

EXTERNAL AUDIT UPDATE

DRAFT 2024/25 ACCOUNTS AND PROVISIONAL AUDIT PLANNING REPORT

Committee name	Audit Committee
Officer reporting	Pete Carpenter, Director Pensions, Treasury & Statutory Accounts
Papers with report	2023/24 Auditors Annual Report 2024/25 Draft Statement of Accounts (to follow) 2024/25 Provisional Audit Planning Report
Ward	All

HEADLINES

This report gives the final 2023/24 Audit Report as well as updating on the latest position regarding the progress of the 2024/25 Statement of Accounts along with the Provisional Audit Planning Report Year ended 31 March 2025.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Note the latest update from the Government in relation to moving away from “disclaimer” audit opinions;**
- 2. Note the Final Auditors Annual Report 2023/24;**
- 3. Note the latest position regarding the 2024/25 Draft Statement of Accounts; and**
- 4. Note the draft plan for the Audit of the 2024/25 Accounts.**

SUPPORTING INFORMATION

The Ministry of Housing, Communities and Local Government has announced measures to tackle the backlog of local government audits and have proposed backstop dates for the publication of audited accounts. These are set out in the following table:

2024/25: 27 February 2026
2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

The backstop legislation has resulted in significant numbers of Councils receiving “Disclaimer Opinions” due to time constraints and number of audits required to be delivered to comply with the legislation resulting in Auditors collectively not having the time to complete Audits and therefore issue “Disclaimer Opinions”.

The National Audit Office (NAO) issued updated guidance to Auditors on 05 June 2025 in relation

to special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.

The NAO guidance [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\) 06](#) is predicated on the assumption that local authorities can present a complete set of financial statements to the auditor in accordance with the applicable financial reporting framework. It notes that the timely delivery of audited financial statements is a collective enterprise where both preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of audited financial statements where the auditor can reach opinions based on sufficient appropriate audit evidence. A failure on the part of management to present financial statements that represents a true and fair view of the local authority's financial statements may have implications for the overall audit opinion on those statements.

A total of 216 disclaimed audit opinions have been issued by auditors to local government bodies because of the “final” backstop date for the 2023-24 financial year. This is 47.1% of all local government Audits in England.

Final 2023/24 Auditors Annual Report

In May, the Committee received the final Audit Results report for 2023/24 for the Council. This report updated data supplied in the February Committee. This is now the final Audits result report and reflects the data provided in May in that:

- This is a “disclaimed opinion” as in 2022/23.
- Due to the backstop and other limitations not all the auditing processes could be completed.
- There was no reason to use Auditor powers **at that time**. Further context is given on page 2 of the External Auditors Annual Report.
- In the Value for Money section there are weaknesses highlighted in regards Financial Sustainability and Quality of Council Information. There are 7 recommendations:
 - We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding.
 - We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
 - We recommend that the Council seeks to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.
 - We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
 - We recommend that the Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses

such data, the maturity of its data quality processes and any limitations in the data it uses;

- We recommend that having completed the data quality assessments, the Council should develop actions plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary;
- We recommend that the Council review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.

Implementation of these recommendations is being monitored through the GRIP (Governance Review Implementation Plan) which is reported to this Committee.

Draft 2024/25 Accounts

The Council will publish its draft 2024/25 Statement of Accounts in August. These will be circulated to the Committee. Draft accounts should have been published by 30 June 2025 and as such a delay notice was published in the intervening period. The 30-day Public Inspection period will begin once the Accounts have been published and is expected to finish at the end of September 2025.

The 2024/25 Audit Process

The 2024/25 Provisional Audit Planning Report has been provided by Ernst & Young. This report aims to provide the Audit Committee with a basis to review the proposed audit approach and scope for the 2024/25 audit. The report summarises Ernst & Young's evaluation of the key issues driving the development of an effective audit.

There are two new risks that will be assessed as part of the Audit:

- The first is the implementation of the new finance system (Oracle Fusion) which the external auditors link to a risk to the truth and fairness of the financial statements;
- The second is the Governance Risk linked to the Capacity of the Finance Team which the external auditors classify as a value for money risk.

New guidance was received by auditors in June on how to conduct audits where there have been disclaimer opinions. This has been referenced in the supporting information section.

The 2024/25 Pension Fund Audit Process

The draft 2024/25 Pension Fund Accounts were produced by 30 June 2025 and these are now being audited as per the draft plan that was presented to this Committee on 14 May 2025.

FINANCIAL IMPLICATIONS

Audit Fees for Councils are set nationally by Public Sector Audit Appointments (PSAA). The fee scale for 2024/25 is confirmed as a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA

(UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The fee values for 2024/25 are £433,673 for the Council audit and £92,572 for the Pension Fund.

EY have advised that there would be scale fee variations in respect of the 2023/24 audit of £104,319. This will need ratification by PSAA.

For the 2024/25 Audit there will also be an additional charge for the audit of the migration of data from the old Oracle R12 system to Oracle Fusion. The estimated fee impact of the additional work around Oracle is £68.4k for the Council. A significant contributor to this impact is the way the migration occurred in stages rather than all-at-once, as it created multiple points at which the external auditors need to test that the migration occurred correctly.

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis under powers contained in the Local Audit and Accountability Act 2014.

BACKGROUND PAPERS

NIL.

APPENDICES

2023/24 Auditors Annual Report

The Draft 2024/25 Statement of Accounts (to follow)

Hillingdon Provisional Audit Planning Report Year ended 31 March 2025