

CIPFA Bulletin 18 – Local audit backlog in England

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CIPFA issues Bulletins to assist practitioners with the application of the requirements of the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code), the [Service Reporting Code of Practice](#) (SeRCOP) and the [Prudential Code](#), and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but they are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.

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Executive summary

1. The backlog in the publication of audited accounts of local bodies in England has reached an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. This backlog undermines accountability in the sector and reduces the information available to the users of the accounts.
2. The system partners have been working to develop a solution involving 'backstop dates'. The first backstop will help clear the backlog and enable a focus on recent accounts. Five further backstops will enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging.
3. To meet the 'backstop dates', some local authorities will need to publish financial accounts with less confidence than usual, while some auditors will need to issue audit opinions by the deadline, without obtaining the usual level of evidence.
4. As a result of the backstop dates, it is likely hundreds of financial statements will be published with 'modified' opinions, which vary depending on the extent to which the auditor lacked evidence or found material misstatements, and whether these issues were limited to specific areas or affected the accounts more broadly.
5. Modified opinions in one year affect the accounts preparation and audit of subsequent years, which normally take assurance from the unmodified opinion. The more extensive the modified opinion in the previous year, the greater the impact on the following year, requiring more extensive work to address and recover the situation. To enable a quicker recovery, both sides must endeavour to complete as much as possible during the audit process to limit modifications to the audit opinion.
6. At each stage, auditors and accounts preparers must work closely together. This collaboration is crucial throughout the recovery process, as both parties strive to meet statutory deadlines and resolve challenges from modified opinions in prior years. It is essential authorities publish any outstanding draft 'unaudited' accounts as soon as possible and ensure that audited accounts are published by the backstop dates.

Background

1. Introduction

7. Organisations involved in the regulation and oversight of local body financial reporting and audit include the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England and Wales (ICAEW), the Ministry of Housing, Communities and Local Government (MHCLG), the National Audit Office (NAO) and Public Sector Audit Appointments (PSAA). These 'system partners' have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.
8. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist 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.

9. 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 will be expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

2. Accounts and Audit (Amendment) Regulations 2024

10. [The Accounts and Audit \(Amendment\) Regulations 2024](#) were laid in parliament on 9 September 2024 and came into force on 30 September 2024. The statutory backstop dates are as follows:

Financial year	Statutory backstop date
2022/23 and before	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

11. The regulations also amended the publication date of draft (unaudited) accounts for financial years 2024/25 to 2027/28. The period for the exercise of public rights for category 1 authorities must commence on or before the first working day of July. This means that the date authorities should publish their draft accounts will be 30 June.

12. Previously, relevant authorities were required to consider and publish audit letters only after completing an audit. Amendments to the Regulations now ensure the consideration and publication of annual audit letters or auditor's annual reports issued under the relevant Code of Audit Practice upon receipt, regardless of audit completion. This helps restore timely reporting of auditors' work on arrangements to secure value for money.

3. National Audit Office Code of Audit Practice

13. The draft [Code of Audit Practice](#) has been laid in Parliament, as required by Section 5(5) of Schedule 6 to the [Local Audit and Accountability Act 2014](#). Subject to Parliament's approval, the Code will come into force in late autumn 2024.

Implications

4. Unpublished 'draft' (unaudited) accounts

14. In the [written ministerial statement](#) on measures to address the backlog of unaudited local body accounts in England, the government stated that it will publish a list of bodies and auditors that do not meet the proposed backstop dates, and do not meet the limited list of exemptions. This list will also indicate instances where 'draft' (unaudited) accounts have not been published.
15. Local authorities must prioritise the completion and publication of all overdue 'draft' (unaudited) accounts. Continued delays will undermine efforts to reset and recover the local audit system, impacting financial transparency and accountability. Any authorities anticipating challenges in meeting these deadlines should proactively engage with MHCLG to address these issues as a priority and inform their auditors.
16. The [Accounts and Audit Regulations 2015](#) (as amended) continue to apply directly to authorities, including sections 14 and 15. The auditor cannot conclude their work, or issue an opinion or disclaimer of opinion, until local electors have had the ability to exercise their rights. Therefore, every effort should be made to produce a complete and coherent set of draft accounts that the section 151 officer can approve as true and fair.

