

21 August 2024

To Sarah Parfitt
Gravesham Borough Council

30 Finsbury Square
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Dear Sarah

Gravesham Borough Council: An update on the application of the local authority backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact your authority. I also plan to prepare a high level summary of this plan which I will share with the Finance and Audit Committee at the next meeting.

Applying the backstop for years up to 2022/23

As you will be aware, we have not yet signed the audits for years (2020/21, 2021/22 and 2022/23). As at the date of writing, you have completed and published your 2020/21 and 2021/22 financial statements. We understand the Authority is currently working to complete and publish your 2022/23 financial statements. It is important to note however that we are up to date with respect of our Value for Money work and we have issued our Auditor's Annual Report for all of these years.

We consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for the following years (2020/21, 2021/22 and 2022/23). Given that a number of key audit areas remain outstanding, then our audit reports will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should we have identified any issues during the audit which ordinarily would have impacted our opinion, we will give consideration to how these should be reported in the disclaimer of opinion.

Before we issue a disclaimer of opinion, we will:

- Report to you on any significant findings arising from our work to date
- Report any other matters arising from the audit which we need to share with you under the auditing standards
- Share the wording of the draft disclaimer of opinion with you.

To help us meet the backstop requirements, please ensure that you have:

Chartered Accountants

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- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts
- set aside a date for an Audit Committee in advance of 13 December 2024.

Please also note that we will need a letter of representation from you in respect of the financial statements before we issue a disclaimer.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

The recovery period – 2023/24 and onwards

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

As part of our commitment to supporting the recovery period we have already completed our planning work for the 2023/24 and issued our indicative audit plan for 2023/24. We had previously agreed dates with you and the Finance and Audit Committee to complete our work in February – April 2025. With the proposed backstop date (28 February 2025), there will be insufficient time to complete our work given that we expect you to publish your 2023/24 draft accounts at the start of February 2025. We therefore expect to issue a disclaimed opinion on your 2023/24 financial statements. We do however intend to complete our Value for Money work and issue an Auditor's Annual Report for 2023/24.

Work planned on 2023/24

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment.
- Value for Money work and to issue our Auditor's Annual Report for 2023/24
- Completion of specific audit work on the Charter transactions and reporting of our results in our audit findings report
- Completion of specific audit work pertaining to the compilation of group accounts and reporting of our results in our audit findings report
- Completion of specific audit work pertaining to the Aviva transaction and reporting of our results in our audit findings report

The consequence of this is that the audit year 2023/24 will be disclaimed. We are working with the NAO and FRC to identify the best way to regain full assurance and return to a clean opinion as quickly as possible over the coming years.

We will keep you updated on the progress of our work. Do please ensure that a suitable Audit Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025.

Looking ahead

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely

Parris Williams

For Grant Thornton UK LLP

CC Cllr Gavin Larkins (Chair of the Finance and Audit Committee)