

**Committee and Date**

Audit & Governance Committee

27 November 2025

AUDIT & GOVERNANCE COMMITTEE**Minutes of the meeting held on 26 September 2025**

**In the The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
10.00 am - 12.25 pm**

Responsible Officer: Michelle Dulson

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Present

Councillors Duncan Kerr, Malcolm Myles-Hook, Mark Owen, Duncan Borrowman, Carl Rowley, Kate Halliday and Nigel Lumby

40 Apologies for Absence / Notification of Substitutes

Apologies were received from Councillor Rhys Gratton, Councillor Sharon Ritchie-Simmons and Jim Arnold (Independent Member).

41 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.

42 Minutes of the previous meeting held on the 16 July 2025**RESOLVED:**

That the Minutes of the meeting of the Audit Committee held on the 16 July 2025 be approved as a true record and signed by the Chairman.

43 Public Questions

A public question had been received from Mr John Palmer. Mr Palmer read his question, and the Executive Director of Resources (Section 151 Officer) 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.

44 Member Questions

There were no questions from members.

It was agreed to take Agenda Item 14 (External Audit Letter on Financial Position Based on Period 4) next.

45 Third Line Assurance: External Audit Letter on Financial Position Based on Period 4

The Committee received the External Audit Letter written to Shropshire Council which highlighted concerns about the Council's financial difficulties and the potential need for a Section 114 notice if the financial position did not improve significantly and rapidly.

The Engagement Lead explained that, due to the Council's deteriorating financial position and the declaration of a financial emergency, Grant Thornton had issued an external audit letter earlier than usual to highlight concerns about financial sustainability and the risk of statutory recommendations or intervention if the situation did not improve.

The Section 151 Officer stressed the importance for the organisation as a whole to see these messages and understand the severity and difficulty in terms of the position that the Council was in. He hoped to see the Council as a whole working through the problem and getting back into a more robust situation as soon as it possibly could, whilst acknowledging that it was not going to be easy.

Although not a reassuring position to be in, the Vice-Chairman found it reassuring that the Council had discussed this really serious issue with External Audit and she queried whether External Audit had had a chance to read the peer review that had recently been published. She expressed the wish of the Committee to consider how they could support the work of the Council in order to overcome the financial difficulties that it found itself in along with addressing the six years' worth of limited assurances. She welcomed the tightening in the peer review of senior officers meeting more regularly but felt that the Committee also needed to look at meeting with Scrutiny Committees and indeed herself and the Chairman had been invited to attend the Scrutiny Committee Chairs meeting.

In response, the Engagement Lead confirmed that as External Auditors, they had been involved in the peer review process, and he noted that their findings and recommendations were consistent with the peer review. In terms of sharing best practice, he highlighted the national nature of social care funding pressures, which made the sharing of best practice very challenging.

A query was raised about the status of significant weaknesses and recommendations from the previous year's audit; The Engagement Lead clarified that while recommendations were made regarding financial sustainability, the worsening position meant ongoing audit work was needed to assess the Council's response, and it was too early to conclude on their effectiveness.

Committee members sought clarity on the actions available under the Local Audit and Accountability Act 2014; The Engagement Lead and the Executive Director (Section 151 Officer) explained the escalation process, including statutory recommendations, the requirement for a committee meeting within 30 calendar days, and the potential for further intervention. The Executive Director (Section 151 Officer) agreed to provide a briefing note to members on audit powers.

A brief discussion ensued about the urgency of appointing an independent chair for the Improvement and Assurance Board.

RESOLVED:

To note the contents of the letter.

46 First line assurance: The Lantern Management Update

This item was deferred to the next meeting.

47 First line assurance: Agency and Consultancy Staff Management Update

The committee received the report of the Service Director for Enabling which provided an update on the progress made against the internal audit recommendations concerning the use of agency workers and consultants at Shropshire Council for the 2024/25 period. It also highlighted the actions taken to improve governance compliance with policies and procedures and reduced costs.

The Service Director for Enabling reported that of 12 internal audit recommendations, 10 had been implemented and 2 remained in progress, with full completion anticipated in early 2027. She drew attention to paragraph 7 of the report which detailed the governance enhancements that had been made including revised Terms of Reference for the organisation-wide Workforce Board, mandatory use of Opus for agency workers, enhanced finance dashboards, and stricter spend controls.

The transition to Opus People Solutions in October 2024 had led to a reduction in agency expenditure from £13 million in 2022/23 to £9.4 million in 2024/25, despite national pay awards and increased national insurance contributions. Further reductions were anticipated in 2025/26. Continued efforts were required to further reduce reliance on non-contracted staff and ensure compliance with governance and procurement rules.

Concerns were raised about delays in updating contract procedure rules and intranet guidance; The Service Director for Enabling explained that resource issues in procurement had delayed comprehensive updates, but interim cross-checks were in place to ensure ongoing compliance.

A query was raised in relation to apparent spikes in agency expenditure; it was clarified that these were due to backdated invoices, not actual increases in spend, and that the reporting reflected ledger entries rather than when works were carried out.

