



Sakinah Sutherland
Governance Officer
e-mail: Democracy@enfield.gov.uk

GENERAL PURPOSES COMMITTEE

**Wednesday, 23rd October, 2024 at 7.00 pm in the Conference
Room, Civic Centre, Silver Street, Enfield, EN1 3XA**

Membership:

co: Nia Stevens (Chair), Josh Abey (Vice-Chair), Nicki Adeleke,
Alessandro Georgiou, Suna Hurman, Destiny Karakus, Joanne Laban,
Elisa Morreale, Julian Sampson and Peter Nwosu

SUPPLEMENTARY AGENDA – PART 1

9. BDO UPDATE ON THE EXTERNAL AUDIT OF ACCOUNTS (Pages 1 - 20)

To receive an update from BDO on the External Audit of Accounts.

This page is intentionally left blank



Tel: +44 (0)20 7486 5888
Fax: +44 (0)20 7487 3686
DX 9025 West End W1
www.bdo.co.uk

55 Baker Street
London
W1U 7EU

Olga Bennet
Interim Executive Director of Resources (s151 Officer)
London Borough of Enfield
Civic Centre
Silver Street
Enfield
EN1 3XA

17 October 2024

Dear Olga,

Local audit backlog

You will be aware that the Government has put arrangements in place to clear the backlog of outstanding historical audit opinions. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, *'The Accounts and Audit (Amendment) Regulations 2024'*, which introduces backstop dates by which point local bodies must publish audited accounts. The Government, on behalf of the Comptroller and Auditor General (C&AG) has also laid a revised *'Code of Audit Practice 2024'*, that requires auditors to give their opinion in time to enable local bodies to comply with the backstop date.

The backstop date for historical audit opinions up to and including financial year 2022/23 is 13 December 2024. Further details on the Government's backstop arrangements are set out in the Financial Reporting Council's Accessible Guide *'Local Audit Backlog Rebuilding Assurance'*, a copy of which is included with this letter. Also included is a copy of a recent letter from Catherine Frances, Director General for Local Government and Public Services, which provides an update on actions being taken to tackle the local audit backlog.

The purpose of this letter is to set out our plans for helping you to comply with the Government's backstop arrangements, which includes the actions we need you to take to help ensure that the backstop date is met.

I would be grateful if you could share this letter, the Financial Reporting Council's Accessible Guide *'Local Audit Backlog Rebuilding Assurance'* and the letter from Catherine Frances with members of the General Purposes Committee. Appendix 1 to this letter covers actions required by the London Borough of Enfield, while Appendix 2 cover actions we are required to take.

If you have any queries in respect of this letter, please do not hesitate to contact me.

Yours sincerely

Ciaran McLaughlin
Partner
For and on behalf of BDO LLP



Appendix 1

Actions required by the London Borough of Enfield

Prior to publication of the final signed financial statements for each outstanding year, the London Borough of Enfield needs to have:

- prepared the statement of accounts
- published the draft statement of accounts for public inspection and completed the 30-working day public inspection period; and
- approved the statement of accounts.

The Accounts and Audit Regulations 2015 state that the responsible financial officer (RFO) must:

- sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of
 - the financial position of the authority at the end of the financial year to which it relates, and
 - that authority's income and expenditure for that financial year
- commence the period for the exercise of public rights, and
- notify the local auditor of the date on which that period was so commenced.

Following the conclusion of the period for the exercise of public rights, a local authority must:

- consider, either by way of a committee or by the members meeting as a whole, the statement of accounts
- approve the statement of accounts by a resolution of that committee or meeting
- ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

The RFO must then re-confirm that they are satisfied that the statement of accounts presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates, and
- that authority's income and expenditure for that financial year,

before the local authority approves the statement of accounts.

The attached letter from Catherine Frances, Director General for Local Government and Public Services, states:

"It should not be necessary for the audit of the previous year's accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance. It is a legislative requirement for bodies to publish unaudited accounts. If bodies feel they are in a position where they will not be able to do this ahead of the backstop, following engagement with their auditor, they should contact the Department or their relevant sponsor department at the earliest opportunity".

