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Date: 29 November 2024
Our Ref: Governance & Audit Committee/ Supplementary Agenda
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GOVERNANCE & AUDIT COMMITTEE

4 DECEMBER 2024

A meeting of the Governance & Audit Committee will be held at **7.00 pm on Wednesday, 4 December 2024** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor W Scobie (Chair); Councillors: Farooki (Vice-Chair), Barlow, Braidwood, Britcher, Davis, Donaldson, Edwards, Garner, Munns, Nichols, Packman, Pope, Scott and Wright

SUPPLEMENTARY AGENDA

Item
No

Subject

7. **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR 2022/23 - DRAFT AUDIT OPINION** (Pages 3 - 10)
8. **LETTER OF REPRESENTATION** (Pages 11 - 18)
9. **SHORT FORM AUDIT FINDINGS REPORT FOR 2022-23** (Pages 19 - 36)
Report to follow
10. **THE INFORMING THE RISK ASSESSMENT DOCUMENT FOR 2023-24** (Pages 37 - 66)
11. **INDEPENDENT AUDITORS' THANET DISTRICT COUNCIL AUDIT PLAN** (Pages 67 - 98)



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External Audit - Draft Audit Opinion 2022/23

Governance and Audit Committee 4 December 2024

Report Author	Chris Blundell, Director of Corporate Services - S151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All Wards

Purpose of the Report

The Draft Audit Opinion (Annex 1) highlights the key matters arising from the audit of the Thanet District Council's financial statements for the year ended 31 March 2023. It is also used to report the audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA). A representative from Grant Thornton will present their Draft Audit Opinion Report, which is included at Annex 1 to this report.

Recommendation(s):

1. That the committee considers the Draft Audit Opinion for the 2022/23 Statement of Accounts and notes the report.

1. Summary of Reasons

- 1.1 As was reported to the July meeting, the draft Statement of Accounts for 2022-23 are now published, but due to the reasons set out in this report and the Draft Audit Opinion detailed in Grant Thornton's report, shown in Annex 1 it is necessary to agree a disclaimed position in relation to these as a full Audit has not been possible.

2. Background

- 2.1 Grant Thornton are required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.

- 2.2 Grant Thornton intends to issue a disclaimed audit opinion following the Committee meeting.

3. Relevant Issues

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'), with draft accounts being made available for public inspection for 30 working days.
- 3.2 As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements.
- 3.3 This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.
- 3.4 Grant Thornton were engaged to audit the financial statements of Thanet District Council for the year ended 31 March 2023.
- 3.5 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. In consultation with Grant Thornton, a prioritisation of years was required along with whether this date was achievable for either party. As a result, we considered the following options:

Option 1 – we agree to backstop 2022-23 with no work performed and complete 2023-24 between Oct and December 2024 to make sure we meet the Feb 2025 date. Clearly this would have implications for Opinions on these years but would reduce the risk of us backstopping both 2022-23 and 2023-24.

Option 2 – we stick with the existing timeframes but recognise both us and yourselves will need to throw everything at making sure we finish both years by the deadlines, which could mean completing 2023-24 in around six weeks once everyone is back from the New Year Break to avoid things being backstopped. I suspect this approach will require the team to produce 2023-24 alongside auditing 2022-23 which may well be a challenge from a capacity point of view.

Option 3 – we stick with existing timeframes and see where we can get, but accept there has to be a strong likelihood of at least one year being backstopped under these arrangements.

- 3.6 Although initially the preferred approach was that of Option 2, it soon became apparent that Option 1 was the only real option, as a result and after further conversation with Grant Thornton a decision was taken to support this.

4. Alternative Options

- 4.1 It is a statutory requirement to produce a set of financial statements and present them to this committee for consideration.

5. Consultation

- 5.1 There is no statutory or public law duty to consult in relation to this decision.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial implications arising from this report.

6.2 Legal and Constitutional

- 6.2.1 Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.3 Council Policies and Priorities

- 6.3.1 This report relates to the following corporate priorities: -
- To keep our district safe and clean
 - To deliver the housing we need
 - To protect our environment
 - To create a thriving place
 - To work efficiently for you

6.4 Risk

- 6.4.1 This report is a backward look and the impact of Risk is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

6.5 Climate Change and Biodiversity

- 6.5.1 This report is a backward look and the impact of Climate Change and Biodiversity are covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

7. Equality, Equity and Diversity Implications

- 7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

8. Crime and Disorder Implications and Community impact

- 8.1 This report is a backward look and the impact of Crime and Disorder is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

9. Subject History

Subject history is covered within the body of the report

Appendices

Annex 1 - Audit Opinion Report 2022/23

Background Papers

- N/A

Report Author(s) Contact: Chris Blundell (Director of Corporate Services - Section 151)

Report Sign Off

Legal N/A

Finance N/A

Independent auditor's report to the members of Thanet District Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Thanet District Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Director of Corporate Services & Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 12 October 2021 we issued written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its whistleblowing, grievances and disciplinary procedures.

We recommended that the Authority should:

Agenda Item 7

Annex 1

- commission an experienced, independent Monitoring Officer from a large local authority to report to the General Purposes Committee on:
 - a risk assessment of the current employment tribunal claims and propose actions which safeguard the Authority's best interests including a detailed financial analysis of the options available to the Authority
 - an assessment of the status of all outstanding grievances, alleged whistleblowing complaints and any continuing suspensions and propose a plan of action to address them
 - a lessons learnt report collating themes and recommendations from all externally commissioned reports and any other appropriate evidence
- bring the current General Purposes Investigations and Disciplinary Sub-Committee process to a conclusion with clear actions that are reported and action monitored
- revisit the financial plans and identify additional savings plans to address the further cost pressures created in resolving the grievances and whistleblowing complaints
- agree an approach where the Authority demonstrates that it is responding to the substance of concerns raised including a clear agreement on where Officer and Member responsibilities lie.

Responsibilities of the Authority and the Director of Corporate Services & Section 151 Officer

As explained more fully in the Statement of Responsibilities, as set out on page 6, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Services & Section 151 Officer. The Director of Corporate Services & Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Services & Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services & Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except that:

- On 15 September 2023 we identified a significant weakness in the Authority's governance arrangements. This was in relation to the inability of the Authority's management team to work together effectively. This resulted in whistleblowing, raising of formal grievances and disciplinary action being taken against senior officers. We recommended that the Authority should prioritise development of its people strategy and behavioural framework and provide training on them to staff.

