AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 27 May 2026 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Present: Councillors H Morgan (Chair), N A M England and T J Nelson

In Attendance: M Brockway (Director: Finance, People & IDT), J Clarke (Senior Democracy Officer (Democracy)), T Drummond (Principal Auditor), R Montgomery (Head of Governance, Audit & Procurement), E Rushton (Head of Corporate & Capital Finance) and R Phillips (Head of Registrars, Public Protection, Legal & Democracy)

Apologies: Councillors G Luter, L Parker and W L Tomlinson

AU1 Declarations of Interest

None.

AU2 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 28 January 2026 be confirmed and signed by the Chair.

AU3 Audit Committee Terms of Reference

The Head of Governance, Audit and Procurement presented the report which sought adoption of the Committee's Terms of Reference for the 2026/2027 municipal year.

There was a requirement in the Council's Constitution that all committees annually review their Terms of Reference at the first meeting following Annual Council.

The Audit Committee Terms of Reference reflected the requirements of the council under the Local Audit & Accountability Act 2014 in respect of the appointment of External Auditors. There were only minor amendments to the Terms of Reference in relation to the new requirements on Global Internal Standards and the compliance with these standards to ensure Internal Audit maintained independence and objectivity.

Upon being put to the vote it was:

RESOLVED – that:

a) the report be noted; and

b) **the Audit Committee Terms of Reference for the 2026/2027 municipal year be adopted.**

AU4 Annual Governance Statement (AGS) 2025-26

The Head of Registrars, Public Protection, Legal & Democracy presented the Annual Governance Statement (AGS) for 2025/2026 which would accompany the annual accounts.

This was a statutory requirement under the Accounts and Audit Regulations 2015 and set out how the council was governed, how risks were managed and controlled. It formed part of the evidence base used to reassure the council and the public that the arrangements were fit for purpose and demonstrated the council's openness and accountability which was especially important.

The AGS covered the governance arrangements that operated between the 1 of April 2025 and the 31 of March 2026 drawn from across the organisation and externally. This included senior management and leader sign off, the oversight of internal audit and external audit, partners and inspection bodies who undertake inspections across the council throughout the year.

Governance and internal controls were designed to manage risk to a reasonable level of assurance and this was standard best practise. It was the aim of every local authority to achieve a reasonable level of assurance across the organisation.

In conclusion, the AGS showed the Head of Governance, Audit & Procurement gave a reasonable level of assurance that the council's governance arrangements and internal controls were fit for purpose and the strong internal insurance programme, internal audit work was risk based and aligned to recognise public sector standards.

In relation to enforcement there was no action taken by the Information Commissioners Office (ICO) against the council during 2025-2026. The External Auditors reported no significant weaknesses identified in value for money arrangements during the work completed and no actions were taken under their wider powers during the year.

The AGS also highlighted the wider evidence of organisational strength and service outcomes. This included being named LGC Council of the Year in 2025 and the receipt of funding in recognition of the council's Valour Armed Forces Centre. My Options Supported Housing Team also received an Outcome 1 from Ofsted.

Looking forward, it was good practice to have an action plan that demonstrated continuous improvement rather than standing still. The plan was targeted and practical and focussed on financial resilience and organisational change, strengthening consistency in performance, essential learning, workforce capacity and succession planning. The council continued in its mature approach towards data learning and cyber awareness.

Members were asked to approve the AGS and that, if approved, it be signed by the Chair.

During the debate it was encouraged that people looked at the detail of the report which showed the strong position of the council, particularly in relation to the reasonable level of assurance. There had been no action taken by the ICO and no significant weaknesses identified by KPMG, the External Auditors. It also referred to the council being awarded LGC Council of the Year, as well as the positive outcomes from Ofsted and the CQC. Some Members asked if there was the required level of competency and depth of knowledge amongst Members for the size of the budget that was being handled. It was asked if Officers were confident that the AGS was proper, accurate and satisfactory. Other Members enquired about staff capacity and if this was sufficient going forward.

