

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Wednesday 28 May 2025 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG**

**Present:** Councillors H Morgan (Chair), C Chikandamina (Vice-Chair), N A M England and G Luter

**In Attendance:** M Brockway (Director: Finance, People & IDT), J Clarke (Senior Democracy Officer (Democracy)), T Drummond (Principal Auditor), A Lowe (Director: Policy & Governance), R Montgomery (Audit, Governance & Procurement Lead Manager) and E Rushton (Group Accountant)

**Also in Attendance:** Duncan Laird (External Auditor KPMG).

**Apologies:** Councillors L Parker, T J Nelson and W L Tomlinson

#### **AU1      Declarations of Interest**

None.

#### **AU2      Minutes of the Previous Meeting**

**RESOLVED** – that the minutes of the meeting held on 29 January 2025 be confirmed and signed by the Chair.

#### **AU3      Audit Committee Terms of Reference**

The Audit, Governance & Procurement Lead Manager presented the Audit Committee Terms of Reference.

It was a requirement of the constitution to undertake an annual review of the Terms of Reference at the first meeting of the municipal year. There were no changes to the Terms of Reference from the previous year and Members were asked to approve the Terms of Reference for the 2025/26 municipal year.

Upon being put to the vote it was, unanimously:

**RESOLVED:** that the Terms of Reference for the Audit Committee for the municipal year 2025/2026 be approved.

#### **AU4      Annual Governance Statement 2024/25**

The Director: Policy & Governance and the Audit, Governance & Procurement Lead Manager presented the Annual Governance Statement 2024/25 (“AGS”) which would accompany the annual accounts and the Local Code of Good Governance.

To complete the AGS, Internal Audit had undertaken a review of the Council's adherence to the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. To check compliance with this they had issued assurance certificates containing governance-related questions to all Service Delivery Managers, with sign off from Directors and Executive Directors. Sample testing was undertaken for accuracy.

The Annual Governance Statement and Local Code of Good Governance outlined that the Council had a robust governance framework in place and demonstrated the continual review of procedures in order to maintain good governance. Where any development was required, an action plan would be devised and monitored throughout the year which would be reported to the Committee in January 2026.

Based on the outcome of the AGS, the work of Internal Audit and other external assessments, the Chief Internal Auditor gave a reasonable level of assurance on the Council's governance arrangements, reflecting a robust framework despite the challenging economic climate. This was a testament to the hard work of the team and the wider organisation.

Members welcomed the report and thanked the teams for their hard work which had not gone unnoticed.

Upon being put to the vote it was, unanimously:

**RESOLVED – that:**

- a) the report be noted;**
- b) the Annual Governance Statement 2024/25 be approved; and**
- c) the Local Code of Good Governance be approved.**

**AU5      Draft Statement of Accounts 2024/25**

The Director: Finance, People & IDT informed Members that under the Accounts and Audit Regulations, the Statement of Accounts must be produced by 30 June 2025, which had been achieved. The Statement had been produced in accordance with the CIPFA code of practice and draft Statement of Accounts for 2024/25 had been published on the website; the outturn position had not yet been presented to Cabinet or Full Council. The document was lengthy and complex and included consolidated group accounts for NuPlace. Members were encouraged to review the statements and raise any queries with the Finance Team.

The audited Statement of Accounts would be brought back to Committee in the autumn for final approval, once the audit had been completed. Prior to the accounts and audit findings being presented, a training session would be held for Members.

The Statement of Accounts must be made available for public inspection for 30 working days. An advertisement would be placed on the Council's website and in the Shropshire Star detailing the dates for inspection.

The External Auditors, KPMG, would be undertaking the audit work and report their findings during the year.

Members were asked to review the unaudited statement of accounts for the year ending 31 March 2025.

Members welcomed the report and commended the team for their efforts, particularly given the position nationally in relation to the deadline for Statements of Account.

The report was noted.

#### **AU6      External Audit Fee Letter and Plan for 2024/25**

KPMG, External Auditors, presented the Audit Plan.

The report was divided into two main responsibilities: giving an opinion on the financial statements and providing a value for money (VFM) conclusion. This looked at the arrangements for sustainability, governance, economy and efficiency and effectiveness.

In relation to materiality, this was used to determine if there were any significant errors in the accounts and if they warranted any concern. The threshold was set at £11.5 million for the Group Accounts and £11.4million for the Council.

The materiality level for misstatements is £575k for the Group Accounts and £552k for the Council, errors corrected or uncorrected above these levels will be reported to the Audit Committee.

The significant risks and other risks were broadly similar to previous years, focusing on areas of the accounts such as assumptions that could change numbers (ie discount rates or inflation). Valuation of land and buildings involved calculations and assumptions about future years, often requiring input of internal specialists. There was a potential for the override of controls which was also highlighted as a significant risk.

Two other risks to be highlighted were the adoption of IFRS16 leasing accounting and the difference between revenue expenditure and capital expenditure.

