

This Report will be made public on 7 March 2023



Report Number **AuG/22/32**

To: Audit and Governance Committee
Date: 15 March 2023
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader of the Council

Subject: Statement of Accounts 2021/22

Summary: In accordance with the Accounts and Audit (Amendment) Regulations 2022 the council must consider and approve its 2021/22 Statement of Accounts no later than 30 November 2022. The audit of the 2021/22 Accounts has now been fully completed. The final audit findings in relation to the audit of the 2021/22 Statements of Account are set out in Grant Thornton's Audit Findings report.

Reasons for recommendations:

The Committee is asked to agree the recommendations set out below because the Accounts and Audit (Amendment) Regulations 2022 require the council to consider and approve its 2021/22 Statement of Accounts by no later than 30 November, to enable publication to be made by that date.

Recommendations:

1. To consider Grant Thornton's final 2021/22 Audit Findings report (ISA 260) on the 2021/22 Statement of Accounts.
2. To consider Grant Thornton's 2021/22 Annual Report on Value for Money.
3. To receive and approve the audited 2021/22 Statement of Accounts.
4. To note the 2021/22 Letter of Representation.

1. INTRODUCTION AND BACKGROUND

- 1.1 The 2021/22 Statement of Accounts has been prepared in accordance with the relevant Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).
- 1.2 The Department for Levelling-Up, Housing and Communities (DLUHC) published the Accounts and Audit Regulations on 28 June 2022. The Accounts and Audit (Amendment) Regulations 2022, amended the latest date for the publication of draft accounts from 31 May to 31 July and the publication of the final audited accounts from 31 July to 30 November and then 30 September for 6 years, beginning with 2022/23 as part of longer-term measures to help stabilise the market and address long-term supply issues. In addition the public inspection period must commence on or before the first working day of August 2022.
- 1.3 The changes mean that audited accounts (that must be confirmed by the Chief Finance Officer (CFO) were to be published by 30 November 2022 at the latest. It has not been possible to meet the deadlines due to a number of factors beyond the Council's control.

2. STATEMENT OF ACCOUNTS 2021/22 – FINANCIAL POSITION AND PERFORMANCE

- 2.1 The draft 2021/22 Statement of Accounts were presented to the Committee at its meeting on 21st September 2022, at which time external audit was already underway having started in early September.
- 2.2 Regular updates have been provided to Audit and Governance Committee on the progress of the audit. The key dates and reports in respect of 2021/22 are:-
 - **28th July 2022**- Annual Governance Statement considered and approved by this Committee.
 - **21st September 2022**- The draft 2021/22 Statement of Accounts was considered and approved by this Committee.
 - **7th December 2022**-This Committee received Grant Thornton's initial draft of the 2021/22 Audit Findings Report (ISA260) with the audit substantially complete.
- 2.2 This report therefore brings the audit of the 2021/22 Statement of Accounts to a conclusion with the submission of the updated 2021/22 Statement of Accounts as amended following the completion of the audit by Grant Thornton.
- 2.3 The report contains the following documents as Appendices.

- Appendix 1- The final 2021/22 Audit Findings report, including the Audit Opinion from Grant Thornton in accordance with the International Standard of Auditing (ISA 260).
- Appendix 2-The final 2021/22 Annual Report covering the Value for Money Conclusion
- Appendix 3- The audited 2021/22 Statement of Accounts.
- Appendix 4- 2021/22 Letter of Representation.

3. 2021/22 AUDIT OF THE ACCOUNTS AND ANNUAL REPORT

- 3.1 The final version of the draft 2021/22 financial statements was produced for publication on the 23rd January 2023 and the authority commenced the period for public inspection rights on the 23rd January 2023 which concluded on the 6th March 2023.
- 3.2 Members will wish to consider the external auditors 2021/22 Audit Findings Report, and their 2021/22 Annual Report covering the Value for Money judgement and the Audit Opinion which Paul Dossett from Grant Thornton will introduce.
- 3.3 The external audit for 2021/22 which has been undertaken by Grant Thornton is now complete. The draft financial statements which were received by this Committee on the 21st September 2022 have been adjusted in line with the recommendations from Grant Thornton as described in their Audit Findings report Appendix 1 and are therefore reflected in the audited 2021/22 Statement of Accounts which are attached as Appendix 3.
- 3.4 In summary the main adjustments include reclassification of items on the balance sheet relating to Otterpool Land including Otterpool Land Options and the treatment of a year-end creditor and together with the addition of disclosure notes. The audit adjustments are identified in Grant Thornton's Audit Findings report (Appendix1) and have been reflected in the draft Statement of Accounts reported as set out in Appendix 3.
- 3.5 It is important to note that the Audit Opinion in respect of the 2021/22 Accounts will be an Unqualified Opinion and that the adjustments arising from the audit have not resulted in any significant change in the financial position of the Council or impacted upon the Council's Reserves and Balances previously reported in the draft accounts to the Committee in September 2022.
- 3.6 The Auditors Annual report for 2021/22 (appendix 2) outlines the authorities position with regards to Value for Money arrangements. The Auditor has made a number of improvement recommendations in respect of the financial sustainability and governance arrangements, and some key recommendations regarding the arrangements for improving economy, efficiency and effectiveness within the Council.
- 3.7 The Council must address the actions identified within this report, as they are essential in the council in ensuring that its use of resources is effective and appropriate. The report does not find any significant weaknesses in the

financial sustainability and governance criteria, but it does identify one significant weakness in the improving economy, efficiency and effectiveness criteria. This recommendation relates to the matters previously reported to this committee on procurement and contractual management arrangements. The key recommendation in this regard is that “The Council must fully action the recommendations set out by Internal Audit in both the Contract Management and Housing Planned Maintenance reviews.” The Council is already undertaking this work and many actions are well progressed.

4. CONCLUSION

- 4.1 The audited 2021/22 Statement of Accounts are unsigned at this stage. The Committee is asked to approve the Statement of Accounts for 2021/22 in accordance with the Accounts and Audit (Amendments) Regulations 2022. Following approval by the Committee these will be signed by the Chief Financial Officer, Charlotte Spendley and the Chair of the Audit and Governance Committee, is requested to sign the 2021/22 Statement of Accounts (Appendix 3) and the 2021/22 Letter of Representation (Appendix 4) to confirm they have been considered and approved by the Audit and Governance Committee. Following the completion of these signatures Paul Dossett the Key Audit Partner at Grant Thornton will sign the Audit Opinion.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer’s Comments (AK)

There are no legal implications arising directly out of this report that are not already referred to in the report.

5.2 Finance Officer’s Comments (CS)

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

5.3 Diversity and Equalities Implications (CS)

There are none arising directly from this report

6. 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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email: charlotte.spendley@folkestone-hythe.org.uk

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

Appendices:

Appendix 1- The final 2021/22 Audit Findings report, including the Audit Opinion from Grant Thornton in accordance with the International Standard of Auditing (ISA 260).

Appendix 2-The final 2021/22 Annual Report covering the Value for Money Conclusion.

Appendix 3- The audited 2021/22 Statement of Accounts.

Appendix 4- 2021/22 Letter of Representation.