- On 15 September 2023 we identified a significant weakness in the Authority's governance arrangements. This was in relation to the continued number of 'no assurance' reports being issued by the Authority's internal audit function. Common themes across these reports included a lack of policies and procedures, internal audit recommendations not being addressed in the expected timescales and a lack of management engagement with internal audit. These reports covered several service lines which indicates that the issues identified are pervasive. We recommended that the Authority increase capacity in impacted service lines to ensure the required underlying governance arrangements are developed and monitored.
- On 15 September 2023 we identified a significant weakness in the Authority's governance arrangements for improving economy, efficiency and effectiveness. This was in relation to project and contract management issues arising from proposed berth replacements at the Port of Ramsgate. We recommended that the Authority should strengthen project management and contract management arrangements by seeking additional support from project management experts and prioritising the development of training on the new project management framework. We also recommended that the Authority prioritise the development and implementation of a contract management framework which includes performance monitoring, post completion reviews, inspections of works by contractors and review of all contracts to identify any overpayments and threats and risks to effective arrangements.
- On 15 September 2023 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to members have not receive reporting on the 2022/23 outturn position or quarterly budget monitoring since December 2022, which covers both revenue and capital positions. Nor has the Council been able to produce and publish the financial statements for these financial years due to a lack of capacity within the finance team. We recommended that the Council should ensure that budget monitoring is reported each quarter and a year-end outturn report which allows members to make financial decisions effectively. All budget and treasury monitoring information should be presented to members in a timely manner with no more than a 2-month time lag between the date of information and the date of reporting to ensure reliable decisions can be made on up-to-date information.

As part of our work on the Authority's arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness for the year ended 31 March 2023, we have reviewed the progress against the issued identified. Insufficient progress has been made in any of the significant weaknesses, therefore the significant weaknesses in arrangements remain in place.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Thanet District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Thanet District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance

statement for the [Authority – please amend accordingly to the body] for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Matthew Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

xx December 2024

External Audit - Letter of Representation 2022/23

Governance and Audit Committee 4 December 2024

Report Author	Chris Blundell, Director of Corporate Services - S151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All Wards

Purpose of the Report

In support of good governance, the Governance and Audit Committee must also consider the letter or representation on behalf of the council; the letter is provided at (Annex 1) in relation to Thanet District Council's financial statements for the year ended 31 March 2023.

Recommendation(s):

1. That Governance and Audit Committee note the letter of representation to Grant Thornton issued by the Director of Corporate Resources and Section 151 Officer.

1. Summary of Reasons

- 1.1 This letter needs to be received by the committee in order to be signed by the Chair.

2. Background

- 2.1 Grant Thornton are required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.
- 2.2 Grant Thornton intends to issue a disclaimed audit opinion following the Committee meeting.

3. Relevant Issues

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'), with draft accounts being made available for public inspection for 30 working days.
- 3.2 As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements.
- 3.3 This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.

4. Alternative Options

- 4.1 It is a statutory requirement to produce a set of financial statements and present them to this committee for consideration.

5. Consultation

- 5.1 There is no statutory or public law duty to consult in relation to this decision.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial implications arising from this report.

6.2 Legal and Constitutional

- 6.2.1 Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.3 Council Policies and Priorities

- 6.3.1 This report relates to the following corporate priorities: -
- To keep our district safe and clean
 - To deliver the housing we need

- To protect our environment
- To create a thriving place
- To work efficiently for you

6.4 Risk

6.4.1 This report is a backward look and the impact of Risk is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

6.5 Climate Change and Biodiversity

6.5.1 This report is a backward look and the impact of Climate Change and Biodiversity are covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

7. Equality, Equity and Diversity Implications

7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

8. Crime and Disorder Implications and Community impact

8.1 This report is a backward look and the impact of Crime and Disorder is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

9. Subject History

Subject history is covered within the body of the report

Appendices

Annex 1 - Letter of Representation 2022/23

Background Papers

- N/A

Report Author(s) Contact: Chris Blundell (Director of Corporate Services - Section 151)

Report Sign Off

Legal N/A

Finance N/A

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Thanet District Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and

- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

Agenda Item 8

Annex 1

- i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xx. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on 4 December 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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External Audit - Audit Findings Report 2022/23

Governance and Audit Committee 4 December 2024

Report Author	Chris Blundell, Director of Corporate Services - S151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All Wards

Purpose of the Report

The government, working closely with partner organisations, has implemented measures because of a large backlog in relation to local audit in England. One consequence is that many local bodies will receive modified or disclaimed audit opinions due to circumstances largely outside of their control and where these do not signify issues in their financial accounts. The document attached at Annex 1 explains the context for these opinions to help ensure that local bodies are not unfairly judged.

The government is clear that, where the backstop dates result in modified or disclaimed opinions, local bodies should not be unfairly judged. Auditing standards require auditors to clearly explain the basis of their opinion in their auditor's report – they should distinguish between disclaimed or modified opinions caused by the backstop date and those caused by other factors such as weaknesses in financial reporting or specific material issues in the accounts. This explanation from the auditor should be included as part of the statement of accounts published by a local body on its website by the relevant backstop date.

The audit findings report (Annex 2) highlights the key matters arising from the audit of the Thanet District Council's financial statements for the year ended 31 March 2023. It is also used to report the audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA). A representative from Grant Thornton will present their Audit Findings Report, which is included at Annex 2 to this report.

Recommendation(s):

1. That the committee considers the Audit Findings for the 2022/23 Statement of Accounts and notes the report.

1. Summary of Reasons

- 1.1 As was reported to the July meeting, the draft Statement of Accounts for 2022-23 are now published, but due to the reasons set out in this report and the audit findings detailed in Grant Thornton's letter, shown in Annex 2 it is necessary to agree a disclaimed position in relation to these as a full Audit has not been possible.

2. Background

- 2.1 Grant Thornton are required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.
- 2.2 Grant Thornton intends to issue a disclaimed audit opinion following the Committee meeting.