In relation to Value for Money (VFM) work, KPMG were pleased to report that this was progressing well. Initial assessment had indicated there were no significant risks. Ongoing work throughout the audit would continue to support this conclusion. The commentary on VFM formed the basis of the auditor's

annual report which set out to inform the public about the audit work undertaken and the conclusions reached regarding the Council's arrangements.

The audit fee for 2024/25 as set out in the PSAA scale of fees was currently £338k, however there would be fee variations for ISA600 and IFRS16. There could also be additional fees if any significant risks were to be identified as part of the VFM assessment.

Members welcomed the report and the very robust Audit Plan. Some Members felt it would be useful to have training, particularly to understand the terminology and acronyms used and welcomed the training that would be provided by the Finance Team at a future meeting. They thanked the Team for being helpful and encouraging and clarifying any queries.

The report was noted.

## **AU7      Internal Audit Annual Report 2024-25**

The Principal Auditor and the Audit, Governance & Procurement Lead Manager presented the Internal Audit Annual Report 2024-25, the Audit Committee Annual Report, 2024-25 and the 2025-26 Annual Audit Plan.

Planned resources of 610 days had been allocated, but due to some unplanned assignments some of the audits had been deferred and this amended the total planned time to 422 days. Audit Committee had been kept updated during the municipal year and at the end of 2024/25 some audits had been rescheduled.

The Chief Internal Auditor Annual Opinion gave reasonable assurance as set out in the report.

In relation to report issues and gradings, green, yellow and red reports had decreased but there had been an increase in amber reports from the previous year.

The Internal Audit team had achieved or exceeded all of its KPIs that had been set and customer satisfaction surveys showed a 100% satisfaction rate

The Internal Audit Plan 2025/26 set out details of the Council's statutory obligation to provide assurance as part of the its corporate governance framework and effective management of risks. To ensure effective use of resources, reasonable assurance was provided through the development of the annual Audit Plan. The Plan was risk-based with areas of concern identified by management and from intelligence-led information. The Plan had been drawn up on available resources and 628 days plus a two percent contingency had been allocated for 2025/26, although the Plan remained dynamic and could change throughout the year.

In response to a question regarding preventative measures that were in place to prevent fraud and misuse of public monies or public resources, Members were informed that there had not been many cases. There were good open channels of dialogue where any concerns could be highlighted.

Members were also advised that the Council ensured that the right controls were in place in respect of direct payments to ensure that assessments were, and remained, accurate and valid. There was an ongoing role for the Financial Case Management Team to ensure the spend was appropriate. An audit of Direct Payments is planned during 2025/26, to provide assurance to the Committee that processes are being followed.

Upon being put to the vote it was, unanimously:

**RESOLVED - that:**

- a) the Internal Audit Annual Report for 2024/25 be noted;**
- b) the Internal Audit Plan 2025/26 be approved; and**
- c) the operations of the Audit Committee for 2024/25 be noted.**

**AU8      Internal Audit Activity Report**

The Principal Auditor presented Internal Audit Activity Report which updated Members on the progress made against the 2024/25 Internal Audit Plan and the recent work of Internal Audit.

In relation to the work undertaken by Internal Audit between 1 January 2025 and 31 March 2025 and the progress on previous reports issued, six reports had been issued: one red, one amber and four yellow reports. Follow up audits would take place at the appropriate time. Where follow up audits had taken place, gradings had improved.

The 2024/25 Plan had approved 46 audits. Eight audits were currently in progress, eighteen had been completed and nineteen audits had been deferred.

Commercial contracts with Academies continued to progress.

The report was for noting.

**AU9      Information Governance & Caldicott Guardian Annual Report**

The Director: Policy & Governance and the Audit, Governance & Procurement Lead Manager presented the Information Governance & Caldicott Guardian Annual Report which provided an update and asked for approval of the Information Governance (IG) Work Programme for 2025/26.

The Local Authority Data Handling Guidelines recommended that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and had responsibility for ensuring that management of information risks were weighted alongside the management of other risks facing the Council such as financial, legal and operational risk. The nominated SIRO was the Director: Policy & Governance.

It was a requirement that an annual report be prepared in order to give assurance that there were clear, robust processes in place to allow for any relevant risks to be raised to the organisation and that the Council was an ethical and responsible authority.

The Council was required to comply with three main pieces of legislation being the Freedom of Information Act 2000, Environmental Information Regulations 2004 and UK Data Protection Act 2018/UK GDPR in respect of public sector information which supported all of the services across the Council.

During 2024/25 the Council had received 1,262 Freedom of Information (FOI) requests which was an increase of 22% on the previous year. Of those received, 86% had been responded to within the 20 working day deadline which was marginally lower than the target set, although an improvement on the previous year.

There had been three referrals from the Information Commissioner's Officer (ICO) during 2024/25 where the public had been dissatisfied with the response from the Council. Although these did not require any action as a Council, one had been escalated to the first-tier tribunal which fell in favour of the requester and further information was released.

In relation to Subject Access Requests, 136 had been received during the reporting period which was an increase of 32 on the previous year with 96% being responded to on target which exceeded the ICO target.

