



<u>Committee and Date</u> Audit Committee 26 September 2025
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MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 JULY 2025

10.00 AM

Responsible Officer: Ashley Kendrick

Email: ashley.kendrick@shropshire.gov.uk Tel: 01743 250893

Present

Councillor Duncan Kerr (Chairman)

Councillors Kate Halliday (Vice Chairman), Carl Rowley, Rhys Gratton and Malcolm Myles-Hook

Independent Member: Jim Arnold

23 Apologies for Absence / Notification of Substitutes

No apologies were received. It was however noted that the Executive Director (Section 151 Officer) had been called to an urgent meeting and would join the meeting as soon as he was able; therefore it was agreed to change the order of the agenda to enable him to present the relevant items.

24 Disclosable Pecuniary Interests

No declarations were received.

25 Minutes of the previous meeting held on the 26 June 2025

RESOLVED:

That the minutes of the meeting held on 26 June 2025 be approved as a true record and signed by the Chairman.

26 Public Questions

A public question had been received from Mr John Palmer. Mr Palmer read his question, and the Chairman provided the response on behalf of the Committee. A full copy of the question and response provided are attached to the web page for the meeting.

27 Member Questions

There were no members' questions.

28 Third line assurance: Internal Audit Plan 2025/26

The Head of Policy and Governance introduced the Internal Audit Plan 2025/26, who advised that its presentation was delayed to accommodate significant changes in the Council's senior leadership and operating model, allowing for consideration of new risk areas.

A suggestion was received to link the Audit Committee's forward-looking approach with the Scrutiny committees' backward-looking approach to capture lessons learned. It was noted that there were ongoing efforts to improve communication between the committees and that meetings with Scrutiny Chairs were to be set up.

The importance of internal audit in the context of a new administration, operating model, and financial constraints was emphasised. Members highlighted the need for flexibility in the audit plan to address emerging issues throughout the year. It was noted that the Audit Plan is considered a living document, with quarterly reviews allowing adjustments based on resource availability and changing risk profiles throughout the year.

RESOLVED:

That the Committee considered and endorsed, with appropriate comment, the approach taken to create the proposed Internal Audit Plan for 2025/26 and approved its adoption.

29 Third line assurance: Pension Fund Audit Plan 2024/25

The Committee received the report from Grant Thornton Associates and noted that it had been presented previously to the Pensions Committee and was now shared for information and approval by the Audit Committee. The fund is well-managed with no significant issues historically. Key audit risks include management override and valuation of complex Level 3 investments.

Members were advised that the materiality thresholds had been updated based on the Council's financial statements, providing assurance to the Council and other auditors.

RESOLVED:

That the contents of the report be noted.

30 Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2024/25

In the absence of the S151 Officer, the Head of Policy and Governance presented the report and highlighted partial compliance in two areas: the role of internal auditors in specific projects and the organisational independence of the head of policy and governance. It was noted that the Head of Policy and Governance has other responsibilities, including information governance and corporate complaints, which could impact impartiality. Members acknowledged that measures have been taken to ensure independence in audits related to these areas.

Members were advised that since the last meeting, a senior auditor had been successfully recruited, enhancing the audit plan for the coming period, though three vacancies remain to be filled over the summer.

RESOLVED:

That the Committee considered and endorsed with appropriate comment, 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.

At this point in the meeting, it was agreed to adjourn the meeting for 15 minutes to await the arrival of the S151 Officer.

31 Second line assurance: Annual Whistleblowing report

The S151 Officer joined the meeting.

The annual whistleblowing report was discussed, highlighting that 28 whistleblowing reports were received in 2024-2025, with the majority related to staffing concerns. The importance of maintaining confidentiality and the protection of whistleblowers was emphasised.

Suggestions were made to improve the whistleblowing process, including the potential use of external agencies to handle whistleblowing calls and ensuring clear guidance for staff on how to report concerns.

RESOLVED:

That the contents of the report were considered and approved.

32 Second line assurance: Annual Treasury Report

The S151 Officer presented the Annual Treasury Report, explaining that the Council's investment returns were marginally short of the benchmark due to lower cash levels, which impacted the ability to invest for longer periods and achieve higher returns. Members noted that the reduction in cash levels was attributed to the spending of capital receipts, reserves, and the maturity of long-term borrowing, which were not replaced due to high interest rates.

Members were advised that to manage the reduced cash levels, the Council had been engaging in short-term borrowing, which impacted liquidity and investment returns. The strategy is to avoid long-term borrowing until interest rates decrease.

Members received an overview of the debt maturity profile, highlighting the spread of debt maturities over the coming years and the importance of managing these to ensure financial stability.

In response to a query regarding contingency planning should interest rates remain high, it was confirmed that weekly discussions take place with treasury advisors to monitor risks.

A request was received for future reports to include historical trend graphs for key treasury KPIs, such as cash balances and investment returns to provide better context and understanding.

