

This Report will be made public on 22 September 2020



Report Number **AuG/20/08**

**To:** Audit and Governance Committee  
**Date:** 30 September 2020  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk, Leader of the Council

**Subject:** The Audit Findings for Folkestone & Hythe District Council 2019/20

**Summary:** Grant Thornton are required to issue a Report to those charged with governance, summarising the findings and conclusions of their audit work. They are also required by professional auditing standards to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2020.

**Reasons for recommendations:**

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

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

**Recommendations:**

1. To receive and note Report AuG/20/08.
2. To consider & note Grant Thornton's Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2020 report.
3. To approve the Letter of Representation and authorise the Chairman & Vice Chairman to sign the Letter on behalf of the Council.

## **1. INTRODUCTION**

- 1.1 Grant Thornton are required to issue a Report to those charged with governance summarising the conclusion of their audit work and to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2020.
- 1.2 Their draft report 'The Audit Findings for Folkestone & Hythe District Council' from Grant Thornton is attached as Appendix 1 to this covering report.
- 1.3 Following changes made to the Accounts and Audit Regulations 2015 in a letter to authorities on 3 April 2020, the Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2019/20 for all local authorities and the audit must be completed by 30 November instead of 31 July.
- 1.4 The audit commenced on 30 June and is substantially complete subject to a few final outstanding matters. Therefore, for reasons of timing, the copy of the Audit Findings report at Appendix 1 is a draft report. If any changes are required they will be outlined by Grant Thornton at the meeting on 30 September. Based on discussions with Grant Thornton at the time of preparing this report no significant changes are anticipated in the final version.

## **2. KEY MESSAGES**

- 2.1 The messages from of the Audit Findings Report are:
  - i. The 2019/20 audit is substantially complete and Grant Thornton plans to issue an unqualified opinion on the financial statements, subject to satisfactory completion of outstanding matters.
  - ii. The audit risks identified at the planning stage have all been reviewed, one additional financial statement risk was added to the original plan in respect of the Covid-19 pandemic and an audit plan addendum was issued in April 2020. No material adjustments have been identified with all other work being concluded to their satisfaction.
  - iii. Grant Thornton confirm that the draft financial statements submitted for audit were of a good quality, supported by well prepared working papers. A small number of minor disclosure and classification changes were agreed and amendments made.
  - iv. The value for money conclusion for 2019/20 is that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and Grant Thornton anticipate issuing an unqualified value for money opinion.
  - v. Further work has been carried out on the review of arrangements in place during 2018/19 following an objection to the accounts in respect of weaknesses with the contract management of the central

heating & hot water contractor for EKH. Grant Thornton have concluded that the arrangements were not adequate and are proposing a qualified “except for” conclusion in respect of 2018/19. Given the new arrangements put in place this qualification does not impact the 2019/20 conclusion.

### **3. AUDIT FINDINGS 2019/20**

#### **3.1 Section 1 – Headlines**

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

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

This section also summaries the work carried out in respect of the 2018/19 objection to the accounts and resulting qualified “except for” value for money opinion.

#### **3.2 Section 2 – Financial Statements**

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

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

This section also considers the Councils going concern status which was concluded to have been applied appropriately and key judgements & estimates which following the audit work all have a green assessment.

#### **3.3 Section 3 – Value for Money**

Confirms that Grant Thornton are satisfied that the Council had proper arrangements in place during 2019/20 and have issued their Value for Money conclusion.

This section also provides more detail around the objection to the 2018/19 accounts and the review of arrangements in place which Grant Thornton have concluded were inadequate leading to the qualified “except for” conclusion in respect of 2018/19.

#### **3.4 Section 4 – Independence and ethics**

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

#### **4. LETTER OF REPRESENTATION**

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

#### **5. CONCLUSION**

- 5.1 Grant Thornton's work has led to the result that the Council is expecting to receive an unqualified opinion on the financial statements for 2019/20.

#### **6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

6.1 **Legal Officer's Comments (AK)**

There are no legal issues arising from this report.

6.2 **Finance Officer's Comments (CS)**

This report has been prepared by Financial Services and all financial matters contained within the body of the report.

6.3 **Diversity and Equalities Implications (CS)**

There are none arising directly from this report

#### **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

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

*Charlotte Spendley – Director of Corporate Services*

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

#### **Appendices:**

**Appendix 1:** Grant Thornton report – The Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2020

**Appendix 2:** Letter of Representation 2020