

**Committee and Date**

Audit Committee

12 September 2019

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 JULY 2019**1.30 - 2.30 PM****Responsible Officer:** Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillor Peter Adams (Chairman)

Councillors Ioan Jones, Chris Mellings, Brian Williams (Vice Chairman) and Michael Wood

26 Apologies for Absence / Notification of Substitutes

No apologies for absence were received.

27 Disclosable Pecuniary Interests

27.1 The Chairman reminded Members 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.

28 Public Questions

28.1 No public questions had been received.

29 Third line assurance: Findings Report Shropshire Council 2018/19

29.1 The Director of Finance, Governance and Assurance (Section 151 Officer) introduced his report – copy attached to the signed Minutes – which set out the amendments made to the 2018/19 Statement of Accounts following an audit by the Council's External Auditors, Grant Thornton. The Director of Finance, Governance and Assurance (Section 151 Officer) went on to explain the changes made to the Statement of Accounts as a result of the McCloud Judgement.

29.2 The Committee received the report of the External Auditor – copy attached to the signed Minutes – which summarised the key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2019. The report also set out the value for money conclusion for the Council.

29.3 The Engagement Lead explained that in light of the McCloud judgement a revised actuarial assessment had been requested to consider the impact on the Pension Liability, however this did not affect the General Fund balance. Turning to the valuation of Property, Plant and Equipment, the Engagement Lead reported that they

had almost completed this part of the audit however as it had not been revalued, there was a clear risk that things may have changed. This work was expected to be completed by the end of the week.

- 29.4 The Engagement Lead informed the Committee that in relation to the JPUT, which was a complex accounting arrangement, there was a disagreement between the Council and External Audit about how to treat £1.5m. He reported that the value of the three shopping centres had decreased by £11m year on year. A full valuation report had been received the previous week and the External Audit Valuers had been asked to check it. This was expected to be completed in the next couple of days.
- 29.5 In response to concerns that the valuation would not be complete when the Statement of Accounts was presented to Council later that week, the Director of Finance Governance and Assurance (Section 151 Officer) explained that this was due to the faster close down of the accounts, and although Full Council had been arranged as late as possible there was always a risk that the audit would not be completed in time as work would continue up until 31 July, however the Director of Finance, Governance and Assurance (Section 151 Officer) had delegated authority to make any necessary adjustments. In reality however, the Statement of Accounts stood up on their own and External Audit did not expect any adjustments to be required in relation to the JPUT.
- 29.6 In response to a query in relation to the McCloud judgement, the Director of Finance Governance and Assurance (Section 151 Officer) explained that a technical adjustment had been made in this year's accounts but that it would not become an issue until the full actuarial valuation was undertaken and so would impact next year's accounts.
- 29.7 Turning to the Value for Money Conclusion, the Engagement Lead drew attention to the key risks in the arrangements for financial resilience going forward, detailed on page 18 of the report. A funding gap of £12.43m had been identified in 2020/21 and the Council needed to respond effectively to this challenge. The Engagement Lead felt that the Council had been quite adaptive to its savings strategy but now needed to make some hard decisions about levels of service delivery.
- 29.8 In response to a query, the Director of Finance, Governance and Assurance (Section 151 Officer) explained how savings proposals were identified and how the Audit Committee could review that process to consider how robust it was. Members requested a training/briefing session to help them understand the process and concern was expressed at the Council's apparent track record of an element of non-delivery of savings.
- 29.9 In conclusion, the Engagement Lead advised that he anticipated giving an unqualified opinion, along with an unqualified value for money conclusion.
- 29.10 A brief discussion ensued in relation to both the Task and Finish Group set up by the Performance Management Scrutiny Committee and the Council outturn report which showed an underspend of £167k which was very close to budget but hid the overspend in Children's Services. The Director of Finance, Governance and Assurance (Section 151 Officer) explained the reasons for this and that the starting point of the Task and Finish Group would be to look at both Children and Adult Services to see what could be done to start to address the growth in these areas.

29.11 The Director of Finance, Governance and Assurance (Section 151) Officer responded to queries in relation to future funding and the three shopping centres. He explained that the impact of the valuation did not affect the revenue account or the general fund balance. It would only be an issue if the Council were looking to sell the assets however it was not looking to sell them and although the valuation of the shopping centres was likely to continue to fall, the Council was looking to reposition/repurpose those assets.

29.12 **RESOLVED:**

- A. That the contents of the Audit Findings Report be noted;
- B. That the changes to the 2018/19 Statement of Accounts be noted.

30 **Date and Time of Next Meeting**

30.1 **RESOLVED:** That it be noted that the next scheduled meeting be held on Thursday 12 September 2019 at 1.30 pm.

Signed (Chairman)

Date: