

Report to: **Audit Committee**

Date: **24 November 2023**

By: **Chief Finance Officer**

Title of report: **Review of the Grant Thornton (GT) report to those charged with governance and Statement of Accounts for 2022/23**

Purpose of report: **For the Committee to review the Independent Auditor's (GT) report to those charged with governance prior to its submission to the Governance Committee.**

RECOMMENDATIONS: The Committee is recommended to:

(1) note the report and its appendices; and

(2) identify any concerns arising from the Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee.

1. Background

1.1 This report summarises the key findings arising from GT's audit work in relation to the Council's 2022/23 financial statements. There continue to be challenges in progressing the delivery of the audit, particularly with regard to the valuation of Property, Plant and Equipment (PPE). The audit report, at Appendix 1, references the work that still remains to be completed, but there is no suggestion that this will identify issues that require the audit opinion or statement of accounts to change.

2. Supporting Information

2.1 Under its terms of reference, it is the role of this Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.2 It is the role of the Governance Committee to approve the County Council Statement of Accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit of the accounts.

2.3 The Grant Thornton Audit Findings Report to those charged with governance is attached at Appendix A, with the Council's Statement of Accounts for 2022/23 at Appendix 2.

2.4 I am pleased to be able to report that GT are anticipating being able to issue an unqualified audit opinion for the 2022/23 Statement of Accounts.

2.5 Appendix C of Appendix 1 sets out the Audit Adjustments identified. A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved. There were also items for which the decision was made not to adjust, as either not material or an extrapolated misstatement for which adjustment was not appropriate. Any decision to adjust the accounts considers whether the adjustment improves the reader's understanding of the accounts.

2.6 Appendix B of Appendix 1 identifies 2 management recommendations, for which there are management responses:

Issue and Risk	Recommendation	Management Response
<p>Assets not revalued by the professional valuer.</p> <p>Assets not subject to professional valuer valuation in 2022/23 where reviewed against available indices. A material difference of £28m was identified and the accounts adjusted accordingly. The finance team are not experts in valuation, therefore there is greater estimation uncertainty in the valuation methodology.</p>	<p>Council, having assessed that assets not revalued could be materially misstated should have, in our opinion, engaged with their valuer to endorse the approach taken to apply a valuation to such assets, rather than apply a method by financial accountants</p>	<p>Whilst we accept that applying indexation is not as accurate as individual valuations carried out by a valuer, we believe the approach taken was reasonable in the circumstances and resulted in a more accurate representation of our asset values than if they had not been left unadjusted.</p>
<p>Related Parties Form completeness check.</p> <p>It was identified that one related parties form had not been submitted. The forms are key to ensuring that complete and accurate disclosures are made in the accounts.</p>	<p>Council should ensure that a process is in place to remind/chase members who have not submitted these return forms, to ensure a full set is received.</p>	<p>There was only one Related Party form for 2022/23 that we were unable to obtain and we have no reason to believe that this would present any risk to the associated disclosure within the accounts.</p>

2.7 Appendix D of Appendix 1 sets out total audit fees, covering work including the outstanding 2021/22 audit, of £127,055. The fee will be subject to PSAA review and confirmation in due course.

3. Conclusion and reasons for recommendations

3.1 In carrying out their responsibility for review, Members of the Audit Committee should consider:

- The findings made by the external auditors as a result of final audit of the 2022/23 accounts; and
- Whether there are any issues arising that Members might wish to bring to the attention of the Governance Committee when it meets to approve the Statement of Accounts for 2022/23.

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