Committee and Date
Audit & Governance Committee
15 July 2026

AUDIT & GOVERNANCE COMMITTEE

Minutes of the meeting held on 25 June 2026
In the Shrewsbury Room, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
10am – 12noon

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, Mark Owen, Nigel Lumby and Thomas Clayton

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

No apologies were received.

5 **Disclosable Pecuniary Interests**

None.

6 **Minutes of the previous meetings held on the 5 February 2026 and 14 May 2026**

RESOLVED:

That the Minutes of the meetings of the Audit & Governance Committee held on the 5 February 2026 and 14 May 2026 be approved as a true record and signed by the Chairman.

7 **Public Questions**

No public questions were received.

8 **Member Questions**

No member questions were received.

9 **Third line assurance: Annual Assurance report of the Audit and Governance Committee to Council 2025/26**

The Committee received the Annual Assurance Report for the financial year 2025-26, presented by the Deputy Section 151 Officer. The report provided a backward-looking assessment of the Council's governance, risk management, and internal control framework, concluding that only limited assurance could be given for the year.

Concern was raised that this was the seventh consecutive year of limited assurance, and that the Committee had a responsibility to express concern and take action. It was proposed that the Leader and Chief Executive be invited to the next meeting to provide a detailed account of actions being taken to improve assurance.

Members supported the proposal, emphasizing that the limited assurance relates not only to financial matters but also to wider governance issues, including internal audit findings in areas such as children and young people, adult commissioning, payments, and debt recovery. It was agreed that the Committee should focus on controls and measures, not just finances, and supported the invitation for leadership to attend and provide actionable details.

The Portfolio Holder for Finance responded, acknowledging the concerns raised and noting that changes had occurred during the year, particularly in financial reporting. Improvements in the final quarter were referenced, and it was highlighted that the methodology for monthly and quarterly financial reports had changed, resulting in greater accuracy. He stated that the present administration was taking notice and making changes, and efforts were ongoing to address weaknesses. The statutory recommendation from External Auditors was noted as covering the period during which the new administration took office.

It was felt that the statutory recommendation from External Auditors was relevant to the current administration and that the Committee should be reassured about actions being taken to address External Audit concerns. Clarity was requested on what was being done to reassure External Auditors and reverse the limited assurance position.

RESOLVED:

to invite the Leader and Chief Executive to the next meeting to provide a detailed update on actions being taken to address limited assurance in governance, risk management, and internal controls, and to respond to statutory recommendations from External Auditors.

10 **Third line assurance: External Audit, Shropshire Council and Shropshire County Pension Fund Audit Plans**

The Committee received the External Audit plans for Shropshire Council and the Shropshire County Pension Fund.

The External Auditor explained that the Pension Fund Audit Plan had already been presented to the Pension Committee and was provided to this Committee for information only. He then outlined the Council's Audit Plan, highlighting the following key points:
The plan included standard financial statement risks: valuation of assets, valuation of the pension liability, and management override of controls (the risk that management could use journals or estimates to alter the financial position).

Two additional, unique risks were identified for the Council; firstly the accounting and disclosure of exceptional financial support, and secondly the treatment of the North West Relief Road in the financial statements. The External Auditor stated that the audit team would work with the Council to ensure these were appropriately described and reflected in the accounts.

As group auditor, reliance would be placed on the work of auditors for Cornovia Limited and Star Housing, both audited by colleagues within the same audit firm.

For value for money work, the audit would focus on the Council's progress against statutory recommendations, the ongoing limited assurance from Internal Audit, and the impact of recent leadership changes (including the Chief Executive and Section 151 Officer). It was confirmed that the limited assurance would again be raised as a significant weakness, and the Committee would be asked how the Council plans to exit this position and the expected timeline.

The Chair asked whether the recent leadership changes would have an impact on the audit. The external auditor confirmed that this was being considered as a value for money risk, and the audit would review what changes had occurred since the new officers took up their roles, including any improvements made.

The Chair then asked if there were any risks to delivering the audit on time and whether the audit was on track for the November deadline. The External Auditor responded that, based on last years' experience, the audit work was completed by the end of November, but sign-off was delayed until February due to the need for a funding letter from MHCLG regarding EFS funding. He stated that obtaining this external confirmation remained the key risk to meeting the 30 November deadline, but otherwise the audit team had the resources and working relationship to deliver on time.

