

**Committee and Date**

Audit Committee

6 February 2025

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 20 DECEMBER 2024
10.00AM – 12.05PM****Responsible Officer:** Michelle Dulson

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Present

Councillor Brian Williams (Chairman)

Councillors Simon Harris (Vice Chairman), Rosemary Dartnall and Roger Evans

74 Apologies for Absence / Notification of Substitutes

Apologies were received from Councillor Kate Halliday and Jim Arnold (Independent Member). Councillor Rosemary Dartnall substituted for Councillor Halliday.

75 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.

76 Minutes of the previous meeting held on the 28 November 2024**RESOLVED:**

That the Minutes of the meeting of the Audit Committee held on the 28 November 2024 be approved as a true record and signed by the Chairman.

77 Public Questions

There were no public questions.

78 Member Questions

There were no questions from Members.

It was agreed to take Agenda Item 7 (Final Approval Statement of Accounts 2023/24) next.

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

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided for the approval of the 2023/24 Statement of Accounts, following completion of the audit of the accounts.

The Executive Director of Resources (Section 151 Officer) introduced the report and gave the background. He explained that it had been hoped to be in a finalised position by the 28 November Audit Committee, however the work had still been ongoing and there were still some outstanding items particularly in relation to Property, Plant and Equipment calculations. He drew attention to table 1 in Paragraph 7.4 which detailed the various amendments that had been made to the accounts as a result of the work that had been completed to date. It was hoped that the accounts would not be materially changed by those final pieces of work but, if necessary, they would have to be amended.

The Chair sought clarification on whether the Committee could agree the accounts at that meeting. In response, the Executive Director of Resources (Section 151 Officer) explained that as there was some work that was outstanding it was not possible for the External Auditors to say that any changes would not be material and there was a risk that if an adjustment took them over the materiality threshold a decision would have to be made as to whether to restate it in the accounts. Work would continue up until Christmas and then into the new year to finalise these outstanding items.

The Engagement Lead explained that the legal requirement was to publish the accounts by the 28 February 2025 and that the Council had already met the legal requirement to publish a set of unaudited accounts by the end of May. He explained that there had been a considerable amount of work undertaken since the 28 November meeting, however there were still some specific queries outstanding that needed to be addressed before they had the assurance that the accounts were not materially misstated. It was hoped by early to mid-January time to have an agreed set of final accounts but he reiterated what the Executive Director of Resources (Section 151 Officer) had said about not being able to guarantee that there would not be any material misstatements or amendments to the accounts.

A brief discussion ensued about what the meeting could achieve as when this additional meeting had been agreed, it was in the expectation that they would have a complete set of accounts. It was suggested that the meeting be adjourned until mid-January or that the item go to the February meeting. Councillor Evans was unhappy to approve the accounts and delegation to the Executive Director of Resources (Section 151 Officer) and felt the Committee needed to see the final report from the External Auditors. In response, the Executive Director of Resources (Section 151 Officer) explained that the accounts were almost there and that by reviewing and effectively signing off today, there was the potential that there were no further material changes required and the job of the Committee would be done but there was a risk that that might not be the case. The Engagement Lead added that other Councils were able to authorise their accounts but delegate to the Section 151 Officer to make any minor amendments and if there were material adjustments then the financial statements would have to go back to Committee for approval.

The Chairman therefore suggested that the Committee approve the accounts today subject to there being no further material misstatements with the Section 151 Officer authorised to make any minor adjustments (as set out in recommendation 3.2). In

response to a query, the Engagement Lead explained the definition of materiality (as set out in their audit findings report) and what it was set at for the Council.

Concern was raised that the draft audit opinion pages of the report were blank. In response, the Executive Director of Resources (Section 151 Officer) explained that it was standard practice for the draft Audit Opinion to be updated once the final audit opinion was provided. He referred to the draft Independent Auditors Opinion which was set out in Item 6 and if nothing changed then that draft would be inserted into those blank pages.

