

# Melton Borough Council

Audit progress report

10 September 2024



# Contents

Section	Page
Introduction	03
Progress at 10 September 2024	04
Audit Deliverables	05
Audit Backstop Update	06
Audit Backstop letter Appendix 1	07

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Council. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Introduction

## Your key Grant Thornton team members are:

### Helen Lillington

Key Audit Partner

T: 0121 232 5312

E: helen.m.Lillington@uk.gt.com

### Lisa Morrey

Manager

T: 0121 232 5302

E: lisa.morrey@uk.gt.com

### Nokubonga Mkhize

Assistant Manager

T: 0121 232 5427

E: Nokubonga.g.mkhize@uk.gt.com

This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes an appendix which gives an update on the audit backstop.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at September 2024

## Financial Statements Audit

Our financial statements audit will commence in late October 2024 running through to December 2024. We have communicated our working paper requirements, and the finance team have already provided a significant number of these back to the audit team. We will continue to work together to make the audit process as smooth as possible.

Our current understanding remains unchanged from our previous update. You are yet to receive an audit opinion for the following financial years;

- 2020/21
- 2021/22, and
- 2022/23

These remain the responsibility of the predecessor auditor, however we anticipate the backstop being applied to these audits. For further information on the backstop see page 6 and the attached Appendix.

## Value for Money

Our initial planning work by our VFM specialist has not identified any significant weaknesses, however an Auditors Annual Report hasn't been published for the preceding three years. We understand that the predecessor auditor is still working on this. Detailed work is due to commence in October and timelines for submission of evidence and a schedule of interviews will be agreed with the Council over the coming weeks.

We have scheduled for a draft Auditor Annual Report to be sent to client officers in early December, with a view to a final report being presented to this Committee on the 28 January 2025. This will be subject to the predecessor auditors completing their work in this area on outstanding years.

## Meetings

We have continued to meet quarterly with the Director for Corporate Services, held an introductory meeting with the Chief Executive and attended these committee meetings either virtually or in person.

# Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	March 2024	Presented to the Audit and Standards Committee 26 March 2024
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	December 2024	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	December 2024	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	December 2024	Not yet due

\*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2024

---

# Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice with the necessary regulations to enact the backstop legislation being laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework to be put in place to achieve the 30 September 2024 backstop. However, the calling of a General Election on 5th July put this timetable in considerable doubt.

On 30 July 2024, the Minister of State for Local Government and English Devolution provided a written statement to Parliament confirming the government's intention to introduce a backstop date for English local Council audits up to 2022/23 of 13th December 2024 . A backstop date for 2023/24 will be introduced of 28th February 2025. For further detail refer to our letter at Appendix 1.

# Appendix 1 Backstop update

10 September 2024

To Chair of Audit and Standards Committee

Melton Borough Council

## **Melton Borough Council: An update on the application of the local Council 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 Council 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 Council. I should be happy to discuss this further and answer any questions you may have.

### **Applying the backstop for years up to 2022/23**

Grant Thornton have taken over as your auditor from financial year 2023/24. We understand that your previous auditor Ernst & Young (EY) has not completed the audits for 2020/21, 2021/22 and 2022/23. Our understanding is that EY intends to issue a backstop opinion in respect of 2020/21, 2021/22 and 2022/23. Please do liaise with EY to ensure that you have agreed with them the next steps. This should include arrangements for the publication of the draft statements, for meeting the rights of local electors, and for receiving the draft Auditor's Report. We set out below the implications a backstopped audit opinion is likely to have on our 2023/24 audit.

### **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 completed our initial planning and issued an audit plan for 2023/24. We have agreed with you a start date for our financial statements audit of 21 October 2024.

The fact that previous audits will be 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, which is largely complete
- 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 complete the above work by 31 December 2024. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes. We will also conclude our Value for Money work by 31 December 2024 and issue a draft report.

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.

The consequence of this is that there is a strong possibility 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 and Standards Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025. Currently, there is a meeting scheduled for the 28 January 2025, which would enable the necessary reporting to be discussed and agreed.

### **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

*Helen Lillington*

For Grant Thornton UK LLP





© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.