The Section 151 Officer thanked the external audit team for their work, acknowledged the risks, and noted that the Council was aiming to publish the accounts by the target date, but reserved the right to defer if necessary.

RESOLVED:

to note the 2025/26 Audit plans for Shropshire Council and Shropshire County Pension Fund.

11 Governance assurance: Audit and Governance Committee Work Plan 2026/27

The Committee received the Audit & Governance Committee Work Plan report. The Section 151 Officer explained that certain items, such as the accounts, treasury management, risk, and internal audit reports, were scheduled at specific times each year due to regulatory requirements, while other topics may be added based on Committee interest or risk assessment.

It was suggested that the Committee consider inviting senior directors by rotation to discuss governance and audit issues in their departments, to provide a more practical understanding of governance at the service level. Procurement and contract management were highlighted as areas of particular importance, with a suggestion to invite the Director of Commissioning for regular updates.

It was noted that procurement was a significant issue for the Council, with new capacity added to address previously poor resourcing. The Committee was encouraged to seek assurance on improvements in procurement and contract management. It was also

suggested that the Committee consider its role in the EFS process, noting that while Scrutiny and Cabinet had authority over policy, the Audit Committee should understand how decisions are made and how they integrate with the accounts.

A query was raised about whether the work plan was sufficiently focused on areas of highest risk, given the ongoing limited assurance position. The Section 151 Officer responded that internal audit covered only about 5% of Council activities, and that the Committee should focus on forward-looking assurance, particularly regarding budgeting, project management, and the EFS process.

It was requested that the EFS process and asset disposals be added to the work plan, emphasizing the need to scrutinize the governance and decision-making processes around these areas. It was confirmed that updates on progress with recommendations and assurance levels would be reported back to the Committee, and that the work plan would be updated accordingly.

It was noted that training sessions were available to provide further updates or informal discussions on specific topics.

RESOLVED:

to agree the work plan, subject to the inclusion of EFS process and disposals.

12 **First line assurance: Project Management Office Management Update**

The Committee received an update report on the Council's Corporate Project Management Office (PMO) and actions taken following the Internal Audit report on project management. It was noted that the audit had given a limited assurance rating and identified seven recommendations, four significant and three requiring attention, all focused on strengthening governance, consistency, and oversight of project delivery. The Service Director for Strategy and Change reported that all recommendations had been or were being addressed, with clear action plans in place, and progress was summarised in Section 4 of the report.

It was highlighted that the audit and subsequent improvement actions were taking place during a period of significant organisational change, including the adoption of the Council's improvement plan and new governance arrangements. The PMO was being repositioned to provide stronger assurance and clearer oversight, particularly in delivering transformation priorities and financial sustainability.

A query was raised about whether the actions would be delivered by the target date of 30 September. The Service Director for Strategy and Change confirmed they were on track, though the strategic context was evolving and challenging. In response to a query about whether the central project and benefits registers were fully live or still under development, it was explained that the registers were up and running but would continue to evolve, aligned to the budget transformation and change review panel.

A member requested examples of the top five projects currently overseen by the PMO and clarification on the inclusion of PMO project risks in reporting to the Audit Committee. It was explained that the PMO was focused on improvement plan delivery, and moving

forward would be focused increasingly on the key elements of the Council's transformation and change portfolio including children's and adults' transformation, digital programme, and asset programme. The central risk register would now be aligned with the corporate risk process, with an IT project underway to link the registers. Significant risks would be reported to the Committee as part of the annual risk management report.

RESOLVED:

to note the report and the offer for a future session on the evolving role and functionality of the PMO.

13 **Second line assurance: Annual Whistleblowing report**

The Committee received the Annual Whistleblowing Report, presented by the HR & OD Manager, providing assurance on the operation of the Council's arrangements for speaking up about wrongdoing. The report covered whistleblowing data for the financial year 2025-26, comparisons with previous years, and planned activities for 2026-27.

It was reported that 41 whistleblowing reports had been received, representing a 46% increase from the previous year. Of these, 35 were submitted by email, 3 by phone, and 3 by letter. The most frequently reported theme was council tax (14 cases), with other themes including staffing matters, theft, fraud, and safeguarding. Outcomes included 10 resulting in no case to answer, 4 referred to a third party, 2 resulting in management action, 2 involving recovery, 1 managed through another policy or procedure, and 2 cases remaining ongoing.

