

Final Interim Auditor's Annual Report

Cabinet Member:	Councillor Heather Kidd, Leader Councillor Roger Evans, Portfolio Holder for Finance	
Lead Director:	Tanya Miles, Chief Executive Duncan Whitfield, Section 151 Officer	
Service Area:	Finance & Governance	
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Electoral Divisions Affected	All Divisions	
Key Decision?	Not Applicable	
Cabinet Forward Plan	Not Applicable	
Report considered by	Full Council – 5 November 2026	

1. Purpose of Report

- 1.1. On 6th October 2026, the Council's external auditors, Grant Thornton, issued their Annual Audit Report (AAR) for 2025/26 (Appendix 1). The AAR brings together a summary of the work undertaken by Grant Thornton for the 2025/26 financial year. A key element of their work is a value for money (VFM) review and an opinion.
- 1.2. Arising from their VFM work, Grant Thornton make twelve recommendations, two of which are statutory. The inclusion of statutory recommendation within the AAR requires Shropshire's Council to accept them within 30 days of

publication and to agree to take timely management actions to address the recommendations. This is a requirement of the Local Audit and Accountability Act 2014. Of the other recommendations in the AAR, seven are designated as 'key' and three as 'improvement'.

- 1.3. All recommendations for 2025/26 are set out in Section 5 of the attached AAR, alongside provisional Management Responses for each recommendation. Subject to Council's agreement, recommendations and associated actions will be monitored by the Audit and Governance Committee and will also be integrated within Council's existing Improvement Plan which will be represented to Council in December.
- 1.4. It is important to recognise that the Auditor's Annual Report primarily considers the Council's arrangements during the 2025/26 financial year and therefore necessarily looks back at a period during which a number of the weaknesses identified arose. Since that period, significant improvement activity has taken place. Many of the issues and recommendations identified by the external auditor have already been incorporated into the Council's Improvement Plan, with actions either implemented or actively being progressed. The statutory recommendations therefore reinforce and provide further focus to improvement activity already underway, rather than representing a wholly new programme of work.
- 1.5. In the context of the Financial Emergency declared in 2025, Grant Thornton previously issued a statutory recommendation that was reported to Council in December 2025. The two new statutory recommendations effectively replace the 2025 iteration, although a number of actions from 2025 will continue to be incorporated in the Improvement Plan and flow through to management actions in response to the 2026 recommendations.

2. Recommendations

Council is recommended to:-

- 2.1 Note and accept the statutory recommendations made in the AAR by the Grant Thornton as the Council's External Auditors with reference to the 2025/26 audit of accounts.
- 2.2 Agree to instruct the Chief Executive and s151 Officer to address the Statutory, Key and Improvement Recommendations through the immediate management response and actions set out in the report.
- 2.3 Note that these actions will be continually reviewed for their impact and relevance and amended as appropriate and will form part of regular reports on the Improvement Plan to the Improvement Board, Finance and Improvement Scrutiny Committee and Cabinet.
- 2.4 Agree that the Audit and Governance Committee receives regular updates on the progress of the Council in addressing the various components of the Statutory Recommendations.

- 2.5 Instruct the Chief Executive to write to the External Auditor with the outcome of the Council's consideration of this report.
- 2.6 Note that progress against the 2025/26 recommendations will be considered as part of the 2026/27 external audit.

3. Background

- 3.1 Each year the Council is subject to an external audit which is currently undertaken by Grant Thornton as appointed by the Public Sector Audit Authority. The audit is carried out in accordance with regulation and audit code of practice.
- 3.2 In 2025 and as part of the audit of 2024/25, the auditors found it necessary to issue a Statutory Recommendation to the Council under Section 24 of the Local Audit and Accountability Act 2014 on the basis that arrangements were inadequate with regard to the Council's financial sustainability and corporate governance.
- 3.3 This Statutory recommendation was made in the context of the financial emergency declared by the Cabinet on 10th September 2025 arising from significant budget variations and reduction in reserves and balances that have been clearly set out in a number of previous financial monitoring and budget reports to Cabinet, Council and other Committees.
- 3.4 Management Actions were set at the time to address all recommendations contained within that AAR. A Corporate Peer Challenge (CPC) was undertaken and an independently chaired Improvement Board was established with oversight of an Improvement Plan which incorporates actions that respond to internal and external audit recommendations, CPC recommendations and more recently from recommendations made by CIPFA as part of MHCLG's independent review.
- 3.5 Unsurprisingly, recommendations from different reviews have synergies, and responses to them have been brought together in a single improvement plan which cross references the source of the need for action.
- 3.6 As in 2025, the new Statutory Recommendations made on 6th October 2026 require the Council, under the Local Audit and Accountability Act 2014, to consider the recommendation(s) at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Authority. At the public meeting the Council must decide:
 - a) whether the report requires the Council to take any action or whether the recommendation is to be accepted, and
 - b) what, if any, action to take in response to the report or recommendation.
- 3.7 This report recommends that Council accept the recommendations made in this year's AAR and confirm management actions set out in the AAR, recognising that these will be adapted and amended as necessary over time with a view to meeting the needs of the recommendations.
- 3.8 These specific actions will be reviewed through the year by the Audit and Governance Committee and Improvement Plan updates will continue to be received

by Cabinet, Finance and Improvement Scrutiny Committee and the Improvement Board.

- 3.9 The October 2026 Statutory Recommendations relate separately to Corporate Governance and Financial Sustainability. The AAR recognises both that some improvements have taken place in the second half of 2025/26 and more recently and that work continues as set out in the Improvement Plan. The Statutory Recommendations are however considered necessary given the extent of the tasks still to be completed and manifested not least by the Non-Statutory Best Value Notice and the scale of the need for Exceptional Financial Support.
- 3.10 The Council is currently instigating a fundamental review of the approach to risk management. This was presented to the recent meeting of the Audit and Governance Committee and is in the process of being implemented across all departments and projects. Apart from being referenced with the AAR recommendations, this will be a fundamental component in the updated Improvement Plan and will help the strengthen the internal control environment, corporate governance and financial sustainability.

4. Legal and HR implications

- 4.1 The Council's external auditor has made two statutory recommendations under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The Council is required to consider those recommendations at a public meeting within the statutory timescale and to decide whether they are accepted and what action, if any, is to be taken in response. The recommendations within this report enable Council to discharge those requirements.
- 4.2 The statutory recommendations relate to financial sustainability and corporate governance and sit alongside the Council's wider Best Value responsibilities. It is important that the agreed actions are progressed and subject to appropriate monitoring and oversight. The arrangements described in the report, including regular reporting to the Audit and Governance Committee and through the Council's Improvement Plan governance arrangements, provide a framework for doing so.

5. Appendices

Appendix A – Grant Thornton Final Interim AAR Report