RESOLVED:

- i) To approve the actual 2024/25 prudential and treasury indicators in the report.
- ii) To note the annual treasury management report for 2024/25.
- iii) To include historical trend graphs for key treasury KPIs, such as cash balances and investment returns in future reports to provide better context and understanding.

33 Second line assurance: Financial outturn report 2024/25

The S151 Officer presented the report alongside the Draft Statement of Accounts which was the next item on the agenda. He detailed the significant overspend of £34 million for the year, primarily driven by the People Directorate's overspend due to increased demand and complexity in services, together with non-delivery of savings in Place and Resources Directorates. To balance the budget, measures included applying additional grant income, using reserves, and maximizing the capitalisation direction to cover transformation costs.

Members noted that the general fund balance was reduced from £8.2 million to £4.8 million, highlighting the need for future budgeting to increase reserves and ensure financial resilience. The capital programme and earmarked reserves were reviewed, with adjustments made to ensure alignment with the financial outturn and future financial planning.

Concern was expressed with regards to undelivered savings, particularly regarding staffing reductions and third-party spend. The S151 Officer reassured members that the focus was on delivering a robust Plan A, and not relying on exceptional financial support. Conversations with government were ongoing, especially regarding the potential impact of the Northwest Relief Road decision.

Members raised queries in relation to the RAG rating, supported living and spot purchasing, plans to reduce reliance on agency staff, overspend in home-to-school transport, the 28% increase in children's early help and placements, the renewal of the highways contract and climate change budget variance.

In response to the RAG rating, the S151 Officer clarified that the corporate budget's yellow rating reflects an income underspend (more income than budgeted), not an expenditure underspend.

In response to supported living and spot purchasing, Members were advised that supported living costs were higher than anticipated, and spot purchasing was driven by unplanned hospital discharges requiring immediate placements, which are more expensive. Improved visibility and monitoring are being implemented. Members raised concerns and requested that both subjects be included on a future work programme for further discussion.

With regards to agency staff, Members noted that agency spend is being reduced, with efforts to recruit permanent staff and use apprenticeships, but market conditions make this challenging. The Children Improvement Board is addressing capacity issues.

In response to the overspend in home-to-school transport, the S151 Officer attributed the increase to statutory requirements for rural and special needs transport, with academy schools' decisions also affecting costs.

With regards to the increase in children's early help and placements, Members were advised that while the number of children in placements is stabilising, complexity and external placement costs were rising. Foster care recruitment has not met targets, impacting costs.

Members noted that due to commercial sensitivity, the query regarding the highways contract would be responded to outside of the meeting.

In response to the climate change budget variance, the S151 Officer explained that the negative budget was based on expected income from pyrolysis and solar farm projects, which was not realised, resulting in a net overspend.

RESOLVED:

- i) That the committee considered, with appropriate comment, the Outturn Report alongside the Council's Draft Statement of Accounts 2024/25.
- ii) That spot purchasing and supported living in adult services be added to the future work programme for further review.

34 Second line assurance: Approval of the Council's Draft Statement of Accounts 2024/25

The discussion on this item can be found in the previous agenda item as they were considered together.

RESOLVED:

That the Committee:

- a) Received and commented on the 2024/25 Draft Statement of Accounts
- b) Noted the changes detailed to the accounting policies used within the Statement of Accounts for 2024/25.

35 Third line assurance: Annual Assurance report of Audit Committee to Council 2024/25

The S151 Officer introduced the annual assurance report, explaining its purpose was to provide Council with oversight of Audit Committee activities, assurance on internal audit work, and a summary statement from the Chairman. He noted that, due to a change in Chairman, the statement was an amalgamation of findings from the past year and input from the current Chairman. The report included a summary of assurance reports received and an assessment of committee effectiveness.

The Chairman highlighted the recommendation to increase Audit Committee membership to nine, aiming for broader party representation and flexibility in managing workload. He also recommended not appointing substitutes, in line with best practice, to ensure continuity and context for committee members. He emphasised the committee's effectiveness but noted the need to build on past work given the Council's significant financial challenges.

Members stressed the importance of senior managers and portfolio holders attending meetings to better understand and engage with audit work.

A request was received to include a summary of completed audits in future assurance reports to strengthen the link between planned and delivered work.

RESOLVED:

- i) That the Committee considered and commented on the contents of the draft Annual Assurance report for 2024/25 before forwarding to Council with a recommendation to consider, comment upon and accept this report.
- ii) To include a summary of completed audits in future assurance reports.

36 Date and Time of Next Meeting

Members noted that the next meeting of the Audit Committee will be held on the 26 September 2025 at 10.00 am.

37 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.

38 Exempt Minutes of the previous meeting held on the 26 June 2025

RESOLVED:

That the exempt minutes of the meeting held on 26 June 2025 be approved as a true record and signed by the Chairman.

39 Third line assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1,2,3 and 7)

The Committee received the exempt report of the Internal Audit Manager.

RESOLVED:

That the Committee considered and endorsed, with appropriate comment, the contents of the Internal Fraud, Special Investigation and RIPA Update report.

Signed (Chairman)

Date:

