



<u>Committee and Date</u>
Audit Committee

<u>Item</u>
<u>Public</u>

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

Responsible Officer James Walton
 e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

This paper provides the Audit Committee with a report on progress by Grant Thornton in delivering their responsibilities as Shropshire Council's external auditors.

2. Executive Summary

The paper includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Key points relating to the Audit Progress Report and Sector Update for the years ended 31 March 2021 and 31st March 2022 are as follows:

2.1. Year ended 31st March 2021

With respect to the financial statements a key risk remains where External audit work is not yet complete; this being;

- Infrastructure assets - there have been preliminary discussions with Council Officers and supporting working papers have been provided to Grant Thornton. The Council, and indeed the country, is currently awaiting the outcomes of the CIPFA Urgent consultation on proposed changes to the Code before relevant amendments can be made to the

financial statements. Grant Thornton will then complete its audit procedures.

Upon conclusion of the above, audit closedown procedures will be completed and an updated Audit Findings report will be issued. Grant Thornton and Council officers are meeting regularly to ensure audit queries are resolved as soon as possible. This will enable us to move forward with the 2021/22 financial statements audit programme of work.

2.2. Year ended 31st March 2022

Audit planning work for 2021/22 has been started. As detailed in the report this is not at a stage where Grant Thornton can formally issue their Audit Plan for the 2021/22 financial year however this work does indicate the following potential significant risks on which their audit work may focus:

- **Revenue recognition** may be misstated due to the improper recognition of revenue.
- **The risk of management over-ride of controls** is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.
- **Valuation of land and buildings** - This valuation represents a significant estimate in the financial statements due to the value involved (£992 million in the Council's balance sheet as at 31 March 2021)
- **Valuation of net pension liability** - The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£541m in the Council's balance sheet as at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions

Recommendations

It is recommended that Members:

Receive and comment on this report and the attached Audit Progress Report and Sector Update.