

Audit Committee

28 January 2025

Audit Findings Report 2023-24 and Interim Auditor's Annual Report 2023-24

Report from: Phil Watts, Chief Operating Officer

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Summary

This report presents the opinion for the financial statements for 2023-24 and the interim findings of the Council's External Auditors, Grant Thornton LLP, in their audit of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources during 2023-24.

1. Recommendations

- 1.1. Audit Committee note the audit findings report 2023-24 and the status of audit testing as detailed at Appendices A and B.
- 1.2. Audit Committee note the disclaimer of audit opinion due to backstop 2023-24 as per Appendix C.
- 1.3. Audit Committee approve the draft management letter of representation 2023-24 as per Appendix D.
- 1.4. Audit Committee note the Interim Auditor's Report for 2023-24 at Appendix E.

2. Budget and policy framework

- 2.1. The Audit Commission's Code of Audit Practice and International Standards of Auditing require the results of the external audit to be reported to those charged with governance. This Committee has been delegated the responsibility for considering all reports by the external auditor including all performance reports and the annual audit letter.

3. Audit of Financial Statements

- 3.1. Historically, local authorities have been required to publish their Statement of Accounts to the period 31 March, by the 31 May the same year, with external audits of those accounts required to be completed by 30 November in the same year. Primarily, as a result of audit delays arising from the Covid-19

pandemic, these deadlines were not able to be met and as a consequence, all audits since those undertaken for the financial year 2019/20 have either been subject to delay.

- 3.2. The draft financial statements for the following financial years were published on the Council's website on the following dates:

Financial Year	Date Published
2021-22	06 November 2023
2022-23*	29 October 2024
2023-24	31 May 2024

* The production of the 2022-23 draft statements were delayed in order that resources were concentrated on the production of the 2023-24 draft statements to enable the Council to meet the statutory deadline for publications of 31 May 2024 and to allow the planned audit to commence in July 2024 which was achieved.

- 3.3. The 2023/24 Draft Statement of Accounts can be accessed using the following link:
https://www.medway.gov.uk/downloads/file/8728/draft_statement_of_accounts_2023_to_2024

- 3.4. On 9 September 2024, the Government announced that the previously reported dates for the audit backstop dates for auditors providing an opinion on financial statements have been brought forward as follows:

Financial year accounts	Previously reported Dates	Deadline
up to and including 2022-23	30 September 2024	13 December 2024
2023-24	31 May 2025	28 February 2025
2024-25	31 March 2026	27 February 2026
2025-26	31 January 2027	31 January 2027
2026-27	30 November 2027	30 November 2027
2027-28	30 November 2028	30 November 2028

- 3.5. Under the backstop provisions, local authorities will be required to publish their statement of accounts and audit report by the backstop date.

- 3.6. Before Grant Thornton can provide an opinion in line with the we can backstop, they are required to report to those charged with governance:

- any significant findings arising from our work to date,

- the outcome of our value for money work,
- any other matters arising from the audit which they need to share with this Committee under the auditing standards,
- the wording of the draft disclaimer of opinion.

3.7. In order to meet the backstop date, which is the 28th of February 2025 for the 2023-24 financial year, Grant Thornton is required to present its findings and opinions to those in charge of governance prior to that date.

3.8. The results of the Audit Findings Report are presented at Appendix A and details of the status of testing is shown at Appendix B. The result of this Audit is the same as those given for both 2021-22 and 2022-23 which is a Disclaimer opinion. Appendix A sets out reasons as to why this opinion has been reached. Officers have reviewed the comments made by Grant Thornton in the report and have the following management response:

- GTs inability to test opening balances, and as a result the need to issue a Disclaimer opinion, was as a result of matters outside our control. The auditing community did not provide guidance as to expectations and as a result, GT had not been in a position to fully formulate its own approach.
- It is recognised that there will need to be extensive work done to verify opening balances once the approach to these has been agreed, and this means there could be the likelihood of further Disclaimer opinions in the future.
- It is recognised that whilst the vast majority of working papers were made available prior to the commencement of the audit, there were some delays on either side during the testing phase. From Medway's point of view, the finance teams have been required to undertake monthly budget monitoring during the time the audit was taking place. Whilst the budget setting process for 2024-25 included an allowance for right sizing, the recruitment to vacant posts together with some periods of long-term sickness did have an impact upon certain service areas ability to respond to audit queries in a timely manner. It is also important to point out that in Officers' opinion, there were also some delays from Grant Thornton to respond to questions raised.
- Whilst it is recognised that the Draft Statement of Accounts published on the Councils Website at the end of May 2024 did not include Group Accounts, this was as a result of the information not being available from one of the Council's subsidiaries. Whilst a timetable for providing this information was agreed in advance, the subsidiary was not able to produce its draft accounts for several months.

4. Value for Money Audit Update

- 4.1. Grant Thornton have carried out the work required to assess the Council's arrangements to deliver economy, efficiency and effectiveness in the use of resources for 2023-24.
- 4.2. Their interim report (to follow) summarises the work carried out to date, the audit findings and the recommendations made for improvements. The executive summary set out at Page 5 of Grant Thornton's report sets out the conclusions in respect of each of the three criteria on which the assessment is based, as follows:
 - 4.2.1. Financial Sustainability – Significant weakness identified, one key and two improvement recommendations made.
 - 4.2.2. Governance – Significant weakness identified, one key and two improvement recommendations made.
 - 4.2.3. Improving Economy, Efficiency and Effectiveness – No significant weakness in arrangements identified, but one new improvement recommendation made.
 - 4.2.4. Medway Council's management responses to the individual recommendations are reflected in the Auditor's report.

5. Risk management

- 5.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. Using the following table this section should therefore consider any significant risks arising from your report.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Failure to meet backstop date	Grant Thornton LLP need to provide an opinion on the financial statements prior for 2023/24 by the statutory backstop date of 28 February 2025	Officers have prepared the 2023-24 draft financial statements 2023-24 for Grant Thornton whom will provide an opinion presented to this Committee.	DIII

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

6. Financial implications

6.1. The core audit fees for 2023-24 were set by the Public Sector Audit Appointments (PSAA) at £392,042 and these have been paid in accordance with normal practices in the year to which they relate. It is recognised that where disclaimer opinions have been given, there will need to be an adjustment to those fees to reflect the lower level of work undertaken. These adjustments will be agreed by the PSAA on a case-by-case basis dependent upon individual audit circumstances.

7. Legal implications

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

Lead officer contact

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Appendices

Appendix A: Audit findings report 2023-24

Appendix B: Status of Audit Testing 2023-24

Appendix C: Disclaimer of audit opinion due to backstop 2023-24

Appendix D: Draft management letter of representation 2023-24

Appendix E: Interim Annual Audit Report 2023-24 (to follow)

Background papers

There are none.