Committee and Date
Audit & Governance Committee
26 November 2026

AUDIT & GOVERNANCE COMMITTEE

Draft Minutes of the meeting held on 25 September 2026
In the Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
1.30pm – 4.40pm

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present
Councillor Sharon Ritchie-Simmons
Councillors Kate Halliday (Vice Chairman), Duncan Kerr, Malcolm Myles-Hook, Duncan Borrowman, Nigel Lumby and Brendan Mallon

33 **Apologies for Absence / Notification of Substitutes**

Apologies were received from Councillors Greg Ebbs and Mark Owen.

34 **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.

35 **Minutes of the previous meeting held on the 15 July 2026**

RESOLVED:

That the Minutes of the meeting of the Audit & Governance Committee held on the 15 July 2026 be approved as a true record and signed by the Chairman.

36 **Public Questions**

A public question had been received from Mr Graham Layton. The Head of Policy & Governance read the question, and the Chair 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.

37 **Member Questions**

There were no questions from Members.

38 **First line assurance: Chief Executive Update**

The Chief Executive introduced a report providing an update on governance improvement activity over the past 12 months, highlighting work undertaken to strengthen governance, accountability, risk management, internal control and insurance arrangements across the Council. It was reported that the Council had received a limited assurance opinion on its governance and control framework for a period of seven years, and that addressing this position remained a key organisational priority. The report acknowledged both progress made and the ongoing scale of required improvement. It was emphasised that governance arrangements remained in transition and that sustained effort would be required over time to embed change across the organisation.

The Chief Executive outlined a series of actions already implemented, including the introduction of regular statutory officer meetings, the establishment of a governance group chaired by the Chief Executive, strengthened oversight of performance, risk and compliance, improved engagement with internal and external audit, and a review of the Constitution and scheme of delegation. It was further noted that a revised senior leadership structure and recent senior appointments were intended to strengthen corporate capacity, improve accountability and provide clearer leadership for organisational improvement.

The Chief Executive explained that governance improvement was closely linked to wider organisational transformation, financial sustainability and the Council's response to external assurance and challenge. A more coordinated corporate approach was described, with increased visibility of governance issues and improved escalation routes enabling earlier intervention where required. Reference was made to emerging evidence of improvement, including increased engagement from services, stronger ownership of governance issues, and improved tracking of risk and compliance matters.

In response to questions regarding cultural change, a member expressed concern that improvements may not be embedded across all levels of the organisation and that organisational culture and underlying values required further attention, particularly within frontline services. The Chief Executive acknowledged that cultural change was central to the improvement programme and stated that the focus extended beyond behaviours to organisational values and expectations. It was noted that a structured programme for managers was being implemented, setting out clear expectations regarding performance, behaviours and accountability. It was also stated that some individuals may require additional support or reassessment of their suitability for roles where expectations were not met. The Chief Executive added that a staff engagement survey ("pulse survey") was being introduced and that a temporary dip in performance in some areas was anticipated as the organisation adjusted to increased expectations.

Clarification was requested on how independent oversight from the Audit and Governance Committee would interact with the Council's governance group, particularly in terms of access and engagement. The Chief Executive confirmed that the Chair of the Audit and Governance Committee, along with the Vice-Chair, would be welcome to attend the governance group and that further discussions would take place to strengthen joint working and improve responsiveness to governance issues.

A further question was raised regarding how the success of governance improvement would be measured and how the Committee would be assured that progress was being embedded. In response, the Chief Executive indicated that sustained improvement over

four consecutive quarters would be considered an important indicator of embedded change. It was also stated that internal audit outcomes, complaints data, performance development plan completion rates, and risk information would be used as key measures, and that a simplified summary dashboard would be developed for regular reporting to the Committee. A target of 80% completion of performance development plans was referenced as part of the current improvement expectations.

