

This Report will be made public on 30 November 2021



Report Number **AuG/21/17**

To: Audit and Governance Committee
Date: 8 December 2021
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader of the Council

Subject: The Audit Findings for Folkestone & Hythe District Council 2020/21

Summary: Grant Thornton are required to issue a Report to those charged with governance, summarising the findings and conclusions of their audit work. They are also required by professional auditing standards to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2021.

Reasons for recommendations:

The Committee is asked to agree the recommendations set out below because:

a) It is responsible for considering governance matters on behalf of the Council.

Recommendations:

1. To receive and note Report AuG/21/17.
2. To consider & note Grant Thornton's Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2021 report.
3. To approve the Letter of Representation and authorise the Chairman to sign the Letter on behalf of the Council.

1. INTRODUCTION

- 1.1 Grant Thornton are required to issue a Report to those charged with governance summarising the conclusion of their audit work and to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2021.
- 1.2 Their draft report 'The Audit Findings for Folkestone & Hythe District Council' from Grant Thornton is attached as Appendix 1 to this covering report.
- 1.3 Following changes made to the Accounts and Audit Regulations on 9 March 2021, the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) extend the statutory audit deadline for 2020/21 and 2021/22 for all local authorities and the audit must be completed by 30 September instead of 31 July.
- 1.4 The audit commenced on 5 July and was subject to delay due to workload pressures and staffing issues experienced by the external auditors. We were advised in September by Grant Thornton that an insufficient amount of audit work had been undertaken to provide an audit opinion by the statutory deadline of 30 September. This is an issue being experienced nationally across the audit sector and has resulted in a significant number of local government audit opinions not being issued by the statutory deadline. Failure to meet the deadline does not pose any implications to the Council in terms of financial penalties but does present a risk of reputational damage and there were resourcing implications for the Finance team resulting in operational issues. Grant Thornton have confirmed that no additional fees will be charged for this year's audit.
- 1.5 At the time of writing the report the audit is substantially complete subject to a review of the final set of financial statements. Therefore, for reasons of timing, the copy of the Audit Findings report at Appendix 1 is a draft report. If any changes are required they will be outlined by Grant Thornton at the meeting on 8 December. Based on discussions with Grant Thornton at the time of preparing this report no significant changes are anticipated in the final version.

2. KEY MESSAGES

- 2.1 The messages from of the Audit Findings Report are:
 - i. The 2020/21 audit is substantially complete and Grant Thornton plans to issue an unqualified opinion on the financial statements.
 - ii. The audit risks identified at the planning stage have all been reviewed, two material adjustments have been identified with all other work being concluded to their satisfaction.
 - iii. Grant Thornton confirm that the draft financial statements submitted for audit were of a good quality, supported by well-prepared working papers. A number of minor disclosure and classification changes were agreed and amendments made.

- iv. The value for money conclusion for 2020/21 is that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and Grant Thornton issued an unqualified value for money opinion which was reported to the Committee at its meeting on 28 September.

3. AUDIT FINDINGS 2020/21

3.1 Section 1 – Headlines

Sets out the approach to the audit and confirms that Grant Thornton anticipate providing an unqualified audit opinion in respect of the financial statements.

The full audit opinion can be found in Appendix D of the Audit Findings report.

3.2 Section 2 – Financial Statements

This section explores the key risks identified within the Audit Plan previously considered by Members and confirms the testing. A number of minor changes to improve presentation and disclosure have been agreed and made.

The audit adjustments are fully outlined within Appendix B of the Audit Findings report.

This section also considers the Councils going concern status and key judgements & estimates which were concluded to have been applied appropriately.

3.3 Section 3 – Value for Money

Confirms that Grant Thornton are satisfied that the Council had proper arrangements in place during 2020/21 and have issued their Value for Money conclusion.

3.4 Section 4 – Independence and ethics

This section outlines the independence of the external auditors, including outlining additional work undertaken by the auditors. Full details of all audit fees can be found in Appendix C of the Audit Findings report.

4. LETTER OF REPRESENTATION

- 4.1 Committee is asked to authorise the Chairman to sign the Letter of Representation on behalf of the Council. This is attached at Appendix 2.

5. CONCLUSION

- 5.1 Grant Thornton's work has led to the result that the Council is expecting to receive an unqualified opinion on the financial statements for 2020/21.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 6.1 **Legal Officer's Comments (NM)**
There are no legal issues arising from this report.
- 6.2 **Finance Officer's Comments (CI)**
This report has been prepared by Financial Services and all financial matters contained within the body of the report.
- 6.3 **Diversity and Equalities Implications (GE)**
There are none arising directly from this report.
- 6.4 **Climate Change Implications (OF)**
There are none arising directly from this report.

CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Cheryl Ireland, Chief Financial Services Officer
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email: cheryl.ireland@folkestone-hythe.org.uk

The following background documents have been relied upon in the preparation of this report:

Appendices:

Appendix 1: Grant Thornton report – The Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2021

Appendix 2: Letter of Representation 2021