

**Progress Report on External Audit**

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Lead Officer and Report Author</b>	Paul Holland, Senior Finance Manager (Client)
<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 and 2021/22 financial statements.

A representative from Grant Thornton will be in attendance at the meeting to respond to questions.

**Purpose of Report**

Noting

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

1. That progress on the external audits for 2020/21 and 2021/22 be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	14 November 2022

## Progress Report on External Audit

### 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The status of external audit work does not materially affect achievement of corporate priorities. However, timely financial reporting is part of good governance.	Director of Finance, Resources and Business Improvement
<b>Cross Cutting Objectives</b>	The contents of this report do not have any material impact on the cross-cutting objectives.	Director of Finance, Resources and Business Improvement
<b>Risk Management</b>	This report is presented for information only and has no decisions which give rise to risk management implications.	Director of Finance, Resources and Business Improvement
<b>Financial</b>	Provision is made within the budget for the external audit fee.	Director of Finance, Resources and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Legal</b>	The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities.	Director of Finance, Resources and Business Improvement
<b>Privacy and Data Protection</b>	None identified.	Director of Finance and Business Improvement

<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities And Communities Officer
<b>Public Health</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Procurement</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Biodiversity and Climate Change</b>	There are no implications on biodiversity and climate change.	Director of Finance, Resources and Business Improvement

## **2. INTRODUCTION AND BACKGROUND**

2.1 This report sets out progress with the 2020/21 and 2021/22 audits. A representative from Grant Thornton will attend the Committee meeting to respond to questions.

### **2020/21 Statement of Accounts**

2.2 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 30 September 2021. Accordingly, draft accounts were prepared by officers in time for the meeting of this Committee on 28 September 2021.

2.3 The external audit of the accounts by Grant Thornton was in progress at the time of publishing the agenda for the 28 September 2021 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.

2.4 It was agreed by the Committee that approval of the accounts could 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. The Committee approved the accounts subject to the satisfactory resolution of outstanding issues referred to in Grant Thornton's Audit Findings report and delegated approval of any further non-material changes to the Director of Finance and Business Improvement in consultation with the Chairman of the Committee.
- 2.6 Grant Thornton had still not completed their audit work, but in their 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 At the next meeting of the Committee on 17<sup>th</sup> January 2022, Grant Thornton stated that they were engaging with the finance team to finalise work on outstanding testing and quality review queries. In their report to the Committee, Grant Thornton stated that they anticipated giving an audit opinion by 31 January 2022.
- 2.8 The audit opinion was not issued by 31 January 2022, 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.
- 2.9 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, which had delayed progress with the audit.
- 2.10 It was hoped that the completed accounts could be brought to the Committee meeting on 27<sup>th</sup> July 2022, but in a communication with the Director of Finance and Business Improvement on 12<sup>th</sup> July, Grant Thornton stated: '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'. The Council had in fact anticipated that the treatment of these projects might be subject to differing interpretations and had set out their proposed treatment in a note to Grant Thornton in August 2021, but Grant Thornton did not respond with their views at the time. The Council's position then, and subsequently, has always been that we are content to adopt whatever accounting treatment is agreed with Grant Thornton to be correct from a technical viewpoint.
- 2.11 Grant Thornton expressed an aspiration to complete the 2020/21 accounts audit in time for the meeting of this Committee on 27<sup>th</sup> September 2022. The signed audit opinion was not received by then, but Paul Dossett attended the meeting and stated that he was content that all outstanding issues had been resolved. He anticipated that the opinion would be issued by the end of the following week, ie by 7<sup>th</sup> October 2022.

2.12 The opinion was not issued then and had still not been issued at the time of writing this report. However, Grant Thornton have told the report author that they expect to be able to sign the accounts on 14<sup>th</sup> November 2022, ie the date of the Audit Governance and Standards Committee meeting, and an updated Audit Findings report will be provided at the same time. The Audit Findings report will be circulated to Members of the Committee as soon as it is available.

### **2021/22 Statement of Accounts**

2.13 In accordance with Accounts and Audit Regulations, the Council was required to have its audited Statement of Accounts for the 2021/22 financial year approved by the Audit, Governance and Standards Committee by 30 November 2022. The deadline was moved back from the end of September in recognition of the fact that very few 2020/21 audits were actually completed by the end of September 2021, so a September deadline is no longer realistic.

2.14 Draft accounts were prepared for Maidstone Borough Council by officers for the meeting of this Committee on 26 July 2022. Grant Thornton's original timetable was for the audit to be carried out in August 2022, which would have given a reasonable prospect of the audit being completed by the deadline of 30 November 2022.

2.15 In the event, the audit did not take place in August. At the last meeting of this Committee, Grant Thornton presented their Audit Plan for 2021/22. This stated that their final audit visit would start in October 2022 with audit work being completed by the end of December 2022. As at the time of writing this report, the final audit has not started, so unfortunately there is no prospect of meeting the 30 November deadline.

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## **3. AVAILABLE OPTIONS**

3.1 As the committee charged with responsibility for overseeing the financial reporting process, the Audit, Governance and Standards Committee is asked to note the position described in 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 This report is presented for information only and has no decisions which give rise to risk management implications.

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## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 No consultation has been taken in relation to this report.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 Next steps will be outlined within the external auditor's Audit Findings report.

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## **8. REPORT APPENDICES**

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

- Appendix 1: External Auditor's Audit Findings report 2020/21 (to follow)

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## **9. BACKGROUND PAPERS**

None