It was noted that page 61 of the Auditors report stated that they had concerns about the identified significant weaknesses in the authority's arrangements for financial sustainability in the medium term. Councillor Evans was therefore unhappy to sign off the accounts at that time without the final Auditors report due to the situation the Council was in, especially considering the Auditors comments around the NWRR and the 2025/26 budget and comments around securing economy, efficiency and effectiveness in its use of resources. He felt the Committee should take these points into consideration if and when the final report was issued, which was different to previous years because this Council was at a precipice and it was unknown how the Government announcement the previous day would affect the Council.

In response, the Engagement Lead explained that in the draft opinion included in Item 6, the wording was representative of the work that they had done on the value for money arrangements and would not change in terms of the value for money conclusions drawn as no further work was being done around that element. Their work was now focussed on the financial statements audit only which was around the balances in the financial statements. If any errors were found and the Council adjusted for those errors in the financial statements, there would be no impact on the audit opinion delivered. The only potential reason for the audit opinion changing was if they had to disclaim the audit for one reason or another, for example, if they did not have the right assurances and evidence by the 28 February date and if that was the case he would suggest convening a further meeting to explain and explore that before signing off the accounts.

The Executive Director of Resources (Section 151 Officer) confirmed what the Engagement Lead had said, and, by way of reassurance, explained the way in which the accounts were produced and what happened if the Auditors identified an error which was below materiality, in which case the Council could decide not to adjust that figure but would bring it to the attention of those charged with governance. Any other minor adjustments could be adjusted without convening a further meeting. The report from the external auditors presented to the 28 November meeting included the value for money report which discussed all of the issues raised by Councillor Evans around the financial position of the authority, the response around the NWRR etc. and which had been approved by the Committee. Therefore, that part of the Audit Opinion would not change.

He went on to explain that the only piece of work outstanding was around the financial statements for 2023/24 and unless something came out of that work which required those financial statements to be changed, nothing would change within that statement. It was never included within the accounts until that work had been completed and the final accounts published.

Following this discussion and after further consideration of the report the Chairman would be minded to approve the recommendations with the inclusion that the Committee note there is some risk that there could be a material misstatement.

In response to a query the Head of Finance Management and Reporting explained that the Council receive an amount from BT as part of the Broadband agreement and, for several years, had been holding it in capital grants receipts in advance. However, when looked at in more detail, as there were no conditions attached to that particular funding, it should really be held in the capital grants unapplied account with a portion being held in the creditors balance (for payment to BDUK). So, the amount had not been overstated incorrectly it was just where it was shown in the balance sheet was incorrect, but this had now been corrected in this year's accounts.

In response to queries around the £5.5m spend on the NWRR, the Executive Director for Resources (Section 151 Officer) explained that the NWRR funding was from a combination of grant funding, capital receipts, Section 106 monies, CIL and other grants from eg the LEP etc. The £5.5m was expenditure that had been incurred in that year. A further brief discussion ensued in relation to the funding for the NWRR and the consequences of the project being cancelled. The review of the level of reserves, including insurance reserves was also discussed along with the general fund balance.

A query was raised around the Outlook for the Council section of the report and in particular why savings proposals not delivered was not included in the list of the specific factors affecting the budget. In response to a query about whether LEP money (referred to on page 63 of the report) was still available to be used by the Council, the Executive Director of Resources (Section 151 Officer) explained that the Marches LEP had been dissolved at the end of March 2024, and Shropshire Council, as accountable body on behalf of Shropshire, Telford and Hereford set up a successor body (as required by the Government), the Marches Joint Committee, the funding for which was ringfenced and it was up to the Joint Committee to continue and wind down the work in relation to the LEP. It was therefore up to the Joint Committee and not Shropshire Council to decide where any remaining funds were spent.

