

# West Lancashire Borough Council Audit Progress Report

October 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:

### Georgia Jones

Key Audit Partner

T +441612146383

E [georgia.s.jones@uk.gt.com](mailto:georgia.s.jones@uk.gt.com)

### Ben Stern

Audit Manager

T +441619536443

E [ben.z.stern@uk.gt.com](mailto:ben.z.stern@uk.gt.com)

### Kelly Jarvis

Assistant Manager

T +441512242443

E [kelly.l.jarvis@uk.gt.com](mailto:kelly.l.jarvis@uk.gt.com)

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

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 October 2023

## Financial Statements Audit 2020/21

We received the first draft of the financial statements for 2020/21 to audit in November 2021. The deadline for audit for the 2020/21 financial statements was 30 November 2021, therefore the deadline was not going to be met.

In 2019/20 the audit opinion was only issued in June 2021, when the audit deadline was November 2020. The reasons for the delay were largely due to the lack of quality assurance processes, significant delays in responding to audit queries for samples and working papers and a lack of co-operation in the audit process.

The same issues continued into 2020/21 and the first draft of the financial statements from November 2021 contained errors and inconsistencies.

Among the issues raised by audit, the most significant were:

- Group accounts were not included when it was expected that group accounts would need to be incorporated
- There were no revaluations of other land and buildings despite significant market movements since the previous financial year

We started our audit work as soon as we received the draft financial statements in November 2021. We were progressing the financial statements audit, but we were unable to secure improvements in the timeliness of responses to both audit queries and requests for working papers. We therefore paused the audit in March 2022. We issued the Council with a listing of outstanding requests and expected to resume the audit at the start of July 2022. Discussions with officers in July 2022 determined that the Council was not able to restart the audit as work was still ongoing,

Since March 2022, the Council had reviewed the accounts compilation process and as a result identified a material prior period adjustment for 2019/20 largely due to the incorrect accounting of a grant. Although not material, the Council also took the opportunity to adjust other balances. This has led to significant additional audit work to assess the material and non-material changes to the 2019/20 comparators.

The Council also identified other issues with the compilation of the 2020/21 financial statements as a result of our audit queries as well as their internal quality review processes. Another version of the financial statements was drafted in June 2022, and a further copy in September 2022. A large proportion of the primary statements and disclosure notes changed when compared to the first version of the draft financial statements. As a result, we have carried out a significant amount of work understanding all the changes from version 1 of the financial statements. We were also required to revisit all our samples and work undertaken to date. This has meant additional time to conduct this work, and in some areas additional samples were required and some work needed to be started again.

Turnover of valuation staff within the Council and the use of interim appointments has meant the Council has experienced capacity issues. The work we are required to conduct on these areas has increased in the level of audit challenge and evidence requests due to increased regulatory requirements.

We presented an Audit Findings Report to the 30<sup>th</sup> May Audit Governance Committee detailing ongoing procedures and emerging audit findings including a large number of audit adjustments.

Following that we have continued performing audit procedures over outstanding areas and have substantially completed our work on the areas of significant risk to the audit including PPE, HRA and Investment Property valuations and journals. We have also substantially completed our procedures over the Group accounts.

We are waiting for the Council to fully respond to queries arising from our technical review of the financial statements. When these are received and amendments have been agreed we will share a final Audit Findings Report and progress to certification of the accounts.

# Progress at October 2023 (cont.)

## Value for Money Arrangements

We have substantially completed our VFM work with some work outstanding, however, we presented the Annual Audit Report to the Audit and Governance Committee on the 30<sup>th</sup> May 2023 summarising the work on VFM.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

- Our audit plan and audit plan addendum identified four significant risk areas of focus:
- Financial Resilience
- Tawd Valley Developments Limited
- Late production and poor quality of the financial statements
- Procurement

We have performed further procedures in respect of the risks identified. We identified significant weaknesses in relation to:

- Late production and poor quality of the financial statements
- Management reporting structure of Internal Audit
- Procurement

Four key recommendations are reported and six improvement recommendations as a result of our work. Our Auditor's Annual Report included management responses to each of the recommendations.

## Financial Statements Audit 2021/22

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 was extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28. The 2021/22 financial statements were authorised for issue in line with statutory deadlines by 30 June 2022. The Council has worked to bring the timeline back in line with reporting expectations and we continue to work on the 2020/21 audit in order to move onto the work for the 2021/22 audit. We did not meet the statutory deadline for the 2021/22 audit for the completion by 30 November 2022 due to the ongoing 2020/21 audit. We did not meet the September 2023 deadline for the 2022/23 audit for the same reason.

As a result, while we have started some audit planning procedures for the 2021/22 audit, it is not significantly progressed.

# Progress at October 2023 (cont.)

## Certification of claims and returns 2021/22

We are required to certify the Housing Benefit return and the Pooling of Housing Capital Receipts return for the Council. We completed those engagements to schedule.

## Meetings

We continue to meet with senior Finance Officers as part of our audit engagements. We also met with your Chief Executive in June 2023 to discuss the Authority's strategic priorities and plans.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

## 2020/21 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

**Planned Date**

July 2021

**Status**

Completed-reported to the 28 July 2021 Audit and Governance Committee

### Audit Progress Report

We will report to you the findings from our interim audit within our Progress Report.

February 2022

Completed- Reported to the 31 May 2022 Audit and Governance Committee

### Interim Audit Findings Report

We will report to you the emerging findings from ongoing audit procedures within our Interim Findings Report

January 2023

Completed- Reported to the 31 January 2023 Audit and Governance Committee

### Final Audit Findings Report

We will report to you the findings following completion of our audit within our Final Audit Findings Report

July 2023

Reported to the July 2023 Committee but the final version will be submitted on completion of the 2020/21 audit

### Auditors Report

This includes the opinion on your financial statements.

July 2023

To be submitted on completion of the 2020/21 audit

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

July 2023

Submitted to July Audit and Governance committee with final report awaiting completion of 2020/21 audit

## 2021/22 Deliverables

### Audit Plan

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**Planned Date**

July 2023

**Status**

Awaiting completion of the 2020/21 audit



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