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Dear Dean,

Proposed Government Backstop Dates for unaudited accounts

I am writing further to your email of 3 April 2024 and 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. DLUHC issued a consultation on these proposals on 8 February 2024. Consultation is expected to be followed by a change in legislation, in the form of an amendment to the Accounts and Audit Regulations (AAR). The NAO Code of Audit Practice (“the Code”) will also need to be updated to require auditors to issue an opinion by this date. While there is some work to be done to prepare the legislation and amend the Code, our discussions with regulatory bodies indicate that the 30 September date is now likely.

All accounts audits up to and including 2022/23 not completed prior to 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). The NAO also launched consultation on this on 8 February 2024.

Based upon the current proposals and the number of audits up to and including 2022/23 which remain open across the local government sector, a significant number of qualified or disclaimed opinions are likely to be issued this year.

Preparation of financial statements for 2022/23

We welcome the Council’s recent publication of draft accounts for 2022/23, as this will allow for the exercise of public rights in the period up to 15 May 2024 and allow sufficient time for you to adopt the accounts and for us to issue an appropriate audit report by 30 September 2024, as is anticipated to be required.

Preparation of accounts and delivery of audits 2019/20 to 2022/23

We have discussed the implications of the backstop proposals for you as an authority.

You will be aware that we paused the Council's 2022/23 audit in October 2023, given the ongoing delay with the Council's 2021/22 audit and as the Council had not published its draft 2022/23 accounts, four months after the deadline. A significant amount of resource originally allocated to conduct the 2022/23 audit needed to be reallocated to conclude the Council's 2021/22 audit.

I have considered recent experience of the elapsed time taken to conclude audits of the Council's financial statements to enable the issue of an unqualified audit opinion and summarise this below. In each of the last three audit cycles, the Council's audit has taken longer to complete than the time now available before 30 September 2024.

Financial year	AAR deadline for publication of draft accounts	Date Blackburn with Darwen Borough Council draft accounts published	Timetable for publication of draft accounts achieved?	AAR target date for publication of audited accounts	Date Blackburn with Darwen Borough Council audited accounts published	AAR target date for publication of audited accounts achieved?	Elapsed time between publication of draft and audited accounts
2019/20	By 1/9/20	2/7/20	Yes	30/11/20	4/2/21	No	7m 3d
2020/21	By 2/8/21	30/7/21	Yes	30/9/21	13/7/23	No	23m 14d
2021/22	By 1/8/22	1/9/22	No	30/11/22	21/3/24	No	18m 21d
2022/23	By 1/6/23	2/4/24	No	30/9/23		No	

I also note some recent loss of capacity and experience within the Council's finance team which could present further challenges to the prompt completion of a full scope audit.

In my view, it is unlikely the audit of the Council's draft 2022/23 accounts can be completed in full by 30 September 2024 and, under the current proposals, these accounts would need to be either qualified or disclaimed.

Summary

Whilst we now have a strong indication of a September 2024 backstop date, for all years up to 2022/23, this remains subject to legislation. Proposals may therefore be subject to change. If the proposals are implemented as anticipated, I consider it unlikely that sufficient audit work can be concluded to enable an unqualified audit opinion to be issued by 30 September 2024.

We do, however, still need to agree a timetable with you for any further work to be undertaken to enable us to issue an audit report before 30 September 2024 and I would welcome your thoughts on how we can best proceed. I will arrange a further call with you to discuss this.

Yours sincerely,

John Farrar

John Farrar
Engagement Lead

cc Denise Park, Chief Executive
Cllr Harling, Chair of Audit & Governance Committee