

AUDIT COMMITTEE

16 MARCH 2023

STATEMENT OF ACCOUNTS 2020/21, EXTERNAL AUDIT FINDINGS REPORT 2020/21 AND EXTERNAL AUDIT SECTORAL UPDATE

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Summary

This report presents the Statement of Accounts 2020/21 for Medway Council, the Audit Findings Report 2020/21 from Grant Thornton and a Sectoral Update from the Auditors.

The Accounts and Audit Regulations (Coronavirus) (Amendment) 2021 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 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 (Amendment) 2021 required that the Audit Committee consider these issues by 30 September 2021. There have, however, been delays to the audit as laid out in the report.

2. Background

- 2.1 The Draft Statement of Accounts for Medway Council for 2020/21 were published on the Council's website on 7 March 2022. The Council's external

auditors, Grant Thornton 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.

3. Auditor’s Report

3.1 Grant Thornton commenced their audit of the Statements in March 2022 and an Interim Audit Findings Report was considered by the Audit Committee in January 2023. As set out in their Audit Findings Report at Appendix 1, the Auditors have now substantially completed their work on the financial statements audit.

3.2 The Audit Findings Report (Appendix 1) sets out the findings and other matters arising from the audit work and includes the following:

- Headlines – including information as to outstanding issues.
- Financial Statements – containing an overview, information relating to materiality, significant and other risks, other communication requirements, and other responsibilities under the Code;
- Value For Money Arrangements – containing the revised approach to Value for Money work for 2020/21;
- Independence and Ethics; and
- Associated appendices.

3.3 The Council’s Financial Statements are presented at Appendix 2.

3.4 The Auditor has also provided an Audit Update and General Sector Update which are provided to the Committee for information at Appendix 3.

4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Unfavourable opinion received on the Statement of Accounts	The external auditor is unable to provide an opinion that the Council’s Statement of Accounts are free from material misstatement	Officers have produced the Statements working to the requirements of the Code and are working closely with Grant Thornton, dealing with audit issues and providing responses as quickly as possible.	D3

Likelihood	Impact:
A Very high	1 Catastrophic (Showstopper)
B High	2 Critical
C Significant	3 Marginal
D Low	4 Negligible
E Very low	
F Almost impossible	

5. Financial implications

- 5.1 External Audit fees are set by Public Sector Audit Appointments Ltd and the cost of the scale audit fee of for Medway of £109,687 is built into the Council's revenue budget.
- 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. Any additional fees agreed by the Chief Operating Officer will need to be met within existing revenue budgets.

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 notes the issues raised and judgements made by the Auditor as presented at Appendix 1 to the report.
- 7.2 The Committee agrees the Management Letter Representation presented at Appendix F within the Audit Findings Report, itself presented at Appendix 1 to the report notes that Chief Operating Officer will sign this letter on behalf of the Council at the conclusion of the audit.
- 7.3 The Committee approves the Statement of Accounts 2020/21 as presented at Appendix 2 the report.
- 7.4 The Committee notes the Update report presented at Appendix 3 to this report.

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Appendices

- Appendix 1 – Grant Thornton Audit Findings Report 2020/21.
Appendix 2 – Medway Council Audited Statement of Accounts 2020/21.
Appendix 3 – Grant Thornton Sector Update Report

Background papers

None