Developments included a review of the whistleblowing framework by the Department for Business and Trade and strengthened protections to include sexual harassment as a qualifying disclosure. Planned activities for 2026-27 included refreshing induction content for new starters, continuing internal communications, building posters, mandatory training on bullying and harassment, and alignment with national awareness initiatives.

The Committee raised several questions. Clarification was sought on the trends in reporting, specifically whether the increase in reports reflected an increase in wrongdoing or greater awareness. The HR & OD Manager responded that increased reporting was a positive indicator of awareness and accessibility, not necessarily an increase in wrongdoing. In response to a request, she agreed to consider adding a column for cases with outcomes excluding "no case to answer" in future reports.

A query was raised about the duration of ongoing investigations, and whether the increase in reports was affecting the speed of investigations. The HR Officer explained that investigation length depended on the complexity of the case and may involve fact-finding with partners or stakeholders and agreed to look at providing statistics on investigation duration in future reports.

The Chair asked how confidence in the whistleblowing process is measured beyond the number of reports received, and whether outcomes lead to process improvements. The HR & OD Manager explained that investigations were confidential and may involve various departments. Recommendations resulting from investigations were actioned within

relevant policies and procedures, leading to improvements and mitigation of risks. Some cases were resolved quickly, while others may take longer depending on complexity. The HR Officer agreed to consider providing comparative statistics on investigation speed in future reports and to discuss how best to present this information without compromising confidentiality.

RESOLVED:

to approve the Annual Whistleblowing Report and its recommendations.

14 Third line assurance: Internal Audit Performance Report

The Head of Policy & Governance presented the Internal Audit Performance Report, which provided an update on the audit work undertaken in the final quarter of the 2025-26 financial year. The report detailed that fifteen audit reports had been issued between January and March, with assurance ratings and service areas listed. Eleven draft reports were awaiting management responses and would be included in the next performance report. Work had also been completed on external clients and financial statements for several voluntary funds.

Of the reports issued, ten provided good or reasonable assurance, accounting for 67% of opinions delivered. In total, 117 recommendations were made across the 15 audit reports. No fundamental recommendations or unsatisfactory assurance opinions had been delivered during the final quarter, indicating a step change in assurance levels. Unplanned projects and advisory work not included in the original plan were also detailed.

Members expressed confusion regarding the debt recovery audit, noting that the report showed a negative direction of travel and sought clarification on the issues causing this decline. The Internal Audit Manager explained that the control objectives listed in Table 1 were those not achieved in the audit. The scope of the audit sets a number of control objectives, and those achieved are not included in the table. Members were reminded that they have access to all internal audit reports via the Committee member website, where individual recommendations could be reviewed. It was clarified that the direction of travel was negative because the previous audit had been assessed as reasonable, but the current audit was limited, indicating a breakdown in controls that were previously operating satisfactorily.

It was suggested that a manager responsible for debt recovery should attend a future meeting to explain what improvements had been made in response to the audit findings, as this was a fundamental role for the Audit Committee. The Section 151 Officer suggested providing a thorough written response to the Committee's questions and reserving a slot at the next meeting for a manager to attend and provide a detailed update. He noted that debt recovery was a complex area, covering council tax, business rates, elderly care, and parking enforcement, and that the written response would clarify which categories were being discussed and why the direction of travel was negative. Members clarified that the Committee's role was to receive a management response to the audit report and to question managers regarding improvements made, rather than to receive a general overview of debt recovery. The Chair agreed, stating that the Committee's role was to audit and ensure processes were in place to address the downward trajectory in debt recovery, rather than to discuss broader financial policy.

It was commented that from an external perspective, it would be concerning if the Council was making improvements in asset disposal while the number of debtors was increasing, as this would send a worrying message.

RESOLVED:

to endorse the Internal Audit Performance Report and to request that a management update report be bought back to the Committee identifying actions being taken to address the issues in the Debt Recovery audit.

15 Third line assurance: Internal Audit Annual Report 2025/26

The Head of Policy & Governance presented the Internal Audit Annual Report for the financial year 2025/26. The report provided a comprehensive summary of all internal audit work completed during the year, performance against the approved internal audit plan, and the annual opinion on the Council's framework for governance, risk management, and internal control.

