

## Consultation – Response by Spelthorne Borough Council

### Questions

Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)

Do you have any comments on this issue?

*Yes agree we need to cut through the backlog but we have concerns as a council with a backlog of audits where our auditors have not done any work that we will have a set of disclaimers and not full assurance until 2023-24 accounts audit is signed off (ie our incoming auditors for 2023-24 if they have no assurance from the outgoing auditors with respect to the opening balances would have to qualify the 2023-24 Accounts) . It will be really important to have a coordinated approach nationally to explaining the backlog context and what disclaimers and modified opinions mean. It would be really helpful if clear guidance is issued to auditors on the narrative they issue when disclaimers are issued due to the 30<sup>th</sup> September backlog cut off date rather than to any underlying audit issues. For a Council such as Spelthorne which has had a high profile this is particularly important as there is a risk others may read into disclaimers interpretations which are not justified.*

*Under normal circumstances Statements of Accounts would be signed off by Audit Committees after hearing from the auditors that they had completed their work and were ready to issue their opinions. the Audit Committees will needs to consider to what extent the proposals will mean that the Councillors and officers will need to make and sign off on statements in relation to the accounts which will not have been subject to the same scrutiny as previous accounts. So we need to ensure that the statements are adapted if necessary and any supporting procedures are in place to support such statements (in the absence of a full audit).*

*Will there be any national text templates issued to guide auditors as to how to explain disclaimers arising from the backlog cut off?*

*We would very much welcome additional guidance, being given to councils, chief finance officers, Audit Committee chairs and Audit Committee members to explain what disclaimers mean.*

*What will be the form and wording of any sign off required by officers and councillors of accounts which effectively have not had any audit work on them and for which disclaimers are being issued?*

*What influence can PSAA/FRC and councils exert on current auditors to undertake work ahead of 30th September to at least provide some assurance on accounts? We welcome FRC and NAO comments that auditors should continue to make reasonable steps to complete outstanding audits.*

*We very much welcome the clear comment in paragraph 36 of the Joint Statement that the fees actually paid will be driven by the amount of audit work done. Therefore where an audit firm has substantially done no audit work on 2022-23 other than on VFM and issued a disclaimer, we would expect to pay minimal fees other than for the work relating to the VFM opinion.*

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Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)

Do you have any comments on this issue?

Yes

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Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Yes

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Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1

authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

No

Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

## **Phase 2: 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/2028**

The proposed changes to the 2015 Regulations would require (subject to consideration of potential exceptions – see below) Category 1 authorities to publish audited accounts by the following dates for financial years 2023/2024 to 2027/2028:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

As per the Phase 1 backstop proposals, the NAO is proposing that the Code of Audit Practice would require auditors (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified dates.

As per the Phase 1 backstop proposals, we propose to disapply regulation 10(2), which requires authorities to publish a delay notice if the audit of accounts has not been concluded before the date specified.

Also to maintain consistency with the proposals for phase 1, the NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadlines for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the backstop dates for this period.

Our intention is to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Questions 10 and 11 below seek views on whether, in light of the proposed deadlines for the publication of audited accounts, the existing 31 May deadline for the publication of unaudited accounts (see regulation 15(1)(a)) remains appropriate for financial years 2024/2025 to 2027/2028. (Note that the deadline of 31 May 2024 for the publication of unaudited accounts for the current financial year is not under consideration.)

Under these proposals, the existing requirements in the 2015 regulations relating to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 15 to 46), as well as the [draft regulations](#) (PDF, 179 KB).

## Questions

Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027

- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Do you have any comments on these dates?

*Comfortable with these date from a local authority accounting perspective, but will the audit firms have the resourcing and capacity to meet these dates?*

*One practical comment with respect to the first backstop of 31 May- this will also be the same date for the publication of the draft 2024-25 Statement of Accounts, this could create pressures for finance teams if they are trying to finalise the 2024-25 draft accounts at the same time as liaising with external auditors' final queries on 23-24 audit opinions. This would suggest audit firms and finance teams will need to work together to aim to get the 2023-24 opinions agreed earlier by say January 2025.*

*For this catching up period to work, the sector in parallel need to address the systemic issues around the complexity of the accounts, and the supply of fresh professionals to the audit and local government finance professions.*

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Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Yes

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Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

No

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Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

*No*

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Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)

Please explain your response.

*No, would setting a deadline of 30<sup>th</sup> June initially for 2024-25 and 2025-26 and then moving to 31<sup>st</sup> May. A number of authorities (not us) in recent years have ceased to deliver draft accounts by 31<sup>st</sup> May and it will take time to get back to a position where all authorities are able to do*

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Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)

Please explain your response.

*As above would suggest 30<sup>th</sup> June 2025*

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Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the [Joint Statement](#), do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

*As the question highlights the first deadline in the reset period could be particularly challenging for councils and audit firms where the audit firm has inherited a disclaimer for 2022-23 and possibly earlier years, as the audit firm will then need to more work on the prior year balances etc for 2023-24 which will also put pressure on the council finance team resources. Would therefore suggest extending slightly the deadline for audit opinion for 2024-25*