



*Please reply to:*

Contact: Melis Owen  
Service: Committee Services  
Direct Line: 01784 446449  
E-mail: [m.owen@spelthorne.gov.uk](mailto:m.owen@spelthorne.gov.uk)  
Date: 26 November 2024

## Notice of meeting

### Audit Committee

**Date:** Wednesday, 4 December 2024

**Time:** 7.00 pm

**Place:** Goddard Room, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

#### To the members of the Audit Committee

Councillors:

J. Button (Chair)

K. Howkins (Vice-Chair)

J.R. Boughtflower

J.P. Caplin

L. E. Nichols

H.R.D. Williams

P.N. Woodward

Independent Member: P. Briggs

Substitute Members: Councillors M. Arnold, C. Bateson, M. Bing Dong, T. Burrell and O. Rybinski

*Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.*

**Spelthorne Borough Council, Council Offices, Knowle Green**

**Staines-upon-Thames TW18 1XB**

[www.spelthorne.gov.uk](http://www.spelthorne.gov.uk) [customer.services@spelthorne.gov.uk](mailto:customer.services@spelthorne.gov.uk) Telephone 01784 451499

# Agenda

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1. **Apologies and Substitutes**

To receive any apologies for absence and notification of substitutions.

2. **Disclosures of Interest**

To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.

3. **2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding annual audit and Value for Money Statements**

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To consider and approve the draft unaudited statement of accounts for the years 31 March 2019 to 2023 in compliance with the backlog regime.

Appendices- **To follow**

4. **Value for Money Opinion**

**Verbal Report**

To receive a verbal update on BDO's progress in finalising their Value for Money Conclusion, Auditor's Annual Report and Audit Certificates.

# Audit Committee



4 December 2024

<b>Title</b>	<i>2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding annual audit and Value for Money Statements.</i>
<b>Purpose of the report</b>	To approve the draft unaudited statement of accounts for the years 31 March 2019 to 2023 in compliance with the backlog regime.
<b>Report Author</b>	<i>Paul Taylor Chief Accountant</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community Addressing Housing Need Resilience Environment Services
<b>Recommendations</b>	<b>Committee is asked to approve the unaudited financial statements for the years ended 31 March 2019 to 2023 Appendix B to F, in compliance with the backlog regime.</b>
<b>Reason for Recommendation</b>	<i>On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', (Backlog Regime), as detailed in the BDO LLP letter 18 October, which includes a number of key actions that must take place in order for BDO and the Council to comply with the legislation and allow BDO to report by the national 13 December 2024 deadline.</i>

## 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>All Councils in England are required to comply with the backlog arrangements put in place nationally</li> </ul>	<ul style="list-style-type: none"> <li>This will enable the Council to move on with its incoming external auditors Grant Thorntons who are underway with their external audit of 2023-24 accounts. Compliance with the backlog will enable Grant Thorntons to issue an opinion for 2023-24 but it is likely to be qualified</li> </ul>

This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>• Receive BDO's disclaimer opinions</li> <li>• Consider the Statement of Accounts for years 2018-19 to 2022-23</li> </ul>	<ul style="list-style-type: none"> <li>• Approve the accounts</li> <li>• Receive in early 2025 BDO's multi-year Value for Money opinion</li> <li>• Move forwards and focus on 2023-24 and future years</li> </ul>

1.1 The report and related appendices set out the process and timelines for completing the outstanding audits, to meet the statutory deadline of 13 December 2024. In respect of the outstanding Value for Money Statements, BDO have advised that they will wait until after the Best Value Inspectors have issued their report, before submitting their reports.

