

External Auditor's Annual Audit Letter

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

The Annual Audit Letter attached at Appendix 1 summarises the main findings from the work undertaken by the external auditor for the year ended 31 March 2020, and brings the audit process for 2019/20 to a close.

The Audit Findings Report attached at Appendix 2 is an updated version of the report detailing the auditor's key findings and conclusions in relation to the 2019/20 audit, which has been considered at previous meetings of this committee.

Officers from Grant Thornton will be in attendance to present their reports and respond to questions.

Purpose of Report

The committee is asked to note the report.

This report makes the following recommendations to this Committee:

1. That the Annual Audit Letter, attached at Appendix 1 be noted.
2. That the updated Audit Findings Report, attached at Appendix 2 be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	18 January 2021

External Auditor's Annual Audit Letter

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Head of Finance
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Head of Finance
Risk Management	This is detailed within section 5.	Head of Finance
Financial	As detailed in Appendices 1 & 2, the proposed audit fee for 2019/20 has increased to £53,316, which represents a 15% increase on the previously agreed fee of £46,366 and a 37% increase on the Public Sector Audit Appointments Ltd (PSAA) scale fee of £38,866. This increase remains subject to discussion with Grant Thornton and PSAA approval.	Head of Finance
Staffing	None identified.	Head of Finance
Legal	Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.	MKLS
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	MKLS

Equalities	No implications identified.	Head of Finance
Public Health	No implications identified.	Head of Finance
Crime and Disorder	No implications identified.	Head of Finance
Procurement	No implications identified.	Head of Finance

2. INTRODUCTION AND BACKGROUND

- 2.1 The Annual Audit Letter attached at Appendix 1 summarises the main findings from the work undertaken by the external auditor for the year ended 31 March 2020. The committee has previously considered the Audit Findings. The updated and final version of this report is attached at Appendix 2. Representatives from Grant Thornton will attend the meeting to present their reports and respond to any questions which committee members may have.
- 2.2 It is recommended that these documents are considered by the committee in accordance with the terms of reference detailed within the council's Constitution.
- 2.3 The Annual Audit Letter represents the conclusion of the 2019/20 audit by confirming that:
- The external auditor gave an unqualified opinion on the Council's accounts on 30 November 2020; and
 - The external auditor is satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.
- 2.4 The opinion on the financial statements included an emphasis of matter paragraph in respect of the uncertainty over valuations of the Council's land and buildings and the property assets of its pension fund given the Coronavirus pandemic. This did not affect the auditor's opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
- 2.5 The reports detail a proposed increase in the fee for 2019/20 external audit work to £53,316. Scale fees are set by Public Sector Audit Appointment Ltd (PSAA). The scale fee for Maidstone Borough Council was set at £38,866 for 2019/20. The committee was notified of an increase in the scale fee to £46,366 at its meeting on 16 March 2020. The reasons for increasing the audit fee at this time were additional expectations being placed on audit firms by the Financial Reporting Council and the increased workload arising from the introduction of new accounting standards. A further increase of 15% is proposed at this time

due to the additional burdens of Covid 19 and the work of the external auditor to investigate and resolve the prior period adjustment in the 2019/20 financial statements. It should be noted that this remains subject to discussion with Grant Thornton and the agreement of PSAA.

3. AVAILABLE OPTIONS

- 3.1 These reports are for information and the committee is asked to note their contents.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The committee is asked to note the external auditor's reports attached as appendices 1 and 2.
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5. RISK

- 5.1 This report is presented for information only and has no risk management implications.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 No consultation has been undertaken in relation to this agenda item.
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7. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1 - External Auditor's Annual Audit Letter 2019-20
 - Appendix 2 - Updated Audit Findings Report 2019-20
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8. BACKGROUND PAPERS

None