

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 29
APRIL 2026



Title of Report	LOCAL GOVERNMENT REORGANISATION - ACCOUNTS AND AUDIT REQUIREMENTS	
Presented by	Anna Crouch Head of Finance/Acting S151 Officer	
Background Papers	Local Government Association - LGR finance essentials: Accounts and audit requirements through the LGR process	Public Report: Yes
Financial Implications	There are no financial implications arising from this report.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	<p>Under the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2024, local authorities are legally required to prepare, approve and publish their annual statement of accounts in accordance with proper accounting practices.</p> <p>The statement of accounts must be approved by the responsible financial officer and then by the authority itself and must be subject to external audit.</p> <p>In response to the national backlog in local authority audits, the amended regulations introduce a series of statutory backstop dates by which audited accounts (referred to in the regulations as the authority’s “accountability statements”, including the audit opinion) must be published on the council’s website. The relevant backstop dates are:</p> <ul style="list-style-type: none"> • for all outstanding accounts up to and including 2022/23: 13 December 2024 • for 2023/24 accounts: 28 February 2025 • for 2024/25 accounts: 27 February 2026 • for 2025/26 accounts: 31 January 2027, with later years following on a rolling basis. <p>The regulations also continue to require that the public is given the opportunity to inspect the accounts and related documents. For financial years from 2024/25 onwards, the amended regulations allow the period for the exercise of public rights to commence from the first working day of July following the end of the financial year, rather than earlier in the year.</p>	
	Signed off by the Monitoring Officer: Yes	

Staffing and Corporate Implications	There are no staffing implications arising from this report.
	Signed off by the Head of Paid Service: Yes
Purpose of Report	The purpose of this report is to brief the Audit and Governance Committee on the accounts and audit requirements arising from Local Government Reorganisation (LGR), drawing on the Local Government Association (LGA) Finance Essentials guidance published in December 2025. The report explains the implications for audit, governance and financial reporting and sets out the role of the Audit and Governance Committee in providing assurance during the LGR process.
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE CONTENTS OF THE REPORT AND THE IMPLICATIONS FOR THE COUNCIL'S ACCOUNTS, AUDIT ARRANGEMENTS AND GOVERNANCE RESPONSIBILITIES DURING THE LOCAL GOVERNMENT REORGANISATION PROCESS.

1.0 BACKGROUND

- 1.1 On 5 February 2025, the Minister of State for Local Government and English Devolution formally invited councils in two-tier areas to bring forward proposals for local government reorganisation. The Government's stated objective is that simpler structures will improve outcomes for residents, strengthen accountability and generate efficiencies that can be reinvested in services.
- 1.2 The Local Government Association (LGA) has published a series of Finance Essentials guidance notes to support councils through this process. The guidance referenced in this report focuses specifically on accounts and audit requirements through the LGR process, and is intended to support Chief Finance Officers, Members and Audit Committees in understanding how statutory responsibilities continue to apply during periods of structural change.

2.0 LGA GUIDANCE

Statutory accounts and audit responsibilities during LGR

- 2.1 The LGA guidance is clear that all predecessor councils remain fully responsible for producing and publishing statutory accounts until the point at which they are legally dissolved. Each authority must continue to maintain comprehensive and accurate financial records and prepare an annual Statement of Accounts that complies with the CIPFA Code of Practice on Local Authority Accounting, which is based on IFRS adapted for the public sector.
- 2.2 Importantly, the guidance emphasises that LGR does not alter statutory deadlines or audit requirements. Draft accounts must still be prepared and published on time, and external audit must continue to be prioritised, even where significant organisational change is underway. Failure to do so risks creating avoidable issues for successor authorities and undermining public confidence.