3. Relevant Issues

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'), with draft accounts being made available for public inspection for 30 working days.
- 3.2 As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements.
- 3.3 This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.
- 3.4 Grant Thornton were engaged to audit the financial statements of Thanet District Council for the year ended 31 March 2023.
- 3.5 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. In consultation with Grant Thornton, a prioritisation of years was required along with whether this date was achievable for either party. As a result, we considered the following options:

Option 1 – we agree to backstop 2022-23 with no work performed and complete 2023-24 between Oct and December 2024 to make sure we meet the Feb 2025 date. Clearly this would have implications for Opinions on these years but would reduce the risk of us backstopping both 2022-23 and 2023-24.

Option 2 – we stick with the existing timeframes but recognise both us and yourselves will need to throw everything at making sure we finish both years by the deadlines, which could mean completing 2023-24 in around six weeks once everyone is back from the New Year Break to avoid things being backstopped. I suspect this approach will require the team to produce 2023-24 alongside auditing 2022-23 which may well be a challenge from a capacity point of view.

Option 3 – we stick with existing timeframes and see where we can get, but accept there has to be a strong likelihood of at least one year being backstopped under these arrangements.

- 3.6 Although initially the preferred approach was that of Option 2, it soon became apparent that Option 1 was the only real option, as a result and after further conversation with Grant Thornton a decision was taken to support this.

4. Alternative Options

- 4.1 It is a statutory requirement to produce a set of financial statements and present them to this committee for consideration.

5. Consultation

- 5.1 There is no statutory or public law duty to consult in relation to this decision.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial implications arising from this report.

6.2 Legal and Constitutional

- 6.2.1 Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.3 Council Policies and Priorities

6.3.1 This report relates to the following corporate priorities: -

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

6.4 Risk

6.4.1 This report is a backward look and the impact of Risk is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

6.5 Climate Change and Biodiversity

6.5.1 This report is a backward look and the impact of Climate Change and Biodiversity are covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

7. Equality, Equity and Diversity Implications

7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

8. Crime and Disorder Implications and Community impact

8.1 This report is a backward look and the impact of Crime and Disorder is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

9. Subject History

Subject history is covered within the body of the report

Appendices

Annex 1 -

Annex 2 - Audit Findings Report 2022/23

Background Papers

- N/A

Report Author(s) Contact: Chris Blundell (Director of Corporate Services - Section 151)

Report Sign Off

Legal N/A

Finance N/A

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Ministry of Housing,
Communities &
Local Government

Policy paper

Addressing the local audit backlog: modified or disclaimed audit opinions

Published 27 November 2024

Applies to England

Contents

Introduction

Background

Measures to tackle the backlog

Modified or disclaimed audit opinions

Further information on the backlog measures and audit opinions

Agenda Item 9

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Introduction

The government, working closely with partner organisations, has implemented measures because of a large backlog in relation to local audit in England. One consequence is that many local bodies will receive modified or disclaimed audit opinions due to circumstances largely outside of their control and where these do not signify issues in their financial accounts. This document explains the context for these opinions to help ensure that local bodies are not unfairly judged.

Background

Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities.

These bodies publish accounts for each financial year. The external auditing of these accounts ensures transparency and accountability for public money spent on these services, and builds public confidence.

In recent years, however, there has been a growing backlog of unaudited accounts. For financial year (FY) 2022/23, just one percent of councils and other local bodies published their audited accounts on time.

Measures to tackle the backlog

Since being elected in July, the government, together with key local audit system partners, has taken decisive action to tackle the backlog. This includes setting a statutory backstop date of 13 December 2024 for the publication of audited accounts for Financial Years (FYs) up to and including 2022/23, as well as further backstops for FYs 2023/24 to 2027/28 to enable the audit system to recover. This approach will enable auditors to focus on more up-to-date accounts, where assurance is most valuable.

Aspects of the measures are uncomfortable, particularly the prospect of disclaimed or modified opinions (explained further below). Given the scale of the backlog, however, and the absence of viable alternatives, the government made the difficult decision to proceed.

Without these measures, audits would continue to be delayed, and the local audit system would move further away from timely, effective audit, with

significant additional cost to the taxpayer. The measures are supported by all key local audit system partners.

The backlog is an immediate priority, but the government also fully recognises the need to address underlying systemic issues and will update Parliament shortly on its longer-term plans to fix local audit.

Modified or disclaimed audit opinions

The key objective of an audit is to obtain sufficient evidence to conclude that the auditor has reasonable assurance that the financial statements as a whole are free from material misstatement. Where this is feasible, auditors issue an unmodified (or 'clean') audit opinion to the body. Otherwise, auditors may issue a modified opinion, including a disclaimed opinion if they are unable to provide substantive assurance or a qualified opinion if they are able to provide assurance on parts of the accounts. These opinions are relatively uncommon.

The statutory backstop dates, however, will create conditions under which significant numbers of modified or disclaimed opinions are issued. Specifically, the time constraints of the backstops may mean that auditors are unable to obtain sufficient appropriate audit evidence to state, in their opinion, whether the financial statements are properly put together and free from material error.

Auditors are expected to issue hundreds of disclaimed opinions by the first backstop date of 13 December 2024, and these will likely continue for some bodies for a number of years. It is the aspiration of the government and key local audit system partners that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the FY 2024/25 backstop date of 27 February 2026).

The government is clear that, where the backstop dates result in modified or disclaimed opinions, local bodies should not be unfairly judged. Auditing standards require auditors to clearly explain the basis of their opinion in their auditor's report – they should distinguish between disclaimed or modified opinions caused by the backstop date and those caused by other factors such as weaknesses in financial reporting or specific material issues in the accounts. This explanation from the auditor should be included as part of the statement of accounts published by a local body on its website by the relevant backstop date.

While the backlog measures will result in modified or disclaimed audit opinions, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue

Public Interest Reports – remain a high priority. We also expect local bodies to fully engage with audit work in these areas. It is also the case that, irrespective of the audit process, local bodies should have arrangements in place for accurate and timely financial reporting as part of their internal system control.

Finally, the government recognises the potential relevance of disclaimed or modified opinions to authorities' ability to borrow from private lending markets and to credit ratings. The government's expectation is that private lenders and ratings agencies would factor in the exceptional context and consider their approach on a case-by-case basis.

Further information on the backlog measures and audit opinions

A [Written Ministerial Statement](https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46) (<https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>) on the local audit backlog issued by the government on 30 July 2024.

