

Annex E – Areas of Identified Improvement

The completion of the audit of the Council’s 2021/22 Statement of Accounts has encountered a number of delays, resulting in the statutory deadline of 30 November 2022 being missed. The Council is not alone in experiencing issues with meeting the statutory deadlines, with many Councils across the country facing similar issues due to a number of combined factors, including but not limited to:

- Increased requirements of the Financial Reporting Council on audit firms in light of recent high profile public sector financial management failures
- Delays to a workable solution and subsequent parliamentary approval of a statutory override, to overcome the national issues regarding the carrying value of infrastructure assets held on council balance sheets.
- A backlog of incomplete audits from delays caused by the pandemic, putting increased pressure on external audit resources.

The relationship between Grant Thornton and the Council remains strong and both parties recognise that improvements could be made based on reflections from the 2021/22 audit process. A more detailed ‘lessons learned’ session is planned once the accounts have been approved and signed off, initial reflections and areas of focus are summarised in the table below for consideration by the Committee.

Initial Observation	Agreed Improvement Focus
<p>Quality of working papers</p> <ul style="list-style-type: none"> • External Audit produce a list of required evidence and working papers in advance of starting the audit. • Working papers to support the Statement of Accounts are provided from across the organisation. • The timeliness and quality of some of the working papers provided needs to be improved. • This issue was accentuated by changes in key officers between the closedown activities and the external audit, resulting in key knowledge on specific movements no longer being available, delaying responses to queries. 	<ul style="list-style-type: none"> • Training session scheduled for officers in March and June to ensure expected standard and importance of high quality of working papers is understood. This will include examples of evidence requirements for audit samples in an attempt to reduce the number of follow up queries required. • Ensure detailed audit plan is provided and that working paper requirements are clear and understood before the audit commences. • Ensure officer availability to answer audit queries. Provide a schedule to external audit of planned annual leave of key officers during the audit period to enable better planning of workload. • Produce the working papers in advance of deadlines to ensure there is a thorough review process before submission. • Ensure sample evidence is clear and of sufficient quality and references the sample number. • Provide an internal co-ordinator for auditor requests.
<p>External Audit capacity & capability</p> <ul style="list-style-type: none"> • Frequent changes to key personnel in the audit team, resulted in repeat 	<ul style="list-style-type: none"> • Grant Thornton had sufficient resources to complete 2021/22 audit within agreed timescale, however due to the delays

<p>provision of evidence, duplicate lines of questioning and in some cases months between the provision of evidence and the receipt of follow up questions.</p> <ul style="list-style-type: none"> • Lack of dedicated audit manager, so demand on time of senior audit manager to provide guidance and provide overview of progress. • Lack of local government accounting expertise in the team. • Audit queries are not always clear in terms of the required response and expectations of evidence required. 	<p>reported in the Audit Findings Report, the audit overran which resulted in changes in key personnel and inevitable duplication. External audit will resource the audit with sufficient staff to complete the audit by the statutory deadline. This is dependent on receipt of draft statements and good quality working papers at the start of the audit in accordance with the working paper requirements schedule.</p> <ul style="list-style-type: none"> • We will ensure a dedicated Audit Manager and an Assistant Manager will be assigned to the 2022/23 audit • The blend of the audit team that will undertake the audit will have local accounting experience. The audit team continue to be led by an experienced Manager and Director. The audit team are also supported by a dedicated public sector audit quality team who provide a free annual workshop for Chief Accountants which provides an opportunity to work through new accounting standards (e.g. ISA 315 revised) or reporting requirements prior to the year end pressure as well as networking with other Chief Accountants. Your Chief Accountant attended the 2022/23 workshop in February 2023. • In addition to managements team training referred to above, the audit team will share audit queries with a dedicated coordinator and hold twice weekly meeting with the finance team during the audit duration. Opportunities to raise further questions on expectations of evidence required can be addressed
<p>Level of manual 'work arounds'</p> <ul style="list-style-type: none"> • Closing procedures still involve a significant number of manual processes which should be automated to reduce error and the volume of 'off ledger' adjustments which require audit resource to test. 	<ul style="list-style-type: none"> • Internal review of closedown process and financial system to minimise manual intervention. • Ensure that any manual interventions are fully documented and evidenced. • The new ERP system will enable all closedown processes to be re-designed once live, with a view to automate wherever possible.
<p>Lack of Interim Audit activities</p> <ul style="list-style-type: none"> • Interim Audits have historically been an important part of the external audit, 	

<p>enabling background work to be undertaken and signed off before the commencement of the main audit.</p> <ul style="list-style-type: none"> • There was no interim audit for the 2021/22 year, increasing the amount of work required within the main audit time frame. 	<ul style="list-style-type: none"> • Discuss potential key accounting matters early and document the accounting treatment used. • Review accounting policies, assess the key judgements and material estimation uncertainty areas. • Ensure communication channels are open at all times.
<p><i>Delays in receipt of information from 3rd party organisations</i></p> <ul style="list-style-type: none"> • Some areas of the Statement of Accounts rely on assessment by independent experts, for example valuations of Property, Plant & equipment. • The Council experienced delays in the receipt of key information which meant there was less time to check the accuracy and overall completeness of the accounts before submitting the draft to audit. • Responses to audit queries from third parties eg external valuers and the bank have also been slower than is desired. 	<ul style="list-style-type: none"> • Engage with Independent experts at an early stage. • Agree response times with all external experts. • Communicate the working paper requirements as soon as known. • Ensure that contacts are received from all external experts and ensure any changes are notified. • Undertake robust quality review of expert responses to reduce potential follow up audit questions

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