

East Devon District Council Audit Progress Report and Sector Update

September 2023



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Introduction

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Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here 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 Engagement Lead or Engagement Manager.

Progress at September 2023

Financial Statements Audit

Our work on the 2020/21 financial statements continues. We recently received responses from officers on the final remaining queries and are now working through this information. Should this not identify any other issues or queries, we intend to finalise the financial statements audit in September 2023.

We have previously reported detailed findings to the Audit and Governance Committee who provided delegated authority to the Chair to finalise the financial statemen

Nationally, the audit backlog continues to be significant across Local Government. See pages 6 and 7 for a Grant Thornton publication on this topic, and page 8 for proposals currently under consideration by DLUHC intended to reduce the backlog and prevent it from re-occurring in the future.

Value for Money

We have issued an interim Auditor's Annual Report for 2020/21 which was considered by the Audit and Governance Committee. When the audit opinion on the 2020/21 financial statements is issued, we will issue the final version of this report alongside. It we do not consider that the findings previously reported will change.

We previously reported to the Audit and Governance Committee the risk of significant weakness related to governance that we identified in respect of the 2021/22 audit year, and have undertaken detailed work in this area. We have been discussing our findings with various stakeholders and are assessing further information provided to us. We intend to finalise our draft reporting with stakeholders shortly and currently plan to report our findings to the Audit and Governance Committee scheduled November 2023.

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

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 202



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

Click here for full report

About time?

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March 2023



Proposals to help address Local Authority audit delays

In July 2023 a letter was circulated to Local Authority Chief Executives, Local Authority Leaders and Chief Financial Officers in England, and Local Audit Firm Partners setting out work undertaken by DLUHC and Financial Reporting Council colleagues to address the significant backlog in audits. The letter noted that at the time of writing, just 27% of audits of the 2021/22 financial year had been completed across Local Government (including Police).

The letter sets out a summary of proposals. These would require legislation in order to enact them and until such legislation is issued, and the letter notes that it is hoped arrangements would be in place to allow implementation from December 2023. The proposals include:

Introduction of statutory deadlines for accounts and audits, dating back to 2015/16 ("backstop")

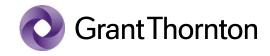
This would require auditors, where accounts and / or audits are not available or complete, to issue qualified opinions by set deadlines. The dates have not been confirmed, and as such we cannot yet determine if this will impact East Devon District Council.

Changes to NAO Code of Audit Practice

Consideration is being made to the level of audit work required on certain balances – namely the net defined benefit pension liability and non-investment property and land assets. Should these changes be made, it is expected to reduce the level of audit work required on these balances. Your financial statements would still need to comply with the CIPFA Code for reporting these balances. Until any changes are confirmed, we will continue to audit to the current requirements and expectations of the Code and our regulators.



Department for Levelling Up, Housing & Communities



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