

## **AUDIT COMMITTEE**

**5 OCTOBER 2022**

### **AUDIT PROGRESS REPORT AND SECTOR UPDATE FOR THE YEAR ENDING 31 MARCH 2021**

Report from: Katey Durkin, Chief Finance Officer  
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#### **Summary**

This report provides the Committee with an update on the progress of Grant Thornton in delivering their responsibilities as the Council's external auditors, and also includes a summary of emerging national issues and developments that may be relevant to the Council.

#### **1. Budget and policy framework**

1.1. The Terms of Reference of the Audit Committee include receiving all reports by the external auditor.

#### **2. Background**

2.1. Independent external auditors are responsible for carrying out audits of local authorities against the relevant legislation, codes and guidance. Following a national procurement process led by the Public Sector Audit Appointments Ltd (PSAA), Grant Thornton were appointed as the Council's external auditors for a period of five years from the audit of the 2019/20 financial year. The external audit consists of two principal areas of work; issuing an opinion as to whether the financial statements give a true and fair view of the financial position and have been prepared properly, and to report on the authority's arrangements to secure value for money.

#### **3. Advice and analysis**

3.1. The Audit Progress and Sector Update report from Grant Thornton is provided at Appendix 1 to this report. Their report sets out:

- An update on progress with the audit of the Council's financial statements for 2020/21 (which is anticipated to be completed at the end of November 2022) along with the results of interim work completed;
- An update on progress with the review of the Council's arrangements to secure value for money for 2021/22 (and beyond as required), with

the final report presented elsewhere on the Agenda for this meeting;  
and

- A sector update providing a summary of national issues and developments for Members interest/information.

3.2. The report is provided for Member’s information only, and a final report from the external auditors will be presented to the Committee following the conclusion of the audit work for 2020/21.

#### 4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>External audit fee exceeds budget</b>	External auditors are required to do as much work as they consider necessary to deliver their assurance on the council’s statements and arrangements to deliver value for money. The code which defines the work required is expanded each year and the complexity of the work required is growing meaning it may not be possible for the external auditors to deliver the amount of work they consider is required within the contractual fee set.	Close working with external auditors to ensure any issues identified through the audit are corrected for future years statements to minimise additional fee required.	B3

#### 5. Financial implications

5.1. The Audit Scale Fee for Medway for the 2020/21 audit remains as set via the contract tendering process undertaken by PSAA on behalf of c98% of local authorities at £109,687.

5.2. On 28 July 2021 the Audit Committee considered the External Audit Plan and Audit Fee for 2020/21, and the Committee agreed to note that for 2020/21 the proposed fee is a further £80,400 above the Scale Fee, taking the fee to

£190,087. This assumes additional costs arising in the 2019/20 audit around the impact of Covid-19 and overruns on work on Property, Plant and Equipment (PPE) and pooled budgets remain and also takes account of the following:

- Additional VFM work required under the new Code,
- Increased audit requirements of the revised International Standards of Auditing,
- The introduction of group accounts, with Medway Council consolidating its subsidiaries Medway Development Company and Kyndi into its accounts, and
- The complexity of audit.

5.3. In 2021/22 the Council received a grant from the government in recognition of the increasing pressure on external audit fees of £56,544. We await confirmation from the government through the Local Government Finance Settlement as to whether this funding will continue in 2022/23 or beyond.

## 6. Legal implications

6.1. The annual external audit of the financial statements and arrangements to ensure value for money for local authorities are a statutory requirement of the Local Audit and Accountability Act 2014.

## 7. Recommendations

7.1. The Committee is asked to note the content of the Audit Progress Report and Sector Update from the Council's external auditors, Grant Thornton.

## Lead officer contact

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## Appendices

Appendix 1 – Medway Council Audit Progress Report and Sector Update, Grant Thornton

## Background papers

None.