The Chair responded that, in relation to competency and depth of knowledge, the Committee worked with officers and KPMG to expand their knowledge and that learning was continuous. The Committee had the opportunity to attend training during the municipal year, but if Members felt there were gaps in their knowledge these could be addressed. Both Internal and External Auditors had the oversight and worked closely with officers

The Head of Registrars, Public Protection, Legal & Democracy explained that in relation to the question on competency that the Constitution set out the purpose of Audit Committee which was to take responsibility for the oversight of both internal and external audits and ensure the council arrangements for corporate governance were in place. The AGS was an annual report which set out the basis on which the conclusion was reached and the checks and balances on which the metrics had been balanced. It was then brought before Committee for final sign off. Work was undertaken throughout the year to reach a reasonable level of assurance.

The Head of Governance, Audit & Procurement explained that the assurance set out in the AGS was reasonable assurance that the council was working effectively – it would be unrealistic to have absolute assurance as that would suggest that all risks were completed mitigated. It would be difficult for committee members to have the breadth and depth of knowledge that specialist financially trained staff and auditors have but the Committee can gain assurance through the work of KPMG who had not raised any concerns. In relation to staff capacity, whilst there was a need to operate within budgetary provisions, any plans in terms of savings were closely monitored and there were programmes of development and resilience planning in place

The Director: Finance, People & IDT gave Members assurance in relation to the competency of finance officers who were fully trained accountants and the team had a breadth of experience. The accounts had to be prepared in line with the finance and audit regulations and the CIPFA Code of Practice.

KPMG audit the accounts and were the independent check and balance and the council had a good history of unqualified accounts over many years. All of the key headlines from the budget were set out and the appendices of the Medium-Term Financial Strategy which includes a summary level of the budget movements from the previous year. In relation to recruitment, there were no current issues across the organisation in terms of challenges in recruiting staff. The council was always looking to bring in new people through apprenticeships schemes and career graded posts.

Upon being put to the vote it was, by a majority:

RESOLVED – that the Annual Governance Statement for 2025/26 be approved.

AU5 Draft Statement of Accounts 2025/26

The Head of Corporate & Capital Finance presented the unaudited Statement of Accounts for 2025/2026 which included both single entity accounts for the council and also consolidated group accounts which include NuPlace Ltd.

The accounts had been produced under the Accounts and Audit Regulations and the CIPFA Code of Practice which set out a requirement that the accounts be produced prior to 30 June, which the council had achieved. It was also a requirement that the accounts be made available for public inspection for 30 working days commencing on or before the first day of July. An advertisement would be placed in due course, together with notification on the council's website, alongside the draft Statement of Accounts.

An external audit of the accounts, undertaken by KPMG, would commence on 6 July with the audited Statement of Accounts being brought back to committee in the autumn for final approval on completion of the audit. Members were asked to review the Statement of Accounts and raise any queries with the Team. As usual, prior to the autumn meeting, a training session for members of the Committee would be held which covered details of the accounts and the outcomes of the audit process.

A summary of the outturn position was set out in the narrative of the report and this would be considered by Cabinet and Full Council at the appropriate stage.

During the debate, some Members asked in relation to staff growth, which departments had seen this growth and welcomed the position at the year end. Other Members felt that there was a lot of information to take in on the narrative and questioned the qualitative wording which it contained.

The Head of Corporate & Capital Finance did not have the staff growth figures to hand, but these could be supplied following the meeting.

R Walton, KPMG clarified that during the audit, the audit opinion expressly refers to the content of the Statement of Accounts. The Narrative Report was read and assessed by the external auditor to ensure that it was consistent with the external auditors' understanding of the council and if there were any statements that were considered to be out of context then these would be raised with the council. The nature of these documents tended to be positive, but challenge was undertaken when required.

Members noted the report.

