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[Via email](#)

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Dear Martin

Proposed Government Backstop Dates for unaudited accounts

I am following up on our recent discussions regarding the proposed local government backstop date for unaudited accounts.

Proposed backstop date

As you will aware, following discussion between the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (the FRC) and the National Audit Office (NAO), DLUHC is now proposing a backstop date for all unaudited accounts up to and including 2022/23 of 30 September 2024. We understand this proposal has been approved by the Minister, Simon Hoare.

DLUHC have now issued their consultation on these proposals with the deadline for responses of the 7 March 2024. Consultation is expected to be followed by a change in legislation, in the form of an amendment to the Accounts and Audit Regulations.

The NAO Code of Audit Practice ('the Code') will also need to be updated to require auditors to issue an opinion by the proposed date (the backstop date) of 30 September 2024. All account audits up to and including 2022/23 not completed prior to or on 30 September 2024 will be subject to the backstop and an audit opinion will need to be issued by this date. Where the audit is not concluded, then the opinion will either need to be qualified or disclaimed, depending on the extent of work outstanding.

Whilst the Code of Audit Practice is expected to be amended to require audits to be completed by a due date, there are now no plans to change the scope of audit work required on the financial statements for accounting periods up to and including 2022/23. As such, all of these periods of accounts will require a full audit (assuming they can be completed by 30 September 2024).

Delivery of audit for 2020/21

You will be acutely aware of the continuing attempts that my colleague Julie Masci has been making to bring the 2020/21 opinion audit to a conclusion. The 2020/21 post-statements audit has now been in progress for over 2 years and will result in a qualified, disclaimer opinion given our inability to gain assurance over the carrying value of land and buildings at 31 March 2021.

We have recently discussed with you a way forward in this respect and very much hope this audit can be concluded following the meeting of Full Council on 23 April 2024. This should ensure your 2020/21 opinion is not impacted by the proposed backstop. However, it does have ramifications for both the 2021/22 and 2022/23 financial statements audits.

Delivery of audit for 2021/22 & 2022/23

We have discussed the implications of the disclaimer opinion and the resulting timeframe to complete the 2020/21 opinion audit for Teignbridge District Council. In my view, it is not possible to complete the audits of your 2021/22 and 2022/23 accounts by 30 September 2024. We know you are of the same view but given the impact of this decision wanted to explicitly set out the basis of this decision to apply the backstop to both 2021/22 and 2022/23 formally in a letter.

Our logical to support this decision includes:

- Inadequate books and records – Our 2020/21 audit identified significant weaknesses in financial accounting and record keeping at the Council principally in relation to the lack of evidence available to support its PPE estimates recorded within the financial statements. The Council did not maintain adequate records to sufficiently support material balances within the financial statements. The limitations of the financial systems remain for both 2021/22 and 2022/23 and would impact on the timely delivery of the following years audits;
- Finance capacity – The finance team at Teignbridge is small and very stretched given the number of initiatives underway including ongoing internal financial reporting as well as the testing of a new finance system which will be implemented in due course. The later, once implemented, should prove beneficial for future audit but is currently placing additional time pressures on the finance team, amongst others;
- As a firm, we need to make careful choices as to how we use our audit resources most effectively. Our priority over the next few months will be to focus on those audits where we have a realistic prospect of concluding our work by September. We strongly feel that any resource input into your 2021/22 and 2022/23 audits at this late stage would not deliver an opinion by 30 September 2023 but would also delay the more timely commencement and conclusion of the 2023/24 audit. The part completion of the audits would provide limited benefit to the work required in the following year. The application of the backstop would allow us to make an earlier start on 2023/24 with the aspiration to sign off this set of accounts in a more timely manner.

Opening balances audit 2023/24

There are ramifications to backstopping the 2021/22 and 2022/23 financial statements audits.

Where accounts are disclaimed we are required by auditing standards to consider what impact the modified opinion has on the opening balances for the following year. Potentially this could require significant additional audit work. We understand the FRC are considering setting out guidance on what audit work is required, and consideration is also being given to ways in which auditors may conduct this work as efficiently as possible whilst meeting auditing standards. We will let you know once we have further information on this.

Summary

The application of the backstop for 2021/22 and 2022/23, as set out above, would reduce the work we will need to undertake to conclude our responsibilities for 2021/22 and 2022/23 in terms of our opinion work. Although, yet to be confirmed this is likely to result in a lower fee for 2022/23 than if we have continued with the full audit. We have completed our 2021/22 and 2022/23 Value for Money work as planned, and this is due to be presented to the March 2024 meeting of the Audit Scrutiny Committee. We understand that PSAA will be issuing further guidance on fees in respect of backstopped audits in due course.

Whilst we now have a strong indication of a September 2024 backstop date, for all years up to 2022/23, this is still subject to consultation and legislation. Proposals may therefore be subject to change. We will let you know as and when the situation develops.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Barber', is positioned below the 'Yours sincerely' text.

Peter Barber, Key Audit Partner

For Grant Thornton UK LLP