the planning decision notice had been issued, they would be in a position to go to Full Council to make a recommendation for submission to the DFT, hopefully during November and it would normally take a couple of months for the DTF to make its decision and it was hoped to start to mobilize towards delivery as we enter the new year.

In response to a query, the Executive Director of Place explained the procurement process, noting that it was an open process inviting anyone with an interest in bidding and a total of 12 submissions had been received. The process had been narrowed down to the final stages and Council could be reassured that there had been a full market test approach.

In response to another query, the Executive Director of Place confirmed that they were working on the assumption that there would be a special meeting of Full Council in November to approve the submission of a Full Business Case to the DFT. In response to a further query, the Executive Director of Place confirmed that the capital finance partner was Donna Payne a member of the Executive Director for Finance's team. He also confirmed that the Executive Director for Finance had joined the Executive Steering Group as further oversight.

Concern was raised that Members had been continually refused any up-to-date financial information about the NWRR and as far as they were concerned, nothing official had been received from the new Government confirming what had been agreed by the previous Minister eg that they would fully fund the NWRR. Due to the precarious financial position that the Council found itself in, there was concern whether this was still a viable project and whether more money should be put at risk before the Full Business Case was submitted.

In response, the Executive Director for Finance (Section 151 Officer) confirmed that Council had approved the original budget and that expenditure to date had been within that approved budget. A further report had been to Council earlier in the year that requested additional funding to be allocated to continue the work based on the necessary delegations. He explained the current position was that the Full Business Case was being worked through before the Council committed itself to any expenditure that went beyond the current delegations, which would be approved by full Council. In terms of the financial position, that was understood, and the Portfolio Holder was aware of the discussions that had been had around the financial position, but until they got to that final point where Council makes the decision, that information would not be widely shared. He confirmed that he was joining the Executive Steering Group to oversee this position and would

ensure that what Council saw in November gave a full position and was clear what Council was signing up to at that point in time in terms of that overarching financial position.

The Executive Director for Place reassured Members that he was working on the basis that this project would not in any way impact on any wider Council services.

In response to a query about climate change and in particular reference to condition number 41, which stated that no development should commence until the carbon assessment had been submitted for approval to the LPA. In response, it was confirmed that a draft carbon assessment plan had been written and was close to being approved in the next few weeks.

The Executive Director for Place explained that the Marches LEP was now the Marches Joint Committee, and a report would be forthcoming at its next meeting, and he was comfortable that those conditions would all be met and discharged in that report. A brief discussion ensued about discharge of the conditions and any possible contract variations.

In response to a query, it was confirmed that no specific piece of work had been undertaken by Internal Audit around the BECC contract framework but from a line of assurance perspective, an update could be requested by the Committee from the Commissioning and Procurement Manager around that element. By way of reassurance, the Executive Director of Place confirmed that the current contract had only been let the previous year following a full public procurement process that was competitive and had a range of consultants and which WSP had won again.

It was queried whether a full-time commercial manager was required on this project at the moment. In response, the Executive Director of Place explained that a considerable amount of money had been spent getting the project this far and that every package of work that was commissioned to any of the specialist consultants or WSP was reviewed by that commercial manager, and he reassured members that the role was providing value to the project.

In response to concerns whether the DFT had time to make their decision prior to the pre-election period, the Executive Director of Place confirmed that they were aware of the potential for this. However, he reassured the Committee that DFT had been provided with information as the project proceeded and so had full visibility and were not currently flagging any significant concerns.

## **RESOLVED:**

To acknowledge the continuing adherence to project management amendments as suggested in the original audit report and updated Managers response in February 2024.

### **45 Second line assurance: Strategic Risk Update**

The Committee received the report of the Assistant Director – Workforce & Improvement which set out the current strategic risk exposure following the June 2024 bi-annual review and subsequent discussions/amendments.

The Executive Director for Finance (Section 151 Officer) introduced and amplified the report. He drew attention to the 11 strategic risks that had been reviewed (set out at paragraph 7.4 of the report) along with their direction of travel. The score for most had

remained the same although some titles had been redefined to more clearly state what the actual risk was and what specifically was being mitigated and three new risks had been added. Any changes to the risk score or assurance levels were included within paragraph 7.7 of the report.

The Executive Director for Finance (Section 151 Officer) confirmed that the Executive team reviewed the strategic risks on a regular basis and the cycle was due to begin again the following week when Executive Directors would look at individual strategic risks every two weeks which allowed a cross-organisational view. The risk framework would then be updated as necessary. He reiterated that the Audit Committee could, at any time, ask any of the risk owners to attend a meeting to discuss their risks.

The Executive Director for Finance (Section 151 Officer) addressed concerns around the scoring for the 'Failure to proactively manage and mitigate the health and wellbeing of staff' risk, explaining that stress and associated conditions were among the highest causes of staff sickness. He emphasized the importance of managing staff well-being to mitigate this risk.

In response to a query, the Executive Director for Finance (Section 151 Officer) discussed the 'Safeguarding children' risk, explaining that it had been reintroduced to the strategic risk register following a targeted Ofsted report and the establishment of a Children's Improvement Board. He noted that the risk was now managed at a strategic level.