RESOLVED:

to note the updates as set out in the report and to support the actions that had been taken so far and those remaining.

48 First line assurance: Children's Social Care Budget Management Update

The Committee received the report of the Director of Children's Services which provided an update against the recommendations of The Children's Social Care Budget Management Internal Audit Report 2024/2025

The Director of Children's Services drew attention to paragraph 7 of the report which outlined the seven audit recommendations that had been made, four of which would be taken forward at pace and reported back to the November meeting. He noted that although there continued to be pressure and challenges within the financial envelope within children's services, particularly in terms of the budget monitoring and activity in this area, as an outstanding authority within Children's Services they would continue to see spend reduce over time as they were seeing fewer young people entering the care system along with increasing numbers exiting the care system which was having a positive impact on the number of Looked After Children.

In response to a query, the Director of Children's Services acknowledged that some deadlines may stretch to the end of October due to operational focus rightly having been on preparation for the recent Ofsted inspection, but he would do all he could to ensure that those deadlines were met. However, some of the recommendations that had been made related to finance colleagues including the reallocation of budget holders on ERP.

Concern was raised that some of the recommendations related to very basic procedures not being followed; the Director of Children's Services attributed some issues to the complexity of the budgets, but he confirmed that there was senior leader oversight of all spend. He went on to explain that a multi-disciplinary spending control panel had been introduced to scrutinise out-of-panel decisions, aiming to improve oversight, identify savings, and address previous gaps in contracting and commissioning processes.

Questions were raised about the allocation of savings targets between children's and adult social care; The Director of Children's Services and the Executive Director (Section 151 Officer) explained that savings were historically apportioned across directorates, but the savings put forward by Children's Services did not cover all of the savings however some overachievement in other areas had been put forward toward the overall organisations savings.

RESOLVED:

To note that actions still requiring completion would be progressed and completed by 31st October 2025.

To note that all identified risks related to Children's Services would be reviewed and updated by 31st October, taking into consideration the Ofsted inspection outcome from July 2025 and the implementation of the Families First Partnership programme.

To note that a further update would be presented to the next Audit Committee meeting in November 2025 to identify progress and completion of actions.

49 Second line assurance: Strategic Risk Update

The Committee received the report of the Service Director for Strategy which set out the current strategic risk exposure following the June 2025 bi-annual review and subsequent discussions / amendments.

The Service Director for Strategy explained that strategic risks were reviewed biannually with risk owners and by the leadership board on a cyclical basis. He drew attention to the

table at paragraph 7.5 of the report which set out the risk scores over the last two years and included the direction of travel, from which it could be seen that there had been no change over the last two review cycles. He explained that the current report reflected the position in June prior to the corporate peer challenge and financial emergency declaration. The next review with senior officers was scheduled for the autumn when consideration would be given as to whether the strategic risks remained appropriate.

Members noted that no risks had improved over the last two years and questioned the effectiveness of mitigation actions. In response to queries, the Executive Director (Section 151 Officer) stressed that the scores were from an assessment of the risk, the likelihood of a risk happening and the impact, not what was actually happening in reality. It was acknowledged that certain risks, such as cyberattack, were likely to remain at the highest level due to their nature.

He assured the Committee that Senior Officers constantly looked at and reviewed risks; they considered whether the risks were the right risks, whether they were reflective of where the council was at that point in time and where they wanted to get the risks to by the end of the year or within the next six months/two years, for example.

A brief discussion ensued in terms of the Council's risk appetite and the apparent mismatch between the Council's stated low risk appetite and the high level of residual risk. In response, the Executive Director (Section 151 Officer) explained that if the risk fell below the risk appetite, the Council was willing to accept those risks, and he gave an example. Many of the strategic risks ultimately related to the financial position of the authority as the Council was not in a position to put the resources and the capacity in the right places in the authority to start to mitigate some of the risks. However, he assured the Committee that although it would not happen overnight, senior officers were taking the risks seriously and were trying to tackle them.

It was suggested that more detailed reporting be provided to the Committee on the actions and mitigations being taken, for it to better understand how risks were being managed. Members also recommended that the scoring of risks related to statutory obligations and the failure to adhere to governance arrangements were reviewed. Finally, the Committee wished to seek assurance that all those involved in managing risk within the organisation were making decisions based on controlling and reducing those risks.

RESOLVED:

To note the contents of the report;

That more detailed reporting be provided to the Committee on the actions and mitigations being taken, for it to better understand how risks were being managed;

That the scoring of risks related to statutory obligations and the failure to adhere to governance arrangements be reviewed; and

That the Audit & Governance Committee, whilst recognising the situation, urged all those involved in managing risk within the organisation to make decisions based on controlling and reducing those risks.

50 Third line assurance: Internal Audit Recruitment Update

The Committee received the report of the Head of Policy and Governance which provided a brief update on the current Internal Audit structure together with the latest position following a recruitment campaign.

The Head of Policy and Governance reported that they had successfully recruited to several audit posts as detailed in paragraph 6.3 of the report, and that further recruitment had been undertaken to fill the remaining three vacant posts. The increased team capacity would be built into the next revision of the 2025/26 Internal Audit Plan. It was confirmed that there was currently one post left to fill, with one post being deleted. The Executive Director (Section 151 Officer) noted that ongoing turnover and corporate savings targets may affect future staffing levels.

