

South Hams District Council Audit Progress Report and Sector Update

July 2023



Contents

Section	Page
Introduction	03
Progress at July 2023	04
Sector Update	05

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

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This paper provides the Audit and Governance 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 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 July 2023

Financial Statements Audit

We notified the March 2023 Audit and Governance Committee that the 2022/23 financial statement audit for the Council would be delayed due to a shortage of Grant Thornton audit staff, meaning that the audit opinion would not be available by the 30 September 2023 publication date for audited accounts.

Local Authority accounts and audit delays have been discussed at previous Committees and have also been subject to significant national consideration and reporting. In 2020 Sir Tony Redmond published his report into the effectiveness of external audit and transparency of financial reporting in local authorities which highlighted some of the structural and sector-wide issues within the Local Audit market – [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](#)

Earlier this year the National Audit Office also published a report on the timeliness of local auditor reporting on local government in England - [Progress update: Timeliness of local auditor reporting on local government in England - National Audit Office \(NAO\) report](#)

Grant Thornton's report on audit delays is summarised on pages 6 and 7 of this report, which also set out the national performance and that of Grant Thornton over the last six financial years.

The reasons for the national delays are numerous, and there are no simple solutions. Increasing complexity of accounting standards and arrangements at Local Authorities, increased audit expectations and workloads in response to regulatory challenge, reducing quality of draft accounts and knowledge and staff shortages are some of the reasons for the delays. Public Sector Audit Appointments reported in December 2022 that over 630 audit opinions were outstanding and hence late. It is recognised that a sector-wide solution is required to reduce delays and backlogs, and this will be a key role for the Audit, Reporting and Governance Authority when this is created. We have not noted a reduction in the quality of the draft accounts at South Hams District Council, or staff shortages.

We have been notified by the finance team at South Hams District Council that the draft Statement of Accounts for 2022/23 will be published on 30 June 2023. This is a month earlier than the 2021/22 year, where the deadline for publication was 31 July 2022. A publication date of 30 June 2023 is a month after the Government's statutory deadline of publishing draft accounts by 31 May 2023. This follows sector reporting that just 37% of Local Authorities had published their draft 2022/23 accounts by the statutory deadline of 31 May 2023. The Council has published a notice on its website stating that this is mainly due to the demand on staff time resolving complex technical matters such as the impact of the triennial pension valuation data on IAS19 Employee Benefits (pensions accounting), which has a material impact on the accounts. It is a requirement of the legislation to publish this notice when draft accounts are not published by the deadline. The Council will also be required to publish an audit delay notice prior to 30 September 2023.

We continue to work with Officers with respect to timing of the 2022/23 audit. Once the Council publishes its draft financial statements we will seek to begin our preliminary work and checks however we do not expect the detailed audit work to begin until the end of 2023 at the earliest. The Audit and Governance Committee's workplan has our Audit Findings Report planned for the 7 March 2024 meeting. Our Audit Plan will be presented to the Audit and Governance Committee's meeting planned for 28 September 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:

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Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

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.

South Hams District Council's audited accounts were published on or before the target date below in all years except 2021/22. In this year, the opinion was delayed due to a national accounting issue related to infrastructure assets. Government introduced a Statutory Instrument in respect of this issue late in 2022 and the audit opinion was issued 31 March 2023.

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 2023



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?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

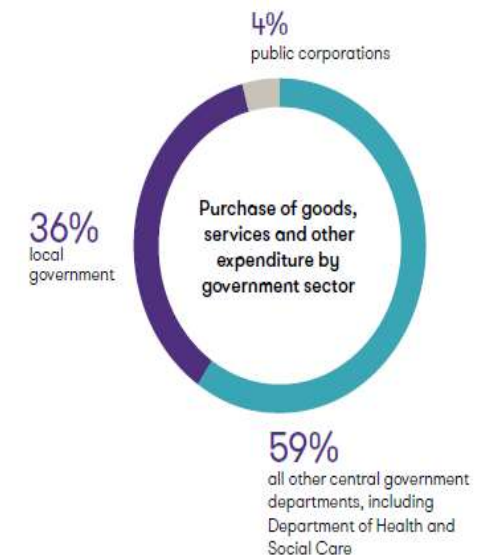
UK public spending

Public spending on goods and services, £ billions – analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021

³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022



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