Referring to the 'Inability to contain overall committed expenditure within the current available resources within this financial year' risk, concern was raised that the wage increase for staff may be above the projection (2.5%) and as it was understood that every 1% would equal an additional £1m cost to the Council, it was queried whether the likelihood score of three was reasonable, or whether it should be higher. In response, the Executive Director of Finance (Section 151 Officer) explained that the scoring set out in the report had been based on the review undertaken in June which was prior to the period 3 monitoring report, so was very early in the year and he explained the rationale for the likelihood score of 3 and the impact score of 5. He confirmed that until the budget had been set, the likelihood had been higher.

He discussed the seven themes that sat underneath and fed into this strategic risk which was assessed on a regular basis and formed the basis of Period 3 and 4 reporting and shortly the Period 5 report which was being presented to Cabinet on 16 October. He explained that this did not mean that those risks were being realised and he discussed the actions being taken to manage them. He assured Members that nothing was being seen in terms of projects that would likely lead to a financial implication for this financial year.

#### **RESOLVED:**

To note the position as set out in the report.

Councillor Evans voted against this item.

#### **46 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 provided Members with an update of work undertaken by Internal Audit in the first four and half months of the approved internal audit plan for 2024/25.

The Head of Policy and Governance informed the meeting that delivery was in line with previous years however given the limited data available no strong patterns of lower levels of assurance were emerging. He reported that in the period up to 25 August 2024, 20 reports had been issued providing good or reasonable assurances (83%) which represented an increase in the higher levels of assurance than the previous year (60%), offset by a corresponding decrease in the number of limited and unsatisfactory assurance levels (17%) (40% last year). However, this could change significantly throughout the year.

He also informed Members that there were nine draft reports awaiting management responses and these would be included within the next performance report. Of these, six were limited and two were unsatisfactory. A total of 131 recommendations were made within 24 final reports (detailed at paragraph 8.9 of the report and broken down by service area). It was confirmed that no fundamental recommendations had been made. The Head of Policy and Governance explained that revisions had been made to the 2024/25 Internal Audit Plan, as set out in the report, resulting in an increase of 211 days to 1,347 days following the successful recruitment of two new internal auditors who had now taken up post. The revisions were however targeted to provide enough activity to inform his year-end opinion and would be held in an unplanned contingency and allocated on a needs basis throughout the year to allow for flexibility to respond to the changing risk environment that the Council was currently operating in.

The Head of Policy and Governance drew Members' attention to the pressures within the organisation to address the financial sustainability of the Council (set out at paragraph 8.4) which had resulted in competing priorities for service areas, however, the impact on Internal Audit was not yet clear. Concern was raised that the audit function was not taken seriously enough by certain managers and the Chairman requested that any concerns be raised with him and the Committee, as they would take failure to cooperate very seriously.

In response to a query about reasons behind the improvement in assurance levels, the Head of Policy and Governance explained that given the small number of audits that had been issued to date, it was very difficult to draw any conclusions, plus, the draft reports were of lower-level assurances and so would skew the results. It was therefore important to look at the opinions coming through but obviously the picture would change throughout the year.

Members were please to note the improved direction of travel and congratulated the Internal Audit team for getting back on track as previously Members had been concerned that there were not enough audit days to ensure that internal audit functioned properly.

A query was raised around the limited assurance level for Section 17 Payments - Children's Services which had been audited back in 2015/16. In response, the Internal Audit Manager explained that they had looked at the overall assurances and where those lower levels of assurances were, and they had slightly changed their approach to follow up audits. If they had enough resources, they would revisit every limited as well as every unsatisfactory audit in a really prompt timescale however in order to target their resources, they will always follow up an unsatisfactory audit or one with a fundamental recommendation in the following year or when the recommendations become due. The

limited resources however had to be prioritised and, as the level of assurance in this particular area was limited, it had not been followed up more promptly.

**RESOLVED:**

To endorse the performance of Internal Audit against the 2024/25 Audit Plan.

**47 Third line assurance: External Audit, Audit progress report and sector update**

The Committee received the report of the Engagement Lead which provided the Members with an update on progress and a series of sector updates in respect of emerging issues which the Committee may wish to consider.

The Senior Audit Manager introduced the report and provided a summary of progress. In relation to the financial statements, she confirmed that there had been positive movement where the receipt of evidence had become overdue, and they were working through those areas and following up with any queries as quickly as possible with the Council's finance team. She explained the escalation procedure to senior officers should any matter arise.

Turning to the Value for Money planning, as well as the usual broader spectrum testing undertaken by External Audit, there were three areas where a more detailed review of arrangements would be undertaken, and these were set out in the report. The Senior Audit Manager confirmed that the Value for Money findings would be reported within the Auditors Annual Report.

Members were pleased to see that Audit reporting was back on time following the post-pandemic delays.

**RESOLVED:**

To note the contents of the report.

**48 Third line of assurance: External Audit: Shropshire County Pension Fund Annual Audit Findings (Information) 2023/24**

The Committee received the report of the Engagement Lead which provided an update on the Audit findings for Shropshire County Pension Fund for 31 March 2024, for information. The Engagement Lead confirmed that all areas had been substantially completed and the report had been presented to the Pensions Committee at its last meeting.

**RESOLVED:**

To note the contents of the report.

**49 Date and Time of Next Meeting**

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

**50 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.

**51 Exempt Minutes of the previous meeting held on the 17 July 2024**

**RESOLVED:**

That the Exempt Minutes of the meeting of the Audit Committee held on the 17 July 2024 be approved as a true record and signed by the Chairman.

**52 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.

**RESOLVED:** To note the contents of the report.

Signed ..... (Chairman)

Date: .....