

Audit Committee

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Regaining Assurance Strategy for Medway Council

Report from: Phil Watts, Chief Operating Officer

Author: Andy McNally-Johnson, Head of Corporate Accounts

Summary

This report sets out Grant Thornton's (GT) plan to rebuild audit assurance at Medway Council following the disclaimer of opinion issued under the statutory backstop for the years ended 31 March 2025, 31 March 2024, 31 March 2023 and 31 March 2022. This plan has been agreed with management and will be communicated to the Ministry of Housing, Communities and Local Government (MHCLG) in July 2026.

1. Recommendation

1.1. The Committee is recommended to note the Regaining Assurance Strategy.

2. Budget and policy framework

2.1. International Standard of Auditing require the audit plan to be communicated to 'those charged with governance'. The Terms of Reference of this Committee include discussions with the external auditor on new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work.

3. Background

3.1. Grant Thornton are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

3.2. The report sets out Key Messages that:

- They do not anticipate being able to support an unmodified (clean) audit opinion on the 2025/26 financial statements but intend to focus on

gaining assurance on the 2025/26 in year transactions with sign-off targeted for 30 November 2026.

- The plan to 2027/28 is to rebuild a firm foundation on which the phased build-back of assurance in line with the National Audit Office (NAO) Local Audit Reset and Recovery Implementation Guidance (LARRIG) guidance can be based, for the successor body following local government reorganisation. GT will prioritise developing a sustainable audit process to gain assurance over in-year transactions and closing balances in each year, including for those areas where audit procedures have not been possible in previous years.
- The success of the above plan is dependant upon the Authority producing high quality draft accounts, comprehensive working papers, timely audit access and continued focus on internal controls.
- GT have assessed Medway Council as Category D under the Ministry of Housing, Communities and Local Government (MHCLG) capacity assessment, more detail of which is provided within the Strategy at Appendix 1.

3.3. As part of the regaining assurance process GT are engaging with MHCLG and PSAA as key stakeholders in monitoring and supporting the agenda across the sector.

3.4. MHCLG and Public Sector Audit Appointments (PSAA) have made a joint request for auditors provide information for each body subject to the build-back process. The requested information includes a capacity assessment for each body, to be produced with input from both the audit team and the audited body.

3.5. The assessment is intended to give MHCLG and PSAA a more granular understanding of: progress of build-back work to date; planned timing of future work; the year in which a qualified opinion and an unmodified opinion are likely to be achieved; key audit risks; the audited body's capacity to support the build-back; and any significant constraints, including restrictions on the auditor's capacity. The response from Grant Thornton to this process is contained in detail on page 5 to Appendix 1.

In addition to the key messages the Strategy also contains the following:

- Overall Assessment and Key Risks,
- Expected audit report trajectory,
- Build-back work programme,
- Regaining assurance examples and
- Next steps and timetable.

3.6. The Regaining Assurance Risk Strategy is attached as Appendix 1 of this report.

4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Budget Pressure	The budget for audit fees has been set at the level of the scale fee proposed by PSAA; any additional fee charged by Grant Thornton would result in a budget pressure.	It will be necessary to work to identify compensating savings within Business Support and Centralised Services budgets. The Finance & Business Improvement Division will work to ensure that the statements are accurate and supported by high quality working papers to minimise the risk of additional fees being charged.	C3
Complying with Statutory Deadlines	The draft 2025/26 statements must be published by 30 June 2026 and the audited statements by 31 January 2027.	The finance team has been the subject of right sizing to ensure it has the appropriate resources to enable it to meet the statutory deadlines, together with advanced planning including training for both finance staff and budget managers.	C3

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	1 Catastrophic 2 Major 3 Moderate 4 Minor

5. Financial implications

5.1. Costs relating to the build-back process are not known at this juncture, but will be considered as part of the Governments build-back grant funding model in the Autumn of 2026.

6. Legal implications

6.1. There are no direct legal implications to this report.

Lead officer contact

Andy McNally-Johnson, Head of Corporate Accounts, Gun Wharf, 01634 333552

e-mail: andy.mcnallyjohnson@medway.gov.uk

Appendices

Appendix 1 – Regaining Assurance Strategy for Medway Council

Background papers

None.