



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 22 nd February 2022	<u>Public</u>

Third line assurance: External Audit, Audit Progress Report and Sector Update

Responsible Officer

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1. Synopsis

This report provides Audit Committee with an update on progress by Grant Thornton in delivering their responsibilities as External Auditors for Shropshire Council, and other relevant updates and emerging issues.

2. Executive Summary

2.1. Grant Thornton is responsible for providing external audit services for Shropshire Council. During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. They are contracted to provide the following services:

- 2.1.1. Audit of Statement of Accounts (SoA)
- 2.1.2. Reporting on Value for Money (VfM) arrangements in place during a financial year
- 2.1.3. Other audit roles and responsibilities under the NAO Code of Audit Practice and the Local Audit and Accountability Act 2014
- 2.1.4. Other paid for services (e.g. grant certification work which is undertaken under separate terms of engagement.)

2.2. The document attached at Appendix 1 covers the following areas:

- 2.2.1. 2020-21 SoA Audit progress
- 2.2.2. VfM progress
- 2.2.3. Progress regarding grant claims
- 2.2.4. Sector update

3. Recommendations

It is recommended that Members:

- 3.1. Receive and comment on this report and the attached External Audit, Audit progress report and sector update

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of any risk assessment undertaken in the approach to the work undertaken, and any significant risks identified are contained within the attached appendix.

5. Financial Implications

- 5.1. Proposed External Audit fees by Grant Thornton in their Audit Plan for the financial year 2020-21 are £167,061.
- 5.2. Details of any review or amendment to audit fees will be discussed with the relevant responsible officer and reported to this committee.
- 5.3. Funding for the fees listed above is provided for within the Council's budget.

6. Climate Change Appraisal

- 6.1. There are no direct implications for Climate Change contained within this cover report or attached documents.
- 6.2. At the present time there is no specific requirement for external auditors to take climate change implications into account within their work or to report this within Value for Money judgement.

7. Background

- 7.1. Grant Thornton have substantially completed the audit of the 2020/21 financial statements. There are a couple of areas where Grant Thornton are still seeking reasonable and appropriate audit evidence to resolve final queries and one material audit finding to bring to the Audit Committee's attention.
- 7.2. These are:
 - 7.2.1. Gross Internal Areas (GIAs) - Evidence to support property GIAs was an outstanding item reported to the November

Audit Committee. This evidence has now been provided. This has resulted in a £12.1m adjustment to the financial statements and a £4.5m extrapolated error which has not been adjusted for.

- 7.2.2. The Controc¹ system administers payments to care providers of approximately £125m for adult services. Grant Thornton's testing is focussed on the evidence underpinning the approvals within Controc itself, specifically evidence to support both the Occurrence and Accuracy of transactions. Despite several attempts, including officers contacting care homes directly Grant Thornton has not yet been provided with appropriate evidence to support the transactions selected. On this basis they are currently unable to conclude on this area of the audit.
- 7.2.3. Exit packages – Grant Thornton's work in this area continues.
- 7.3. The Council's Housing Benefit Certification grant claim is now complete however work continues in relation to the Pooling of Housing Capital Receipts and Teachers Pensions returns.
- 7.4. Sector updates are included in relation to:
- 7.4.1. Supporting local economic growth: Department for Levelling up, Housing & Communities
- 7.4.2. Consultation - Changes to the capital framework: Minimum revenue Provision

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Brian Williams, Chair of Audit Committee

Local Member

All

Appendices

Appendix 1 - External Audit, Audit progress report and sector update

¹ System supports adults' and children's social care finance teams with the process of managing contracts and budgets, making payments and collecting contributions. It is designed to integrate with case management systems, such as Liquidlogic, and the corporate finance system