AU6 **External Audit Fee Letter and Plan for 2025/26**

R Walton, KPMG, presented the External Audit Plan for the 2025-2026 year end.

The Plan would be very similar to that undertaken during the previous two years in format and content. He would be looking at how risks were clarified and in particular he would look at materiality.

In relation to the materiality, on page three of the report and the headlines, materiality was £14m but he expected that this could increase due to calculations of the council's assets and those of NuPlace and it was considered that a higher materiality figure would be acceptable for that.

Further in the report the council's materiality was recorded as £11.4m which was broadly similar to that of the previous reporting period and this had been rounded down to £11m.

On page 5 of the report, KPMG had listed three significant risks which had remained consistent with the previous year in relation to significant risk, this had been limited to the valuation of investment property due to the potential risks if these were to be incorrectly valued. This was not considered to be a significant risk, but this was still a very big number. Whilst Investment properties were still considered a significant risk they had been moved lower down in the risk profile.

New guidance had been introduced to try to simplify the way the valuations were processed to reduce the input required from professional valuers and auditors and the audit commentary reflected this. It was felt that the audit risk commentary reflected the intention of the change.

In relation to the external audit plan two areas that would remain the same were the presumed risk of management over the controls and the valuation of post-retirement benefits. These areas involved complex calculations and so would remain as a significant risk area.

The classification of risk between capital expenditure and non-capital expenditure had been changed to a standard audit procedural, but this would be kept under review. In relation to the risk of adoption of the IRFS 16 (Leasing), which was adopted last year, there were no matters to report so this work would not be considered.

The last area to flag was set out at page 10 of the report in relation to auditing standards for public sector bodies and the presumption that there was fraud risk in regard to expenditure recognition, but this was not considered a risk to this council.

During the debate, some Members thanked KPMG for their explanation of the work being undertaken, particularly in respect of valuations and the risk associated with this. It was asked if there had been a rule change during the last couple of years in relation to capital spending and the migration between capital and revenue. Other Members commented on migration between capital and revenue and the pressure officers could be under to find new money. In relation to the council's spending, some Members asked where in the accounts they could find the SEND accumulated deficit and how it was accounted for and was it at any point set against the liability. Was there a risk to other expenditure or would it appear in the council's net revenue figures or the wider council cash flow.

R Walton, KPMG, confirmed that there had been a regulation change in respect of the statutory override of the use of capital receipts. Where the council was deemed to make long-term efficiencies, the council could capitalise one-off costs to contribute towards those efficiencies.

The Director: Finance, People & IDT reassured Members that expenditure had to be accounted for as either revenue or capital. If it was revenue this would be accounted for in the revenue budget or alternatively capital would be set out in the capital programme, there was no cross over between the two. In relation to SEND this was unique as the government had allowed councils to disregard that overspend until 2028 and that sat within the unusable reserves in the accounts. The balance at year end was £9.2m and the government had set out that they would fund 90% of that figure upon approval of the Council's SEND Recovery Plan which had to be submitted by mid-June. If this was not underwritten in the future, then the cost would fall to the Council and would have to be met from other reserves.

Members noted the report.

AU7 Internal Audit Activity Report

The Principal Auditor presented the internal Audit Activity Report which set out the work undertaken by Internal Audit during the period of 1 January 2026 to 31 March 2026, together with an update on the reports previously issued.

During the reporting period, two reports had been issued, one having a limited amber grading and the other having a good green rating. In relation to the reports previously issued, two follow ups were in progress, three were completed and one had improved to a good green rating. Two further reports that had a reasonable grading were discussed; no follow up was required on one due to the low-risk recommendations that were in place and a further audit had been scheduled in 2026-2027 for the other. There were no concerns on the implementation of the recommendations and management continued to make improvements.

In relation to progress against the Internal Audit Plan, from a total of 48 audits, 16 were in progress, 15 had been completed and 16 deferred to the 2026-2027 plan.

Work continued on commercial contracts with a total of nine academy trusts and two town councils and the team were continually looking for other income opportunities.