## 2. Key issues

- 2.1 As previously advised to the Committee, the current backstop arrangements relate to the annual external audit and Value for Money (VfM) Statements from 2018-19 to 2022-23 inclusive. The backstop arrangements have been put in place nationally by the Government working with the National Audit Office, Financial Reporting Council, the Public Sector Auditor Appointments and the Chartered Institute of Public Finance and Accountancy. The arrangements are designed to cut through the issue of significant backlogs across England with respect to the issuing of external auditor opinions on Councils statements of accounts. At one stage there were more than nine hundred statements of accounts overdue with their audit opinions.
- 2.2 The Council's auditors for these years, as appointed by the Public Sector Audit Appointments organisation are BDO LLP. The reason why of Spelthorne Borough Council has ended up with a backlog position, is due to the time it took the previous auditor KPMG to complete and issue their opinion for 2017-18 which also coincided with issuing a Public Interest Report with respect to investment assets. BDO were unable to commence their audit work until KPMG issued their opinion in May 2023, at which point the national backlog proposals had emerged. Throughout the period the Council's finance team continued to produce and publish in accordance with national deadlines each year's annual draft Statements of Accounts.
- 2.3 BDO have indicated that they intend to issue the outstanding VfM reports after the Best Value Inspectors have issued their report.
- 2.4 In respect of the audits, the unaudited statement of accounts (SoA) has been published as well as the public inspection notices for each of the outstanding financial years, as required. The Director General for Local Government Strategy & Analysis at the DLUHC has confirmed that the S151 Officer, must certify that the unaudited statement of accounts for each year 2018-19 to 2022-23 provide a true and fair view of the Council's financial standing during this period.
- 2.5 BDO have advised that they intend to issue a disclaimer opinion on all the outstanding years in respect of the outstanding audits, and will issue their VfM statements after the Best Value Inspectors have issued their report.

- 2.6 A disclaimer audit opinion is a modified audit opinion that an auditor issues when they are unable to form an opinion on a client's financial statements, in this case because BDO are unable to carry out any audit work, due to the tight reporting deadlines imposed by central government, as part of the backlog regime.
- 2.7 By confirming that the statement of accounts provides a true and fair view of the Council's finances for the five years 31 March 2019 to 2023, the S151 Officer is confirming that the unaudited accounts for those years are free from material misstatement.
- 2.8 BDO as external auditors are required, when issuing disclaimer opinions, to undertake minimal checks and to issue for each financial year a Planning and Completion Statement, and these are attached as appendices to this report.2. Options analysis and proposal
- 2.9 Effectively Councils have no option but to comply with the backlog arrangements as they are statutory. Financial management comments. The national authorities have made clear the principle that auditors should only be paid fees for work they have undertaken. Therefore, for the audit years for which BDO have not undertaken audit work on the SoA the Council will expect to pay minimal fees. However, the flipside is that the incoming auditors are likely to need to undertake more work in order to rebuild the audit confidence which could result in higher fees. Risk management comments
- 2.10 As BDO have done very limited audit work on the SoA for the years 31 March 2019 to 2023, there is a possibility that the unaudited financial statements are materially misstated. The Audit Planning and Completion statements for each year issued highlights key material risks.
- 2.11 However, if that was the case, then this would have manifested itself in the intervening years, and impacted on the financial position in the succeeding years.

### **3. Procurement comments**

- 3.1 There are no procurement implications for this report.

### **4. Legal comments**

- 4.1 The Accounts and Audit (Amendment) Regulations 2024 must be complied with by councils and this report sets out the Council will achieve this.

### **5. Other considerations**

- 5.1 None

### **6. Equality and Diversity**

- 6.1 None

### **7. Sustainability/Climate Change Implications**

- 7.1 There are no climate change implication in this report.

### **8. Timetable for implementation**

- 8.1 Set out a timetable, if required, showing when the proposal in the report will be implemented.

## 9. Contact

Paul Taylor Chief Accountant [p.taylor@splethorne.gov.uk](mailto:p.taylor@splethorne.gov.uk)

### **Background papers:**

Financial Reporting Council's Accessible Guide 'Local Audit Backlog Rebuilding Assurance.

### **Appendices:**

Appendix A – Backstop arrangements letter from BDO – 18 October 2024

Appendix B – 31 March 2019, unaudited SoA

Appendix B1 – Audit Planning and Completion Statement for 2018-19

Appendix C – 31 March 2020, unaudited SoA

Appendix C1 – Audit Planning and Completion Statement for 2019-20

Appendix D – 31 March 2021, unaudited SoA

Appendix D1 – Audit Planning and Completion Statement for 2020-21

Appendix E – 31 March 2022, unaudited SoA

Appendix E1 – Audit Planning and Completion Statement for 2021-22

Appendix F – 31 March 2023, unaudited SoA

Appendix F1 – Audit Planning and Completion Statement for 2022-23

Deputy Chief Executive  
Spelthorne Borough Council  
Council Offices, Knowle Green  
Staines-upon-Thames  
TW18 1XB

