

## **Audit Committee**

**26 February 2026**

### **Auditors Annual Report, Audit Findings Report and Statement of Accounts 2024/25**

Report from: Phil Watts, Chief Operating Officer

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#### **Summary**

This report presents the opinion for the financial statements for 2024-25 and the 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 2024-25.

#### **1. Recommendations**

- 1.1. Audit Committee note the Auditors Annual Report 2024/25 at Appendix 1.
- 1.2. Audit Committee note the Audit Findings Report (ISA 260) 2024/25 as per Appendix 2.
- 1.3. Audit Committee approve the draft management letter of representation 2024/25 as per Appendix 3.
- 1.4. Audit Committee approve the Statement of Accounts for 2024/25 at Appendix 4.

#### **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 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:

<b>Financial Year</b>	<b>Date Published</b>
2021-22	06 November 2023
2022-23	29 October 2024
2023-24	31 May 2024
2024-25	31 May 2025

- 3.3. It is recognised that in meeting the deadline for publishing the draft statements for 2024/25, there have been issues with quality, which have been addressed in the final Statement of Accounts as published at Appendix 4.

- 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:

<b>Financial year accounts</b>	<b>Previously reported Dates</b>	<b>Deadline</b>
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 are required to publish their statement of accounts and audit report by the backstop dates.

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

- any significant findings arising from their work,
- the outcome of their 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 27 February 2026 for the 2024/25 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 1 and the result of this Audit is the same as those given for 2021/22, 2022/23 and 2023/24 which is a Disclaimer opinion. Appendix 1 sets out reasons as to why this opinion has been reached.
- 3.9. Grant Thornton have set out 2 key recommendations relating to the Council's financial sustainability and its ability to deliver financial reporting and audit readiness. In addition to this there are also 2 further improvement recommendations related to financial sustainability.
- 3.10. Officers have reviewed the comments made by Grant Thornton in the report and have provided management responses but in summary:
  - It is recognised that whilst some working papers were made available prior to the commencement of the audit, there were some delays in producing all the detailed working papers and required evidence during the testing phase. As was the case in the previous financial year, 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 team has suffered from some periods of long-term sickness which did have an impact upon certain service areas ability to respond to audit queries in a timely manner.
  - Whilst it is recognised that the Draft Statement of Accounts published on the Council's Website at the end of May 2025 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 the information required in the agreed timeframe.

#### 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 2024/25.
- 4.2. Their report summarises the work carried out to date, the audit findings and the recommendations made for improvements. The executive summary set out at Page 6 of Grant Thornton's Annual Audit 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 for achieving a balanced budget, one key and two improvement recommendations made.

- 4.2.2. Governance – Significant weakness identified in relation to preparing draft accounts and supporting the audit process, one key recommendation made.
- 4.2.3. Improving Economy, Efficiency and Effectiveness – No significant weakness in arrangements identified.
- 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 2024/25 by the statutory backstop date of 27 February 2026	Officers have prepared the 2024-25 financial statements 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 2024/25 were set by the Public Sector Audit Appointments (PSAA) at £443,336 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 may 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 1: Annual Audit Report 2024/25

Appendix 2: Audit findings report 2024/25

Appendix 3: Draft management letter of representation 2024/25

Appendix 4: Statement of Accounts 2024/25

### Background papers

There are none.