If you feel unable to certify that unaudited accounts show a true and fair view, we ask that you raise this with ourselves, and subsequently with the Ministry of Housing, Communities and Local Government or relevant sponsor department, as soon as possible.



Presentation of reports to the General Purposes Committee

We need to present a combined Audit Planning Report and Audit Completion Report for 2020/21, 2021/22 and 2022/23 to the General Purposes Committee prior to issuing our outstanding opinions on the financial statements.

Given the requirement for audited accounts to be published by 13 December, many local authorities will be arranging audit committee meetings, or equivalent, in the weeks leading up to this date so that they can approve their accounts and receive reports from their external auditors. We therefore ask that you liaise with us in respect of the timing of your General Purposes Committee meeting so that we can ensure there is not a scheduling clash with similar meetings we are required to attend at other local authorities.



Appendix 2

Actions required by the auditor

Audit of the financial statements

The table below summarises the status of incomplete audits for the London Borough of Enfield for financial years up to and including 2022/23, plus the type of opinion we currently expect to give.

Financial year	Status of the audit (main accounts)	Expected type of opinion*
2019/20	<i>Substantively complete pending resolution of remaining matters as reported to 10th September General Purposes Committee. Disclaimer opinion on the basis of the backstop date is proposed, due to the number of areas where uncertainty in the reported financial position exists and the pervasive nature of those uncertainties.</i>	<i>Adverse/Disclaimer</i>
2020/21	<i>Draft financial statements received. Audit was previously started but will not be complete before the backstop date</i>	<i>Disclaimer</i>
2021/22	<i>Draft financial statements received</i>	<i>Disclaimer</i>
2022/23	<i>Draft financial statements received</i>	<i>Disclaimer</i>

Financial year	Status of the pension fund audit	Expected type of opinion*
2019/20	<i>Substantively complete pending resolution of remaining matters as reported to 10th September General Purposes Committee.</i>	<i>Qualified/Disclaimer</i>
2020/21	<i>Draft financial statements received. Audit was previously started but will not be complete before the backstop date</i>	<i>Disclaimer</i>
2021/22	<i>Draft financial statements received</i>	<i>Disclaimer</i>
2022/23	<i>Draft financial statements received</i>	<i>Disclaimer</i>

* An explanation of qualified and disclaimers of opinion is provided in paragraphs 15 and 16 in the Financial Reporting Council's Accessible Guide 'Local Audit Backlog Rebuilding Assurance'

Minimum allowable audit procedures

To help auditors meet the Government's requirements in respect of the backstop, the National Audit Office has published a package of Local Authority Reset and Recovery Implementation Guidance (LARRIGs), which have been endorsed by the Financial Reporting Council. We have given careful consideration to these LARRIGs when determining what audit procedures we need to perform before issuing a disclaimer of opinion on the London Borough of Enfield's financial statements. These procedures include, but are not limited to:

- evidencing our independence
- confirming engagement acceptance and continuance
- determining the scope of the audit
- determining materiality
- formulating an overall audit strategy



- responding to actual or suspected non-compliance with laws and regulations
- reviewing minutes of meetings of key Committees (Council, General Purposes Committee)
- agreeing opening balances and comparative figures to prior year financial statements
- checking financial statements for internal consistency and arithmetic accuracy
- evaluating any misstatements identified
- drafting a combined Audit Planning Report and Audit Completion Report and presenting it to the General Purposes Committee when arranged.

Value for money arrangements

Prior to giving an opinion on the financial statements, we either need to have completed our work in respect of the London Borough of Enfield's value for money arrangements or have determined that any remaining work will not have a material impact on the financial statements. The table below summarises the status of incomplete value for money work for the London Borough of Enfield for financial years up to and including 2022/23, the conclusion we currently expect to reach and the planned output from our work. The revised Code of Audit Practice 2024 that has been laid in Parliament allows auditors to issue a combined commentary on value for money arrangements for incomplete audits up to and including 2022/23. We therefore intend to issue a combined commentary for 2020/21, 2021/22 and 2022/23. The identification and reporting of any significant weaknesses continues to be assessed on a year-by-year basis.