A member asked about the approach to strengthening the corporate leadership structure and how changes to staffing, structure and roles were being balanced. The Chief Executive confirmed that five of six senior leadership posts had been filled and that a more traditional local government structure had been introduced to strengthen accountability. It was explained that a management development programme was being rolled out to reinforce expectations regarding leadership behaviours, governance responsibility and organisational values. It was acknowledged that, as part of this change process, some staff may find adjustment challenging and that performance variation was possible during the transition period.

A question was raised regarding how the Council would ensure alignment between political leadership and the Chief Executive's role without compromising appropriate professional distance. The Chief Executive explained that regular engagement with the Leader was necessary and that the relationship required both cooperation and appropriate challenge. It was stated that the separation of political and officer roles was maintained, while acknowledging the need for coordinated working to deliver organisational priorities and financial sustainability. External feedback was referenced as indicating improved alignment between political and officer leadership compared with other authorities.

Assurance was sought on how decision-making processes would be evidenced and audited, particularly in relation to significant officer decisions. It was noted that improved governance structures and reporting arrangements were intended to strengthen oversight, and that transparency and accountability were central to ongoing governance improvements.

The Chair concluded discussion by noting the importance of ensuring that governance improvements were demonstrable and embedded, rather than purely structural or procedural. It was emphasised that assurance would be required over time through evidence of sustained improvement, supported by audit outcomes and risk management activity.

RESOLVED:

- To note the progress made in strengthening the Council's governance, risk management, internal control and assurance arrangements.
- To note the Chief Executive's continued commitment to leading the Council towards stronger governance, improved accountability and a culture of compliance, openness and constructive challenge.
- To note the next phase of governance improvement activity set out in the report.
- To continue to receive regular assurance on the delivery, impact and sustainability of governance improvement actions.

39 First line assurance: Exceptional Financial Support: External Assurance Review

The Committee received the report of the Section 151 Officer's which provided an update on the External Assurance Review linked to the Council's application for Exceptional Financial Support for the 2026/27 financial year. It was explained that approval of the support had been subject to an independent appraisal commissioned by the Department for Levelling Up, Housing and Communities and undertaken by CIPFA, which had been completed earlier in the year and subsequently published following ministerial consideration. The Section 151 Officer summarised that the findings of the review were highly critical, reflecting the scale of the Council's financial challenges, including a significant adverse budget variation of approximately fifty million pounds in the 2025/26 financial year and the cancellation of major capital schemes, including the North West Relief Road.

Members were advised that the findings of the external review were consistent with previously identified financial pressures and the Council's wider improvement programme, and therefore did not contain unexpected conclusions. It was further explained that the Council was required to respond formally to the review by the end of the month, and that draft management responses had been prepared for submission. It was also noted that these responses would subsequently be incorporated into a refreshed and consolidated improvement plan due to be presented later in the year, in order to ensure a single coherent framework for monitoring progress.

A detailed discussion followed regarding the Council's financial position and the credibility of its recovery planning. Concern was raised regarding the statement within the report indicating that it was unlikely the Council would be able to bridge the entire financial gap through currently viable plans at this stage. The Committee challenged whether it was appropriate to continue seeking Exceptional Financial Support without a clearly articulated and deliverable plan to achieve financial sustainability, noting that all councils face uncertainty but are still required to set balanced budgets and medium-term financial strategies.

In response, the Section 151 Officer stated that the Council's financial position was extremely challenging due to the scale of the budget gap, the high proportion of statutory services, particularly in social care, and the inherent unpredictability of demand-led services. It was emphasised that external factors such as demographic pressures, inflation, and borrowing costs could not be reliably forecast. The Officer stated that it was not considered responsible to present figures that could not be delivered, and that discussions with government were therefore focused on explaining the level of uncertainty and the constraints faced, rather than committing to precise numerical solutions that would not be achievable.

The Chief Executive supported this position, stating that the Council must avoid undermining its credibility by presenting unrealistic savings assumptions, referencing previous years where savings had been planned but not achieved. It was noted that loss of credibility could increase the risk of direct intervention or the appointment of commissioners. It was also stated that other local authorities were facing similar pressures, with some experiencing even more severe financial distress, and that the Council's approach needed to be realistic and grounded in deliverability.

