
External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23

Lead Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director Resources & Corporate Services
Nicola Hix, Service Director – Finance and Procurement

Author: Ben Bryant, Head of Corporate Finance

Contact Details: Jason.vaughan@somerset.gov.uk , ben.byrant@somerset.gov.uk

Summary

1. The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 states that, as part of the formal process of closing the 2022/23 accounts, for the legacy South Somerset District Council, the Chief Financial Officer is required to approve the draft Statement of Accounts by 31 May and the Audit Committee is required to approve the audited accounts by 30th September 2023.
2. In discussions with Grant Thornton UK LLP around resource availability and quality of draft accounts produced, not all legacy Somerset District/County accounts could be completed and audited within the above timeline. Compounded to that, the 2021/22 accounts for South Somerset District Council were being finalised during 2023. Therefore, draft 2022/23 accounts were published at the end of August 2023 and have been audited between November 2023 to March 2024.
3. The 2022/23 external audit is yet to be finalised and therefore not presented to this committee date for approval. The current Audit Finding Report issued by Grant Thornton UK LLP presents the current status of the audit against an audit plan to the date of this committee. This indicates work is well underway, in most instances sample information now returned to the auditors for review. Giving reasonable assurance that completion of this audit and the final accounts sign off can be

achieved by the end of April. Instead, pending no material or significant changes required to the accounts from the finalisation of the audit, delegated authority is sought.

Recommendations

4. The Audit Committee are asked to:

4.1. Note the status of the ongoing audit by reviewing the latest Audit Findings report from the external Auditors Grant Thornton UK LLP, as per Appendix 1.

4.2. Note the revised Statement of Accounts as attached in Appendix 2 for South Somerset District Council for 2022/23.

4.3. Delegate approval for the final accounts to the Executive Director of Resources and Corporate Services in conjunction with the Chair or Vice-Chair, once any outstanding matters have been resolved.

4.4. Delegate approval for the signing of a letter of representation, alongside point 4.3.

Financial and Risk Implications

5. There are no direct financial and risk implications.

HR Implications

6. There are no direct HR implications from the Statement of Accounts/reports.

Legal Implications

7. There are no direct legal implications.

Other Implications

8. There are no other considered implications

Background Papers

Statement of Accounts

9. The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.
10. The Statement of Accounts (Appendix 2 – updated accounts with known audit finding adjustments) has been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain (The Code). The Statement is required to present a true and fair view of the former South Somerset District Council's financial position as at 31 March 2023 and also the income and expenditure for the financial year 2022/23.
11. The Authority's external auditors, Grant Thornton, started their detailed examination of the Statement of Accounts in November 2023. The audit has experienced delays due to staff capacity, loss of knowledge and quality of documentation held. The commitment, by the Council and its auditors Grant Thornton, to the completion of the 2022/23 final audited accounts remains and work into April is expected to achieve this.
12. The Audit Findings Report, in appendix 1, from pages 8 to 11 sets out that substantially all the detailed sample work has been issued and returned pending auditor reviews. The key showing Red, Amber, Green represents where the audit plan expected to be versus the current status by the 28th March 2024. This includes commentary to reason the delays in the audit work being completed.
13. There are a series of audit findings, as set out in Appendix D of the report (page 38 onwards). These findings are yet to be formalised in the report but these known findings have been adjusted in the latest accounts presented and therefore should not pose risk to the outcome of the opinion.
14. The most significant being the classification, valuation and reconciliation of assets. Reclassification of Huish Park awaits final confirmation from Grant Thornton on the revised valuation provided, all other fixed asset changes have been accepted and applied. There is also the revised treatment for the disposal of inventories during 2021/22 and 2022/23 which will result in an additional £4.2m of capital receipts being available to the Council. Finally, presentation and reconciliation has been a challenge, with number of changes being made and the need to rework the accounts. Some additional quality assurance is underway from

other Council accountants alongside the work that Granton Thornton are undertaking.

15. Page 6 of the Audit Findings report 'anticipates issuing an unqualified audit opinion' on the accounts. This is subject to any significant further audit findings over the next few weeks.
16. Grant Thornton are only able to formally conclude the audit and issue their final Audit Report and Audit Certificate if they have received a copy of the Statement of Accounts as approved by this Committee and all elements of their work are concluded.

Letter of Representation

17. The International Standard on Auditing 580 requires auditors to obtain written representations from management and, where appropriate those charged with governance in an audit of the financial statements. This statement as a formal Management Representation letter to Grant Thornton, will be written when the audit is complete.
18. The Committee are requested to delegate approval for this representation. Once approved the letter will be passed to our auditors.

Annual Governance Statement

19. The Annual Governance Statement (AGS) for 2022/23 was approved by the Audit Committee as part of the draft accounts in August 2023. Best practice requires local authorities to review their Annual Governance Statement immediately before the Statement of Accounts is approved to ensure that the governance framework and risks have not significantly changed since the review was carried out.
20. In the light of Local Government Reorganisation, also updated in the other former councils AGS and account sign offs, the Governance Board will develop an Action Plan for 2023/24 aimed at further strengthening the Council's governance. Many of these will already be known and on-going actions, such as the review of the Constitution and key financial and organisational policies. This follows the best practice in that the Annual Governance Statement should also reflect the unique

features and challenges of the Council, and that it should therefore anticipate known and potential governance challenges ahead.

Appendices

- Appendix 1 – Grant Thornton UK LLP current 2022/23 Audit Findings Report, pending ongoing audit work
- Appendix 2 – Legacy South Somerset District Council’s Statement of Accounts 2022- 23, redrafted for current findings and updated AGS
- Appendix 3 - Grant Thornton UK LLP current 2022/23 DRAFT Audit Opinion **(contained in supplement 3 to the Audit Committee Agenda)**
- Appendix 4 - South Somerset District Council’s DRAFT Letter of Representation **(contained in supplement 3 to the Audit Committee Agenda)**