18 October 2024

Email:  
leigh.lloyd-thomas@bdo.co.uk

Dear Terry

### Local audit backlog

You will be aware that the Government has put arrangements in place to clear the backlog of outstanding historical audit opinions. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, *'The Accounts and Audit (Amendment) Regulations 2024'*, which introduces backstop dates by which point local bodies must publish audited accounts. The Government, on behalf of the Comptroller and Auditor General (C&AG) has also laid a revised *'Code of Audit Practice 2024'*, that requires auditors to give their opinion in time to enable local bodies to comply with the backstop date. The backstop date for historical audit opinions up to and including financial year 2022/23 is 13 December 2024. Further details on the Government's backstop arrangement are set out in the Financial Reporting Council's Accessible Guide *'Local Audit Backlog Rebuilding Assurance'*, a copy of which is included with this letter. Also included is a copy of a recent letter from Catherine Frances, Director General for Local Government and Public Services, which provides an update on actions being taken to tackle the local audit backlog.

The purpose of this letter is to set out our plans for helping you to comply with the Government's backstop arrangements, which includes the actions we need you to take to help ensure that the backstop date is met. I would be grateful if you could share this letter, the Financial Reporting Council's Accessible Guide *'Local Audit Backlog Rebuilding Assurance'* and the letter from Catherine Frances with members of the Audit Committee. Appendix 1 to this letter covers actions required by Spelthorne Borough Council, while Appendix 2 cover actions we are required to take.

If you have any queries in respect of this letter, please do not hesitate to contact me.

Yours sincerely

Leigh Lloyd-Thomas  
Director  
For and on behalf of BDO LLP

### Actions required by Spelthorne Borough Council

Prior to publication of the final signed financial statements, Spelthorne Borough Council needs to have:

- prepared the statement of accounts
- published the draft statement of accounts for public inspection and completed the 30-working day public inspection period; and
- approved the statement of accounts.

The Accounts and Audit Regulations 2015 state that the responsible financial officer (RFO) must:

- sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of
  - the financial position of the authority at the end of the financial year to which it relates, and
  - that authority's income and expenditure for that financial year
- commence the period for the exercise of public rights, and
- notify the local auditor of the date on which that period was so commenced.

Following the conclusion of the period for the exercise of public rights, a local authority must:

- consider, either by way of a committee or by the members meeting as a whole, the statement of accounts
- approve the statement of accounts by a resolution of that committee or meeting
- ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

The RFO must then re-confirm that they are satisfied that the statement of accounts presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates, and
- that authority's income and expenditure for that financial year, before the local authority approves the statement of accounts.

The attached letter from Catherine Frances, Director General for Local Government and Public Services, states:

*“It should not be necessary for the audit of the previous year’s accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance. It is a legislative requirement for bodies to publish unaudited accounts. If bodies feel they are in a position where they will not be able to do this ahead of the backstop, following engagement with their auditor, they should contact the Department or their relevant sponsor department at the earliest opportunity”.*

If you feel unable to certify that unaudited accounts show a true and fair view, we ask that you raise this with ourselves, and subsequently with the Ministry of Housing, Communities and Local Government or relevant sponsor department, as soon as possible.



### *Presentation of reports to the Audit Committee*

We need to present a combined Audit Planning Report and Audit Completion Report for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 to the Audit Committee prior to issuing our outstanding opinions on the financial statements.

Given the requirement for audited accounts to be published by 13 December, many local authorities will be arranging audit committee meetings, or equivalent, in the weeks leading up to this date so that they can approve their accounts and receive reports from their external auditors.

The Council has arranged an Extraordinary Audit Committee meeting at 7.00pm on Wednesday 4<sup>th</sup> November to receive our reports on the Statement of Accounts.

We intend to issue our backstop opinions on the Statement of Accounts for each relevant year.

