



XX August 2024

To Audit and Governance Committee Chair  
Dorset Council

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Dear Cllr Suttle

### **Dorset Council: An update on the application of the local authority 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 authority 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 authority. I should be happy to discuss this further including at the next Audit and Governance Committee.

#### **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 Deloitte has not completed the audit for 2022/23 and that Deloitte intends to issue a backstop opinion in respect of this year. Please do continue to liaise with Deloitte to ensure that you have agreed with them the next steps. This should include arrangements 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 already begun work on your financial statements audit for 2023/24.

The fact that a previous audit has been 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;
- 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;

#### **Chartered Accountants**

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- 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);
- review of financial statements disclosure; and
- 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 to allow us to issue our audit opinion shortly after Deloitte issue their 2022/23 opinion. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes. We have also already reported our findings from 2023/24 Value for Money work to the Audit and Governance Committee.

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.

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 Governance Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025.

For the audit of your Pension Fund, our focus will be on movements in year and closing balances, rather than opening balances. As Pension Fund assets are revalued annually, and there is not the same inherent challenge in respect of usable reserves that we face for a local authority audit, we envisage that it should be possible to return to a clean audit opinion by 2025/26. Years 2023/24 and 2024/25 are likely to be qualified in respect of opening balances and comparative figures respectively.

### **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

**Jackson Murray**

For Grant Thornton UK LLP

CC Executive Director (Corporate Development S151)