



28 August 2024

To Audit and Governance Committee Chair
East Devon District Council

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Dear Cllr Burhop

East Devon District 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 should be happy to discuss this further including at the next Audit and Governance Committee.

Applying the backstop for years up to 2022/23

As you will be aware, we have not yet signed the audits for years 2021/22 or 2022/23. As previously reported, these audits were delayed due to the 2020/21 opinion audit not being concluded until November 2023 as a result of historic capacity issues within the finance team which combined with national technical issues and subsequent audit team changes that compounded the delay. As a result, it has not been possible to make a timely start on the 2021/22 and 2022/23 post-statements audits. The Council did not publish draft financial statements for 2021/22 until January 2024 and for 2022/23 until May 2024.

We have, however, completed planning and issued an audit plan for the 2021/22 year. We have also completed our Value for Money work for both 2021/22 and 2022/23 and have reported this through the Audit and Governance Committee.

We consider that there will not be sufficient time to conclude our work for both 2021/22 and 2022/23 in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for the 2021/22 and 2022/23 years. 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.

Chartered Accountants

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Before we issue a disclaimer of opinion, we will:

- Report any matters arising from the audit which we need to share with you under the auditing standards; and
- Share the wording of the draft disclaimer of opinion with you.

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

- 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 & Governance Committee in advance of 13 December 2024. In practice, we recommend arranging this in November if possible.

Please also note that we will need a letter of representation from you in respect of each 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 we have agreed with you a start date for our financial statements audit for 2023/24 and will enter our main phase of fieldwork in the coming months.

The fact that previous audits have been disclaimed brings with it a number of challenges. Not least of these is the fact that we will not have assurance over the opening balances in the financial statements for 2023/24. In addition, there are risks that the allocation of funds between different reserves could be misstated, and also that prior year errors in areas such as the Minimum Revenue Provision could have gone undetected.

Our intention is that over time we will re-build assurance in respect of prior years. The NAO and FRC are currently working on guidance to support auditors and we will update you as and when this is received. In the meantime, recognising that the next backstop date is set for 28 February 2025, our intention is to prioritise (amongst other things) the following areas:

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure testing
- Recognising the sensitivity of cash, we propose to look at the opening cash position as at 1 April 2023.

Our current aim is to be able to complete the above work by the end of January 2025. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes.

At this stage, given the inherent challenges outlined above, we consider that it is unlikely to be possible to undertake sufficient audit work by 28 February 2025 that would enable us to regain full assurance on opening balances, or on prior year property valuations.

The consequence of this is that there is a strong possibility audit year 2023/24 will be disclaimed in respect of opening balances. 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 & Governance Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025. We recommend that a late January 2025 would be ideal.

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



Jackson Murray, Key Audit Partner 2021/22 and 2022/23



Peter Barber, Key Audit Partner 2023/24 onwards

For Grant Thornton UK LLP

CC Director of Finance