Importance of timely audit completion

- 2.3 A central theme of the LGA guidance is that timely completion of accounts and audits is critical to a successful transition. Incomplete, delayed or poor-quality accounts can create significant problems for successor authorities, including uncertainty over opening balances, unresolved audit issues being carried forward, and weakened financial governance in the early years of the new authority.
- 2.4 The guidance highlights that successor councils rely heavily on the final audited accounts of predecessor bodies to establish their opening balance sheets. Any weaknesses in asset valuation, reserves, provisions, or creditor and debtor balances can directly affect the financial resilience and credibility of the new authority.

Balance sheet quality and audit trail

- 2.5 The LGA guidance places particular emphasis on the quality of balance sheet information during LGR. Authorities are expected to ensure that all balance sheet entries are supported by clear audit trails, appropriate working papers and documented judgements. This includes assets, liabilities, provisions, reserves and accruals.
- 2.6 The guidance stresses that maintaining a strong balance sheet position is not simply an accounting exercise, but a core element of stewardship. Poorly evidenced balances or unresolved historic issues increase audit risk and may delay audit opinions, with consequences that extend beyond vesting day (the date that the new councils come into being).

Role of the Audit Committee

- 2.7 The LGA guidance explicitly recognises the critical role of audit committees during LGR. Audit committees are expected to maintain oversight of financial reporting, internal control and external audit throughout the transition period, and to provide assurance that statutory responsibilities continue to be met.
- 2.8 For audit committees, this includes:
- Continuing to scrutinise draft and final Statements of Accounts.
 - Monitoring progress against audit timetables and understanding reasons for any delays.
 - Seeking assurance that significant accounting judgements, estimates and valuations are robust and well-evidenced.
 - Ensuring that management is addressing audit recommendations in a timely manner.
 - Understanding how unresolved issues may affect successor authorities.
- 2.9 The guidance makes clear that audit committee scrutiny should not be relaxed during LGR, and that strong governance is particularly important during periods of uncertainty and change.

Implications for the Council

- 2.10 Should LGR proceed, the Council will be required to continue producing compliant and timely accounts up to dissolution, and to support external audit through to completion. The Audit and Governance Committee will play a key role in maintaining assurance over this process and in ensuring that the Council leaves a strong and transparent financial position for any successor authority.

2.11 The guidance reinforces the importance of maintaining focus on “business as usual” statutory duties, even while preparing for potential structural change, and provides a clear framework against which audit committee assurance can be given.

Conclusion

2.12 The LGA Finance Essentials guidance confirms that accounts and audit requirements remain unchanged during LGR, and that strong financial reporting and audit discipline are essential to a successful transition. Audit committee oversight is a central component of this assurance framework, helping to protect the interests of residents, Members and successor authorities alike.

Policies and other considerations, as appropriate	
Council Priorities:	A Well-Run Council
Policy Considerations:	Relevant policies include the Council’s accounting policies, which underpin the preparation of compliant and timely financial statements. These policies ensure consistency and transparency in financial reporting, supporting audit processes and facilitating a robust transition in the event of Local Government Reorganisation (LGR).
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon	None.
Consultation/Community/Tenant Engagement:	None.
Risks:	<p>If audit committees fail to monitor the impact on local government responsibilities (LGR), several risks arise:</p> <ul style="list-style-type: none"> • Oversight of Critical Issues: Important matters affecting service delivery, financial stability, or compliance may go unnoticed, leading to operational and reputational consequences. • Weak Accountability: Without regular scrutiny, there is a risk that decision-making lacks transparency, making it more difficult to hold officers and elected members accountable for outcomes. • Financial Mismanagement: Unmonitored impacts could result in inefficient use of resources or undetected budgetary pressures, potentially leading to deficits or waste.

	<ul style="list-style-type: none"> • Failure to Meet Statutory Duties: If changes or risks affecting LGR are not properly monitored, the Council may inadvertently breach statutory obligations or fail to deliver essential services. • Reduced Public Trust: A lack of oversight can erode confidence in the Council's governance, as stakeholders may perceive the authority as neglecting its duty of care. • Missed Opportunities for Improvement: Audit committees play a role in identifying areas for enhancement; if impact is not monitored, valuable lessons and improvements may be overlooked.
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