Financial year	Status of value for money work	Expected conclusion/consideration of significant weakness	Output*
2019/20	Work complete	Adverse conclusion as advised the GPC on 10 September 2024	Conclusion on value for money arrangements
2020/21	Work in progress	In common with most local authorities risks of significant weakness have emerged over the period in relation to financial sustainability, especially in areas of capital development, SEND spend and the financial performance of commercial subsidiaries. Our work in these areas will be completed in early November 2024.	Commentary on value for money arrangements and reporting of any significant weaknesses identified
2021/22	Work in progress	As above	Commentary on value for money arrangements and reporting of any significant weaknesses identified
2022/23	Work in progress	As above	Commentary on value for money arrangements and reporting of any



			<i>significant weaknesses identified</i>
--	--	--	--

** Audits prior to 2020/21 were performed under the Code of Audit Practice 2015, which required a different approach to value for money work than is required for 2020/21 audits onwards*

Commented [ST1]: Delete this wording if only audits from 20/21 onwards are included in the table above. Where this is the case, also delete the * in the 'Output' table heading above



Financial Reporting Council

Local Audit Backlog Rebuilding Assurance

Accessible Guide

September 2024

1. Timely, high-quality financial reporting and audit is vital for supporting decision-making and accountability of local bodies. This external assurance gives local taxpayers and elected representatives confidence in the financial management of their local body.
2. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level, peaking on 30 September 2023 at 918. Without decisive action, the backlog risks rising to over a thousand.
3. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. The Government, on behalf of the Comptroller and Auditor General (C&AG) has also laid a revised 'Code of Audit Practice 2024', that requires auditors to give their opinion in time to enable local bodies to comply with the backstop date. The measures have been developed collaboratively by all organisations involved in the regulation and oversight of local body financial reporting and audit ('system partners') to clear the backlog of outstanding historical audit opinions.
4. This briefing explains how the Recovery period may operate in practice for bodies that receive modified or disclaimed audit opinions primarily as a result of statutorily imposed backstop dates limiting the scope of the audit so that finance teams in local bodies, elected members and other interested parties can understand what the recovery process may look like in practice.

Measures to clear the backlog

5. The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:
 - **Reset measures** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024.
 - **Recovery period** after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.
6. Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.
7. As set out in the in the Written Ministerial Statement published on 30 July 2024, 'Local Audit Backlog', the Reset measures could result in hundreds of disclaimed audit opinions being issued and that some may continue for a number of years.
8. The overarching objective of the proposals is to clear the backlog and reduce the likelihood of it returning. The Recovery period is designed to allow auditors to recover from the modified or disclaimed opinions anticipated from the Reset measures in a way that does not cause timeliness issues to recur. This is achieved by using backstop dates to enable auditors

to rebuild assurance over multiple years rather than needing to perform all this work in a single year.

9. To help auditors meet the requirements of the forthcoming legislation and revised Code of Audit Practice, the National Audit Office (NAO) has published a package of Local Authority Reset and Recovery Implementation Guidance (LARRIGs). These have been prepared by the NAO, working with the FRC, in consultation with audit firms and are endorsed by the FRC.
10. The Written Ministerial Statement sets out that the Government and local audit system partners have an aspiration that the local audit system recovers as quickly as possible. This means disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026).
11. Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. Audit Committees should ensure that they are planning and able to play their full part in the process.
12. The Code of Audit Practice requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards. From 2024/25 onwards, auditors will be required to issue their annual auditor's report containing the VFM commentary each year by 30 November. This has been designed to ensure that, even where the financial audit opinion is disclaimed, the audit still provides useful information to audit committees and other stakeholders about the financial management and financial sustainability of local bodies.
13. The requirement for auditors to report any significant weaknesses in VFM arrangements that they identify remains. The temporary changes introduced during Covid-19 to enable auditors to report significant weaknesses in VFM arrangements in the audit certificate or the audit opinion will remain until 2023/24. For 2024/25 auditors must report significant weaknesses in VFM arrangements in the audit opinion.

