

Audit Committee



4 December 2024

Title	<i>2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding annual audit and Value for Money Statements.</i>
Purpose of the report	To approve the draft unaudited statement of accounts for the years 31 March 2019 to 2023 in compliance with the backlog regime.
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	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.
Reason for Recommendation	<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"> All Councils in England are required to comply with the backlog arrangements put in place nationally 	<ul style="list-style-type: none"> 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

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

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 have 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

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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