Further discussion took place on the allocation of Exceptional Financial Support nationally. It was queried why a number of other councils had received additional financial support following similar reviews, while the Council had not been included in that allocation. It was clarified by the Section 151 Officer that the Council's position differed because it had already requested a significant element of transformation funding within its own Exceptional Financial Support application. It was explained that some other authorities had not included equivalent requests within their submissions, which influenced the distribution of additional support. Reference was also made to the fact that some authorities previously in similar support arrangements had subsequently re-entered such frameworks due to ongoing financial difficulties.

Members further discussed the Council's medium-term financial planning position. The Section 151 Officer explained that the Medium-Term Financial Plan had recently been refreshed, reducing the projected gap from approximately £120m to around £90m, and that a further update was planned. It was noted that the intention was to establish a more realistic base budget position, which would improve the Council's ability to identify achievable efficiencies and savings over time.

The Committee also considered the relationship between the Exceptional Financial Support process, the external assurance findings, and the Council's wider governance and improvement arrangements. It was acknowledged that the external review, the Improvement Plan, and the Council's financial recovery activity were closely interlinked and would be brought together into a single consolidated framework to support ongoing monitoring and accountability.

RESOLVED:

to note the report and recommendations contained therein and to support the overall direction of travel whilst continuing to seek stronger evidence of delivery and progress tracking.

40 Second line assurance: Annual Risk Management Update and Strategic Risks

The Committee received a report providing an update on corporate risk management arrangements, including the annual review of strategic, operational, and project risks, and proposals for a revised risk management framework.

The Head of Policy and Governance introduced the report and advised that it represented a fundamental reset of the council's approach to risk management, reflecting previously identified weaknesses in the control environment and the need for stronger corporate assurance. It was reported that responsibility for risk management would transfer into the governance and legal function from October, creating closer alignment with internal audit. It was confirmed that internal audit assurance over risk management would remain independently reported to the Committee to preserve audit objectivity. It was further noted that an interim Risk Manager had been appointed to support implementation of the revised framework, with permanent recruitment planned later.

The Committee was informed that the Council currently had twelve strategic risks, alongside approximately eighty-two operational risk registers containing over one thousand individual risks, and a further six hundred and thirty-nine project risks. It was explained that these would be subject to a comprehensive review between October and December, with all operational and project risks being reassessed using an updated ten-by-ten scoring matrix. The outputs of this exercise would then inform a refreshed set of strategic risks, which would feed into the Annual Governance Statement process for the following year.

Members sought assurance on whether the revised approach would include retrospective learning from previous major projects and decisions, including transport infrastructure schemes and other significant capital programmes. In response, it was stated that the process would primarily be forward-looking, but that previously identified risks arising from past decisions would be reassessed and incorporated where relevant into the new risk profile. It was also acknowledged that certain historic decisions had created ongoing risk exposures which now required formal recognition within the risk framework.

Concerns were raised regarding whether the revised approach would be sufficiently independent and robust to challenge historical organisational decisions and whether it would have the capacity to address politically sensitive or complex legacy issues. It was confirmed that the methodology would be applied consistently across all risk areas, and that professional internal audit standards would ensure that significant issues identified through the process would be escalated appropriately.

The Committee discussed whether strategic risk ownership should sit at senior statutory officer level or be delegated to service directors. It was clarified that strategic risks would be owned at statutory officer level following recent workshops, while responsibility for implementing mitigating actions would remain with Service Directors and operational leadership.

Members questioned whether the current draft strategic risks were sufficiently developed to be formally endorsed. It was noted that the risks had been extracted from the Annual Governance Statement and were not yet fully re-scored under the new framework. Some members expressed concern that the risks remained too high level and insufficiently refined for formal approval. In response, it was explained that the document represented an interim position pending completion of the full risk review exercise, and that further refinement would occur following completion of the operational risk reassessment.

The Committee also explored how risk appetite would be defined and embedded within the organisation. It was explained that the revised framework would establish a clearer risk tolerance model, allowing risks to be assessed consistently against agreed organisational appetite once the full review had been completed. It was noted that this would support more consistent decision-making across services.