Introduction to the financial statements and the audit

14. A local body's financial statements include the following (in addition to explanatory disclosure notes):
 - the opening balances brought forward from the prior year which includes cash, general fund and ringfenced reserves, and the property valuation at the start of the year;
 - the closing balances which include cash, general and ringfenced (e.g. Housing Revenue Account) fund reserves and the property valuation at the end of the year;
 - the in-year expenditure, income, reserves, and cash flow movements; and

- the comparative figures from the prior year.
15. The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.
16. The following table shows the types of modified opinion that auditors can issue:

	Material <u>but not</u> pervasive	Material <u>and</u> pervasive
Financial statements <u>are</u> materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

In an audit following an unmodified opinion

17. In an audit following an unmodified, or 'clean', opinion, the auditor normally relies on the prior year audit for reasonable assurance over:
- the opening balances brought forward from the prior year (the prior year's audited closing balance); and
 - the comparative figures.
18. Therefore, during an audit following an unmodified opinion, the auditor performs testing to obtain reasonable assurance over:
- The closing balances such as cash, general fund reserves and the property valuation at the end of the year being audited; and
 - The in-year expenditure, income, reserves and cash flow movements.

In an audit following a disclaimer

19. In an audit following a disclaimer, the auditor will not have assurance over:
- the opening balances brought forward from the prior year; and
 - the comparative figures.
20. It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves

movements without assurance over the opening balances. To use a very simple example: if a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

Rebuilding assurance

21. In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year. The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.
22. The knock-on impact of the auditor not having assurance over in-year movements (see Paragraph 10) means they will also not have assurance over those figures when they are shown as comparatives in the following year.
23. We anticipate that many bodies that received disclaimers in 2022/23 will follow a similar cycle to that shown in the table below. However, this depends on individual circumstances and it may take longer for auditors to rebuild assurance on some bodies, especially those with underlying weaknesses in financial reporting.

Audit Year	Opinion	Reason
2023/24	Disclaimer	<p>The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date. They have not obtained sufficient evidence to have reasonable assurance over closing balances.</p> <p>The auditor does not have assurance over the brought forward balances from 2022/23 (the opening balances). This means they do not have assurance over the in-year movements. They also do not have assurance over the comparative prior year movements.</p> <p>The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.</p>
2024/25	Disclaimer	The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25.

		<p>The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit.</p> <p>This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.</p> <p>The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.</p>
2025/26	Qualified (Except for)	<p>The auditor has assurance over the opening and closing balances plus in-year movements.</p> <p>The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures.</p>
2026/27	Unmodified	<p>The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.</p>

24. As set out in the Written Ministerial Statement, the aspiration of all local audit system partners including the Government is that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026). Auditors and audited bodies should work together to agree jointly-owned delivery plans for each year's audit to enable this.
25. Noting this aspiration, there may be some bodies where the process to rebuild assurance starts from the 2024/25 audit cycle such as bodies with unmodified opinions in 2022/23 but that receive modified or disclaimed opinions in 2023/24 due to the time constraints imposed by the 2023/24 backstop.

Potential audit approaches

26. Audit firms will need to design their own approaches which may differ between individual firms and audited bodies. Relevant factors include the:
- Audit opinion for 2022/23 and earlier years.
 - Nature and complexity of the audited bodies' transaction streams and balances.
 - The auditor's previous experience of the audited body.

- Ability of the audited body to provide high quality audit evidence.
 - Firm-wide audit methodology.
27. When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. One potential audit approach would be for an auditor to prioritise obtaining assurance over all year-end balances as quickly as possible.
28. For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.
29. The testing may be slightly different from normal as the auditors may need slightly different evidence to conclude that they have reasonable assurance over the closing balances.
30. It is anticipated that auditors will also seek to test the opening 2023/24 cash balances because of the intrinsic importance of cash to the financial statements. For certain other balances, the auditor should not need assurance over the opening balances to conclude on the closing position (e.g. short-term trade creditors).