The Head of Policy & Governance reported that internal audit had delivered strongly against the plan, remained compliant with global internal audit standards, and maintained independence throughout the year. Customer feedback was positive, with 93% satisfaction overall and 98% of feedback forms rated excellent or good.

A total of 60 final audit reports were issued, resulting in 421 recommendations. Of the assurance opinions issued, 52% were rated as good or reasonable, representing a reduction compared to the previous year. Conversely, there were 23 limited assurance and six unsatisfactory opinions, meaning that 48% of completed audits resulted in a lower level of assurance. The proportion of significant and fundamental recommendations had increased compared to last year.

The Head of Policy & Governance referred to Paragraph 8.19 of the report, which set out all the matters that he had taken into account in arriving at his annual opinion. As Chief Audit Executive, the Head of Policy & Governance's opinion for 2025/26 was "limited assurance," marking the seventh consecutive year with this rating. The opinion reflected the continuing presence of significant weaknesses, particularly in budget monitoring, risk management, workforce resilience, debt recovery, and contract management arrangements. However, the report also recognized that action had been taken during the year, including strengthened oversight of spending, increased financial reporting to Cabinet, establishment of a statutory officers group, reinforced expectations around compliance, and increased leadership focus on governance, accountability, and escalation of significant issues. Internal audit had adapted its plan to reflect changing risks, and the 2026/27 internal audit plan had been reviewed accordingly. Early signs of improvement were noted in the final quarter, with no unsatisfactory assurance opinions or fundamental recommendations, but the full impact of improvement activities had not yet embedded.

Members thanked the Head of Policy & Governance for the report and noted the trends in assurance opinions and recommendations. They observed that the number of unsatisfactory opinions was the lowest in seven years and suggested that the audit plan

was risk-based, meaning areas audited were more likely to have issues. They asked whether the seven years of limited assurance indicated persistent issues or whether new issues were emerging each year.

In response, the Head of Policy & Governance explained that the internal audit plan was based on risk and change within the organisation, and the areas audited could differ throughout the year and compared to previous years. The decision around the assurance level at year end was based purely on what had happened during the financial year. They clarified that "no assurance" would require catastrophic failure, such as a complete lack of a council constitution, governance mechanisms, financial rules, and a breakdown of controls, which was not the case. Therefore, the opinion was "limited assurance" and not "no assurance."

It was explained that the risk profile of the organisation changes year to year, and the issues identified may differ. Comparing to seven years ago would be incomparable, as the assurance level is based on the current year's findings.

The Internal Audit Manager provided further clarification on the definitions of assurance levels, referencing the breakdown of classifications in the report. She explained that "no assurance" would be issued if high-risk rated weaknesses were identified in assignments and observations, or if not enough audit work had been completed. She noted that the corporate governance audit was reasonable, indicating that the Council's assurance frameworks and policies were generally sound, but individual non-compliance with those policies was the issue. Reasons for non-compliance included culture, lack of consequences, changing priorities, and lack of resources.

The Chair commented that, as a newer member, it was important to track whether recommendations were being implemented and whether audit findings led to improvement, especially in areas like adult social care. They asked how to ensure that the audit work resulted in positive impact and improvement.

The Internal Audit Manager explained that the Committee could add value by inviting managers to provide updates on progress in implementing recommendations. Internal audit engages with management to agree actions and deadlines, and the Committee can follow up to understand reasons for delays or non-implementation.

RESOLVED:

A. to note the performance of Internal Audit against the 2025/26 Audit Plan.

B. to note that Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering Global Internal Audit Standards (GIAS) or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2025/26.

C. to note the Chief Audit Executive's Limited assurance year-end opinion on the Council's framework for governance, risk management and internal control.

D. to request the executive and senior officers to take the necessary action to address the weaknesses identified.

E. to note, despite the limited assurance opinion, the significant progress that the Council has made and continues to make since the announcement of the financial emergency, as evidenced especially in the Q4 performance report.

16 **Date and Time of Next Meeting**

Members noted that the next meeting of the Audit & Governance Committee would be held on Wednesday 15 July 2026 at 10am.

17 **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.

18 **Exempt Minutes of the previous meeting held on the 5 February 2026**

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 5 February 2026 be approved as a true record and signed by the Chairman.

19 **Third Line Assurance: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7)**

The Committee received the 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.

20 **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:

To note the contents of the report.

Signed ..... (Chairman)

Date: .....