Further discussion took place regarding the proposed use of a ten-by-ten risk scoring matrix. Members sought clarification on whether this would improve the ability to differentiate between likelihood and impact and how consistency would be ensured across services. It was confirmed that the approach was widely used across the public sector and would provide greater granularity than the existing system.

Questions were raised about whether risk management would be integrated with emergency planning and business continuity arrangements, given the Council's statutory responsibilities in relation to civil contingencies. It was confirmed that emergency planning and corporate risk management would continue to be closely aligned, and that integration with business continuity planning would form part of the revised framework.

Members also queried whether the volume of identified risks would be reduced and whether a clearer prioritisation approach would be introduced. It was explained that once the full review was completed, the intention would be to identify the highest priority risks, likely in the region of the top fifty to one hundred, which would form the basis of strategic oversight.

Assurance was sought on whether the revised framework would include mechanisms to ensure risks were not only recorded but actively managed with mitigation actions tracked to completion. It was confirmed that enhanced monitoring arrangements would be introduced, including clearer tracking of mitigation actions, ownership, and implementation timelines, with escalation routes where necessary.

RESOLVED:

to accept the report as an interim position and to note that the risk management framework was under development and that a further refined risk profile would be presented following completion of the full review cycle.

41 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2026/27

The Committee received a report from the Head of Policy and Governance presenting the internal audit performance position for the period April to August 2026 and the revised annual audit plan for 2026/27. The Head of Policy and Governance reported that twenty-nine final audit reports had been issued during the period, with seventeen providing either good or reasonable assurance. This represented 58% of opinions issued, compared with 35% in the equivalent period of the previous year. It was also reported that there had been a corresponding reduction in limited and unsatisfactory assurance opinions to 42%, compared with 65% in the previous equivalent period and 48% in the prior year outturn. The Committee was advised that 222 recommendations had been made across the reports, including two fundamental recommendations, and that revisions to the audit plan had been undertaken in response to resource constraints, slippage in delivery, emerging risks and consultation with Senior Officers.

In response to questions from Members, the Chair sought assurance regarding the significance of the reported improvement in assurance levels and whether there were areas of repeated limited assurance. The Head of Policy and Governance advised that repeated limited assurance findings were a concern, as they indicated that previously agreed management actions had not been implemented, and confirmed that such issues were taken into account when forming his year-end audit opinion.

In response to a query about how assurance was obtained that management had implemented agreed audit recommendations along with the escalation processes that existed where actions were not completed, the Head of Policy and Governance explained

that there was a defined escalation framework depending on audit assurance levels, whereby reports with limited or unsatisfactory assurance were escalated to relevant Service Directors and, where necessary, statutory officers including the Section 151 Officer, the Chief Executive and the Monitoring Officer. It was confirmed that implementation of significant and fundamental recommendations was monitored and escalated where required.

Further concern was raised regarding whether the audit plan appropriately reflected the Council's financial position and whether sufficient audit focus was being placed on high-cost and high-risk areas, particularly Children's Services and Adult Social Care. It was noted that Children's Services were experiencing significant financial pressure and that some key transformation-related audits appeared to have been reduced or removed. It was explained that the audit plan was developed through statutory requirements, risk assessment, consultation with Service Directors and statutory officers, and consideration of available audit resources. It was further explained that some audit areas had been adjusted due to resource reductions following staff departures and that certain areas were removed where alternative assurance existed, where management had already acknowledged issues and implemented action plans, or where work was ongoing and audit activity would not add value at that time. The Internal Audit Manager added that audit timing was a key factor, particularly where services were mid-transformation or where assurance work would duplicate existing reviews or management activity.

The Section 151 Officer further advised that internal audit was intended to support management improvement rather than duplicate operational responsibility, and that auditors did not always hold the specialist service expertise required to assess operational delivery models in areas such as social care in detail. It was also explained that audit activity must balance value for money with assurance coverage and capacity constraints.

