

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 22

Subject: External Audit - Audit Findings Report 2022/23

Date of meeting: 26 September 2023

Report of: External Auditor (Grant Thornton)

Contact Officer: Name: Darren Wells (Grant Thornton)
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Ward(s) affected: All

For general release

1 Purpose of the report and policy context

- 1.1 The audit findings report sets out the findings of the 2022/23 audit by the council's appointed external auditor, Grant Thornton. It includes the key messages arising from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources. The latter is covered in more detail in the external auditor's full annual report which is available elsewhere on this agenda.
- 1.2 It should be noted that the completion of the audit is subject to the completion of the triennial valuation work undertaken on the East Sussex Pension Fund (which impacts the council's 2021/22 audit as well), along with additional work related to guidance which requires external auditors to assess whether the requirements of the IAS 19 standard (Employee Benefits) have been considered when the council reports, very unusually, a net surplus for its Pension Liability, as is the case for 2022/23.
- 1.3 The report indicates the external auditor's anticipated opinion on the council's financial statements and advises the committee of any outstanding audit queries.

2 Recommendations

- 2.1 That the committee note the findings set out in the 2022/23 Audit Findings Report and asks questions of the auditor as necessary and raises any other matters relevant to the audit of the 2022/23 financial statements.

3 Context and background information

- 3.1 The council's 2022/23 Statement of Accounts is required under statute and regulation to be published in draft by 31 May and is now in near final audited version by the deadline of 30 September 2023.
- 3.2 However, in common with many local authorities, the council was not able to publish its accounts by the deadline of 31 May 2023 but did publish an advisory notice on 31 May and finally published the accounts on 26 June 2023 with an appropriately extended public inspection period. The

government, at very late notice, elected to revert the financial statements timetable to a tighter, pre-pandemic deadline following 3 years of a more deliverable longer deadline with unaudited publication extended to the end July and final audited accounts due at the end of November. This reversion, to 31 May for unaudited accounts and 30 September for approval of final audited statements, was against advice from all quarters across the sector and against a backdrop of only 9% of audits being completed on time in 2021/22 despite an extended deadline. Unsurprisingly, the sector has seen widespread failure to meet the tighter deadline.

- 3.3 Publishing a full set of accounts for a large and complex organisation in line with recently increased reporting standards within two months of the year-end and in final audited form within six months of the financial year end is a challenge to both councils and auditors, particularly given straitened resources in councils and recruitment challenges across the audit sector. It's noted that this is not a timetable that is applied to often less complex private sector companies who have a total of nine calendar months to finalise their accounts.
- 3.4 A major overhaul of Local Government external audit is underway including consideration by government of a mechanism to enable incomplete accounts across the country to be approved 'at risk' with appropriate qualifications to clear the current substantial backlogs and attempt to reset the system. Similarly, the re-procured national contract for Local Government audit will see an increase in core fees of 151%, recognizing the challenges in the sector.
- 3.5 Committee consideration of the audit findings and the near final 2022/23 Statement of Accounts (subject to conclusion of final audit queries) are part of meeting the legal requirements prior to final publication.

4 Analysis and consideration of alternative options

- 4.1 The committee is the committee with responsibility for approval of the council's Statement of Accounts and as such is duty-bound to consider the findings and recommendations of the external auditor in considering its approval of the statements.

5 Community engagement and consultation

- 5.1 The draft 2022/23 Statement of Accounts were published/made available on the council's website on 26 June 2023 with an appropriately extended public inspection period (30 working days).

6 Conclusion

- 6.1 The external audit feedback on the council's 2022/23 Statement of Accounts is set out in Grant Thornton's audit findings report at **Appendix 1**. In addition, Grant Thornton has also provided a summary for the council and a more general sector update report at **Appendix 2**.

7 Financial implications

- 7.1 The Audit Findings Report at **Appendix 1** sets out the financial implications of the auditor's findings and confirms the audit fees for the year.

Finance officer consulted: Nigel Manvell Date consulted: 18/09/23

8 Legal implications

- 8.1 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234) as amended by the Accounts and Audit (Amendment) Regulations 2021 (statutory instrument 2021/263). The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose. Consideration of the auditor's findings as set out in their report at Appendix 1 is commensurate with this duty.

Name of lawyer consulted: Elizabeth Culbert Date consulted: 18/09/23

9 Equalities implications

- 9.1 None directly applicable to this report.

10 Sustainability implications

- 10.1 None directly applicable to this report.

11 Other Implications

- 11.1 Not applicable.

Supporting Documentation

Appendices

Appendix 1: Grant Thornton Brighton & Hove City Council 2022/23 Audit Update and Sector Progress Report

Appendix 2: Audit Progress and Sector Update

Background documents

Working Papers in support of the audit which were available during the publicised Public Inspection period.