[Government's response to feedback received on the Addressing the Local Audit Backlog in England consultation](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit) (<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>) (the consultation ran between 8 February and 7 March 2024).

The [Accounts and Audit \(Amendment\) Regulations 2024](https://www.legislation.gov.uk/ukSI/2024/907/contents/made) (<https://www.legislation.gov.uk/ukSI/2024/907/contents/made>) (note, these came into force on 30 September 2024).

[The Comptroller & Auditor General's Code of Audit Practice 2024](https://www.nao.org.uk/code-audit-practice/) (<https://www.nao.org.uk/code-audit-practice/>)

[National Audit Office Guidance](https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/) (<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>) (endorsed by the Financial Reporting Council) on Implementing the Reset and Recovery of Local Audit in England

The Chartered Institute of Public Finance & Accountancy's [Bulletin on the Local Audit Backlog in England](https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-18-local-audit-backlog-in-england) (<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-18-local-audit-backlog-in-england>)

The Financial Reporting Council's [Accessible Explainer on Rebuilding Assurance](#)

https://media.frc.org.uk/documents/Local_Audit_Backlog_Rebuilding_Assurance.pdf
f) (following modified or disclaimed audit opinions)(PDF, 212KB)

The Financial Reporting Council's [Accessible Explainer on Disclaimed Opinions](#)

https://media.frc.org.uk/documents/Local_Audit_Backlog_Disclaimed_Opinions.pdf
(PDF, 140KB)

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4 December 2024

To Cllr. Scobie
Governance and Audit Committee Chair
Thanet District Council
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Margate
CT9 1XZ

Grant Thornton UK LLP
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London
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Dear Cllr. Scobie,

Thanet District Council: Conclusion of the audit for 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Director of Corporate Services and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Governance and Audit Committee.

We are required under Auditing Standards to report certain matters to the Governance and Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2022/23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for each financial year available for public inspection by the first working day in June. However, the Authority did not make the 2022/23 financial statements available for public inspection until 1 November 2024. Consequently, we were not able to commence our audit of these financial statements before 16 September 2024 (the backstop date). As a result, we did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that the financial statements for the year ending 31 March 2023 as a whole are free from material misstatement.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We have completed our 2022/23 Value for Money work and have reported the outcome in our interim Annual Audit Report (AAR) of September 2023 that was presented to the Governance and

Chartered Accountants

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Audit Committee on 29 November 2023. Our report set out a combined commentary for 2020/21, 2021/22 and 2022/23.

We have nothing to report in respect of the above matter except for the year ended 31 March 2023:

- On 15 September 2023 we identified a significant weakness in the Authority's governance arrangements. This was in relation to the inability of the Authority's management team to work together effectively. This resulted in whistleblowing, raising of formal grievances and disciplinary action being taken against senior officers. We recommended that the Authority should prioritise development of its people strategy and behavioural framework and provide training on them to staff.
- On 15 September 2023 we identified a significant weakness in the Authority's governance arrangements. This was in relation to a significant increase in the number of 'no assurance' reports being issued by the Authority's internal audit function. Common themes across these reports included a lack of policies and procedures, internal audit recommendations not being addressed in the expected timescales and a lack of management engagement with internal audit. These reports covered several service lines which indicates that the issues identified are pervasive. We recommended that the Authority increase capacity in impacted service lines to ensure the required underlying governance arrangements are developed and monitored.
- On 15 September 2023 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation to project and contract management issues arising from proposed berth replacements at the Port of Ramsgate. We recommended that the Authority should strengthen project management and contract management arrangements by seeking additional support from project management experts and prioritising the development of training on the new project management framework. We also recommended that the Authority prioritise the development and implementation of a contract management framework which includes performance monitoring, post completion reviews, inspections of works by contractors and review of all contracts to identify any overpayments and threats and risks to effective arrangements.
- On 15 September 2023 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to members have not receive reporting on the 2022/23 outturn position or quarterly budget monitoring since December 2022, which covers both revenue and capital positions. Nor has the Council been able to produce and publish the financial statements for these financial years either due to a lack of capacity within the finance team. We recommended that the Council should ensure that budget monitoring is reported each quarter and a year-end outturn report which allows members to make financial decisions effectively. All budget and treasury monitoring information should be presented to members in a timely manner with no more than a 2-month time lag between the date of information and the date of reporting to ensure reliable decisions can be made on up-to-date information.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention. On 12 October 2021 we issued written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its whistleblowing, grievances and disciplinary procedures.

We recommended that the Authority should:

- commission an experienced, independent Monitoring Officer from a large local authority to report to the General Purposes Committee on:
 - a risk assessment of the current employment tribunal claims and propose actions which safeguard the Authority's best interests including a detailed financial analysis of the options available to the Authority

- an assessment of the status of all outstanding grievances, alleged whistleblowing complaints and any continuing suspensions and propose a plan of action to address them
- a lessons learnt report collating themes and recommendations from all externally commissioned reports and any other appropriate evidence
- bring the current General Purposes Investigations and Disciplinary Sub-Committee process to a conclusion with clear actions that are reported and action monitored
- revisit the financial plans and identify additional savings plans to address the further cost pressures created in resolving the grievances and whistleblowing complaints
- agree an approach where the Authority demonstrates that it is responding to the substance of concerns raised including a clear agreement on where Officer and Member responsibilities lie.

Independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements covering 2022/23. This will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Matthew Dean

For Grant Thornton UK LLP

CC: Director of Corporate Services

Attachments: Draft Disclaimer of Opinion 2022/23

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Thanet District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

We issued a joint draft Audit Plan covering the 2021/22 and 2022/23 financial years. This was considered at the 27 September 2023 Governance and Audit Committee.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for 2022/23.

Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non-audit fees

PSAA set a scale fee for this year’s audit of £58,549. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year.

We have also undertaken the following non audit work in respect of the year.

Audit Service	Proposed Fee	Final Fee
Audit of housing benefits grant return year ending 31 March 2023	£62,100	£62,100
Audit of the pooling housing capital receipts return year ending 31 March 2023	£10,000	£10,000

The fees do not reconcile to the financial statements, so we have provided a reconciliation:

	31 March 2023
Audit fees per financial statements	£106,000
Accrual for additional fees	(£47,451)
Total audit fees per above	£58,549

The proposed additional fees are consistent with the Audit Plan and represent areas over and above the Scale Fee, per the guidance issued by PSAA.

