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Slough 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 should be happy to discuss this further including at the next Audit and Corporate 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 (2018-19, 2019-20, 2020-21, 2021-22 and 2022-23). In May 2021, we presented our 2018-19 Audit Findings Report to the Audit and Corporate Governance Committee where we proposed an adverse value for money opinion but noted that we would confirm this opinion when the 2018/19 accounts had been formally concluded. In February 2023, we issued our indicative financial statements audit opinion for the 2018/19 accounts. We concluded a 'Disclaimer' opinion due to the significance of the issues experienced in performing the audit. At the same time, we confirmed our likely adverse value for money conclusion for 2018/19.

In July 2022, we proposed combined value for money reporting for 2019/20 and 2020/21 in the interest of minimising disruption to officers and delivering work in an efficient manner. In May 2024, we presented our Interim Value for Money report for the years 2019/20 and 2020/21. The report was noted as 'interim' as the financial statements of those years are yet to be concluded. The report will be noted as final when the financial statements audits of those years are finalised.

We have also completed our value for money review for 2021/22, 2022/23 and 2023/24. Our field work has concluded on this review and we aim to present a joint VFM report to the 30 September 2024 Audit and Corporate Governance Committee.

We consider that there will not be sufficient time to conclude our financial statements 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 (2019-20, 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 on the outcome of our value for money work
- 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:

- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations. At the time of writing this letter, the Council has prepared its draft financial statements for 2019-20 and 2020-21, the 2021-22 draft financial statements are at advanced stages of completion and the 2022-23 financial statements are still to be completed.
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts. At the time of writing this letter, the local elector inspection period has been completed for 2019-20 and 2020-21 but is still to be completed for 2021-22 and 2022-23.
- set aside a date for an Audit Committee in advance of 13 December 2024. In practice, we recommend arranging this in late November or early December if possible.

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 will work with the Council and its finance team to make arrangements to present final documents to the Audit and Corporate Governance Committee and issue final disclaimer opinions ahead of the 13 December 2024 backstop date.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of audit 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 begun preparatory work on your financial statements audit for 2023/24. Our progress report to the Audit and Governance Committee on 10 July 2024 highlighted the current position on this work and subject to us being able to conclude our risk assessment and control environment work in October 2024, we have agreed with you that we will start our audit work on the 2023-24 financial statements, once the draft has been prepared by the Council's finance team and certified by the Council's Section 151 officer. The latest estimates provided by officers is that these will be available in late December 2024.

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
- 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 commence this work upon receipt of the draft 2023-24 accounts. We understand that the Council is continuing to encounter a number of challenges in concluding its work on the remaining financial statements and we will continue to meet regularly with officers to monitor progress over the coming weeks. The extent of work we will be able to complete prior to the 28 February backstop date will be dependent on the timing of receipt of the 2023-24 accounts.

We will then seek to commence the audit procedures listed above and will look to complete as many of these steps as possible up to the date of the backstop of 28 February 2025. There is scope to conduct some early work on the 1 April 2023 cash position in October 2023, following receipt of the 2022-23 draft financial statements. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes in February 2025. Our Value for Money work for 2023-24 is already complete.

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. To obtain this level of assurance would require extensive audit procedures to be carried out on five financial years in a very short space of time. We are also aware from our work and from ongoing discussions with finance officers, that there has been significant challenges and historic issues relating to the effectiveness of the Council's financial record keeping, with no clear approach to storing working papers, supporting evidence and associated data. This was a key factor underpinning the 'Disclaimer' opinion concluded for the 2018-19 audit.

The consequence of this is that there is a strong possibility that the 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 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



Julie Masci

For Grant Thornton UK LLP

CC Annabel Scholes, Section 151 Officer