The Chair welcomed the report and asked in relation to the audits and the recommendations how difficult it was to revisit the audits and were the teams proficient in looking at the recommendations.

The Principal Auditor confirmed that some recommendations were complex and may take a little longer to implement and there may be a necessity to complete more than one follow-up. Others were reasonable and good progress had been made and managers took the recommendations seriously.

During the debate, some Members welcomed managers acknowledging the seriousness of the audits and noted the good progress being made. It was asked if the issue in primary schools could be linked to a lack of knowledge around the accounting system. Other Members welcomed the ratings and asked what the PSP Register was for and had the work undertaken with academies grown over time.

The Principal Auditor confirmed that schools were improving and they got in touch with the team where there were issues. Preventative work took place which helped to stop issues occurring. It was confirmed that the PSP Register was the Health and Safety database for staff visiting high risk members of the public. In relation to academies, trusts buy in to the council services, some of them were quite large organisations and come from outside the borough. It was hoped that the council's good reputation and recommendations would bring forward more business.

Members noted the report.

AU8 Information Governance & Caldicott Guardian Annual Report

The Head of Governance, Audit & Procurement presented the Information Governance & Caldicott Guardian Annual Report which set out the work of Information Governance for 2025-2026, together with the work of the Caldicott Guardian and also set out the work for the 2026-2027 municipal year.

The council's information governance arrangements formed part of the overall good governance framework and these arrangements were covered by the Freedom of Information Act, Environmental Information Regulations, UK Data Protection Act and the UK GDPR.

During the reporting period, 76 more Freedom of Information Requests (FOIs) had been received compared to that in 2025-2026. Despite the increase and the complex nature of the requests, 85% of the FOIs were responded to within the 20-day period set by law. Environmental Information Requests, which were requests for information on areas such as noise and pollution, were down by 17 on the previous year and performance had increased to 89%. In terms of data protection, subject access requests were the biggest ongoing challenge in terms of being resource intensive. In relation to data breaches, there had been one data breach that met the threshold for reporting to the Information Commissioners' Office. This was currently being investigated and the outcome awaited.

In relation to the status of the Information Governance 2025/26 work programme, there had been good progress made throughout the year.

The role of the Caldicott Guardian was held by the Director for Adult Social Care and was crucial in overseeing the processing of social care data and having assurance that was undertaken legally and responsibly. Work was being undertaken to explore the use of technology and the implementation of Magic Notes had been well received.

During the debate, some Members asked how the ICO benchmarked the percentages and did the council have any data. Other Members asked, in relation to FOI requests, was there a pattern in where the requests came from and the reasons for them. It was also asked if the council could do something different to get information out there to prevent FOI requests coming in and was there a search tool or a database approach to look for information.

The Head of Governance, Audit & Procurement explained that he attended a West Midlands Regional Group of Information Governance professionals and that there was an ongoing benchmarking exercise. The council compared favourably with neighbouring authorities. In response to FOIs, it was difficult to give an accurate picture as some requests could be from a personal email, but this address could be linked to the press or a company. In response to the query regarding sharing information, officers confirmed that, in respect of contracting and transaction spend, the contractor register was available online showing payments over £100 and this assists in some requests for information. Some 90% of Subject Access Requests were from adults with children in care. In relation to searching there were certain tool that could be used but that was limited.

Upon being put to the vote it was, unanimously:

<u>RESOLVED</u> – that:

a) the Information Governance Annual Report for 2025/26 be noted;

b) the Caldicott Guardian Annual Report for 2025/26 be noted; and

c) **the Information Governance Work Programme for 2026/27 be agreed.**

AU9 Annual Corporate Anti-Fraud & Corruption Report

The Head of Governance, Audit & Procurement presented the Annual Corporate Anti-Fraud & Corruption report 2025-26 and the updated policy.