Certification of grants per financial statements	£64,000
Accrual over or underestimated	£8,100
Total grant fees per above	£72,100

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £58,549 in 2022/23 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

We have considered whether the grant claim work, the fee for which is higher than the audit fee for this backstopped year, represents a threat to independence. We are satisfied that it is not a threat, on the basis that grant claim work is carried out under instructions set by government, is undertaken on a routine basis each year, and has been assessed by the NAO in AGN 01 as not counting against the non audit cap.

External Audit - Informing the Risk Assessment 2023/24

Governance and Audit Committee 4 December 2024

Report Author	Chris Blundell, Director of Corporate Services - S151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All Wards

Purpose of the Report

The purpose of this report is to contribute towards the effective two-way communication between Thanet District Council's external auditors and Thanet District Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards. A representative from Grant Thornton will present the Risk Assessment Report, which is included at Annex 1 to this report.

Recommendation(s):

1. That the committee receives the Informing the Risk Assessment document for the 2023/24 Statement of Accounts and notes the report.

1. Summary of Reasons

- 1.1 External audit seek assurances from Council regarding addressing issues related to fraud and managing the risks in this area. They were seeking assurances from senior management as well as the views of Councillors and this report covers such assurances.

2. Background

- 2.1 Grant Thornton are required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.

- 2.2 Providing this committee with the Risk Assessment forms part of the process of supporting the main Audit of the Accounts.

3. Relevant Issues

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'), with draft accounts being made available for public inspection for 30 working days.
- 3.2 As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements.
- 3.3 This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.

4. Alternative Options

- 4.1 It is a statutory requirement to produce a set of financial statements and present them to this committee for consideration.

5. Consultation

- 5.1 There is no statutory or public law duty to consult in relation to this decision.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial implications arising from this report.

6.2 Legal and Constitutional

- 6.2.1 Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.3 Council Policies and Priorities

6.3.1 This report relates to the following corporate priorities: -

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

6.4 Risk

6.4.1 This report is a backward look and the impact of Risk is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

6.5 Climate Change and Biodiversity

6.5.1 This report is a backward look and the impact of Climate Change and Biodiversity are covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

7. Equality, Equity and Diversity Implications

7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

8. Crime and Disorder Implications and Community impact

8.1 This report is a backward look and the impact of Crime and Disorder is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

9. Subject History

Subject history is covered within the body of the report

Appendices

Annex 1 - Informing the Risk Assessment 2023/24

Background Papers

- N/A

Report Author(s) Contact: Chris Blundell (Director of Corporate Services - Section 151)

Report Sign Off

Legal N/A

Finance N/A

Informing the audit risk assessment for Thanet District Council 2023/24

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Agenda Item 10
Annex 1

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Annex 1
Agenda Item 10

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Thanet District Council's external auditors and Thanet District Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Thanet District Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	The increasing cost of Homelessness, continued to have an impact on the 23/24 financial position for all of Local Government and TDC was no different. There were new measures coming on line throughout 23/24 and these continue into 24/25.
2. Have you considered the appropriateness of the accounting policies adopted by Thanet District Council ? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	A review of the accounting policies has been undertaken and we do not believe that there have been any events or transactions that may cause TDC to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Bank Deposits, Money Market Funds, LOBO, Short dated Bond Fund.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	N/A

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Thanet District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Browne Jacobson - Outstanding Staff matters Bevan Brittan - Outstanding Governance advice Ashords - Port projects

General Enquiries of Management

Question	Management response
9. Have any of the Thanet District Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	No
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	No

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Thanet District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Thanet District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Thanet District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The council operates a robust key control framework within the financial procedures that has received favourable internal audit reports. This includes ensuring that the finance team are adequately skilled and alert to anomalies that could indicate a misstatement due to fraud; a devolved budget management system which means that managers have sight of financial transactions and can therefore identify any rogue payments; senior management reviews of the financial statements are also undertaken to aid the identification of material inconsistencies.</p> <p>There is an Anti-Fraud and Corruption Policy and whistleblowing policy that staff are aware of. Details are easily accessible to all staff on the Intranet.</p> <p>Risk Management is reported quarterly to the council's Governance and Audit Committee of which the S151 Officer is the lead officer and is in attendance.</p> <p>The Risk Management Progress report to 6 March 2024 Governance & Audit Committee can be found on the link below: Risk Management</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Areas identified with a higher risk of fraudulent activity are benefits, payroll, flexi-leave, and annual leave</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Thanet District Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>No</p> <p>Regular training/issues are discussed at the monthly Managers forum. Members of Governance and Audit all receive a guidance pack and Member training.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Risk Management is reported quarterly to the council's Governance and Audit Committee of which the S151 Officer is the lead officer and is in attendance.</p> <p>The Risk Management Progress report to 6 March 2024 Governance & Audit Committee can be found on the link below:</p> <p>Risk Management</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Thanet District Council where fraud is more likely to occur?</p>	<p>The Council put measures in place to address the risk of fraudulent support payments during the pandemic. No fraudulent payments were identified as a result of the processes undertaken.</p> <p>There are no heightened concerns at present but we remain aware of risk across a range of areas such as Housing Benefit, Procurement and Contracting and Supplier and Staffing, including the possibility that staff will fail to record flexi time correctly.</p>
<p>6. What processes do Thanet District Council have in place to identify and respond to risks of fraud?</p>	<p>The Council participates with the National Fraud Initiatives where payments are double checked and reconciled against various governmental data sources.</p> <p>The Council is also a participant in the Kent Intelligence Network, which undertakes similar activities as the NFI but at a County level.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Thanet District Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>See Annual Internal Audit Report from Head of EK Audit Partnership to the Chair of Governance & Audit in November 2024.</p> <p>Annual Governance Statement</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>9. How does Thanet District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Regular issues are highlighted as part of the staff development sessions. The council's Intranet system is used to communicate information to staff and policies and guidance can be accessed by staff from here.</p> <p>Monthly meetings are held between CMT and Directors to disseminate any key messages. Managers Forums are held on the last Thursday of each month where key issues are discussed between lower management and Directors. For key messages a member of CMT attends these briefings.</p> <p>Online training packages are available for staff.</p> <p>The Council has a Whistleblowing policy that is published on our internal staff facing website.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any officer with responsibility for inputting or authorising financial transactions and also the award the award of contracts</p> <p>This is mitigated through the separation of duties, robust Contract Standing Orders and Financial Procedure rules and the requirement for independent oversight of the procurement process for higher value contracts.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Officers and Members are required to complete declarations of interest.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Head of Internal Audit Partnership has a direct line of reporting to the chair of G&A and will report any significant instances to committee meetings</p> <p>Whistleblowing arrangements in place</p> <p>Ability to call in previous decisions and as a result make recommendations to Cabinet.</p> <p>Nothing to report</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Nothing new relating to 23/24</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Thanet District Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Thanet District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Monitoring Officer (Ingrid Brown) was in place to review and comment on all matters of Law and Regulation</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement is presented in draft and final form to the G&A committee for approval that covers such matters.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>A provision is in place for legal costs associated with ongoing grievances and disciplinary matters. Actual costs could vary from this estimate.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Thanet District Council have in place to identify, evaluate and account for litigation or claims?	Council departments are advised to keep legal advised of any possible claims. If claims are received these are quantified and risk established and an appropriate notification is made to finance officers to provide advanced notice of possible liability.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

