

# External Audit - Audit Findings Report 2022/23

**Governance and Audit Committee** 4 December 2024

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