

External Audit

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

Executive Summary

This report provides the committee with an update on progress with the audit of the 2021/22 and 2022/23 financial statements.

Purpose of Report

Noting.

This report makes the following recommendations to this Committee:

1. That the report be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	13 November 2023

External Audit

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.	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance, Resources and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance, Resources and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year, 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, Resources and Business Improvement
Staffing	No implications identified.	Director of Finance, Resources and Business Improvement
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	Director of Finance, Resources and Business Improvement

	financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.	
Privacy and Data Protection	No implications identified.	Director of Finance, Resources and Business Improvement
Equalities	No implications identified.	Director of Finance, Resources and Business Improvement
Public Health	No implications identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications identified.	Director of Finance, Resources and Business Improvement
Procurement	No implications identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	No implications identified.	Director of Finance, Resources and Business Improvement

2. INTRODUCTION AND BACKGROUND

2021/22 Statement of Accounts

- 2.1 The Council was originally required by statute 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. Draft accounts were presented to the Committee in July 2022 and the audit was due to start in August 2022, which would have made the November 2022 deadline achievable. However, in practice the audit did not start until January 2023.
- 2.2 The status of work on the audit was reported to the meeting of this Committee on 25 September. At that stage, there were two principal matters holding up completion of the audit, as follows.

1. Updated valuation of pension assets and liabilities

When the Council's draft 2021/22 accounts were prepared, the most recent triennial valuation of the pension scheme available was that carried out as at 31 March 2019. The draft accounts therefore incorporated values for the pension assets and liabilities based on a report (known as the IAS19 report) from the scheme actuary in which the 2019 values were rolled forward to 2022. Subsequently, we received the results of the 31 March 2022 LGPS triennial valuation, based on actual 31 March 2022 data. Grant Thornton requested that we go back and seek an updated IAS 19 report from the actuary, given that the delay in the audit meant that more recent information was now available. This IAS 19 report was then reviewed by Grant Thornton and gave rise to a number of queries.

2. Further information requested from the Council's external valuer

Grant Thornton had raised further queries about valuations of property, plant and equipment, following their original very detailed requests made in February 2023. This area is being given a very high priority generally by auditors and we have had to react to successive rounds of detailed questions.

Nevertheless, in September Grant Thornton indicated that they hoped to be able to sign off the accounts in time for them to be presented to the November meeting of this Committee.

- 2.3 Members of this Committee expressed concern at the 25 September meeting about the ongoing delays to the audit. They asked that Grant Thornton be informed that the Committee expected full audited accounts for 2021/22 in time for its November 2023 meeting. If the Director of Finance, Resources and Business Improvement was not satisfied with the information provided as at the end of October, he was to convene an emergency meeting of the Committee.
- 2.4 As at the time of preparing this report, the audit is still not complete. In particular, it has been affected by a further delay, arising from a similar issue to that described above relating to pensions. Because the audit has been delayed, there is now further information available as at 31 March 2023 relating to property, plant and equipment. Grant Thornton have asked us to take the 31 March 2023 valuations of certain assets, roll these back to 31 March 2022 using an appropriate index, and adjust the accounts accordingly.
- 2.5 These valuations affect assets which are used for operational purposes, and are likely to remain in the Council's ownership for the foreseeable future. Accordingly, an alteration in their value in the accounts is of no practical impact. Furthermore, valuations do not impact the Council's statutory reserves, so there is no impact on the metrics used when setting a budget or determining the Council's formal financial standing.
- 2.6 We are providing Grant Thornton with amended accounts to reflect these adjustments, and we hope that they will be able to review them and report back to the Committee in time for the meeting on 13 November. Further information will be provided to members as soon as it becomes available.

2022/23 Statement of Accounts

- 2.7 The Council was required by statute to have its audited Statement of Accounts for the 2022/23 financial year approved by the Audit, Governance and Standards Committee by 30 September 2023. This was a tighter deadline than for 2021/22, as the latest iteration of the Accounts and Audit Regulations envisaged accounts preparation getting more up to date following the Covid 19 pandemic. Unfortunately, the backlog of audit work nationally means that only five local authorities across the whole of England have had audits completed by the statutory deadline of 30 September.
- 2.8 The Committee has already seen draft unaudited accounts for 2022/23, as they were presented to the Committee in July 2023. We expect that Grant Thornton will start their audit in January 2024, with a view to accounts being brought to the Committee at its March 2024 meeting.
- 2.9 Although this is not a satisfactory position, Maidstone is therefore in the same position as the vast majority of councils.
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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. There are no direct financial or regulatory risks arising from failing to complete the audit. However, there is a potential reputational risk for the Council arising from delays in signing the accounts.
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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 were published on the Council's website for the 2021/22 accounts and will be published for the 2022/23 accounts when the audit commences.
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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

None.

9. BACKGROUND PAPERS

None.