



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

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

## **Third line assurance: External Audit: Informing the Audit Risk Assessment**

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### **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**

- 2.1 The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council's external auditors and the Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where Grant Thornton are required to make inquiries of the Audit Committee under auditing standards.
- 2.2 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.
- 2.3 This two-way communication assists both Grant Thornton and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.4 Key areas covered within this report are as follows :

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

2.5 The report includes a series of questions on each of these areas and the response Grant Thornton has received from Shropshire Council's management.

2.6 The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

### **3. Recommendations**

3.1 It is recommended that Members:

- A. Receive and comment on this report and the attached Informing the Audit Risk Assessment document.

### **4. Risk Assessment and Opportunities Appraisal**

4.1 Details of the risk assessment undertaken and significant risks identified are contained within the attached Informing the Audit Risk Assessment

### **5. Financial Implications**

5.1. External Audit fees of £167,061 are detailed in the Audit Plan alongside associated non-audit fees of £21,100. The Audit Fees are based upon scale fees published by PSAA.

5.2. Funding for the fees listed 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.

**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**

1. Informing the Audit Risk Assessment