

AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Audit - Draft Audit Findings Report 2021/22
Meeting date	30 November 2023
Status	Public Report
Executive summary	<p>The attached report sets out the draft findings of the Council's external auditor following their audit of the Council's Statement of Accounts 2021/22. The key points to note are:</p> <p>Financial Statements</p> <ul style="list-style-type: none"> As at 21 November 2023 the audit is approximately 90% complete. The main area of audit work not concluded is in respect of the IAS19 Pension Fund net liability due to a required response from the auditor of the Dorset Pension Fund. Subject to completion of remaining work Grant Thornton anticipate providing an unqualified opinion on the financial statements for the Council in early 2024. <p>Value or Money Arrangements</p> <ul style="list-style-type: none"> VFM work for 2021/22 has been completed, and was separately reported to the Audit & Governance Committee in September 2023. The 2021/22 report included a number of key recommendations as well as a large number of improvement recommendations. Four significant weaknesses in the Council's arrangements were reported and the external auditor was not satisfied the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. <p>Significant Matters</p> <ul style="list-style-type: none"> A significant number of amendments, issues and control weaknesses were identified during the 2021/22 audit. The additional time spent gaining assurance over all elements of the financial statements along with significant additional VFM work will be reflected in the final audit fee, to be confirmed once all work has been completed.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee notes the anticipated audit opinion and the draft findings of the Council's external auditor following their audit of the Council's statement of accounts 2021/22.</p>

Reason for recommendations	To ensure that the Audit & Governance Committee are fully informed of the draft audit opinion and findings of the Council's external auditor following their audit of the Council's financial statements for the year ended 31 March 2022, as set out in the draft report attached.
Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Ian O'Donnell, Corporate Director for Resources
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Wards	Council-wide
Classification	For Information

Background

- Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditor is required to report whether, in their opinion:
 - the group and Council's financial statements give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
- The external auditor is also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated.
- In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- This report sets out the draft findings of the Council's external auditor following their audit work to date on the Councils' Statement of Accounts 2021/2022.

Draft Audit Findings Report 2021/22

- Although not fully completed, the attached draft version of the Audit Findings Report 2021/22 has been provided by Grant Thornton to ensure that the Audit & Governance Committee are fully updated with progress on the audit of the Council's financial statements for the year ended 31 March 2022.
- The following key issues from the report are noted:

Financial Statements

- As at 21 November 2023 the audit is approximately 90% complete.
- The main area of audit work not concluded is in respect of the IAS19 Pension Fund net liability due to a required response from the auditor of the Dorset Pension Fund.
- Subject to completion of remaining work Grant Thornton anticipate providing an unqualified opinion on the financial statements for the Council in early 2024.

Value or Money Arrangements

- VFM work for 2021/22 has been completed, and was separately reported to the Audit & Governance Committee in September 2023.
- The 2021/22 report included a number of key recommendations as well as a number of improvement recommendations.
- Four significant weaknesses in the Council's arrangements were reported and the external auditor was not satisfied the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Significant Matters

- A significant number of amendments, issues and control weaknesses were identified during the 2021/22 audit.
- The additional time spent gaining assurance over all elements of the financial statements along with significant additional VFM work will be reflected in the final audit fee, to be confirmed once all work has been completed.

7. Once all work is completed an updated final version of this report will be presented to a later meeting if the Audit & Governance Committee (anticipated 11 January 2024 subject to the required response from the auditor of the Dorset Pension Fund).
8. The final version will include BCP management responses to the recommendations in the report.
9. The proposed core audit fee is £213,875 and the attached report indicates that an additional fee of £6,000 is proposed due to additional work required on IAS19 disclosures (explained on page 15 of the report).
10. In addition to the core audit fees, the Council will incur costs for other services totalling £50,300.

Options Appraisal

11. An options appraisal is not appropriate for this report.

Summary of financial implications

12. The proposed core fee is £213,875 but is subject to additional work required on IAS 19 disclosures of £6,000. There are also additional fees for other audit services totalling £50,300.

Summary of legal implications

13. There are no direct legal implications from this report.

Summary of human resources implications

14. There are no direct human resource implications from this report.

Summary of sustainability impact

15. There are no direct sustainability impact implications from this report.

Summary of public health implications

16. There are no direct public health implications from this report.

Summary of equality implications

17. There are no direct equalities implications from this report.

Summary of risk assessment

18. The areas identified for development by the Council's external auditor will be fully discussed during the risk management review process and appropriate mitigations will be discussed with the Corporate Management Team.

Background papers

None

Appendices

Appendix A - Grant Thornton The Audit Findings for Bournemouth, Christchurch and Poole Council Year ended 31 March 2022 (Draft at 21 November 2023)