

External Audit 2020/21

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	Mark Green, Director of Finance 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 2020/21 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	27 September 2022

External Audit 2020/21

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 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 and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance and Business Improvement
Financial	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
Staffing	No implications identified.	Director of Finance 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	Senior Lawyer Corporate Governance

	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 and Business Improvement
Equalities	No implications identified.	Director of Finance and Business Improvement
Public Health	No implications identified.	Director of Finance and Business Improvement
Crime and Disorder	No implications identified.	
Procurement	No implications identified.	Director of Finance and Business Improvement
Biodiversity and Climate Change	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 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 17th January 2022, Grant Thornton noted that they had received the revised set of accounts and stated that they were engaging with the finance team to finalise work on the remaining testing and quality review queries, albeit that the list of queries had only been sent to the Council on the day of the meeting.
- 2.9 In their report to the Committee, 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 14th March 2022.
- 2.10 In the event, the audit report was not ready for the meeting on 14th 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.
- 2.11 The Council continued to press Grant Thornton to complete their audit work. Following an exchange of e-mails with the partner, it was agreed on 8th 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 and we responded to these queries.

- 2.12 It was hoped that the completed accounts could be brought to the Committee meeting on 27th July, but in a communication with the Director of Finance and Business Improvement on 12th 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'.
- 2.13 It should be noted that the Council recognised that the accounting treatment of these transactions was potentially contentious at the time of the original audit in August 2021, and we set out our proposed treatment at the time. We amended the accounts in response to Grant Thornton's request in November 2021 that these projects be reclassified from Property, Plant and Equipment to Inventory. We have been ready throughout the audit process to accept Grant Thornton's proposed treatment of these transactions.
- 2.14 Grant Thornton have expressed an aspiration to complete the 2020/21 accounts audit in time for the meeting on 27th September. However, at the time of writing, the signed audit opinion has not been received.
- 2.15 Mr Dossett has been invited to this meeting so that members may raise any questions.
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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. As explained in paragraph 2.3, 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 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.
- 6.2 Reports have been brought to the Committee regularly advising the position with the 2020/21 accounts audit. Members have expressed their concerns about the delay in completing the audit.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 To be discussed at the meeting.

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.