

FRC Report on Local Audit

November 2021



Background

- On 29 October 2021, the FRC published its annual report summarises the results of its audit file review for the last financial year.
- Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as ‘major audits’ which fall within the scope of the AQR.
- This year, the FRC looked at nine of our audits.

Our results since 2018/19

Grant Thornton UK AQR results – Local Audit – Opinion work			
Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

The FRC's overall judgement

The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.'

Our Value for Money work also continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement.

We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

Good practices identified

The FRC identified a number of good practices in our work including:

- effective challenge of management's valuer
- use of an auditor's expert to assist with the audit of a highly specialised property valuation
- the extent and timing of involvement by the audit partner on the VFM conclusion.

Our Value for Money work also continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement.

Kent Council and Pension Fund FRC Review

The FRC identified a small number of issues in respect our work in respect of Kent County which we need to address in future years:

- Effective challenge of management's valuer in respect of the Council's Investment Properties (a small part of your overall property portfolio)
- Effective challenge of management's assessment of the obsolescence of investment property
- Ensuring that the Council do a robust assessment of credit loss allowances in respect of non statutory debt
- Ensuring a clear link between the Council's corporate risk strategy and our approach to Value for Money audit.

Our continued commitment to quality

We remain committed to the delivery of high quality audit work.

Over the coming year we will:

- make further investments in our quality and technical support functions
- increase the level of training, support and guidance for our audit teams.

We will also address the specific recommendations raised by the FRC, including:

- enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- formalising our arrangements for the consideration of complex technical issues by Partner Panels.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it.

As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds. This is very much illustrated by our Public Interest reports at Nottingham and Croydon and our statutory recommendations at Thanet and Slough.