

Update report on Government Proposals to address the national audit backlog, and Grant Thornton's Response and update on the Audit 2021/22

Date: 19th February 2024

Report of: the Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report informs Members of the Government's most recent proposals to address the backlog of incomplete audits across local government in England.

Grant Thornton's accompanying report sets out their intended approach in response to the Government's proposals, should these go ahead. The report also provides a summary update on the progress towards completing the audit of the 2021/22 statement of accounts.

Recommendations

- a) Members are asked to note the information provided in this report on the Government's intention to introduce an audit backstop date, and to note Grant Thornton's proposed course of action for the 2022/23 audit and their progress towards completing the 2021/22 audit.

What is this report about?

- 1 This report outlines the latest information available on the Government's proposals to address the national backlog in local authority audits, the uncertainties that remain, and the potential implications for the Council's audit and accounts process.
- 2 The Government's intended approach to address the audit backlog has been published in a letter from the Minister for Local Government to the Chair of the Public Accounts Committee. The full text of the letter is attached as an appendix to Grant Thornton's report. The relevant paragraph of the Minister's letter reads :

“Our proposals will include an initial backstop date for local authorities and auditors of 30 September 2024 for all outstanding local audits in England up to and including the financial year 2022/23. Subject to the outcome of the consultations on necessary legislative changes as well as changes to the Code of Audit Practice, we intend to bring forward legislation to implement the backstop proposals. While these consultations take place, preparers and auditors should continue undertaking existing work to produce and audit local authority financial statements to ensure the system is in the best place possible to implement any final package of measures.”
- 3 No details are available yet on how the backstop would work, on what form of words might be used for an audit opinion if the backstop was applied, or on what the implications may be for future years' audits where the backstop has been applied.
- 4 The Council intends to respond to the Government's consultation once this is issued, and further updates will be provided to Members at future meetings of the Committee on the detail of the proposals. Given the need for a consultation and for legislation, whilst the backstop may be likely to happen, at this stage it is by no means certain that it will be introduced on the date currently intended.
- 5 Grant Thornton's report outlines their intended approach in response to the Government's backstop proposals, and also provides a summary update of progress on the 2021/22 audit.
- 6 As it is now expected that the Committee will be asked to approve the 2021/22 statement of accounts on behalf of the Council at the March meeting, an informal briefing session on the 2021/22 accounts will be arranged for Members in advance of that meeting.

What impact will this proposal have?

- 7 Grant Thornton's report explains that they propose to carry out the 2022/23 audit from April 2024, at a time when the council will be closing down the 2023/24 financial year and preparing its 2023/24 draft accounts. This will have implications for staffing resources within Financial Services. However it gives the best opportunity for completing the 2022/23 audit before the potential backstop date of 30th September 2024.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 8 The report relates to the council's underlying financial governance arrangements rather than to any specific aspect of service delivery.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 9 The audit report does not raise any issues requiring consultation or engagement with the public or ward members.

What are the resource implications?

- 10 There are implications for the level of staffing resources required if the 2022/23 audit is to be carried out at the same time as the 2023/24 closedown process and the ongoing project to introduce the new financial ledger. These implications are under consideration by the Chief Officer, Financial Services.

What are the key risks and how are they being managed?

- 11 There is a risk that, if the proposed backstop does go ahead, the Council's accounts for 2022/23 may not be subject to a full audit. Grant Thornton have put forward a proposed approach to manage this risk, and officers within Financial Services will do their best to support this approach.

What are the legal implications?

- 12 Subject to consultation responses, the Government proposes to introduce legislation which would introduce a backstop date of 30th September 2024 for incomplete local authority audits up to and including 2022/23.

Options, timescales and measuring success

What other options were considered?

- 13 The report provides information to Members on aspects of the audit process, and does not relate to a decision.

How will success be measured?

- 14 The delivery of final audited accounts for 2021/22 and 2022/23 would represent a successful outcome.

What is the timetable and who will be responsible for implementation?

- 15 The timing of the Government's consultation on its proposed backstop arrangements is not yet known.
- 16 Grant Thornton intend to present their final audit report on the 2021/22 accounts at the February meeting of the Committee.

Appendices

- Appendix 1 is Grant Thornton's report, entitled 'Audit Progress on 2021/22 Accounts Audit and Implications of Proposed 'Backstop' on the 2022/23 Accounts Audit'.

Background papers

- None