



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Finance and Resources Committee

# **AUDIT BACKLOG ARRANGEMENTS – STATEMENT OF ACCOUNTS 2021/22 AND 2022/23**

Report of the Treasurer to the Fire Authority

**Date:** 18 October 2024

**Purpose of Report:**

To provide an update to Members on the audit backlog arrangements following legislation being laid by the UK government.

**Recommendations:**

It is recommended that:

- Delegated authority is given for the Head of Finance/Treasurer (Section 151 Officer) and the Chair of Finance and Resources Committee to approve the External Auditors Completion Report for 2021/22 and 2022/23 and to sign the final 2021/22 and 2022/23 Statement of Accounts; with the completion report and any changes to final 2021/22 and 2022/23 Statement of Accounts being presented to the next Finance and Resources Committee.
- The draft Letter of Management Representation (Appendix A), subject to final amendments to reflect the completion report is approved for signing by the Finance/Treasurer (Section 151 Officer) and the Chair of Finance and Resources Committee.
- The Financial Reporting Council 'Local Audit Backlog Rebuilding Assurance' Accessible Guide is noted.

## CONTACT OFFICER

**Name:** Bev Bull  
Head of Finance and Treasurer to the Authority

**Tel:** 0115 8388100

**Email:** bev.bull@notts-fire.gov.uk

**Media Enquiries Contact:** Corporate Communications Team  
0115 8388100 corporatecomms@notts-fire.gov.uk

## **1. BACKGROUND**

- 1.1 The External Auditors are appointed through a national contract via Public Sector Audit Appointments (PSAA). The External Auditors for 2018/19 through to 2022/23 are Ernst Young LLP – (EY).
- 1.2 The draft Statement of Accounts for 2021/22 and 2022/23 have been presented and noted by the Finance and Resources Committee on the 14 October 2022 and 16 June 2023 respectively. Both draft sets of accounts have been published on the Authority’s website and the required public inspection notice was advertised implementing the required the inspection periods.
- 1.3 Both the external audits of 2021/22 and 2022/23 Statement of Accounts have been delayed due to resourcing issues at EY. This is a national issue caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector. The 2021/22 audit commenced during July 2023 and a substantial amount of the audit had been completed. In February 2024 the Department of Levelling Up, Housing and Communities opened a consultation on ‘Addressing the local audit backlog in England’. In light of the consultation EY did not progress any further work on the 2021/22 and 2022/23 Statement of Accounts. EY continued to progress their work for their commentary on Value For Money (VFM) for 2021/22 and 2022/23. The interim commentary on VFM was reported and noted by Fire Authority on the 26 July 2024.

## **2. REPORT**

- 2.1 The UK Government has now laid legislation setting statutory backstop dates, starting with 13 December 2024, to clear unaudited accounts up to Financial Year 2022/23. Two pieces of legislation have been laid in Parliament, 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.
- 2.2 The legislation requires that auditors produce timely audit opinions by the backstop dates which may result in the issue of a disclaimed or modified opinion.
- 2.3 The National Audit Office (NAO) and the Financial Reporting Council (FRC) have issued guidance to help auditors comply with the new regulations and ensure timely audit opinions.
- 2.4 Effective local audit, in turn, helps ensure transparency and accountability for public money spent on these services and builds public confidence. Without these backstop measures, audits would continue to be delayed, and the system will move even further away from timely assurance. The measures will enable the system to refocus on recent accounts where assurance is

most valuable. All key local audit organisations support these bold measures, while recognising their exceptional nature.

- 2.5 EY are planning to issue an audit completion report for the 2021/22 and 2022/23 Statement of Accounts by the end of November 2024 to enable them to meet the backstop date of 13 December 2024. The completion report will include a disclaimed or modified opinion on the Statement of Accounts and summarise their final view of the VFM arrangements.
- 2.6 The next scheduled Finance and Resources Committee meeting is 17 January 2025 and the next Fire Authority 13 December 2024. Therefore, delegated authority is requested for the Head of Finance/Treasurer (Section151 Officer) and the Chair of Finance and Resources Committee to approve the External Auditors Completion Report for 2021/22 and 2022/23 and to sign the final 2021/22 and 2022/23 Statement of Accounts.
- 2.7 The draft Letter of Management Representation is included as Appendix A. The Letter of Management Representation is a letter written by the external auditors. The letter is required to be signed by the Head of Finance/Treasurer (Section151 Officer) and the Chair of Finance and Resources Committee. The letter confirms that they have the responsibility for the proper administration of the financial affairs of the authority and the duties this entails have been undertaken. It also evidences that the Auditors have been provided with all relevant and accurate information in relation to the Statement of Accounts 2021/22 and 2022/23. The wording on the draft letter will be finalised following the receipt of the draft completion report and be signed on the date of the audit opinion.
- 2.8 For information, the Committee are advised that The Accounts and Audit (Amendment) Regulations 2024 also remove the current requirement to publish audited accounts for financial year 2023/24 by the 30 September 2024. The deadline for the publication of audited accounts for financial year 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.
- 2.9 The FRC have also issued a 'Local Audit Backlog Rebuilding Assurance' Accessible Guide explaining the reset/recovery process will operate. It has been recommended to share this guidance with the Finance and Resources Committee and this is included at Appendix B.