5. Inspection period

17. All authorities should publish their draft accounts by 30 June each year. Any delay in publication of these accounts will impact on the recovery of assurance and return to unmodified audit opinions.
18. Where authorities are unable to publish draft accounts by the extended 30 June deadline, practitioners will need to ensure that draft accounts are published sufficiently in advance of the statutory backstop to allow for the 30 working days inspection period.

Financial year	Statutory deadline for publication of unaudited accounts	Latest possible publication date for unaudited accounts	Last publication date for audited accounts
2022/23 and before	Deadlines have passed	31 October 2024	13 December 2024

Financial year	Statutory deadline for publication of unaudited accounts	Latest possible publication date for unaudited accounts	Last publication date for audited accounts
2023/24	Deadline has passed	16 January 2025	28 February 2025
2024/25	30 June 2025	15 January 2026	27 February 2026
2025/26	30 June 2026	14 December 2026	31 January 2027*
2026/27	30 June 2027	18 October 2027	30 November 2027
2027/28	30 June 2028	18 October 2028	30 November 2028

*31 January 2027 falls on a Sunday, so the effective date might be Friday 29 January 2027 if weekend access to update the authority's website is not available.

19. If authorities have previously issued accounts for inspection, there is no requirement for a further inspection period for those statements of accounts.

6. Guidance issued by the NAO and FRC

20. The NAO has produced [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\)](#) to assist auditors in meeting their responsibilities under the [Code of Audit Practice](#). These LARRIG's have been endorsed by the Financial Reporting Council (FRC). The overall structure of the LARRIGs is as follows:

- [LARRIG 01 – General arrangements supporting guidance for auditors in implementing the reset and recovery](#)
- [LARRIG 02 – Guidance on the impact of backstop arrangements on audits of English local authorities](#)
- [LARRIG 03 – Modifications of independent auditor's opinions on the financial statements for audits of English local authorities](#)
- [LARRIG 04 – Auditor reporting requirements under ISA\(UK\) 250A \(Consideration of Laws and Regulations in an Audit of Financial Statements\) and reporting in the public interest](#)
- [LARRIG 05 – Rebuilding of assurance following a disclaimed audit opinion](#)

21. The FRC has issued an [accessible guide](#) explaining what the recovery process may look like in practice. This is particularly aimed at finance teams in local bodies, elected

members, and other interested parties who deal with modified or disclaimed audit opinions primarily resulting from statutorily imposed backstop dates.

7. Value for Money (VfM) reporting

22. The LARRIGs do not address the auditor's responsibilities for VfM reporting, and this remains a high priority. However, the Code of Audit Practice requires auditors to carry out full scope audit of VfM arrangements for 2023/24 onwards.
23. Auditors will be required to issue their annual auditor's report containing the VfM commentary each year by 30 November from 2024/25 onwards; this deadline has been suspended for 2023/24. 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.
24. The requirement for auditors to report any significant weaknesses they identify in VfM arrangements 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 2022/23. For 2023/24 auditors must report significant weaknesses in VfM arrangements in the audit opinion.

8. Types of audit opinions

25. The objective of the audit under auditing standards is to obtain sufficient evidence to conclude that there is 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.
26. There are four opinions that an auditor may give on completion of their audit work. These are:

Audit opinion	Description
Unmodified	This is the best possible outcome. It means the auditor obtains sufficient evidence to support a view that the financial statements are materially accurate and fairly represent the audited body's financial situation.
Qualified	This is problematic. The auditor has material concerns either because of a lack of evidence or evidence which suggests material error. However, the effect on the financial statements is contained in specific areas and is not widespread.
Disclaimer of opinion	This is more problematic than being qualified, reflecting a lack of evidence which means that the auditor cannot provide an opinion.

Audit opinion	Description
	The possible effects on the financial statements of undetected misstatements could be both material and widespread.
Adverse opinion	Normally considered the worst-case scenario. The auditor does have sufficient evidence, but it suggests that material misstatements exist that undermine the reliability of the financial statements as a whole.

27. Page 9 of [LARRIG 03 – Modifications of independent auditor’s opinions on the financial statements for audits of English local authorities](#) contains a useful flowchart setting out the decision making process an auditor follows when considering a modified opinion.

