

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Performance Committee 5th December 2024

External Auditors Report

Relevant Portfolio Holder	Councillor Steve Colella Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
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Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Key Decision / Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance and Committee RECOMMEND that:

- 1) The “Disclaimer Opinion” from the External Auditors for the 2020/21 Accounts is accepted.**
- 2) The “Disclaimer Opinion” from the External Auditors for the 2021/22 Accounts is accepted.**
- 3) The “Disclaimer Opinion” from the External Auditors for the 2022/23 Accounts is accepted pending the completion of the Public Inspection Period.**
- 4) The “Bromsgrove District Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop” is understood, accepted and approved.**

2. BACKGROUND

- 2.1 One of the legislative reporting requirements the Council has not achieved has been the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service. This Section 24 Statement was extended to also include the 2021/22 and 2022/23 financial years in the 2021/22 & 2022/23 Draft External Auditors Report.
- 2.2 Draft 2020/21 and 2021/22 accounts have been presented and placed on the Councils Website and the 30 days public consultation period fulfilled. The draft 2022/23 accounts were published on the Councils website for public consultation on the 22 November 2024.

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They will only have 14 days, not the full 30 days, of public consultation before the Government imposed Backstop Date of the 13th December 2024.

- 2.3 This report and specifically the appendices set out the External Auditors view of these accounts within the revised accounting arrangements due to the Government imposed Backstop Date for the delivery of accounts up to the 2022/23 financial year.

Legislative Requirements

- 2.4 Following the General Election in July 2024, the New Minister of State for Housing, Communities and Local Government Jim McMahon OBE MP wrote to Councils noting the significant and unacceptable backlog of unaudited accounts. This situation undermines trust and transparency in the way taxpayers' money is being spent and auditors cannot focus on up-to-date accounts, where assurance is most valuable.
- 2.5 To tackle the backlog, The Minister has laid secondary legislation and this legislation was approved on the 9th September to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 must be signed off by the 30th December 2023.

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

- 2.6 As set out in the September 2024 report, the Minister expects 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. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.
- 2.7 Our present External Auditors, Grant Thornton, as set out in the September meeting of this Committee consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, their expectation was that they would apply the backstop for the 2020/21, 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then their proposed audit reports will be issued as a disclaimer of opinion. Effectively this means that they will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

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- 2.8 In plain terms, a disclaimer means that the Auditors 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 they consider that there have been weaknesses in local authority arrangements for accounts closedown, they will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should they have identified any issues during the audit which ordinarily would have impacted our opinion, they will give consideration to how these should be reported in the disclaimer of opinion.
- 2.9 Before the Grant Thornton issue a disclaimer of opinion, they 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 the Council.
- 2.10 To help Grant Thornton to meet the backstop requirements, the Council need to have :
- Completed a letter of representation in respect of the financial statements before Grant Thornton can issue a disclaimer;
 - Confirm the Council has adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations;
 - Confirm the Council has met the requirements under legislation in terms of the rights of local electors to inspect the accounts ; and
 - Confirm the Council has set aside a date for an Audit Committee in advance of 13 December 2024. This is that meeting.
- 2.11 The council's position on these key Closure deliverables are as follows:
- Closure 2020/21
 - Draft accounts placed on Council website for Public Consultation in 4th June 2024. Public consultation completed by the backstop date.
 - Closure 2021/22
 - Draft accounts placed on Council website for Public Consultation on the 10th October 2024. Public consultation completed by the backstop date
 - Closure 2022/23
 - Draft accounts placed on Council website so Public Consultation starts on the 18th November 2024. The 30 days Public Consultation period will not be completed until Friday the 3rd January. This is outside the backstop date.
- 2.12 The Council's External Auditors Grant Thornton, under the present backstop legislation have delivered a "Disclaimer Opinion" for all three years accounts. These are included as Appendices A to C. They have also produced "Bromsgrove District Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop" which is set out in Appendix D. The Council, it's Members, Officer and Stakeholders need to understand

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and approve the contents of these documents and the context within which they are made.

- 2.13 The Accounting Policies Report, also on this agenda, comments on delivery against items listed within these reports and the draft External Auditors Reports for 2020/21 and 2021/22 to 2022/23.

3. FINANCIAL IMPLICATIONS

- 3.1 This paper sets out the financial frameworks within which the Council works. The Closure of accounts process and the associated audit process confirms the overall financial position of the Council.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the District and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 There are no direct climate change implications arising as a result of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

- 6.2 Operational implications have been dealt with as part of the 2023/24 MTFP and 2024/25 MTFP, quarterly monitoring and the Closedown process of all three years.

7. RISK MANAGEMENT

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy. The closure of the three years accounts and submission of an audit opinion is key to ensuring there is external validation to the Councils overall financial position.

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7.2 The Impact of the government imposed “backstop position”, which has led to “disclaimer opinions here and also at numerous other Councils is still to be understood and remains a significant risk.

8. BACKGROUND PAPERS

Statement of Accounts 2019/20 and associated Audit Opinions.

9. Appendices

Appendix A – Report on the Audit of the Financial Statements 2020/21

Appendix B – Report on the Audit of the Financial Statements 2021/22

Appendix C – Report on the Audit of the Financial Statements 2022/23

Appendix D – Bromsgrove District Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop