

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 17 September 2024

Reporting officer: Sarah Parfitt, Director (Corporate Services)

Subject: Action to tackle the Local Audit Backlog in England

Purpose and summary of report:

To update Members on Government’s planned action to tackle the Local Audit Backlog in England.

To advise Members of the approach intended to be taken in respect of the backstop.

Recommendations:

1. Members to consider and note the report.

Key Implications:	
Item	Implications
Legal	The Local Audit & Accountability Act 2014 sets out the requirements around local audit. It is expected that secondary legislation will be passed to provide for the measures set out in this report.
Finance and Value for Money	Effective local audit ensures transparency and accountability for public money and builds public confidence.
Corporate Plan	One Council: a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact. Financial Responsibility: a financially sustainable authority, driven by a strong Medium Term Financial Strategy, enforced by a suite of effective financial monitoring controls. Corporate compliance: a responsible organisation, ensuring all constitutional, policy and legislative demands are met, and pro-active risk management practices adopted.
Climate Change	N/A

1. Background

- 1.1 As previously notified to the Committee, in February 2024 the then-Government consulted on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The calling of the General Election in July paused the progress in developing a definitive roadmap for clearing the audit backlog in England.
- 1.2 Despite this pause, the council has continued to work to publish the draft statements of accounts that are outstanding after the prolonged process to finalise technical accounting issues relating the 2019/20 accounts:
- The draft financial statements for 2020/21 were published on the council website on 18 April 2024.
 - The draft financial statements for 2021/22 were published on the council website on 21 August 2024.
 - Work has commenced on the drafting of the financial statements for 2022/23.
 - Officers have continued to liaise with the External Auditor on the audit process for years up to and including 2022/23, with an extraordinary meeting of the Finance & Audit Committee scheduled for 10 December 2024.
 - Officers have continued to liaise with the External Auditor on the accounts process for 2023/24.

2. Communication received from Jim McMahon OBE MP

- 2.1 On 30 July 2024 Jim McMahon OBE MP, Minister of State for Housing, Communities and Local Government, wrote to all local authorities setting out information on the action to be taken to tackle to the local audit backlog in England. A copy of this letter can be found at Appendix One to this report.
- 2.2 At a summary level, the letter sets out the intention to put in place an initial backstop date of 13 December 2024 for all financial years up to and including 2022/23 and five subsequent backstop dates by which audited accounts should be approved:

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.3 Subject to parliamentary approval, for future years local authorities will be required to publish draft (unaudited) statements by 30 June following the financial year to which they relate.

- 2.4 The letter also set out the expectation that due to the time constraints, auditors are likely to issue 'disclaimed' audit opinions (no assurance) on many accounts, but rightly recognised that local authorities should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control. Auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

3. Communication received from Grant Thornton LLP

- 3.1 On 21 August 2024, the Chair of the Finance & Audit Committee and Director (Corporate Services) received a letter from Grant Thornton setting out details of the approach Grant Thornton intends to take in respect of the backstop, and how this would impact the council. A copy of this letter can be found at Appendix Two to this report.
- 3.2 Further to this letter, a high level plan for recovery post the local authority back stop summary has been prepared by Grant Thornton and is included within the Grant Thornton Audit progress report included within the agenda for this meeting.

4. Appendices

- 4.1 The following documents are to be published with the report:

Appendix One – letter from Jim McMahon OBE MP

Appendix Two – letter from Parris Williams, Grant Thornton LLP

5. Background Documents

- 5.1 There are no background documents.

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Secondary Implications	
Risk Assessment	N/A
Data Protection Impact Assessment	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	<p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>No</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>
	<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>N/A</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
Crime and Disorder	N/A
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A