

AUDIT COMMITTEE

28 JULY 2021

STATEMENT OF ACCOUNTS 2019/20 AND AUDIT FINDINGS REPORT 2019/20

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Summary

This report presents the Draft Statement of Accounts 2019/20 for Medway Council presented at Appendix 1 and provides an update on the ongoing audit by Grant Thornton with their Audit Findings Report, presented at Appendix 2.

The Accounts and Audit Regulations (Coronavirus) (Amendment) 2020 require that the Audit Committee consider the issues raised by the external auditors prior to approval of the Statement of Accounts.

1. Budget and policy framework

- 1.1. The National Audit Office Code of Audit Practice and International Standard of Auditing (ISA 260) requires the results of the audit to be reported to those charged with governance. This Committee has been delegated the responsibility for considering these reports and agreeing the Council's response. In addition, the Committee, on behalf of the Council, must explain reasons for not adjusting the Statement of Accounts for the issues raised within the auditor's report.
- 1.2. The Accounts and Audit Regulations (Coronavirus) (Amendment) 2020 require that the Audit Committee considered these issues by 30 November 2020 and this took place at the meeting of the Committee on 19 November 2020 however at that stage the audit was still ongoing.

2. Background

- 2.1. The draft Statement of Accounts for Medway Council for 2019/20 was published on the Council's website on 24 August 2020 and Grant Thornton commenced their audit in August.
- 2.2. The Auditors are responsible for forming and expressing an opinion on:

- The Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
 - Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in its use of resources
- 2.3. It should be noted that at the time of writing this report, there were nationally 91 2019/20 audits still outstanding, including 3 within Kent.

3. Auditor's Report

- 3.1. Since Grant Thornton's Audit Findings Report was presented to the November meeting of the Audit Committee, in response to their work we have agreed to make a number of revisions to the Council's Statements from the version presented to the Committee at that time. These are the items underlined in Appendix C, briefly:
- 3.1.1. Note 34 Creditors - Grant Received in Advance was incorrectly classified as year end creditors.
- 3.1.2. CIES – Testing identified internal recharges had been incorrectly included in CIES Income and expenditure, meaning both income and expenditure had been overstated.
- 3.1.3. Pooled Budgets – In both the current and prior year testing found the council had overstated its income and expenditure in relation to the Better Care fund. This had no bottom line impact but was material and therefore a Prior Period adjustment was required.
- 3.1.4. PPE Additions – Staff costs within PPE additions were incorrectly classified as revenue rather than capital expenditure, with the net impact is to overstate expenditure and income by an equal value.
- 3.1.5. Investment Income – Finance and Investment Income was understated by £479K and Business Support Development had overstated its income in year.
- 3.1.6. None of these adjustments had any impact on the CIES, Balance Sheet or on the Council's net expenditure overall.
- 3.2. The Audit Findings Report (Appendix 2) contains an update on the results of the Auditor's review of:
- Financial Statements;
 - Control Environment;
 - Governance Reporting;
 - Use of Resources; and
 - Associated appendices.

4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Failure to approve the financial statements	The external auditor is unable to provide an opinion of the Councils Statement of Accounts.	Officers are working closely with Grant Thornton, dealing with audit issues and providing responses as quickly as possible.	D3

5. Financial implications

- 5.1. The Audit Scale Fee remains as set via the contract tendering process undertaken by PSAA on behalf of the majority of local authorities and are within the Council's existing budget.
- 5.2. Appendix D of the Auditor's report sets out that there will be a fee variance which will be discussed with the Chief Finance Officer on completion of the Audit. Proposed additional fees are subject to approval by the PSAA in line with the Terms of Appointment.

6. Legal implications

- 6.1. Auditors are required to comply with the Statement of Auditing Standards, and thus provide an opinion on the Council's Statement of Accounts.

7. Recommendations

- 7.1. The Committee is recommended to note the issues raised and judgements made by the Auditor as presented at Appendix 2 to the report.
- 7.2. The Committee is recommended to approve the Statement of Accounts 2019/20 at Appendix 1.

Lead officer contact

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Appendices

Appendix 1 – Statement of Accounts 2019/20

Appendix 2 – External Audit Findings Report for the year ended March 2020

Background papers

None