The auditor's opinion

31. The nature of the audit opinion in each financial audit cycle will depend on the professional judgement of the auditor, and the evidence available to support the opinion given. The auditor is required to disclaim their opinion if they are unable to gather sufficient evidence to conclude whether the financial statements are free from material misstatement (error).
32. A disclaimer of opinion does not mean that the auditor has not carried out any work. Even where an auditor has disclaimed or modified their opinion, an auditor may consider if they can assure individual balances or classes of transactions to support rebuilding assurance on a timely basis.
33. Key to the success of this plan is effective communication between the auditor and the audited body, including its audit committee. Auditors should set out their assessment of risks and planned programme of work. Interim progress reports should highlight the work that has been performed, any key findings so far and to manage expectations on the likely opinion. Auditors have a responsibility under the standards to communicate any significant weaknesses in internal control.
34. Auditors have a responsibility under auditing standards to clearly communicate the reasons for modified or disclaimed audit opinions in the auditor's report, and communications with

the audit committee. This includes making it clear where the modified or disclaimed opinion has been caused by the statutory backstop dates. Local bodies should not be unfairly judged for modified or disclaimed opinions that are beyond their control.

35. The measures have been designed to enable any limitation of scope of the audit to be caused by the system-imposed backstop and not by the actions of management, as the latter may lead to significant consequences for a local body. In circumstances where the local body has significantly delayed the publication of their statement of accounts or withheld audit evidence, the auditor may use their judgement determine that management's failure to meet the backstop date represents a management-imposed limitation of scope.

Summary

36. The Statutory Instrument laid in Parliament to introduce backstop dates for the publication of audited accounts alongside the revised Code of Audit Practice from the NAO will clear the backlog of outstanding audit opinions and reduce the likelihood of it returning.
37. The Government's Written Ministerial Statement set out that the Reset measures could result in hundreds of disclaimed audit opinions being issued and that some may continue for a number of years. Auditors have a responsibility to clearly communicate the reasons for modified or disclaimed audit opinions, including where it is caused by the backstop dates. Local bodies should not be unfairly judged for modified or disclaimed opinions beyond their control.
38. The proposals have been designed to allow auditors to rebuild assurance after a modified or disclaimed opinion over multiple years so that the backlog does not recur. Auditors will need to make prioritisation decisions to issue audit opinions ahead of backstop dates and, as a result, they may not be able to obtain evidence over all balances. This means that it could take several years for modified or disclaimed opinions to be lifted.
39. The aspiration of the Government and local audit system partners, as set out in the Written Ministerial Statement, is that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026).



Financial Reporting Council

**Financial
Reporting Council**

8th Floor
125 London Wall
London EC2Y 5AS
+44 (0)20 7492 2300

www.frc.org.uk

Follow us on
LinkedIn
or  [@FRCnews](https://twitter.com/FRCnews)

This page is intentionally left blank



Ministry of Housing, Communities & Local Government

Catherine Frances
Director General for Local
Government and Public Services
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief
Financial Officers, Local Authority
Leaders and Local Audit Firm Partners

20 September 2024

Dear Colleagues,

UPDATE ON ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

Local authorities and other local bodies provide vital public services to local communities. Effective local audit, in turn, helps ensure transparency and accountability for public money spent on these services and builds public confidence.

Following the Minister of State for Housing, Communities and Local Government's letter of 30 July 2024, I am writing today to provide a further update on the action the Government is taking to tackle the significant local audit backlog in England.

On 30 July, Minister McMahon issued a [written ministerial statement](#) (WMS) in Parliament setting out proposals to tackle the local audit backlog. As that statement set out, the proposals included setting a statutory backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including Financial Year 2022/23. This will enable the system to refocus on recent accounts where assurance is most valuable. There will also be five further backstop dates up to and including financial year 2027/28 to allow assurance to be rebuilt over several audit cycles.

