

AUDIT AND STANDARDS COMMITTEE

30 JANUARY 2024

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| Title: Grant Thornton's Audit Progress report and Sector update | |
| Report of the Interim Chief Accountant | |
| Open Report | For Information |
| Wards Affected: All | Key Decision: No |
| Report Author: Yinka Ehinfun (Interim Chief Accountant) | Contact Details: E-mail: Yinka.Ehinfun@lbbd.gov.uk |
| Accountable Director: Nish Popat Interim Deputy S151 Officer, Resources | |
| Accountable Executive Team Director: Jo Moore, Interim Strategic Director, Resources | |
| Summary Grant Thornton LLP has been appointed as the Council's external auditors for the next five years beginning from the 2023-24 financial year. This report presents Grant Thornton's report set out in Appendix A outlining their audit plan and approach for delivering their responsibilities as the Council's external auditors for the 2023/24 financial year. Grant Thornton has also prepared a second report set out in Appendix B on "Preventing Failure in Local Government" to further highlight the challenges in the sector and how the Council can overcome them and prevent failure. Representatives of Grant Thornton will be at the meeting to present both reports and respond to Member questions. | |
| Recommendation(s) The Audit and Standards Committee is recommended to note the content of this report. | |
| Reason(s) As prescribed in The Accounts and Audit (England) Regulations 2015, it is a statutory obligation for the Council's Statement of Accounts to be produced and audited, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council. | |

1. Introduction and Background

- 1.1 In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), on 22 September 2021 the Public Sector Audit Appointments (PSAA) formally invited all eligible bodies to become opted-in authorities for the five consecutive financial years commencing 1 April 2023 which covers the audit years 2023/2024 to 2027/2028.
- 1.2 The PSAA Board approved the appointment of external auditors from 2023/24, following consultation with audited bodies, at its meeting on 16 December 2022. It was decided that Grant Thornton LLP will be the council's external auditors for the next five years from the 2023/24 financial year.

2. Audit timescales for 2023/24

- 2.1 There have been discussions with officers in terms of delivery timescales for the 2023/24 financial year and work has commenced to deliver the information requested for audit planning by the Council.
- 2.2 The external auditor had planned to bring to the Audit and Standards Committee meeting in March a detailed audit plan, setting out their proposed approach, in order to give an opinion on the Authority's 2023/24 financial statements.
- 2.3 The planned dates to finalise the audit are yet to be determined predominantly as a result of the issues in the sector relating to the audit backlog and the proposed new arrangements for dealing with that backlog which will include a backstop date. This will be the date by which backlog accounts, if not signed, will be dealt with under a new arrangement, yet to be formally announced. Grant Thornton will discuss this matter in presenting their report (Appendix A) and provide the latest position to the Committee.
- 2.4 The 2023/24 Audit scale fees have been published by PSAA and for the LB Barking & Dagenham audit, the fee will be £434,860 and £75,287 for the Pension Fund. This is a 240% increase on the 2018/19 to 2022/23 scale fees for the Council's Audit and a 366% increase for the Pension Fund Audit. The Council have accrued the additional costs for the 2023/24 financial year and have included a growth provision in budget for the 2024/25 financial year.

3. Preventing Failure in Local Government

- 3.1 Grant Thornton has also prepared a second report on "Preventing Failure in Local Government" (Appendix B) to further highlight the challenges in the sector and how the Council can overcome them and prevent failure.

4. Options Appraisal

- 4.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, there are no other options to appraise.

5. Consultation

- 5.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, does not require consultation.

6. Financial Implications

Implications completed by: Nish Popat – Deputy S151 Officer

- 6.1 Grant Thornton have been allocated as the Council's External Auditors for financial year 2023/24 and for a further 4 years. The appointment and selection were carried out on a national basis by the Public Sector Audit Appointments (PSAA). The Council cannot influence the choice of external audit opinion.
- 6.2 The total base fees for the 2023/24 is £434,860 for the Council's audit and £75,287 for the Pension Fund Audit. This represents an increase of 240% compared to 2022/23 for the Council's Audit, where the base audit fee was £127,801 and a

366% increase for the Pension Fund Audit, where the base fee for 2022/23 was £16,170.

6.3 The additional fees have been forecasted in the 2023/24 budget monitor report as at Period 8 and represents a c£230k overspend against the budget set.

7. Legal Implications

Implications completed by: Dr Paul Field - Principal Standards & Governance Solicitor.

7.1 The Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs. An essential component of sound administration is a sound audit function.

7.2 The Local Audit and Accountability Act 2014, established a new audit regime. Local Authorities must appoint a local auditor which in carrying out its' role must be satisfied that the authority has:

- Made proper arrangements for securing economy, efficiency and effectiveness in its use of resources,
- In its accounts comply with the requirements of the enactments that apply to them, and
- Observed proper practices in the preparation of the statement of accounts; and that the statement presents a true and fair view.

7.3 This is supported by the 2020 Code of Audit Practice published by the National Audit Office. Auditors now need to report significant weaknesses in arrangements when they identify them and make recommendations for improvement. A document called the Auditors Annual Report will cover arrangements for financial sustainability, governance and improving value for money.

7.4 Audited bodies are required to publish the Auditors Annual Report on their Website.

8. Other Implications

8.1 **Risk Management** - The risk management implications and mitigating factors are clearly set out in the appendices to this report.

List of appendices:

- **Appendix A** – LBBD Audit Progress report – January 2024
- **Appendix B** – GT report – Preventing Failure in Local Government.