

This Report will be made public on 29 July 2019



Report Number **AuG/19/09**

To: Audit and Governance Committee
Date: 30 July 2019
Head of Service: Charlotte Spendley, Assistant Director Finance, Customer & Support Services
Cabinet Member: Councilor David Monk, Leader of the Council

Subject: The Audit Findings for Folkestone & Hythe District Council 2018/19

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 2019.

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/19/09.
2. To consider & note Grant Thornton's Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2019 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 2019.
- 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 last year to the Accounts and Audit Regulations the audit must be completed by 31 July, therefore timescales have been tight for both the Accountancy team and Grant Thornton's Audit team.
- 1.4 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 July. 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 2018/19 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 material adjustment was identified with all other work being concluded to their satisfaction. The Council has amended its Statement of Accounts to reflect this adjustment in respect of valuation of council dwellings.
 - 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. Since the Audit Plan was drafted the council has notified Grant Thornton of weaknesses with the contract management of the central heating & hot water contractor. Grant Thornton will review the contract management arrangements as part of their value for money conclusion work and in respect of an objection to the accounts that has been submitted. The value for money conclusion will therefore be delayed, however this does not affect the provision of an unqualified audit opinion.

3. AUDIT FINDINGS 2018/19

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 material adjustment required for the council dwelling valuation and the work pending in respect of the objection to the accounts and 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 have further work to complete before a conclusion can be issued. Of the risks identified at the planning stage, the auditors have concluded work in these respects and have not identified any issues that will impact upon the Value for Money conclusion. Work on the emerging risk remains outstanding at this time.

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 2018/19.
- 5.2 Grant Thornton will report to a future meeting on the outcome of the Objection to the Accounts and the Value for Money conclusion.

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

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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 2019

Appendix 2: Letter of Representation 2019