

## **Blaby District Council**

### **Audit & Corporate Governance Committee**

|                        |  |
|------------------------|--|
| <b>Date of Meeting</b> | 9 October 2024   |
| <b>Title of Report</b> | <b>Update on National Action to Tackle Audit Backlog</b> |
| <b>Report Author</b>   | Executive Director (Section 151 Officer)                 |

#### **1. What is this report about?**

- 1.1 To provide members with an update on communication received regarding measures to tackle the national audit backlog; discussions with Ernst & Young regarding outstanding audits and steps being taken to meet proposed backstop dates.

#### **2. Recommendation(s)**

- 2.1 That the Audit and Corporate Governance Committee note the impact of the local audit delays; the communications received and how the audit backlogs are proposed to be addressed.

#### **3. Reason for Decision(s) Recommended**

- 3.1 To ensure the Audit and Corporate Governance Committee is appraised of the latest position regarding the audit of the Council's Statement of Accounts.

#### **4. Matters to consider**

##### **4.1 Background**

Members will be aware of the significant delays that have been experienced nationally over the last four years in terms of the audit of the local government accounts. Blaby's own position as to the status of the accounts for each of the years up to the current position has been well documented within reports to this committee.

It continues to be the case that Blaby has met the statutory deadline for publishing its unaudited accounts in every year but the year of the pandemic when the deadline was relaxed.

Officers have continued to engage with Ernst & Young with regard to the audit of the Statement of Accounts for years 2020/21 and proposals to address the audits for years 2021/22 and 2022/23.

## 4.2 Proposal(s)

Recent correspondence from Jim McMahon OBE MP, Minister of State for Housing, Communities and Local Government received by the Council indicate how the government propose to overcome the audit backlog. In the letter at Appendix A it details the intention to lay secondary legislation, when parliamentary time allows, to provide for an initial backstop date of 13 December 2024 for financial years up to and including 2022/23 and five subsequent backstop dates:

| 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 |

The letter goes on to say that:

*“We expect that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.”*

Given the above, the outstanding audits for Blaby District Council relating to years 2020/21, 2021/22 and 22/23 fall into the backstop date of the 13<sup>th</sup> December 2024. Based on correspondence received from Ernst & Young it is expected that an audit opinion of some nature will be forthcoming from them to meet this required backstop date. Appendix B and C detail recent correspondence received from Ernst & Young and officers have responded to requests received for information to assist Ernst & Young to meet this deadline. Members will also have seen an additional Audit & Corporate Governance Committee date put in the diary for the 25<sup>th</sup> November 2024 in order to consider reports of the External Auditors and adhere to the backstop date in December.

The backstop date of the 28<sup>th</sup> February 2025 relates to the audit opinion for the audit of the Statement of Accounts for the 2023/24 Financial Year. Azets were appointed as the Council’s external auditors from 2023/24 onwards and they will be working to adhere to the February backstop date. Azets have already carried out an interim audit on the 2023/24 accounts and are due to continue the audit of the draft accounts in November of this year. It may be

necessary to amend the date of the Audit and Corporate Governance Committee meeting in February in order to consider the report from the External Auditors to adhere to the February backstop date.

Given the timescales involved in meeting the backstop dates, it is expected that Ernst & Young will not be in a position to issue a 'clean' audit for the outstanding years. This being the case, when carrying out the audit for 2023/24 Azets will have to rely on information that have a 'disclaimed opinion' and it has been suggested that it will be some years before a 'clean' audit opinion may be issued.

The correspondence received from Jim McMahon OBE MP, Minister of State for Housing, Communities and Local Government also states that:

*Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts.*

This perhaps recognises the huge effort that it has taken for finance officers of the Council to publish the draft accounts within the historic timescales. In particular considerable effort has been made with officers working to provide information in order to get the audit opinion on the 2020/21 statements and it is hugely disappointing that a full audit opinion will not be given by Ernst & Young for this period.

Further correspondence was received on the 20<sup>th</sup> September 2024 from Catherine Frances, Director General for Local Government and Public Services. This confirms the plans that have been put in place to tackle the audit backlog and is included at Appendix D for reference.

#### 4.3 Relevant Consultations

Consultations with external auditors Ernst & Young and Azets in addition to the Finance, People & performance Portfolio holder.

#### 4.4 Significant Issues

None

#### 4.5 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities and there are no areas of concern.

### 5. Environmental impact

#### 5.1 None

**6. What will it cost and are there opportunities for savings?**

- 6.1 The Council may face additional resourcing costs in order for the Statements of Accounts to be brought fully up to date. There was suggestion that new burdens funding may be made available but final details have not yet been shared.

**7. What are the risks and how can they be reduced?**

7.1

| Current Risk  | Actions to reduce the risks  |
|---|--|
| That the Council's reputation for financial governance may be questioned because of the 'disclaimed audit' opinions that may be given.  | The Council has at in all years issued the draft accounts in line with requirements and will be at pains to illustrate the continued good financial governance that is in place. |
| That additional burdens placed on the Council from the potential increase in audit fees, additional officers time and reporting requirements will not be covered by additional funding. | This will be kept under review and reflected in the annual budget process and the MTFS projections.  |

**8. Other options considered**

- 8.1 None

**9. Appendix**

- 9.1 Appendix A – Letter received from Jim McMahon OBE MP  
Minister of State for Housing, Communities and Local Government
- 9.2 Appendix B – Letter to S151 Officers from Stephen Reid, Partner, Head of  
UK Government and Public Sector Audit, Ernst & Young
- 9.3 Appendix C – Letter to S151 Officers from Maria Grindley, Partner, Ernst &  
Young LLP
- 9.4 Appendix D – Update on Action to Tackle Local Audit Backlog in England  
from Catherine Frances, Director General for Local Government and Public  
Services

**10. Background paper(s)**

- 10.1 None

**11. Report author's contact details**

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