The Government has now laid in Parliament two pieces of legislation which would give effect to these proposals: [the Accounts and Audit \(Amendment\) Regulations 2024](#) and, on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), [a draft Code of Audit Practice 2024](#). In parallel, we published a response to feedback on the [audit backlog consultation](#) held earlier this year.

The Accounts and Audit (Amendment) Regulations 2024 are due to come into force on 30 September 2024. This will remove the current requirement to publish audited accounts for financial year (FY) 2023/24 on that date. The deadline for the publication of audited accounts for FY 2023/24 will, instead, be 28 February 2025 to coincide with the second backstop. The Regulations also amend the date by which bodies should publish draft (unaudited) accounts to 30 June for financial years 2024/25 – 2027/28.

The draft Code must be laid in Parliament for a period of 40 calendar days (excluding periods during which both Houses of Parliament are adjourned for more than 4 days). Once both the Code and Regulations are in force, auditors will be required to produce timely audit opinions

(which may result in the issue of a disclaimed or modified opinion), which will in turn mean that local bodies can prepare accountability statements by statutory backstop dates.

As the WMS highlighted, aspects of these proposals are uncomfortable, particularly around issuing modified or disclaimed audit opinions where audits cannot be completed by a backstop date. Given the scale of the backlog, however, and the absence of viable alternatives, the difficult decision was taken to proceed. Without these measures, audits would continue to be delayed, and the system will move even further away from timely assurance. All key local audit organisations support these bold measures, while recognising their exceptional nature. As Minister McMahon set out in his WMS, the Government is clear that local bodies should not be unfairly judged based on disclaimed or modified opinions, caused by the introduction of backstop dates that are largely beyond their control. Auditors are expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

To support auditors in meeting their responsibilities under the Code of Audit Practice, the NAO has issued specific [guidance](#), endorsed by the Financial Reporting Council (FRC) on implementing the reset and recovery of local audit in England. This guidance sets out the public interest considerations that require auditors to act in ways that enable a return to the completion of audits on a timely manner whilst complying with professional standards. As set out in Minister McMahon's WMS, the Government is clear that a proportionate approach to the rebuilding of assurance, once the backlog is cleared, is required by auditors - and all system partners including the FRC, NAO and auditors, are aware that this is the Government's objective. Work is ongoing to further understand the financial impact of these measures and consequent action.

In order to comply with the regulations, and to help auditors deliver opinions, any local body that has not yet done so should publish their unaudited accounts (including financial statements, the annual governance statement and narrative statement) and hold the 30-day public inspection period for all years up to and including FY 2023/24 as soon as possible. The Chartered Institute of Public Finance and Accountancy (CIPFA) will soon publish information to help preparers understand the impact of the backstop dates and how they should approach any unpublished accounts, alongside guidance for audit committees via its Better Governance Forum.

It should not be necessary for the audit of the previous year's accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance. It is a legislative requirement for bodies to publish unaudited accounts. If bodies feel they are in a position where they will not be able to do this ahead of the backstop, following engagement with their auditor, they should contact the Department or their relevant sponsor department at the earliest opportunity.

As you may be aware, MHCLG will hold a webinar for senior officials on 24 September between 1045 – 1115, with support from key local audit organisations, to discuss ongoing work to address the local audit backlog. This is the first in a series of cross system communication and engagement events which will take place between now and the first backstop date of 13 December. The webinar can be joined via this [link](#), I would strongly encourage you to attend if possible.

Finally, I would like to share my appreciation for all of the hard work that finance teams, key audit partners and others have already delivered in support of these measures. Continued and effective collaboration is vital to ensure the best possible outcomes for the local audit system. As Minister McMahon set out in his WMS, the Government is committed to significant reform to overhaul the local audit system and will continue to review the evidence, including considering

the recommendations of external reviews to date, and update further in the Autumn on longer-term plans.

A handwritten signature in black ink, appearing to read 'C Frances', with a small dot at the end.

Catherine Frances

Director General for Local Government and Public Services

This page is intentionally left blank