Thanet District Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Thanet District Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Thanet District Council's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Thanet District Council • Whether Thanet District Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	No
<p>2. What controls does Thanet District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	Senior Officers and Members are required to complete annual declarations in relation to related party transactions
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Separation of duties and a requirement for officers and members with declared interested to excuse themselves from any related party transaction or associated approvals.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	All changes to the agreed budget are referred to Cabinet/Council

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Thanet District Council will no longer continue?	Section 151 of the Local Government Act 1972 requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Deputy Chief Executive and the MTFs and budget reports to Council help them discharge this function, by covering budget planning and reserve balances, funding as well as any required contributions to or from reserves. Over and above this, quarterly monitoring reports are provided to Cabinet along with an outturn report, each identifying any events or conditions that will have an impact on this Authorities ability to provide statutory services.
2. Are management aware of any factors which may mean for Thanet District Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Thanet District Council, does Thanet District Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Thanet District Council to cease to exist?	Yes
4. Are management satisfied that the financial reporting framework permits Thanet District Council to prepare its financial statements on a going concern basis? Are	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	See the disclosure for areas of significant uncertainty and estimation in the accounts. As per Note 3. Including: Pensions and Asset Values
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Risk Management focuses on key service and corporate risks. It is uncommon for key or material accounting estimates to have a real impact on the financial performance or position because of the accounting regime for local authorities. For example, the valuation of pension liabilities in the accounts has no bearing on the Council's financial performance.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Judgement made in the context of accounting policies by relevant officer and agreed with the deputy ¹⁵¹
4. How do management review the outcomes of previous accounting estimates?	Regular monitoring, monitoring reports taken to CMT for consideration.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Judgement is made on the materiality and significance of the item to determine if the cost of the advice merits the value provided for the accounts. For example, low valued investment properties are not valued every year do to the costs not representing value for money.</p> <p>Other valuations are required annually, by experts, due to their material and complex nature and the requirement of accounting standards. E.g. actuarial valuations of pension liabilities.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>A sense or reasonableness check and challenge process is provided back to contracted specialists on the expertise that they provide.</p> <p>Assets not valued annually are assessed by applying indexation to ensure that their valuations are not materially different to the expected valuation had they been subject to a full independent review.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Reviewed and monitored in line with individual financial risk and or accounting policies.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Accounting Policies are approved by Governance and Audit committee in advance of the financial year.</p> <p>This documentation and review process</p> <p>Governance and Audit have established a sub-group to review the accounts in detail including the review of estimation.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	All of these are completed and reviewed by suitably qualified members of staff
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Accounting Policies are approved by Governance and Audit committee in advance of the financial year</p> <p>This documentation and review process</p> <p>Governance and Audit have established a sub-group to review the accounts in detail including the review of estimation.</p> <p>Independent experts are engaged with to provide valuations and estimates where required. E.g. Asset Valuations are undertaken by an external firm.</p> <p>GT audit our accounts!</p>

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External Audit - Audit Plan 2023/24

Governance and Audit Committee 4 December 2024

Report Author	Chris Blundell, Director of Corporate Services - S151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All Wards

Purpose of the Report

The External Audit Plan 2023-24 has been developed by our appointed external auditor, Grant Thornton LLP, and sets out the proposed external audit work and fee relating to the 2023-24 annual audit at Thanet. A representative from Grant Thornton will present their interim Audit Findings Report, which is included at Annex 1 to this report.

Recommendation(s):

1. The external audit plan is noted.

1. Summary of Reasons

- 1.1 Grant Thornton, the Council's appointed external auditor, has submitted their External Audit Plan for the 2023-24 annual audit, attached at Annex 1, following consultation with the Section 151 Officer and his deputy..

2. Background

- 2.1 Grant Thornton are required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.
- 2.2 Providing this committee with the Audit Plan forms part of the process of supporting the main Audit of the Accounts.

3. Relevant Issues

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'), with draft accounts being made available for public inspection for 30 working days.
- 3.2 As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements.
- 3.3 This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.

4. Alternative Options

- 4.1 It is a statutory requirement to produce a set of financial statements and present them to this committee for consideration.

5. Consultation

- 5.1 There is no statutory or public law duty to consult in relation to this decision.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial implications arising from this report.

6.2 Legal and Constitutional

- 6.2.1 Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.3 Council Policies and Priorities

6.3.1 This report relates to the following corporate priorities: -

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

6.4 Risk

6.4.1 This report is a backward look and the impact of Risk is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

6.5 Climate Change and Biodiversity

6.5.1 This report is a backward look and the impact of Climate Change and Biodiversity are covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

7. Equality, Equity and Diversity Implications

7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

8. Crime and Disorder Implications and Community impact

8.1 This report is a backward look and the impact of Crime and Disorder is covered under the wider remit of the Budget and Medium Term Financial Strategy for the Authority.