However, as we have previously discussed, there is likely to be a delay in issuing our value for money conclusion, Auditor's Annual Report and audit certificates to formally close the audits until the Best Value Inspection team has completed its and the Minister issued this report regarding the governance arrangements at the Council. We will provide an oral update on this work at the Audit Committee.

### Actions required by the auditor

#### *Audit of the financial statements*

The table below summarises the status of incomplete audits for Spelthorne Borough Council for financial years up to and including 2022/23, plus the type of opinion we currently expect to give.

Financial year	Status of the audit	Expected type of opinion*
2018/19	<p>Unaudited financial statements prepared by Council.</p> <p>Initial planning and risk assessment procedures commenced but not concluded.</p> <p>Substantive testing commenced but not concluded in the following areas:</p> <ul style="list-style-type: none"> <li>- Property, plant and equipment</li> <li>- Long term investments</li> <li>- Cash and cash equivalents</li> <li>- Long term borrowing</li> <li>- Provisions</li> <li>- Income</li> <li>- Non-payroll expenditure</li> <li>- Related party transactions</li> </ul>	Disclaimer of opinion
2019/20	<p>Unaudited financial statements prepared by Council.</p> <p>No audit procedures performed.</p>	Disclaimer of opinion
2020/21	<p>Unaudited financial statements prepared by Council.</p> <p>No audit procedures performed.</p>	Disclaimer of opinion
2021/22	<p>Unaudited financial statements prepared by Council.</p> <p>No audit procedures performed.</p>	Disclaimer of opinion
2022/23	<p>Unaudited financial statements prepared by Council.</p> <p>No audit procedures performed.</p>	Disclaimer of opinion

\* An explanation of qualified and disclaimers of opinion is provided in paragraphs 15 and 16 in the Financial Reporting Council's Accessible Guide 'Local Audit Backlog Rebuilding Assurance'

To help auditors meet the Government's requirements in respect of the backstop, the National Audit Office has published a package of Local Authority Reset and Recovery Implementation Guidance (LARRIGs), which have been endorsed by the Financial Reporting Council. We have

given careful consideration to these LARRIGs when determining what audit procedures we need to perform before issuing a disclaimer of opinion on Spelthorne Borough Council's financial statements. These procedures include, but are not limited to:

- evidencing our independence
- confirming engagement acceptance and continuance
- determining the scope of the audit
- determining materiality
- formulating an overall audit strategy
- responding to actual or suspected non-compliance with laws and regulations
- reviewing minutes of meetings of the Audit Committee, Cabinet (for years 2018/19, 2019/20 and 2020/21) and Strategic Committees (for years 2021/22 and 2022/23)
- agreeing opening balances and comparative figures to prior year financial statements
- checking financial statements for internal consistency and arithmetic accuracy
- evaluating any misstatements identified
- drafting a combined Audit Planning Report and Audit Completion Report and presenting it to the Audit Committee on 4 December 2024.

#### ***Value for money arrangements***

Prior to giving an opinion on the financial statements, we either need to have completed our work in respect of Spelthorne Borough Council's value for money arrangements or have determined that any remaining work will not have a material impact on the financial statements. The table below summarises the status of incomplete value for money work for Spelthorne Borough Council for financial years up to and including 2022/23, the conclusion we currently expect to reach and the planned output from our work. The revised Code of Audit Practice 2024 that has been laid in Parliament allows auditors to issue a combined commentary on value for money arrangements for incomplete audits up to and including 2022/23. We therefore intend to issue a combined commentary for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23. The identification and reporting of any significant weaknesses continues to be assessed on a year-by-year basis.

<b>Financial year</b>	<b>Status of value for money work</b>	<b>Expected conclusion</b>	<b>Output*</b>
2018/19	No work performed	TBC	Conclusion on value for money arrangements
2019/20	No work performed	TBC	Conclusion on value for money arrangements
2020/21	No work performed	TBC	Commentary on value for money arrangements and reporting of any significant weaknesses identified
2021/22	No work performed	TBC	Commentary on value for money arrangements and reporting of any significant weaknesses identified
2022/23	No work performed	TBC	Commentary on value for money arrangements and reporting of any significant weaknesses identified

*\* Audits prior to 2020/21 were performed under the Code of Audit Practice 2015, which required a different approach to value for money work than is required for 2020/21 audits onwards*

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