RESOLVED:

To note the contents of the report.

51 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2025/26

The Committee received the report of the Head of Policy and Governance which summarised Internal Audit's 2025/26 work to date. Lower audit assurances were highlighted, providing members with an opportunity to challenge.

The Head of Policy and Governance reported that in the period up to 17 August 2025, 26 reports had been issued, as set out in paragraph 8.4 of the report with four draft reports awaiting management responses and these would be included within the next performance report. There were 9 good or reasonable assurances (35%) which represented a significant decrease in the higher levels of assurance than the previous year (83%). This was offset by a corresponding increase in the number of limited and unsatisfactory assurance levels (65%) (17% last year) which was concerning.

A total of 175 recommendations were made within the 26 final reports (detailed at paragraph 8.4 of the report and broken down by service area). It was confirmed that one fundamental recommendation had been made (set out at paragraph 8.10 of the report). Members were asked whether they wished to seek any further assurances from managers on the limited and unsatisfactory assurance levels detailed in Appendix A.

The Committee requested further updates on limited and unsatisfactory assurance areas, including short breaks and deferred payments. The process for accessing full audit reports and tracking implementation of recommendations was discussed.

In response to a query, the Head of Policy and Governance confirmed that he was comfortable that he was fully sighted on all of the decision making happening across the organisation and confirmed that he was meeting weekly with the Section 151 Officer, along with monthly governance meetings with the monitoring officer. In terms of the improvement plan, he was comfortable that he was able to input into and support that process by both providing assurance but also by providing advice and guidance on the controls that need to be put in place as part of those processes.

The Chair informed the Committee that himself and the Vice-Chair would be speaking to the Leader and Chief Executive outside of the meeting to seek assurance around the last six years of limited assurances.

RESOLVED:

To endorse the performance of Internal Audit against the 2025/26 Audit Plan.

In response to the low assurance levels and fundamental recommendations, Members requested updates for the next meeting in relation to Short Breaks and Deferred payments.

52 Governance Assurance: Annual review of Audit Committee Terms of Reference

The Committee received the report of the Executive Director (Section 151 Officer) which set out the review of the Audit Committee Terms of Reference. He confirmed that changes to the name and membership had been proposed in 2025.

Committee members discussed the potential value and risks of establishing working groups for in-depth reviews, agreeing to propose the power be added to the remit, with safeguards to ensure committee oversight.

RESOLVED:

To approve the revised Audit Committee Terms of Reference.

To seek the power to convene working groups as and when required.

53 Third line assurance: Internal Audit Charter and Mandate

The Committee received the report of the Head of Policy and Governance which set out the Internal Audit Charter. Minor edits had been made to better align to the new Global Internal Audit Standards (GIAS) and revised UK Internal Audit Code of Practice as detailed in Appendix A. Proposed changes were shown in bold, underlined and italic font.

RESOLVED:

To endorse the Internal Audit Charter as set out in Appendix A of the report.

54 Third line of assurance: External Audit: Shropshire County Pension Fund Interim Audit Findings Report (Information) 2024/25

The Committee received the report of the Engagement Lead which provided an update on the Audit findings for Shropshire County Pension Fund for 2024/2025, for information.

The Engagement Lead confirmed that the report had been presented to the Pensions Committee at its last meeting. He explained that the audit was substantially complete, with materiality levels adjusted to reflect the increased value of the fund and it was anticipated that an unqualified opinion would be given on completion of the Council audit.

He drew attention to an asset in the pension fund accounts that was held by LGPS Central, and which may need to be revisited should LGPS accounts be completed prior to him issuing his opinion. He confirmed a smooth audit process, with no material adjustments required, although there was a £4.5m unadjusted difference in the valuation of the funds' investments due to more up to date figures being received after the accounts had been closed down. No recommendations for management were raised and all the recommendations from the previous year had been completed.

RESOLVED:

To note the contents of the report.

55 Audit & Governance Committee Decision log 2025/2026

The Committee received the Audit & Governance Committee Decision log 2025/2026 for comments. The Chairman confirmed that many of the issues raised had been resolved. In terms of access to Internal Audit reports the chairman stated that not all Members and Substitutes had signed the declaration which was causing delays.

56 Date and Time of Next Meeting

Members noted that the next meeting of the Audit & Governance Committee would be held on 27 November 2025 at 10.00 am.

57 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 1, 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

58 Exempt Minutes of the previous meeting held on the 16 July 2025

RESOLVED:

That the exempt Minutes of the meeting of the Audit Committee held on the 16 July 2025 be approved as a true record and signed by the Chairman.

59 Second line assurance: Contract Rules Exemptions Update (Exempted by Category 3)

The Committee received the exempt report of the Monitoring Officer which provided an update on the exemptions sought from the Council's Contract Procedure Rules and the reasoning for approving or rejecting them.

RESOLVED:

To note the contents of the report.

60 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 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: