

# Ashford BC Audit Progress Report and Sector Update

**Year ending 31 March 2022**

March 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## **Your key Grant Thornton team members are:**

### **Darren Wells**

Key Audit Partner

T 01293 554120

E [Darren.J.Wells@uk.gt.com](mailto:Darren.J.Wells@uk.gt.com)

### **Trevor Greenlee**

Audit Manager

T 01293 554071

E [Trevor.Greenlee@uk.gt.com](mailto:Trevor.Greenlee@uk.gt.com)

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector, and where you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Audit Manager.

# Progress at March 2023

## 2020/21 audit

We gave an unqualified opinion on the 2020/21 financial statements on 5 December 2022.

Our final fee for the 2020/21 audit is £88,439. This compares with our Audit Plan fee as reported to the July 2021 Audit Committee of £74,439. The additional fee reflects the volume of work associated with the technical issues and audit amendments reported in our Audit Findings Report, in particular those relating to;

- agreeing amendments in respect of council housing properties which had been valued using “Ashford, Surrey” market data
- considering the basis of valuation for the former B&Q site investment property asset under construction
- understanding the basis of valuation for heritage asset properties and reviewing updated valuations.

Our final fee is subject to approval by Public Sector Audit Appointments.

## 2021/22 audit

### Financial statements

Our planning for the audit of the 2021/22 financial statements took place in November 2022. We presented our 2021/22 Audit Plan to the November 2022 Audit Committee.

Our detailed work on the audit of the Council’s financial statements commenced in December 2022. At the time of writing this report our sample testing work is substantially complete, subject to review procedures. However, our work is still in progress in a number of areas including;

- revaluations for other land and buildings, council housing and heritage assets
- creditors
- housing benefits payments
- collection fund – testing of discounts and reliefs.

We anticipate our work will still be in progress at 31 March 2023. Subject to the availability of finance team staff we will continue to work on the 2021/22 audit with the aim of completing our detailed testing ahead of starting our work on NHS accounts in late April. We anticipate presenting our Audit Findings Report summarising the outcomes from our audit to the July 2023 Audit Committee.

## Value for money

We report the findings from our value for money work in our Auditor’s Annual Report. Under guidance issued by the National Audit Office we are required to issue our Auditor’s Annual Report no more than three months after the date of the opinion on the financial statements.

Planning for our 2021/22 value for money work commenced in March 2023. We anticipate completing our work and reporting our findings in line with the guidance issued by the National Audit Office.

## Other areas

### Events

We provide a range of workshops, networking events for members and publications to support local authorities.

Your officers attended our 2022/23 Accounts Workshop in February 2023, where we identified financial reporting and audit issues relevant to the 2022/23 local authority accounts.

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021-22 financial statements.	November 2022	Completed
<b>Audit Findings Report</b> The Audit Findings Report summarises the outcomes from our audit.	July 2023	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements.	July 2023	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	July 2023	Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

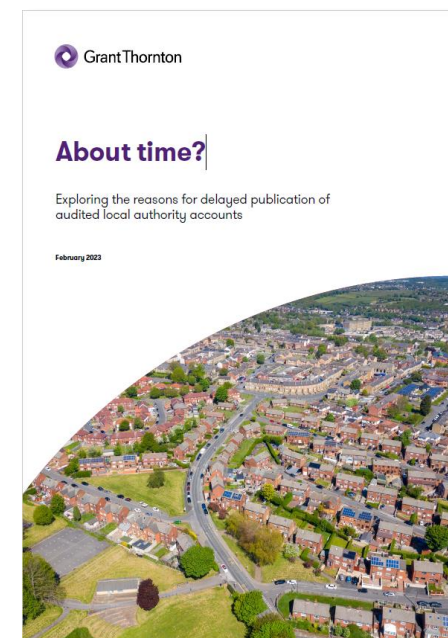
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARG, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)





# Grant Thornton – Lessons learned- procurement and contract management

In December 2022 Grant Thornton published a national report on the key themes from 53 Annual Auditor Reports for 2020-21 and from other recent high profile public reports.

Local government spends more than any one individual central government department on goods and services, including the Department of Health and Social Care.

Procurement and contract management is working well at many local authorities. Where it has gone wrong, significant risks have arisen in relation to the use of public money, service delivery, and the reputation of the councils concerned. We considered five themes and made 15 recommendations for local authorities to reflect on.

The five themes are:

## 1 Strategic Planning

- Strategic alignment
- Sharing the strategy
- Understanding the implications of using alternative service delivery models

## 2 Internal control

- Procedures – fully comprehensive and fully documented
- Re-procurement when contracts end
- Tone at the top

## 3 Time, technical expertise and people

- Each aspect of resourcing can be problematic
- Each aspect of resourcing can be problematic
- Timescales should not be rushed

- Strong technical skills are needed to sense check supplier proposals and avoid the need for later changes
- The Central Procurement Unit (CPU) can provide oversight and cohesion
- CPU and service line staff need to understand one another and co-operate.

## 4 Commercial awareness

- Understanding price
- Anticipating trends
- Sharing knowledge in a timely manner

## 5 Contract management

- Maintaining contract, waiver and breaches registers
- Setting clear roles and responsibilities
- Using indicators that map back to strategy
- Multi-year arrangements

## Summary

- Regular training, both for members and officers, remains important.
- Effective leadership and communication, relationships built on openness and trust, market awareness, and a sense of common purpose can be just as important as mastering the technical and regulatory requirements.
- Underpinning our findings is the need for individuals involved in procurement activity to ensure they adhere to the Nolan Principles of Public Life.



<https://www.grantthornton.co.uk/insights/local-government-procurement-and-contract-management-lessons-learned/>



# Audit Market Developments

## Financial Reporting Council Report On The Quality Of Local Audit

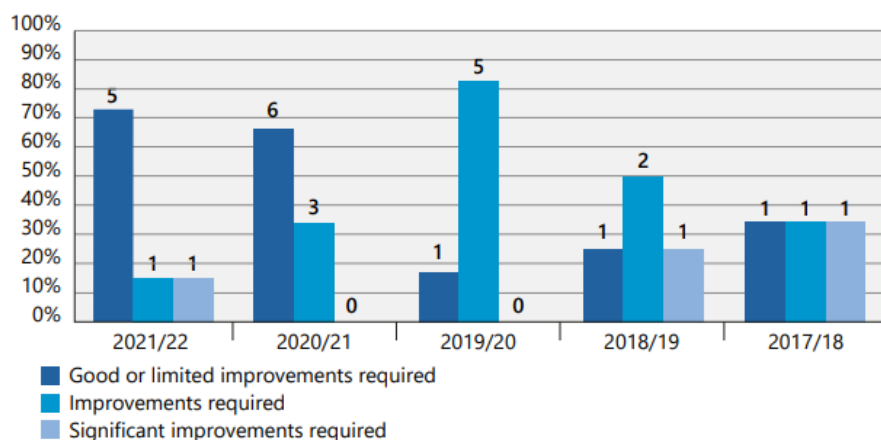
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

**Our assessment of the quality of financial statement audits reviewed**



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



# Audit Market Developments (continued)

## Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



# Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



# Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)

