

By: Director, Finance and Corporate Services

To: Audit and Governance Committee - 28 November 2022

Subject: EXTERNAL AUDITORS AUDIT FINDINGS REPORT FOR 2021/22

Classification: Unrestricted

FOR DECISION

SUMMARY

The reports' main purpose is to present the External Auditor's Audit Findings Report in relation to the 2021/22 financial year, in accordance with the requirements of the International Standard on Auditing (UK and Ireland) 260. The External Auditor's report is attached at **Appendix 1** for Members' information and consideration. Members of the Audit and Governance Committee considered and approved Draft Financial Statements at the September meeting. This report highlights the findings that the External Auditors wish to raise having nearly concluded their audit. The External Auditors will attend the meeting to present their report.

However, they are not yet able to formally conclude the audit and issue the audit certificate until they have completed their work on the Authority's arrangements for Value for Money. As such their Annual Report will be delayed until they have completed their assessment, which is expected to be by no later than the 28 February 2023.

RECOMMENDATIONS

Members are requested to:

1. Consider the matters raised in the Audit Findings Report for 2021/22 (paragraphs 1 to 4 and **Appendix 1** refer);
2. Consider and note the remaining content of the report.

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BACKGROUND PAPERS: None

COMMENTS

Audit Findings Report

1. Members will recall that within the September report to Committee, it was advised that the Accounts and Audit (Amendment) Regulation 2021 changed the date that the Audit of the Financial Statements needed to be signed off by, which was delayed from 30 September 2022 to 30 November for the 2021/22 financial statements. This was due to the national shortage of Auditors resulting in the backlog of financial statements that still needed to be signed for the 2020/21 financial year. This in turn impacted on the available resources to undertake the local audits for 2021/22. The initial Audit Plan submitted to Members at the April Audit and Governance Committee suggested the Authority's Audit would take place during June/July, but subsequently Grant Thornton advised that the Audit had to be re-scheduled to October 2022.
2. Having now virtually concluded the audit of the accounts for 2021/22, the External Auditors' Audit Findings Report for 2021/22 is attached at **Appendix 1**. This report provides a summary of the work that has been carried out by the External Auditors in relation to the financial year 2021/22 and highlights an overview of their audit findings to date. It also details the assessment that they expect to give having assessed the Accounts for 2021/22.
3. However, at the time of drafting this report, there are still several areas that are yet to be concluded in their review, and these are detailed on page 3 of **Appendix 1**. As External Audit will present the Audit Findings Report to this meeting, they will update Members on their findings in relation to these remaining issues, at the meeting.
4. In discharging the External Auditors' statutory responsibility to those charged with governance, the report highlights the following key points: -
 - (a) The External Auditors, subject to completing the outstanding work, expect to issue an unmodified audit report in respect of the Financial Statements for 2021/22 (**Appendix 1**, page 3);
 - (b) At the current point in time, it is pleasing to note that the External Auditors, have not identified any material adjustments that necessitated amendments to the financial statements, and have commented that the financial statements provided for audit were produced to a very high standard, with strong working paper trails. They also acknowledge the increased pressure the team were under during these unprecedented times;
 - (c) Members may recall in the Financial Governance report presented at the February 2021 Authority meeting, that the External Auditors Code of Audit Practice has been updated and one of the biggest areas of change is in relation to Value for Money. External Auditors are required to assess against a revised

criteria to ensure that the Authority has proper arrangements for financial sustainability, governance and securing economy, efficiency, and effectiveness in its use of resources. Audit work in relation to this is expected to be undertaken in the coming months to enable them to present the Auditor's Annual Report by no later than the 28 February 2023. (**Appendix 1**, page 4, 15 and 16).

5. **Audit Fees** - The Public Sector Audit Appointments published fee for the work in relation to the 2021/22 financial year is £29,818. However, due to the increased audit work required following changes to accounting treatments in previous years since the fee was set the Auditors have set out their proposed fee at page 20 of the Audit Findings Report (**Appendix 1**).
6. **Summary** - Despite the unprecedented challenges that this pandemic has created, the Finance Team and the External Auditors have worked well together during the whole closedown process. All work was successfully completed remotely by both parties, and we are appreciative of the timely turnaround of information by the External Auditors.

RECOMMENDATIONS

7. Members are requested to:
 - 7.1 Consider the matters raised in the annual Audit Findings Report for 2021/22 (paragraphs 1 to 4 and **Appendix 1** refer);
 - 7.2 Consider and note the remaining content of the report.