9. Publication of accountability statements

28. To comply with backstop date legislation authorities must have published accountability statements on their website by the backstop date. As per Section 9A of the Accounts and Audit Regulations 2015 (as amended), these need to include:
- a) the statement of accounts together with the opinion and any certificate
 - b) the annual governance statement, and
 - c) the narrative statement.
29. Practitioners will need to work with auditors to ensure that the deadline can be met. The process for publishing accountability statements remains unchanged, even when impacted by backstop dates.
30. Those charged with governance will still need to approve the final audited accountability statements (per Section 9(2) and (3) of the Accounts and Audit Regulations 2015 (as amended)) before they are published. This means that authorities will need a report from the auditors including the audit opinion for discussion at that meeting.
31. If the auditors have not issued an opinion, a body is exempt from publishing accountability statements by the backstop if any of the following apply:
- a) where auditors are considering a material objection
 - b) where an objector has appealed or could still appeal the auditor’s decision in relation to the objection
 - c) the auditor thinks that an item of account may be contrary to law and has made, or is considering making, an application to the court on that basis
 - d) or from 2023/24, where the auditor is not yet satisfied with the VfM arrangements.

32. Bodies that are exempt or have failed to comply with a backstop date will be required to publish an explanation and publish audited accountability statements as soon as practicable. The government intends to publish a list of bodies and auditors that do not meet the proposed backstop dates and are not exempt; those bodies will need to send a copy of the published explanation to the secretary of state.

10. Rebuilding assurance

33. [LARRIG 05 – Rebuilding of assurance following a disclaimed audit opinion](#) contains guidance for auditors about the processes to follow to rebuild assurance over opening balances and when to communicate with those charged with governance.
34. It is possible to identify four distinct sets of circumstances when the opinion on the prior year audit has been disclaimed:
- Only in-year movements can be assured during the current year audit.
 - Opening balances can be assured during the current year audit.
 - Closing balances can be assured during the current year audit.
 - Closing balances and in-year movements can be assured during the current year audit.
35. The precise approach taken will vary according to the authority's exact circumstances, individual auditors' judgment and how advanced the audit procedures in any disclaimed years were.
36. However, preparers should be prepared to support the process as required, which may require one or more of the following, or other measures:
- additional audit work on the closing balances from the previous year (the opening balances of the current year), even where the comparative figures are not covered by the audit opinion
 - increased scrutiny of movements in the year, alongside closing balances
 - prioritisation of the audit of balances which cannot be confirmed purely from a year-end position, such as the general fund reserve
 - building of assurance on some balances over more than one audit cycle.

Where a new auditor has been appointed in the year following a disclaimer of opinion, yet further procedures may be required.

37. The process of rebuilding assurance will be a difficult process for both auditors and preparers. All parties should communicate freely and respond flexibly to each other's concerns. In the written ministerial statement, the government has made it clear that a proportionate approach is required and all system partners including the FRC, NAO and auditors, are aware that this is the government's objective.

11. Rebuilding assurance illustrative timescale

38. [LARRIG 01 – General arrangements supporting guidance for auditors in implementing the reset and recovery](#) contains an illustrative timescale for the process of re-building assurance from a backstop enforced disclaimer for the 2022/23 accounts:

Financial year	Opinion	Basis
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 and so 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 or qualified (except for)	<p>The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25.</p> <p>The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. 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 and so 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</p>

Financial year	Opinion	Basis
		its scope to not provide assurance over the comparative figures.
2026/27	Unqualified	The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.

39. While the table sets out how auditors might approach the rebuilding of assurance, all audit engagements are different and local circumstances will influence the extent to which the aspiration can be met. This means that while rebuilding may happen faster in some cases if circumstances allow, it may also take longer. Additionally, the recovery to an unmodified opinion may follow a different trajectory in some cases, for example where modified opinions or disclaimers are not solely as a result of backstop date publication requirements, where disclaimers have been issued for several years, or where there are complex technical accounting issues to resolve.