A query was raised regarding interpretation of the audit trend data, and it was noted that over a five to six-year period the proportion of reasonable and limited assurance opinions had remained broadly stable, while extremes of good and unsatisfactory assurance were reducing. The Head of Policy and Governance responded that no firm conclusions could yet be drawn from the trend data in isolation and that a clearer picture would emerge once further audit work was completed later in the year.

A further question was raised concerning the reduction in audit resources due to the loss of a principal auditor and a senior auditor. The Head of Policy and Governance confirmed that recruitment would initially focus on the principal auditor post, with decisions on the second post to be made following completion of that recruitment process.

Members also queried whether changes in the role of the Head of Policy and Governance, including the addition of risk management responsibilities, would impact audit independence or capacity. It was confirmed that the impact was expected to be minimal and that professional standards and governance arrangements ensured independence of audit opinion would be maintained.

A Member sought clarification regarding audit coverage of payroll systems, noting a high volume of recommendations and ongoing issues. The Head of Policy and Governance confirmed that payroll remained an area of concern due to its system limitations and complexity, and that remediation would require significant system investment and long-

term work. The Section 151 Officer supported this position and noted that payroll system replacement would be a major undertaking with operational disruption risks.

RESOLVED:

that the Internal Audit Performance Report and the Revised Annual Audit Plan 2026/27 be endorsed;

that the Committee's concerns regarding prioritisation of audit activity in relation to key financial and service risks be noted for further consideration by officers.

42 Governance Assurance: Annual review of Audit and Governance Committee Terms of Reference

The Committee received the report of the Section 151 Officer who introduced the item and advised that the Terms of Reference were broadly sufficient to support the Committee's role, particularly in relation to governance, audit, and risk oversight. However, it was noted that, given the wider discussions during the meeting on audit, external reporting, and governance arrangements, Members may wish to consider whether any amendments were required, and Officers confirmed they were content to take any proposed amendments away for incorporation.

A point of clarification was raised regarding the CIPFA definition of an Audit Committee's purpose, noting that it referred to providing those charged with governance with independent and high-level focus. It was queried whether "those charged with governance" should be interpreted as the Council as a whole or the leadership and executive function, particularly given that the Council's constitution places governance responsibilities within the Cabinet structure. In response, it was stated that the Committee reported to full Council and not to Cabinet, and that governance arrangements and definitions were expected to be clarified further through the ongoing constitutional review.

Further clarification was requested regarding the appointment of independent co-opted members and whether the Committee itself appoints such members or whether this responsibility rested elsewhere within the Council, and how the process operated where more than one suitable candidate was identified. It was confirmed that delegated responsibility for the appointment process existed within the Section 151 function, but it was also clarified that, in practice, interviews and appointments had previously involved the Chair of the Committee alongside Officers, and that any appointment would ultimately be subject to Council agreement.

Concern was raised that the wording in the Terms of Reference relating to independent members required clarification, particularly in light of potential future changes indicating that more than one independent member may be required. It was suggested that the relevant paragraph should be reviewed and revised to reflect both current practice and anticipated developments.

Further concerns were raised that the constitutional review process had progressed without formal consultation with the Audit and Governance Committee. It was stated that

governance matters of this nature should ordinarily be presented to the Committee prior to wider Council consideration, particularly where they relate directly to the Committee's remit. In response, it was confirmed that the intention was for any new draft constitution to be brought to the Committee for consideration, and that this would include opportunities for comment.

Following discussion, it was proposed that, rather than approving the Terms of Reference in their current form, the item be deferred to the next meeting to allow clarification and refinement of the issues raised, including the CIPFA definition wording, independent member appointment arrangements, and reference to the constitutional review process. The Committee agreed that these matters required further clarification before formal approval.

RESOLVED:

that the Annual Review of the Audit and Governance Committee Terms of Reference be deferred for further review, with an updated version to be presented to the next meeting incorporating the clarifications requested by Members.

