



Committee and date  
Audit Committee

24 November 2022

Item

Public

## **Third line assurance: Draft Annual Audit Findings Report**

**Responsible Officer** James Walton

Email: james.walton@shropshire.gov.uk Tel: (01743) 258915

---

### **1. Synopsis**

This report sets out the progress with the audit of the Statement of Accounts for 2021/22, the current findings arising from the audit, and the timeline for the audit opinion being agreed for the accounts.

### **2. Executive Summary**

2.1 The timetable for producing the 2021/22 Statement of Accounts is detailed below with the current status of the key tasks:

<b>Task</b>	<b>Responsible Organisation</b>	<b>Deadline</b>	<b>Current Status</b>
Produce and approve Draft Accounts	Local Authority	31 <sup>st</sup> Jul 2022	This was completed on 20 <sup>th</sup> July 2022
External Audit	External Audit (Grant Thornton)	18 <sup>th</sup> Jul – 30 Nov 2022	Whilst the initial work commenced in July, there have been a number of delays experienced over the course of the audit.
Approve and Publish Audited Accounts	External Audit / Local Authority	30 <sup>th</sup> Nov 2022	Planned for January 2023 as awaiting statutory instrument for infrastructure assets which affects the opinion.

2.2 As outlined earlier in the year, the sign off of the 2020/21 accounts is still subject to the outcome of the CIPFA Task and Finish Group regarding how local authorities account for Infrastructure assets. It is envisaged that a

statutory instrument surrounding this item will now be passed through Parliament at the end of the 2022 calendar year and, as this also impacts the 2021/22 accounts, an audit opinion cannot be provided until January 2023 at the earliest.

- 2.3 Despite this external delay on the audit opinion, the audit on the Statement of Accounts has still been progressing and is substantially complete although there are some final audit queries still being worked through with the external audit team and a final review of the audit is still to be performed.
- 2.4 In order to provide an update on the current audit findings, Grant Thornton have produced an Interim Audit Findings Report. The Interim Draft Audit Findings Report is attached to this report as Appendix 1.

### **3. Recommendations**

- 3.1 Members are asked to receive and comment on the Interim Draft Audit Findings Report and to confirm their agreement to an additional Audit Committee Meeting in January 2023.

## **REPORT**

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

- 4.1 Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Interim Audit Findings Report highlights the audit work that has been focussed on the significant risk areas identified for the 2021/22 audit.

### **5. Financial Implications**

- 5.1 The projected external audit fee for 2021/22 is set out in the Interim Audit Findings Report. This identified that additional costs are being projected over and above the scale fee initially set for 2021/22.

### **6. Climate Change Appraisal**

- 6.1 Nil; this report does not directly make decisions on factors related to climate change.

### **7. Background**

- 7.1 The external audit by Grant Thornton began on 18<sup>th</sup> July 2022 and was originally anticipated to be substantially complete in late September.

However due to a number of unforeseen circumstances the audit work was delayed over the course of the summer and so has resulted in the majority of the audit work being carried out in late August – November.

- 7.2 During the last audit round, a challenge was raised over treatment of infrastructure assets in local authority accounts. A national task and finish group was established to address how infrastructure assets (usually highways) are derecognised from accounts following replacement expenditure. It is expected that a Statutory Instrument will be passed through Parliament in relation to this, however this is unlikely to come into force until late December. The impact of this will be needed to feed through into the 2020/21 Statement of Accounts, which is still open to audit, and the 2021/22 Statement of Accounts.
- 7.3 It is therefore proposed that a single item Audit Committee is established for January 2023, where the final Audit Findings Report for the 2020/21 Statement of Accounts and the 2021/22 Statement of Accounts can be considered. Also, a final audited copy of the two sets of accounts will also be presented outlining all the changes that have been made during the course of the two audits. This will allow Audit Committee to approve the two sets of account, prior to final publication of the audited Statement of Accounts.

## **8. External Audit Opinion**

- 8.1 Grant Thornton are expected to provide an unqualified audit opinion on the 2021/22 Statement of Accounts and therefore should report as follows.

“In our opinion:

- the financial statements give a true and fair view of the financial position of the Authority and Group as at 31 March 2022 and of the Authority’s and Group’s expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.”

- 8.2 Grant Thornton have produced the Interim Audit Findings Report on the 2021/22 Statement of Accounts based on the audit work to date, and this is attached at Appendix 1.
- 8.3 The Interim Audit Findings Report does include a number of recommendations relating to the audit of 2021/22 accounts, but also a follow up of audit recommendations made in prior years that have not been progressed. A number of the recommendations not addressed relate specifically to IT controls, and following the recent appointments of the

Assistant Director of Finance and Technology and the Head of Automation and Technology, progress is now being made in all areas, and will continue to improve over the coming months. Formal management responses to these recommendations will be provided for the Final Audit Findings Report to be considered in January 2023.

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

Approval of the Council's Statement of Accounts 2021/22  
CIPFA's Code of Practice (Code) on Local Authority Accounting  
CIPFA/SOLACE guidance on the Annual Governance Statement  
Revenue and Capital Budget 2021/22

**Cabinet Member (Portfolio Holder)**

Brian Williams, Chair of Audit Committee

**Local Member**

All

**Appendices**

1. Interim DRAFT Audit Findings for Shropshire Council