

Councillor Bridger  
Chair of Audit and Scrutiny Committee  
Epsom and Ewell Borough Council  
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26 June 2023

Dear Councillor Bridger

I write to you to provide the Audit and Scrutiny Committee with an update on the timetable for the delivery of the 2022/23 financial statements audit.

The Local audit market has been struggling for a number of years. We have explored these items in detail in the attached publication which was issued earlier in the year [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk). The reality is that shortfalls in UK trained public sector auditors, weaknesses in other local authorities accounting and capacity, increased complexity of accounts under IFRS and a substantial increase in regulatory scrutiny by the Financial Reporting Council and the Quality Assurance Directorate of the ICAEW have all combined to get the position where only 12% of audits were signed by the 30 November 2022 deadline. Since the issuing of the statutory override which dealt with the Infrastructure Assets, a swathe of audits have been signed and Grant Thornton has signed close to 50% of its 2021/22 audits. It should be noted Grant Thornton is substantially ahead of other firms in terms of audit sign off based on publically available data from the Public Sector Audit Appointments Limited (PSAA) published in March 2023. Additionally, I believe this figure would have been higher were it not for the issue that emerged nationally concerning the impact of the 31 March 2022 Local Government Pension Scheme (LGPS) triennial valuation on the reporting of defined benefit pension assets and liabilities within 2021/22 financial statements.

At the end 2022 there were over 600 audits outstanding in local government. Whilst audit resources (in the context were the audit requirements of us have probably doubled in five years) are an issue, the longstanding issues at councils such as Warrington, Nottingham, Sandwell, Croydon, Slough, Liverpool etc with the multiplicity of statutory action are a considerable drain on our audit resources. The input into one of these bodies is over 8 x the original budget and due to Government commissioners and other interventions we are required to prioritise this work. Our aim is however to clear the majority of the backlog by March 2024, whilst recognising that some audits remain difficult due to complex technical or legal issues and finance team capacity.

The backlog of audits has been significantly compounded by the triennial valuation issue referenced above and means we will not be in a position to start the Epsom and Ewell Borough Council until October 2023. The delayed start is a consequence of us needing to undertake further work relating to the triennial valuation issue.

The Department for Levelling Up, Housing and Communities has launched an inquiry into financial reporting and local audit to determine how the backlog of audits can be resolved but at present no announcement has been made. We will ensure the Audit and Scrutiny Committee are kept updated when further updates are provided.

This is a very challenging time for all concerned but Grant Thornton is determined to reduce the backlog and put the local audit system back on a sustainable footing. We have always had excellent engagement from the

Council's finance team in supporting the delivery of the financial statements audit and will ensure this positive relationship continues in 2022/23 and beyond.

Yours sincerely

*Paul Cuttle*

Paul Cuttle, Key Audit Partner

For Grant Thornton UK LLP, Local Auditor