### **3. FINANCIAL IMPLICATIONS**

The annual audit fee set for the 2021/22 and 2022/23 accounts was originally £23,909 for each financial year. It has been previously reported that the fees would be increased significantly due to the updated audit regulations which required additional work to be undertaken by the auditors. Public Sector Audit Appointment (PSAA), who are responsible for issuing audit contracts, have reviewed the audit fee scales and had adjusted them to take account of the increased scope of the audit

work required, the expected revised annual charge was to be in region of £32,500. It is not known at this time, the impact of issuing a modified/disclaimed opinion to meet the backstop dates on the fees. Any changes in fees will be subject to the approval of PSAA.

#### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resource or learning and development implications arising from this report.

#### **5. EQUALITIES AND ETHICAL IMPLICATIONS**

An equality impact assessment has not been undertaken. This report relates to arrangement to meet statutory requirements rather than a new or amended policy.

#### **6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS**

There are no environmental or sustainability implications arising from this report.

#### **7. LEGAL IMPLICATIONS**

The actions set out in the report enable the Authority to present for approval the audited Statement of Accounts in accordance with statute.

#### **8. RISK MANAGEMENT IMPLICATIONS**

The production of Statement of Accounts is fundamental in demonstrating a sound financial position for any organisation. The issuing of a modified or disclaimed audit opinion where audits cannot be completed by a backstop date is uncomfortable for the sector. However, in the absence of viable alternatives, this is the agreed process. The Government has made it 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.

#### **9. COLLABORATION IMPLICATIONS**

There are no collaboration implications arising from this report

## **10. RECOMMENDATIONS**

It is recommended that:

- 10.1 Delegated authority is given for the Head of Finance/Treasurer (Section 151 Officer) and the Chair of Finance and Resources Committee to approve the External Auditors Completion Report for 2021/22 and 2022/23 and to sign the final 2021/22 and 2022/23 Statement of Accounts; with the completion report and any changes to final 2021/22 and 2022/23 Statement of Accounts being presented to the next Finance and Resources Committee.
- 10.2 The draft Letter of Management Representation (Appendix A), subject to final amendments to reflect the completion report is approved for signing by the Finance/Treasurer (Section 151 Officer) and the Chair of Finance and Resources Committee.
- 10.3 The Financial Reporting Council 'Local Audit Backlog Rebuilding Assurance' Accessible Guide is noted.

## **11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Bev Bull  
**HEAD OF FINANCE AND TREASURER**



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

**APPENDIX A**

Nottinghamshire Fire and Rescue Service  
Joint Headquarters  
Sherwood Lodge  
Arnold  
Nottingham  
NG5 8PP

[Date TBC]

Ernst & Young  
One Colmore Square  
Birmingham  
B4 6HQ

This letter of representations is provided in connection with your audit of the financial statements of Nottinghamshire Fire and Rescue Service for the year ended 31 March 2022 and 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of (or 'present fairly, in all material respects,') the financial position of Nottinghamshire Fire and Rescue Service as of 31 March 2022 and 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the authority, our responsibility for the fair presentation of the Authority financial statements. We believe the

**Chief Fire Officer:** Craig Parkin  
Nottinghamshire Fire and Rescue Service  
Joint Headquarters  
Sherwood Lodge  
Arnold  
Nottingham  
NG5 8PP

**Tel:** 0115 838 8100  
enquiries@notts-fire.gov.uk  
[www.notts-fire.gov.uk](http://www.notts-fire.gov.uk)

Nottinghamshire Fire and Rescue Service financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the authority financial statements are appropriately described in the authority financial statements.
4. As members of management of the authority, we believe that the authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 for the Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [\[specify reasons for not correcting misstatement\]](#).
6. The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements.

*[\[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount\(s\) concerned.\]](#)*

There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended 2021/22 and 2022/23 are solely the result of reclassifications for comparative purposes.

7. We confirm the authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the authority since the last audited financial year.

## **B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any noncompliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.



3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected noncompliance with laws or regulations, including fraud, that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the Authority financial statements, but compliance with which may be fundamental to the operations of the authority’s business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.
3. We have made available to you all minutes of the meetings of Fire Authority and the Finance and Resources Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2021/22 and 2022/23 to the most recent meeting on the 18 October 2024.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year ends. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the Authority financial statements, including disclosures.

**D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the Authority financial statements all guarantees that we have given to third parties.

**E. Going Concern**

1. The Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the Authority financial statements or notes there to.

**G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

**H. Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Authority have reflected these in the financial statements.

*Yours faithfully,*

---

(Chief Financial Officer/Finance Director)

---

(Chairman of the Audit Committee)



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:

	<b>Material <u>but not</u> pervasive</b>	<b>Material <u>and</u> pervasive</b>
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](http://www.frc.org.uk)

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