

Audit Committee – 25 October 2024

External Audit Backstop Update

Purpose	For Decision
Classification	Public
Executive Summary	This report provides an update regarding the council's external audit progress following confirmation of the audit backstop dates as part of the government's approach to clearing the backlog of local government audits.
Recommendation(s)	That the Audit Committee note the content of the External Audit Backstop Update.
Reasons for recommendation(s)	To ensure members understand the approach to clearing the backlog of outstanding audit opinions including the back stop dates for each financial period.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer)
Officer Contact	Paul Whittles Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. This report provides an update to the Audit Committee regarding the government's approach to clearing the backlog of local government external audits, which enables the publication of audited accounts, and in particular the impact to the council as a result of this approach.

2. The backlog in the publication of audited accounts peaked at over 900 in September 2023.
3. In September 2024 government laid statutory instruments to introduce backstop dates and require auditors to provide their opinion in time for local authorities to adhere to the backstop dates.
4. These new measures will clear the backlog but during this recovery period it is likely that many audit opinions will be classed as modified or disclaimed audit opinions due to the time limitations imposed by the introduction of the backstop dates.

Clearing the Local Audit Backlog

5. To ensure the timely completion of audits for local authorities the government has instigated reset measures covering all audit opinions covering up to and including the financial year 2022/23, followed by a recovery period for future financial years.
6. To support clearing the backlog, the following backstop deadline dates have been set:

Financial Year	Deadline
Up to and including 2022/23	13 December 2024
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

7. The success of these backstop dates will be reliant on both the accounts preparers and auditors.
8. The council as accounts preparers will need to provide good quality and timely draft financial statements, underpinned by working papers and backed by robust evidence.
9. For financial years 2024/25 to 2027/28, the date by which the council should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.

10. Due to the backstop deadlines a significant number of audits may only be concluded by including a modified audit opinion as opposed to the desired unmodified opinion.
11. A modified audit opinion may be classed as adverse or a disclaimer.
12. An adverse opinion means the auditor has determined the financial statements to be materially misstated.
13. A disclaimed audit opinion means the auditor is unable to determine whether or not the financial statements are materially misstated.
14. An unmodified opinion means the auditor has assured themselves that the council's financial statements are prepared according to accounting standards and are free from material misstatement.
15. Auditors will clearly communicate the reasons for their opinion in their auditor's report to the council, referencing the impact of the backstop dates as appropriate.
16. The council should not be unfairly judged for modified or disclaimed audit opinions beyond their control.
17. Due to the time required to rebuild assurance levels and return to normal acceptable practices, council's across the country are likely to received modified or disclaimed opinions for a number of years.
18. The government's aspiration is for disclaimed opinions driven by the backstop dates to be limited to the next two financial years up to and including the 2024/25 financial statements and the associated 27 February 2026 backstop date.

Corporate plan priorities

19. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.
20. The external auditor's report provides assurance to stakeholders as to the effectiveness of the Council's internal control environment and its efficiency in securing value for money in the use of public funds.
21. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.
22. Ensuring the council is being financial responsible, as evidenced by timely independent external audits, underpins all of our corporate plan themes (People, Place and Prosperity).

Options appraisal

23. No alternative options have been considered as this report sets out our statutory requirements.

Consultation undertaken

24. Consultation between the council and our external auditors and advisors has been continuous throughout as the situation has developed.
25. Audit committee has been appraised of the progress to date at each opportunity.

Financial and resource implications

26. Preparation of the financial statements is presently met from existing resources and there is no immediate plan to change this approach.

Legal implications

27. There are no additional legal implications arising as a result of the recommendations in this report.

Risk assessment

28. The risk of missing the backstop dates is considered minimal due to the statutory requirement to conclude the audits by the backstop date, and the focus and willingness of all stakeholders to achieve this.

Environmental / Climate and nature implications

29. There are no environmental or climate and nature implications as a result of this report.

Equalities implications

30. There are no equality matters arising as a result of this report.

Crime and disorder implications

31. There are no crime and disorder matters arising as a result of this report.

Data protection / Information governance / ICT implications

32. There are no data protection, information governance or ICT implications arising as a result of this report.

Appendices:

None

Background Papers:

None