43 Third line assurance: Internal Audit Charter and Mandate

The Committee received the report of the Head of Policy and Governance who introduced the Internal Audit Charter and Mandate, which set out the position, authority, scope and reporting arrangements of the internal audit function within the organisation. The report confirmed that the charter provided internal audit with unrestricted access to personnel, records and assets required to undertake its work and defined its role in supporting governance and assurance. It also noted alignment with the new CIPFA Code of Practice for the Governance of Internal Audit and the requirement to comply with Global Internal Audit Standards, including annual reporting on conformance through a quality assurance and improvement programme.

Assurance was sought regarding safeguards in light of changes bringing risk management within the same broader governance structure as internal audit, and how independence would be maintained if concerns arose. In response, the Internal Audit Manager confirmed that professional standards require internal audit to maintain independence and that clear escalation routes remained in place, including reporting concerns to the Chair of the Audit and Governance Committee, External Audit, Section 151 Officer, the Chief Executive or the Leader if necessary. It was further confirmed that the reporting structure and statutory protections ensured audit objectivity would not be compromised.

RESOLVED:

to approve the Internal Audit Charter and Mandate.

44 Third line of assurance: External Audit: Shropshire County Pension Fund Annual Audit Findings (Information) 2025/26

The External Auditor presented an update on the Shropshire County Pension Fund audit, advising that the audit was substantially complete, with only a small number of outstanding

items of evidence required prior to finalisation. It was noted that the ISA 260 report would be issued once these matters were resolved. The External Auditor confirmed that completion of the pension fund audit would be aligned with completion of the Council's main financial statements audit, and that final sign-off was expected to take place in November.

It was further explained that while the audit fieldwork was largely complete, the certification process remained dependent on final completion procedures and the receipt of necessary assurances. A potential delay risk was highlighted in relation to the timing of the final confirmation of Exceptional Financial Support arrangements, which had previously resulted in delays in the prior year.

The External Auditor also confirmed that the financial statements audit for the Council was progressing in parallel and remained on track for completion within the same timeframe. It was noted that the audit findings report and draft value for money commentary had been completed and shared with management for response. The findings were described as robust, and it was indicated that statutory recommendations were likely to arise from the finalised report, subject to refinement following management responses. The report was also described as containing forward-looking commentary in addition to retrospective assessment of the 2025/26 arrangements.

In response to a query regarding whether any governance lessons from the pension fund audit could be applied more widely across the Council, the External Auditor advised that the pension fund operated as a distinct governance and financial structure with different regulatory and operational characteristics. It was noted that, although the governance framework differs significantly from that of the Council, improvements had been observed in responsiveness to audit queries and timeliness of audit completion across both areas.

A Member raised a query regarding the differing risk scoring methodologies used in the pension fund audit compared with the wider Council risk framework, specifically the use of three-level and four-level risk colour systems. The External Auditor confirmed that risk reporting approaches would be aligned at the point of final reporting to ensure consistency across the pension fund and Council audit outputs.

The Section 151 Officer provided clarification on the timetable for consideration of external audit outputs. It was confirmed that the Auditor's Annual Report and Value for Money conclusions would be presented to a special meeting of full Council within the statutory timeframe, followed by consideration by the Audit and Governance Committee at its subsequent meeting. It was further confirmed that the financial statements audit was expected to conclude in November, although final confirmation of Exceptional Financial Support arrangements was not anticipated until February, which could impact final sign-off timings.

The External Auditor confirmed that the draft Auditor's Annual Report had been shared with senior officers and that management responses were currently being finalised. It was indicated that the final report would reflect both identified weaknesses and progress made, alongside recommendations for ongoing improvement.

RESOLVED:

to note the update.

45 Date and Time of Next Meeting

Members noted that the next meeting of the Audit & Governance Committee would be held on Thursday 26 November 2026 at 10.00am.

46 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 item.

47 Third line assurance: Contract Rules Exemptions Update (Exempted by Category 3)

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

RESOLVED:

that the concerns raised by the Committee be formally escalated to Senior Officers for further investigation and response, and that further clarity be provided regarding the specific issues raised.

48 Third Line Assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1, 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: .....