

Consultation on Addressing the Local Audit Backlog
FAO Elizabeth Parckar/Local Audit Team
Department for Levelling Up, Housing and Communities
Local Government Performance Division
Fry Building
2 Marsham Street
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5th March 2024

Dear Elizabeth

Response to Consultation on Addressing the Local Audit Backlog


I am the Chief Finance Officer and Statutory Finance Officer under Section 73 of the Local Government Act 1985 for the Cambridgeshire & Peterborough Combined Authority.

Whilst it has not proved possible within the timeframes of the consultation to seek approval from the Authority's Audit & Governance Committee for this response, I have consulted with the Chair of the Authority's Audit & Governance Committee and the other Statutory Officers in the Authority before sending this response.

Below I answer each of the specific questions you raise in your consultation.

Question 1

There is a fine line between pragmatism and overturning professional standards which have been developed over decades, if not centuries. The current proposals are likely to lead to a large number of Local Authority and Combined Authority accounts being subject to either a disclaimer or qualification, not because of any significant failings in those accounts but because the audit profession did not have sufficient capacity to audit those accounts within normal timeframes. This does not only impact on the professional ethos of the accounting profession, it also has a significant detrimental impact on the public and other users of financial statements, who will not be in a position to know the true picture of the organisations' financial standing and affairs. As a longstanding member of CIPFA, and a Fellow of the Institute for many years, I struggle to accept this position on a professional basis but appreciate that there needs to be some solution to the current backlog of uncompleted audits, which is continuing to grow. I therefore must reluctantly agree that a limit should be placed on the time by which audited accounts for periods including, and before, 2022/23 need to be published. I would, however, like to see a longer period before that cut off to enable more sets of accounts to be given a full audit opinion, and I would suggest that consideration is given to moving this cut off point to 31st December 2024 instead of 30th September 2024.



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Question 2

I agree that there seems to be little point in publishing a delay notice if there is to be a national cutoff date for all accounts from 2022/23 and prior years.

Questions 3 & 4

In my opinion it appears somewhat perverse to set an arbitrary cutoff date by which all accounts must be published and then to set up a series of exemptions to that cutoff date. It strikes me that not only will this be difficult to explain to the public (rather than having a simple cutoff date for all bodies who fall under the remit of the legislation), but it will also be difficult to arbitrate over a whole set of potential circumstances that audited bodies may claim hindered their ability to meet the statutory deadline. I therefore disagree that there should be any circumstances (including outstanding objections to the accounts) where there is an exemption from the cutoff date.

Question 5

Sanctions should be proportionate to the delay and the number of delays in hitting statutory deadlines, where that delay is clearly attributable to either the auditor or the body being audited (and there may be numerous occasions where this is not clear). The proposed sanction of creating a list of those who have, and have not, complied appears proportionate in the first instance but should the delay go beyond a month of the cutoff date, or a number of future cut off dates be missed, then further sanctions may be considered necessary.

Question 6

See my answer to Question 1 above. If the cutoff date for the 2022/23 and prior year accounts is lengthened to 31st December 2024 then I would propose the following cut off dates for subsequent years, which reach the same position as that outlined in the consultation by the 2027/28 accounts:

2023/24: 30th September 2025

2024/25: 31st May 2026

2025/26: 31st March 2027

2026/27: 31st January 2028

2027/28: 30th November 2028

Questions 7 & 8

See my responses to Questions 3 & 4 above. I do not believe there should be any exemptions to the cut off dates.

Question 9

See my answer to Question 5 above.

Question 10

The intent of the proposals is to give the audit profession a reasonable amount of time to complete outstanding audits. Any lengthening of the deadline to publish unaudited accounts will have the impact of reducing the time that the audit profession has to complete outstanding audits and should be avoided. I therefore believe that the deadline for publishing unaudited accounts by the 31st May should be maintained for all financial years, albeit that there could be an argument for some latitude regarding 31st May 2025 as this date may prove difficult to achieve for the reasons noted in the response to Question 11 below.

Question 11

The period between the 1st April and 31st May is a busy time for finance teams as they prepare for the publication of unaudited accounts by 31st May. As auditors will be working hard to finalise their audits of the 2023/24 accounts by 31st May 2025, they are likely to be asking a range of final questions regarding the accounts for 2023/24 at the same time the finance team are preparing the accounts for 2024/25. As the members of any finance team who produce financial statements and respond to auditor queries on these is generally small in number, this is likely to put significant pressure on those individuals. Good planning, and adhering to the plan, will be critical to make this work so that the bulk of the audit, and detailed audit questions, should be completed by 31st March 2025 to enable the finance teams to focus on the preparation of the 2024/25 accounts in the two months leading up to 31st May 2025.

Question 12

I am concerned that paragraph 18 of the Joint Statement suggests that some accounts may need to be disclaimed or qualified in years beyond 2022/23, even though those accounts may be perfectly correct, if sufficient capacity does not exist within the local audit teams to undertake the testing work that they will need to do to assure themselves that opening balances for the 2023/24 accounts are correct, where the 2022/23 accounts have been disclaimed or qualified, before subsequent cut off dates. This should be wholly unacceptable to the accounting and auditing professions as it will undermine both professional standards and public trust in the professions. My proposal in the response to Question 1, to move the cutoff date for the 2022/23 accounts to 31st December 2024, should help to ameliorate the risks of this occurring as there would be fewer sets of accounts requiring disclaimers or qualification, however the final accountability to ensure that accurate accounts are not disclaimed or qualified because of a lack of local audit capacity will need to rest with local auditors. If, as I propose in my response to Question 1, the back stop date for the audited accounts for 2023/24 is 30th September 2025, and assuming that the bulk of the work on substantive testing will take place in the 6 months leading up to the 30th September, this would give local auditors a year from the response to the consultation to develop the capacity they need to undertake this work. That would appear a reasonable time to plan and develop capacity to enable them to discharge their responsibilities.

Question 13

I agree that organisations should be under a duty to receive and publish audit letters whenever they are received from local audit, and indeed this is already the case in many organisations who adopt this as a best practice approach. I do, though, have some concerns about the timing of the implementation of a fixed deadline for the receipt of annual audit letters by the 30th November until this date aligns with the proposed cut off dates, as this is likely to cause further public confusion if the annual audit letters do not contain an opinion on the accounts pertinent to that year.

Question 14

I do not believe that any of the proposals contained in the consultation, or the amendments I suggest in my responses to the Questions, could have a disproportionate impact, either positively or negatively, on people with protected characteristics.

Question 15

There are two further areas for consideration not specifically covered by the consultation questions. The first of these is around developing a comprehensive, joined up publicity campaign between DLUHC, NAO, FRC, Local Audit and Audited bodies to help inform the public why the changes are being proposed, how and when they will be implemented, what will be the impact on their local bodies and who to contact for further information. This should help public understanding regarding the proposals and without it there is a risk that public trust in both the accounting and auditing professions, and in the public sector more generally, will erode.

Secondly (although this does not impact the Authority for which I work) a number of Local Authorities may have covenants from financial institutions linked to loans they have taken which require unqualified accounts to be presented to the financial institution who provided the credit, and some Local Authorities (again not relating to the Authority for which I work) have sought and received credit ratings from the major credit rating agencies to enable them to access relatively more beneficial funding terms. Qualified or disclaimed accounts may have an adverse impact on either or both of these classes of Local Authorities, and DLUHC should seek specific understanding of the likely impact of the proposals in these classes of Local Authorities and how best to ameliorate the risk to those Authorities.

I trust that you will find the above responses useful in your final decision making.

Yours sincerely



Nick Bell
Executive Director & Section 73 Officer