The anti-fraud and corruption work went towards the council's good governance and included specialist investigations into reported fraud, working alongside other teams such as housing benefit, trading standards and licensing. The investigation team had identified just under £283,000 in either fraud or customer errors and could involve council tax, supplier and employee fraud / error.

Within the team were two fully qualified and accredited investigators with one recently achieving qualifying to become an Accredited Financial Investigator and has demonstrated a lot of tenacity and skill. This would give the council more powers in obtaining specific financial information and potentially improve outcomes where fraud has been proven as well as being able to utilise powers under the Proceeds of Crime Act.

Internal Audit contributed to the prevention of anti-fraud and its detection through audits and if any item of note was raised from either the audit team or the investigation team it would be fed through to the Head of Governance, Audit & Procurement.

The report also set out information in relation to cyber fraud which was a national issue. Investigation work was undertaken in partnership with the Police who often gave the council high praise in terms of the work undertaken as it enabled them to investigate more quickly and efficiently.

There was a requirement to update the Anti-fraud and Corruption Policy every two years and be brought before Committee for approval. There had been some minor updates to the Policy to reflect some general good practice.

During the debate some Members welcomed the report and put on record their thanks to the Trading Standards Team who had put a lot of work into two really high-profile cases which was successful in ensuring the companies were no longer trading. It was asked in terms of challenges, and particularly in relation to the Economic Crime and Corporate Transparency Act, what preventative measures were likely to change how the work was undertaken on a day-to-day basis. Other Members asked if a table of information could be produced showing categories of money recovered and different types of fraud over the last five years that would show any trends and proportionality and was it felt that the council had captured most of the frauds or was it the tip of the iceberg. A further question was raised in relation to shops and the sale of vapes where irregularities were identified and how were the council tackling this.

The Head of Governance, Audit & Procurement said he was not envisaging a huge amount of change due to the council being fairly well-developed in the work undertaken. He considered that the devil would be in the details as it always was with new regulation or good practice. Once the Act had been embedded, they would be able to assess the impact it may have. If Members wished a report could be brought to a future meeting. In relation to the figures, proportionality and whether this was higher or lower than the previous year, these figures were reported annually and previous versions of annual reports could be viewed, but this figure could be included in the report as a reflection in future. The figures themselves were comparable. In relation to fraud, nationally they were only hitting the tip of the iceberg. Locally, it was proportional and there had been no material fraud picked up by the external auditors and where any fraud had taken place this had been thoroughly investigated and, where necessary, a lessons learned document produced to prevent similar fraud occurring in the future. A fraud Risk Register was maintained by senior Fraud Investigators and they were able to identify any direction of travel. Trends were found around social care fraud, direct payments and cyber fraud which was a national trend. The council were receiving more internal referrals bringing potential fraud to the team's attention which indicated that there was a good level of awareness across the organisation in terms of the potential for fraud although it should be noted that these referrals did not always result in confirmed fraud being identified.

The Head of Registrars, Public Protection, Legal & Democracy explained that in relation to a premises licence, the licensing regime that the government was bringing in regarding tobacco and vapes was not yet in force and the regulations were awaited to see exactly how it would work. Where a premises licence application was made, it was at this point that it was determined whether the applicant was a fit and proper person. Once the legislation changes were in place, as well as the mandatory licensing regime there will also be a regime for fixed penalty notices. Any referrals would need to be evidence based in order for an investigation to commence. There was a role for the Police in terms of fraud within the multi-agency work alongside trading standards.

Upon being put to the vote it was, unanimously:

RESOLVED: that

a) the content of the Anti-Fraud & Corruption Annual Report be noted; and

b) the Anti-Fraud & Corruption Policy be approved.

AU10 Joint Report on the Internal Audit Annual Report 2025/26 & The Audit Committee Report & The 2026/27 Annual audit Plan

The Head of Governance, Audit & Procurement and the Principal Auditor presented the Internal Audit Annual Report and the Audit Committee Work Programme Review or 2025/26 and 2026/27 and the Annual Audit Plan.