Other practicalities

12. Resources and communications

40. There are staffing implications that authorities need to consider and local bodies should stand ready to respond to audit queries, both within the finance team and beyond, as the nature of these mean they often require co-ordination with other functions beyond finance.
41. It's not just responding to audit queries that will involve other departments. Publishing the accounts on the authority's website will require co-ordination with the team responsible for uploading the documents. Given the likely tight timelines, it will be essential to conduct upfront planning and communication to ensure that the relevant team is well prepared.
42. Alongside internal communications, preparers should maintain open lines of communication with auditors. For example, even where a disclaimer of opinion is issued as a result of a backstop date, preparers should still discuss with their auditors if they have any significant areas of concern. Early and clear communication with auditors is key to navigating this effectively.
43. Regular communication between the finance team and auditors is essential for maintaining transparency and trust throughout the audit process. Key stakeholders, such as the audit and risk committee and senior management, should receive timely updates on the audit's progress. These updates should include key milestones achieved, any challenges encountered and the specific strategies being implemented to address them.

13. Working papers and audit evidence

44. It is vital that local authorities ensure that they produce working papers and establish clear standards so that their contents can be relied on. Good quality working papers not only facilitate the closedown process but also assist in the audit process. For more information on what should be included in working papers see [CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements](#).
45. As part of the process of rebuilding audit assurance, auditors may need to ask for evidence of balances or transactions dating back several years, and preparers should bear this in mind when making decisions on archiving and records retention.
46. Local authorities must engage with the audit process by providing working papers and other requested evidence, even if it is likely that the audit will not be completed because of a backstop date. If both sides endeavour to complete as much as possible during the audit process this will support a return to unmodified opinions quicker.
47. Auditors are required to explain the basis for the disclaimer in the auditor's report and there may be circumstances where the auditor is required to modify their opinion if the entity does not engage in the audit process. This would be different from a modification due to the backstop dates. Furthermore, authorities should not withhold information from auditors as this would be a breach of the requirements of the Local Audit and Accountability Act 2014 (as amended).

14. Audit fees note

48. Some practitioners may be uncertain what figures to use in the audit fees note within the statement of accounts.
49. The written ministerial statement sets out the principles for audit fees:
 - if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion, and
 - if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount.
50. Regulation 17(2) of the [Local Audit \(Appointing Person\) Regulations 2015](#) (as amended) provides for the auditor to propose to PSAA (as the appointing person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale.
51. It is envisaged that any amendments to audit fees as a result of the backstop dates will be dealt with in accordance with PSAA's [fee variation process](#).

52. Practitioners should enter the agreed scale fee into the note, unless PSAA have already agreed a fee variation. Narrative should be added to the note to explain if this fee is likely to change as a direct result of the backstop date.
53. An important aspect of the note is the amount paid for non-audit work. High levels of income from non-audit work are seen to increase the risk that auditor independence might be compromised.

15. Post balance sheet events

54. Practitioners will need to be mindful of events between the end of the reporting period and the date when the financial statements are authorised for issue. The authorised for issue date is the date the responsible financial officer re-confirms the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015 (as amended).
55. Authorities should refer to section 3.8 of the Code, which addresses events after the reporting period, and should consider materiality when making these assessments.

16. Statement of Responsibilities

56. The Statement of Responsibilities requires the chief financial officer to declare that the accounts give a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year. Chief financial officers must always use their own judgment when declaring that the accounts give a true and fair view, which is based on their confidence in the reliability of their systems. A modified opinion on previous years' accounts can influence this judgment.
 - In the case of an adverse opinion, the chief financial officer must determine any necessary corrective measures and ensure these have been implemented to address any misstatements.
 - Similarly, if the opinion is qualified due to material but non-pervasive misstatements, steps must be taken to address those issues.
 - If the opinion is a disclaimer due to insufficient evidence, the chief financial officer will need to rely on their internal systems without gaining additional comfort from the work of external audit.
57. If a chief financial officer does not feel they can declare that the accounts give a true and fair view, they should seek further support on how best to address this from MHCLG.
58. As this is a complex issue that cannot be addressed simply through guidance, CIPFA will be holding a roundtable to discuss this issue.

17. Annual governance statement

59. In February 2024 CIPFA published [CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement](#). This provided clarity to those authorities

with at least one set of unaudited financial statements for prior years, and their external auditors, on updates to the annual governance statement.