9. Subject History

Subject history is covered within the body of the report

Appendices

Annex 1 - Audit Plan 2023/24

Background Papers

- N/A

Report Author(s) Contact: Chris Blundell (Director of Corporate Services - Section 151)

Report Sign Off

Legal N/A

Finance N/A

Thanet District Council Audit Plan

Year ending 31 March 2024

Thanet District Council

4 December 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Annex 1
Agenda Item 11

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters

Local context

The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for each financial year available for public inspection by the first working day in June. However, the Authority did not make the 2022/23 financial statements available for public inspection until 1 November 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore, auditors have been unable to form an opinion on the financial statements by the due date. The auditors, therefore, plan to issue a disclaimer of the audit opinion for 2022/23.

The fact that previous year audit have been disclaimed brings with it a number of challenges. Not least of these is the fact that we will not have assurance over the opening balances in the financial statements for 2023/24. In addition, there are risks that the allocation of funds between different reserves could be misstated, and also that prior year errors in areas such as the Minimum Revenue Provision could have gone undetected. The opening position for usable reserves for 2023/24 may remain unaudited.

Our intention is that over time we will re-build assurance in respect of prior years. The NAO and FRC are currently working on guidance to support auditors, and we will update you as and when this is received. In the meantime, recognising that the next backstop date is set for 28 February 2025, our intention is to prioritise (amongst other things) the following areas:

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024 (as far as this is possible within the constraints of not having assurance on opening balances)
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, we propose to look at the opening cash position as at 1 April 2023.

Our current aim is to be able to complete the above work before the next Governance & Audit Committee on 26 February 2025. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes along with the outcome of Value for Money work. At this stage, given the inherent challenges outlined above, we consider that it is unlikely to be possible to undertake sufficient audit work by 28 February 2025 that would enable us to regain full assurance on opening balances, or on carried forward property plant and equipment values which were not revalued in financial year 2023/24.

The consequence of this is that there is a strong possibility audit year 2023/24 will be disclaimed in respect of opening balances. We are working with the NAO and FRC to identify the best way to regain full assurance and return to a clean opinion as quickly as possible over the coming years. We will keep you updated on the progress of our work.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, are set out in this Audit Plan.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Governance and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Thanet District Council ('the Council') for those charged with governance.

Respective responsibilities

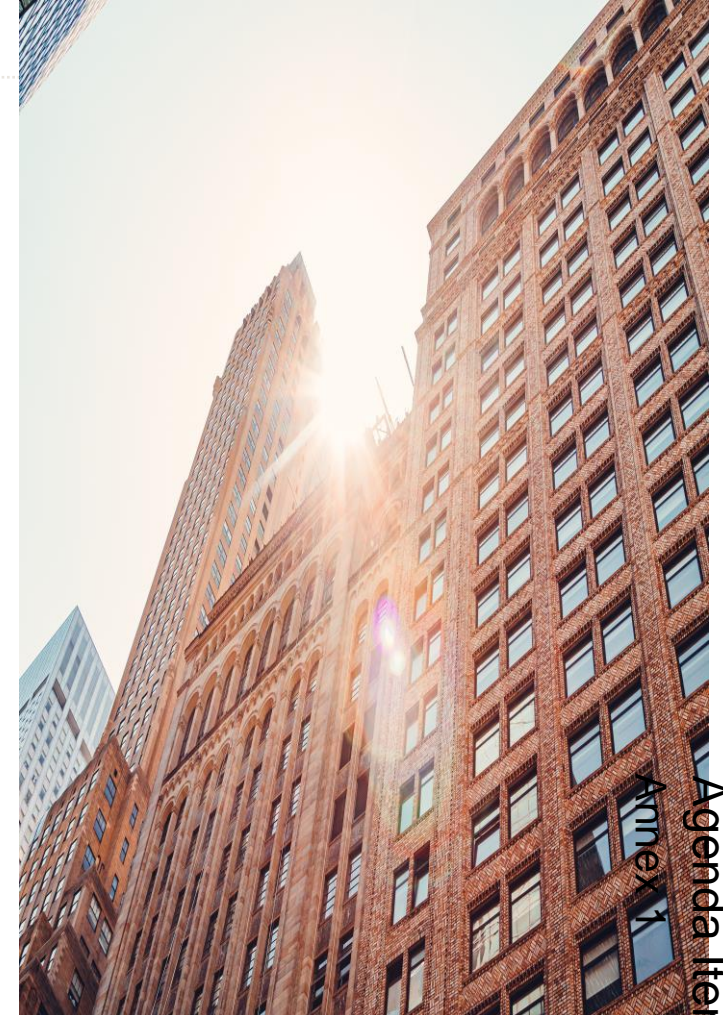
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and council dwellings
- Valuation of investment properties
- Valuation of the net pension liability
- Risk of fraud related to expenditure recognition prevalent at year end

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined an planning materiality of **£2.252 million (£2.370 million** in the previous audited year) for the Council, which equates to 1.9% of your 21/22 gross operating costs for the year.

Please note this our assessment at the planning stage of the engagement and will be updated for our fieldwork procedures based on the Council's 23/24 position.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at **£0.112million (£0.118 million** in the previous audited year) for the Council.

A low % was used to determine materiality because of the fact that the Council has not being audited in the previous year as a whole.

We have identified senior officer remuneration as a balance where we will apply a lower materiality level, due to the sensitive nature of the disclosures. We have set this at **£20,000** per officer (not cumulative).

Value for Money arrangements

Our work on the risk assessment regarding your arrangements to secure value for money is currently ongoing. We will communicate if any significant risks of weakness is identified as a result of this risk assessment, and we will continue to update you on our findings up to the issuing of the Auditor's Annual Report.

Audit logistics

Our planning visit took place in April 2024 and our final visit will take place from November 2024 to February 2025. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers, however we will look to work with you to ensure the audit is delivered as efficiently as possible during the relevant period.