The work of Internal Audit and the Chief Internal Auditor, as set out in the Terms of Reference, was to review and monitor the progress and the activity undertaken and produce the Internal Audit Plan. A self-assessment would be presented to a future committee meeting to comply with audit standards.

Part of the role as Chief Internal Auditor, was to issue an audit opinion and the council had been given a reasonable assurance on the adequacy and effectiveness of risk management and internal controls and this could not be taken for granted.

The Principal Auditor set out details of the reports that had been issued and their gradings and how this compared to previous years.

During the reporting period, the yellow gradings had decreased slightly on the previous year. In 2025/26, 28% of the recommendations related to financial requirements in the Constitution which was an increase from the 2024/25 figure of 16% and Internal Audit would continue to remind services on the need to comply with those requirements. The percentage of policy and procedure recommendations had decreased with the percentage of legal recommendations remaining comparable to the previous year.

Although the Internal Audit Team had experienced some resource challenges during the year, staff had achieved 90% of the Audit Plan and had complied with the Global Internal Audit Standards which came into effect in April 2025. An assessment against these standards was required every five years and the council would be assessed in 2027. The Internal Audit Team monitored its performance using set key performance indicators which had all been met except for the draft audit reports being issued within 15 days which was attributed to the training of a new member of staff and answering additional questions raised at the draft report review stage. Performance monitoring was also undertaken during customer feedback and from those completed feedback forms received it showed that 100% of customers felt the service that had been received was excellent, very good or good.

Internal Audit continued to perform well and make a positive contribution board the council’s governance arrangements.

The Work Plan Review showed the work of the Audit Committee during 2025/26 which set out that the Committee had considered comprehensive agendas throughout the year in order to provide assurance on audit, governance, risk management, financial statements, and anti-fraud and corruption. The Committee recognised that the council would continue to experience significant challenges given the local government environment nationally and it must continue to provide assurance during 2026/27.

During the debate some Members asked about recruitment of staff and if there were many vacancies for internal auditors on the team and was it a niche market to try and recruit to, was there a time lag or were the council growing their own. Other Members felt in relation to the survey, what was being done or could be done to consider how the team make improvements if they were only ever getting 100% positive feedback.

The Principal Auditor explained that due to retirement and staff moving on the team had lost two experienced auditors and the new employees had limited experience and that they would be trained on the job along with more formal training specific to the role. One of the roles was a career-graded post through the apprentice scheme and they would qualify as an auditor hopefully next year. Although the staff had a lack of audit-specific experience, they were well versed in the realm of accounting and finance so even at the lower level they were very well qualified. In terms of audit questionnaires, these were issued at the end of every audit, to obtain feedback from the auditee as to how the internal audit service could be improved. There was not always a response received, but if any responses were negative, the would be followed up. The Team undertook self-assessments and aimed to learn from any mistakes for the future.

The Head of Governance, Audit & Procurement set out that the report before Members which contained additional information that had not been included in previous plans and the planned annual audit work now covered the governance arrangements for each year and that this contributed to the completion of the Annual Governance Statement. The Institute of Internal Auditors had topical requirements that they expected to be covered by the annual plan and these were aligned with resources and the auditable areas to establish the draft Annual Report. This was shared with the Senior Management Team for comment and this was then brought to Committee for approval. The 2026/27 Audit Plan had been revised into a new format.

Upon being put to the vote it was, by a majority:

RESOLVED – that:

a) **the Internal Audit Plan for 2025/26 be noted;**

b) **the Internal Audit Plan for 2026/27 be approved; an**

c) **the information provided regarding the work of the Audit Committee for 2025/26 be noted.**

AU11 Outline of Audit Committee Business for 2026-2027

The Chair asked Members to note the outline of business for the Audit Committee for the 2026/2027 municipal year.

The meeting ended at 7.57 pm

Chairman: --

Date: Wednesday 15 July 2026