

**External Audit 2020/21**

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

**Executive Summary**

This report provides the committee with an update on progress with the audit of the 2020/21 financial statements.

**Purpose of Report**

Noting.

**This report makes the following recommendations to this Committee:**

1. That the report be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

# External Audit 2020/21

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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.	Director of Finance and Business Improvement
<b>Cross Cutting Objectives</b>	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
<b>Risk Management</b>	This is detailed within section 5.	Director of Finance and Business Improvement
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date. The work of the external auditor aims to provide independent assurance over this document.	Director of Finance and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance and Business Improvement
<b>Legal</b>	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	Senior Lawyer Corporate Governance

	financial statements or from the audit that need to be brought to the attention of the Executive or Council.	
<b>Privacy and Data Protection</b>	No implications identified.	Director of Finance and Business Improvement
<b>Equalities</b>	No implications identified.	Director of Finance and Business Improvement
<b>Public Health</b>	No implications identified.	Director of Finance and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	
<b>Procurement</b>	No implications identified.	Director of Finance and Business Improvement
<b>Biodiversity and Climate Change</b>	The implications of this report on biodiversity and climate change have been considered and there are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 In accordance with Accounts and Audit Regulations, the Council was required to have its audited Statement of Accounts for the 2020/21 financial year approved by the Audit, Governance and Standards Committee by 30 September 2021. Draft accounts were prepared by officers for the meeting of the Committee on 28 September 2021.
- 2.2 The external audit of the accounts by Grant Thornton was in progress at the time of publishing the agenda for this meeting. Unfortunately, after the agenda was published, officers were advised by Grant Thornton that although substantial progress had been made with the audit, it would not be possible to present an audit findings report to the Committee.
- 2.3 It was noted that there were no significant practical implications from failing to meet the 30 September deadline, such as fines or penalties, but protracted delays could result in operational challenges for the officers

involved with the audit, as assistance for the auditors would impinge on other work.

- 2.4 It was agreed by the Committee that approval of the accounts be deferred to the next meeting of the Committee, scheduled to be held on 15 November 2021.
- 2.5 At the meeting of the Committee on 15 November 2021, the Statement of Accounts for 2020/21 was presented again. A number of minor amendments to the draft Statement that was presented in September had been incorporated in the Statement. None of these changes were significant and there had been no changes to the primary statements other than some presentational amendments.
- 2.6 Unfortunately, Grant Thornton had still not completed their audit work and were unable to provide an opinion on the accounts. However, in an 'Audit Findings' report, presented to the Committee, they stated that 'our work is substantially complete'. They also stated that they had identified no material adjustments that would impact the Council's General Fund balance, and they anticipated issuing an unmodified audit report.
- 2.7 Grant Thornton noted in their Audit Findings report that the cost of assets under construction at Brunswick Street and Union Street should be reclassified from Property, Plant and Equipment to Inventory. This represented a change in classification which would have no overall impact on the accounts. The Council had in fact set out its proposed treatment of the transactions at Brunswick Street and Union Street in a detailed note in August 2021, anticipating that this could be a contentious issue, so it was surprising to find the issue being raised several weeks after the original deadline for signing the accounts. The Council agreed to reclassify the assets as requested and an updated version of the Statement of Accounts was subsequently sent to Grant Thornton.
- 2.8 At the next meeting of the Committee on 17<sup>th</sup> January 2022, Grant Thornton noted that they had received the revised set of accounts. They also stated that they were engaging with the finance team to finalise work on the remaining testing and quality review queries. In fact, details of these remaining queries had only been sent to the Council earlier in the day on 17<sup>th</sup> January. Given previous statements about audit work being substantially complete, it was surprising to receive additional queries at such a very late stage.
- 2.9 In their report to the Committee on 17<sup>th</sup> January, Grant Thornton stated that they anticipated giving an audit opinion by 31 January 2022. This did not happen, but the Grant Thornton partner assured the Director of Finance and Business Improvement that the audit report would be ready for the next meeting of the Audit Governance and Standards Committee on 14<sup>th</sup> March 2022.
- 2.10 In the event, the audit report was not ready for the meeting on 14<sup>th</sup> March. The Grant Thornton partner, Paul Dossett, attended the meeting and described staffing issues that the firm was facing. He explained that the team which had started the audit of the Council's accounts was no longer

working on local government audits. The firm's HR policies allowed employees to move onto other assignments having given the appropriate notice. The Committee asked Mr Dossett to consider what steps Grant Thornton could take to avoid such a scenario occurring in future and he has responded accordingly – see Appendix A.

- 2.11 The Council continue to press Grant Thornton to complete their audit work. Following an exchange of e-mails with the partner, it was agreed on 8<sup>th</sup> April that the audit manager would work solely on Maidstone's accounts until they were complete. The manager then produced a further set of queries for the Council to answer. We have now responded to these queries too.
- 2.12 In their most recent communication with the Director of Finance and Business Improvement on 12<sup>th</sup> July, Grant Thornton state: 'A number of amendments to the financial statements have been required in respect of the accounting treatment for the Brunswick Street and Union Street housing projects. We are currently discussing these amendments with the Council. Subject to completion of the outstanding work we anticipate giving an unqualified opinion on the 2020/21 financial statements'.
- 2.13 Council officers will continue to work with Grant Thornton to try and resolve the issues that the auditors have raised and hope that it will be possible to bring a signed audit report to the Committee at its September meeting.
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### **3. AVAILABLE OPTIONS**

- 3.1 Committee members are asked to note this report.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The report is for noting only.
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### **5. RISK**

- 5.1 Risks have been considered with reference to the Council's risk management framework, and are considered to be within acceptable levels.
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### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this were published on the Council's website and the statutory period ended on 10 September 2021. One enquiry was received regarding Covid Grants and rent deferrals, and this has been dealt with.
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### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 To be discussed at the meeting.

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## **8. REPORT APPENDICES**

The following document is to be published with this report and forms part of the report:

- Appendix A: Letter from Paul Dossett
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## **9. BACKGROUND PAPERS**

None