The Director: Adult Social Care was allocated to the role of Caldicott Guardian who was the Senior information Risk Owner overseeing the use of data in the authority in order to meet good governance within the Council and actively supported efforts to enable information sharing where appropriate and advise on lawful and ethical processing options.

During the debate, Members welcomed the report and noted the Council was not shying away from the use of AI but embracing it whilst balancing the risks. It was asked if the Council required legislation from central government in order to use additional AI technology. In relation to FOI requests, were there repetitive and trending questions and did this impact on the reason for the increase. It was asked if there was any AI that could be used to reduce the workload for staff in relation to the FOIs which were draining on resources and time consuming.

The Director: Policy & Governance explained that there was no need for additional legislation in relation to AI but that it would need to be used responsibly and ethically. The Business Intelligence Team looked at where data could be used and where informed consent was given how the Council could utilise this to maximise efficiency.

The Director: Adult Social Care informed Members that the authority was currently looking at the use of Magic Notes with testing being carried out on how it interacted with client-based systems and compliance with data protection. Within Adult Social Care, work was being undertaken with the Making it Real Board looking at data, transcribing and records systems and the practical use of AI.

In relation to FOI requests, the Audit, Governance & Procurement Lead Manager indicated that there was no clear reason or theme for the increase in requests but peaks and troughs of interest or things occurring locally. Neighbourhood and enforcement and adult social care were more prevalent. The use of AI could not be discounted as a tool, but the law did allow the Council to refuse a request if it would be more than 18 staff hours and exemptions could be put in place if there were multiple requests from the same person on the same topic.

The Director: Policy & Governance noted that the FOI framework was a useful tool in enabling scrutiny of the work of the Council.

Upon being put to the vote it was, unanimously:

**RESOLVED – that:**

- a) the Information Governance & Caldicott Guardian Annual Report for 2024/26 be noted; and**
- b) the Information Governance Work Programme for 2025/26 be approved.**

**AU10      Corporate Anti-Fraud & Corruption - 2024/25 Annual Report and Policy**

The Audit, Governance & Procurement Lead Manager presented the Corporate Anti-Fraud & Corruption - 2024/25 Annual Report which detailed the activity which had taken place and set out the Policy which required approval.

The Annual Report and associated policy supported a key element of good corporate governance – Standards of Conduct and ensured those aims associated with it maintained the high standards of ethics and conduct in public life.

The report contained information in relation to counter fraud and investigation activities within the borough during the 2024/25, undertaken by the

Investigation Team along with Internal Audit, IDT Services and the work that other enforcement teams completed in tackling specific types of fraud. The outcome of the work had returned money to the Council or had ensured future spend had been stopped in the sum of £305,000 which demonstrated the value of preventative activities to stop fraud.

For Member information, there were currently two live investigations that were being looked at regionally due to their scale and complexity, but that the majority of cases were handled internally.

The Anti-fraud and Corruption Policy required approval every two years in order to retain the standards and help limit fraud and corruption.

During the debate, Members welcomed the report and asked if the Council had been involved in any covid fraud investigations locally. It was also asked if single occupancy council tax discount claims were a big issue, where claimants were found not to be living alone. How much work went into reclaiming low value fraud and how did the Council claim back its resource and what proportion did it receive.

The Audit, Governance & Procurement Lead Manager confirmed that in relation to covid fraud, the Council were involved in emergency measures initially when grants were given out. The team has been involved with investigating a small number of suspected frauds. There was currently nothing in the work programme as this work would now be taken up centrally by the government. In relation to single occupancy, value was not a huge issue, many claims were relatively small and not material for accountancy purposes. They did, however, take up a lot of resource and the Team regularly looked at ways to reduce this through proven processes. Where fraud took place, a vetting process was undertaken to confirm what size was the fraud, how strong was the information and how likely it was to be successful.

The Director: Policy & Governance informed Members that there was initially limited guidance for the authority in relation to Covid grants and the Council was really clear that processes needed to be in place from the start. By being proactive, a number of transactions were prevented from being paid and where investigations took place the Council acted quickly in getting payments returned or preventing payments being made. Any current frauds were being dealt with nationally. In relation to single occupancy, not everything was fraud, but it did take a lot of time having to track back through records and it was often an initial genuine claim but at a particular point a failure to notify change in circumstances. The Fraud Team was small, and resources needed to be used efficiently in order to look after the public purse. The Council needed to remain proactive whilst balancing prosecutions ethically and within policy, directing resources where they were needed. National initiatives such as data matching with the DWP and fraud initiatives helped deliver and direct the resources.

Upon being put to the vote it was, unanimously:

**RESOLVED – that:**

- a) the 2024/25 Annual Report on corporate anti-fraud and corruption activity be noted; and
- b) the Anti-Fraud & Corruption Policy be approved.

**AU11      Outline of Business for 2025/2026**

Members were asked to note the outline of business for the 2025/26 municipal year.

The meeting ended at 7.11 pm

**Chairman:** .....

**Date:**            Wednesday 16 July 2025