Our proposed fee for the audit is set out on page 21 of this report for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Improper revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and nature of the revenue streams at Thanet District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for the Council</p>	<p>We will rebut the presumed risk of fraud in revenue, and as such there is no specific work planned for this risk.</p> <p>To gain assurance over revenue, we will:</p> <ul style="list-style-type: none"> • Test a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Perform testing over post year-end receipts to assess completeness of revenue and receivables recognition.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to expenditure recognition PAF - Practice Note 10	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period) We have not deemed it appropriate to rebut the presumed risk of fraudulent financial reporting in respect of expenditure, especially as you continue to face pressures to meet required financial targets.</p> <p>The risk is heightened particularly around year end transactions due to lack of audit procedures in 2022-23, without adequate audit procedures in place, there is a higher likelihood of errors or fraud going undetected, which could have a significant impact on the process of recording transactions and financial reporting</p> <p>Pinpointing the risk:</p> <p>We plan to pinpoint the significant risk around the following:</p> <ul style="list-style-type: none"> • The risk that non-pay expenditure streams is not complete. • The risk that the accrued liabilities on balance sheet date do not exist or are not accounted for accurately or include fraudulent transactions. <p>As payroll expenditure is well-forecast and agreeable to underlying payroll systems, there is no increased risk of material misstatement for this expenditure stream. As such, the increased risk is considered for only non-pay expenditure streams.</p>	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of the Council, and on the same basis as that set out above for revenue, we do not consider this to be a significant risk however we do consider expenditure prevalent around year end as a significant risk</p> <p>To address this risk, we will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness for operating expenses system; • Perform testing over post year-end transactions to assess completeness of expenditure recognition. • Test a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of land and buildings and council dwellings (£69.182 million and £180.924 million per 2022/23 Accounts)</p>	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management utilise a 5-year rolling programme for their valuations of Other land and Buildings and a beacon methodology for the Council Dwellings assets. Key assumptions and judgements used in determining this valuation will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year.</p> <p>Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date. We therefore identified valuation of land and buildings and council dwellings as a significant risk of material misstatement.</p>	<p>To address this risk, in testing the 23-24 closing balances we will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation experts. • Discuss with or write to the relevant valuers to confirm the basis on which the valuation was carried out. • Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding. • Test revaluations made during the year to see if they have been input correctly to Thanet District Council's asset register. • Assess the value of a sample of assets in relation to market rates for comparable properties. • Test a sample of beacon properties in respect of HRA dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties (£25.288 million per the 2022/23 Accounts)	<p>The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.</p>	<p>To address this risk, in testing the 23-24 closing balances we will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuations were carried out • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Focus our testing on the significant inputs and assumptions used by the valuer • Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.
Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Thanet District Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for Thanet District Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Net Pension Liability (£14.330 million per 2022/23 Accounts)	<p>The Net Pension Liability, reflected in the Council's Balance Sheet as pensions liability, represents a significant estimate in the financial statements. Further, regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of defined benefit pension scheme every three years.</p> <p>Estimation of the net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's Pension net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by Council to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Identify, document and evaluate the procedures and controls used to establish the accuracy and completeness of the source data and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Obtain assurances from the auditor of the Council's Pension Fund auditors as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to indicative materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the 2021/22 financial year, as this is the last set of Accounts which has been audited in full. Materiality at the planning stage of our audit is £2.252 million (£2.370million in the previous audited year) for the Council, which equates to 1.9% of your 21/22 gross operating costs for the year. Please note that this amount is indicative and will be updated for our fieldwork procedures based on the Council's 2023/24 position.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20,000 per officer (not cumulative).

Our approach to indicative materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Governance and Governance and Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Governance and Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.112million. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to indicative materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council financial statements	1,730,000	The following factors were considered when determining indicative materiality <ul style="list-style-type: none"> • The financial information available at the time of drafting this report
Materiality for specific transactions, balances or disclosures - senior officer remuneration	20,000 (per officer - not cumulative)	<ul style="list-style-type: none"> • Our understanding of the internal controls in place. • Our review of your predecessor's auditors' reports



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
E-Financials	Financial reporting	<p>To test design and implementation of the ITGCs.</p> <p>This includes:</p> <ul style="list-style-type: none"> - Security management - Change management - Batch Scheduling

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Risks of significant VFM weaknesses

Our work on the VFM risk assessment is ongoing at the time of writing this plan and once completed we will share the risks identified alongside the further procedures we will perform. Upon completing this work, we may need to make recommendations. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. 2023-24 is the first year of the new contract. The scale fee set out in the PSAA contract for the 2023/24 audit is **£179,588**.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24

Thanet District Council Scale Audit Fee	£179,588
ISA 315	£9,410
Total audit fees (excluding VAT)	£188,998

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council’s systems and processes

Within our procedures we will:

Verify the disclosure made by the council in relation to possible right of use assets and related lease liabilities for completeness and review the Council’s process of capturing lease data for the purpose of IFRS 16.

Planning inquiries

As part of our planning risk assessment procedures, we have inquired with management across a range of areas. The responses to which are shared as an additional item at this meeting.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \(publishing.service.gov.uk\)](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP team providing services to the Council.

Independence and non-audit services

Other services

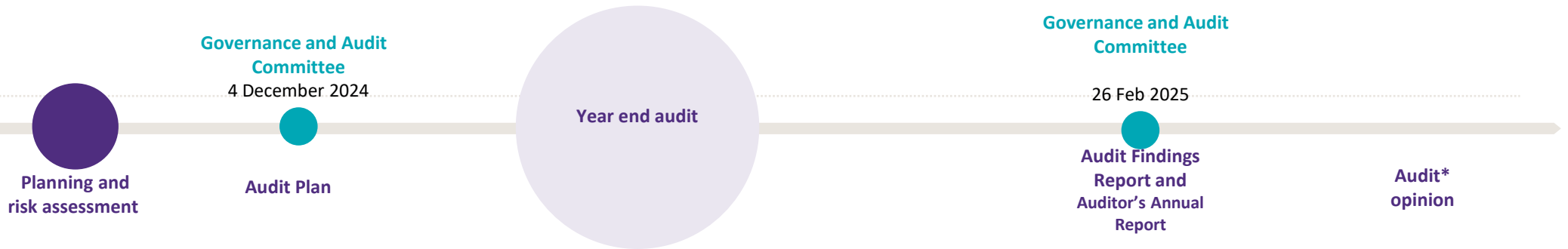
The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts pooling grant	£10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £188,998 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Grant Audit	£45,460	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £45,460 in comparison to the total fee for the audit of £188,998 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.

Audit logistics and team



Matt Dean, Key Audit Partner

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorization of reports. Attendance of Governance and Audit Committee meetings supported by Manager as required.



Ajay Jha, Audit Manager

Ajay is responsible for planning, managing the audit, and providing feedback to you throughout the audit process. Ajay will liaise with senior members of the finance team to ensure overall delivery of the audit.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

*subject to all audit queries and work being completed. Our opinion will be issued by 28 Feb 2025.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (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.

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