A brief discussion ensued in relation to aged debt and the Executive Director of Resources (Section 151 Officer) explained the measures being taken by the Council to recover those sums including via payment plans over 10 to 15 years. However, there was a point at which that debt would become irrecoverable and had to be written off. The Engagement Lead explained that they were comfortable with the way in which the Council were managing its level of long-term debt and informed the Committee that there would always be a level of historic debt and at some point, may challenge the Council to write off some very old debt. The Senior Manager, External Audit explained that although there was a high level of old debt, there was also prudent provision for bad debts.

RESOLVED:

1. To approve the 2023/24 Statement of Accounts and for the Chairman of the Audit Committee to sign them (in accordance with the requirements of the Accounts and Audit Regulations 2015).

2. To agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
3. To note that there was a possible risk that there could be a material misstatement which could cause reconsideration of the 2023/24 accounts.
4. To agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

80 Third line assurance: External Audit: Shropshire Council Audit Findings 2023/24

The Committee received the report of the Engagement Lead which set out the Audit Findings for Shropshire Council for the year ended 31 March 2024.

The Engagement Lead informed the Committee that there was still work to do before the audit could be drawn to a conclusion. He referred to page 8 of the report which set out the outstanding items with the key area being Property, Plant and Equipment for which assurances were awaited before the opinion could be signed off in case it led to a material misstatement. He confirmed that the financial statements audit was approximately 90% complete and he thanked the finance officers for their support in driving the audit to near completion.

He then handed over to the Senior Manager who went through more of the detail of the report and provided a high-level update on the outstanding areas. She explained that some of the outstanding information did impact on the significant risk areas of the Council set out on pages 11 to 15 of the report. Work in those areas had progressed, but they were unable to complete three of those significant risk areas (presumed risk affording revenue recognition, the risk regarding expenditure, and the valuation of land and buildings and investment property).

The Senior Manager drew attention to their work around Going Concern (detailed on page 25 of the report) and Value for Money (detailed on page 27 of the report). She then referred to the audit adjustments that had been identified (set out on page 42 of the report) including two monetary adjustments and some disclosure adjustments (referred to on pages 43 and 44 of the report). Finally, she touched on an unadjusted misstatement related to a pensions estimation which was consistent with previous reporting and as it was an estimation, they would not expect it to be adjusted however assurances on that were required, specifically for the letter of representation.

She confirmed that any follow up work on their recommendations would be undertaken as part of their planning for 2024/25 and progress would be reported against those recommendations set out in Appendix A and Appendix B of the report as part of their audit plan and audit findings for 2024/25.

In response to a query, the Engagement Lead provided an update in relation to the outstanding audit objection and how it would likely be concluded. He also drew Members' attention to a further objection that had been raised on a number of Authorities' and Pension Fund accounts for which a national approach was being worked upon.

A query was raised about the minimum revenue position and the fact that the way in which this was handled by the Council in 2023/24 would not have complied with the regulations which come into force in April 2025 and the impact, if any, on the accounts or how the Council operated. It was confirmed that the Council had applied that policy in that way for a number of years as it was felt to be the correct way to do so and although not currently in line with regulations, the regulations were changing in line with the Council's policy. Therefore, rather than changing it for a year, the decision was made to maintain it as this was how it was going to be reflected in future years. She was not aware that a calculation had been done to see what the impact would be if they were to change it.

The Chairman informed the Committee of a future consultation by the Audit Commission on proposals for changing the way in which local authority accounts were audited following concern that there were authorities who were eight and nine years behind with the submission of their accounts.

Members expressed congratulations and thanks to both Grant Thornton and the Council's Finance team for ensuring that the Council's accounts were up to date and had caught up from previous slippages.

RESOLVED:

To accept the contents of the report.

81 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on the 6 February 2025 at 10.00am.

82 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.

83 First line assurance: Cyber Security Management Update

The Committee received the exempt report of the Head of Automation and Technology.

RESOLVED:

To note the contents of the exempt report.

Signed (Chairman)

Date: