**PSAA Webinar: Local Audit and Reporting Backlog Consultations**

**28 February 2024**

**List of delegates’ questions**

1. If past years are ‘signed off’ without qualification, how are we and the wider public to have confidence that the starting figures for the latest year are valid?
2. Alongside the valiant reset recovery etc. efforts, the value of which I gratefully acknowledge, I do hope that this whole debacle will be written up as an important case study of how not to do public procurement.
3. Has there been any consideration to extend the deadline for the production of the accounts - if one of the aims is to produce high quality statements, the 31 May deadline has proved to be extremely challenging to achieve for a number of authorities and doesn't seem to align with this aim.
4. I'd be interested in views on the 31st May publication date in future years. To me, this places far too much emphasis on speed of production, sacrificing accuracy and the role of Councillors in the process. I would advocate a date of 30th June at the earliest for accounts publication. There is no demand for figures as early as May, and with the need to approve treatment of budget variances through Cabinet, Easter etc. there is effectively only 5 weeks to undertake all the accounts preparation process. It is just too rushed to deliver the effective governance that I would expect to see in this process.
5. Please can you expand on the public communications that will take place about the meaning of disclaimed opinions and the context being no fault of the authorities?
6. With the difficulty in auditors being able to keep up with regular work on accounts over recent years, how do you think auditors will be able to also complete the catch up work to recover from modified opinions? I don't see how they will be able to keep up with this extra work and so don't see how we will get away from qualifications unless significant reform happens to reduce the burden on auditors?
7. The expectation for auditors to continue work on the backlog to reduce number of disclaimers - is that on a per audited body basis or an audit firm basis? As we have already had indications that the auditors are planning to disclaim 2022/23 and won't do any work on it other than required for VfM.
8. What are the penalties if auditors drag their feet and do not comply with dates and the Code? I would hope a reduced audit fee. Governance is affected by these delays and dragging of feet by auditors.
9. A key issue in meeting the proposed deadlines will be the availability of sufficiently knowledgeable and qualified resources, both within local government and audit firms. In both areas this is a live and current issue, in terms of recruitment of new entrants and retention of existing staff. How has this been considered in developing the timescales that have been proposed?
10. If all goes smoothly at tonight's Committee meeting we will be signing off on our 2022/23 audit. Going forward will these measures end up penalising the few Councils that are on target?
11. Our auditor has suggested that they will need to produce a VfM report for 2019/20 and then will be able to combine 2020/21 - 2022/23, as these will be under different arrangements. Can you confirm that 2019/20 will still require to be separated rather than rolled into the single report?
12. What will be happening with account deadlines?
13. There needs to be strong wording around modified opinions around accounts not being audited due to auditor resources. What exact wording is being proposed in this circumstance as I do not feel guidance is strong enough in the revised Code of Practice?
14. We are very close to having our 2021/22 accounts signed off by the external auditor, and I am therefore expecting the external auditor to do a full audit of the 2022/23 accounts in time to sign-off our 2022/23 accounts before the 30/9/24 backstop date. My sense is that our external auditor (who shall remain nameless) is keen to ‘skip’ the 2022/23 accounts and move straight onto the 2023/24 accounts. This would not be acceptable to the council, so my question is how should such an impasse be resolved, and who should we escalate this disagreement to?
15. The comments in the statement about auditors and system partners making it clear when the reason for a modified opinion is due to the backstop date are welcome – can you please give more detail on how this will be achieved?
16. Would it not be helpful to develop standard wording for audit firms to use when issuing a disclaimed audit opinion which is solely due to the backstop date?
17. I’m an Audit Chair at a District Council. I observe day to day that the out-of-sync activity here places particular burdens on a small finance team and ironically impinges on their ability to actually manage current budgets, exert financial control etc. Is there any provision for additional resources to help smaller finance teams?
18. In a policy paper dated 17/12/2020 one of the recommendations was to make it simpler for the taxpayer to understand local accounts. When will this be implemented?
19. Are the slides for this session available to download please?
20. Can Neil say a bit more about the practical implications for audit firms arising from the 'relaxation' of the quality review process (where that is appropriate)?
21. We are currently in a catch-22 with our 2021-22 accounts which have been ready to be signed off for several months now, but the auditors haven't done their final review which means they now need to do additional Going Concern testing thus prolonging the process and creating more work. Will these extended audit deadlines result in constant additional testing for Going Concern and Events after the Balance Sheet date issues?
22. If you choose the recovery path until 28, could we expect reduced audit fees?
23. How do we exert pressure on current auditors who appear to be taking a view (in the context that they inherited a backlog of 4-5 years accounts due to length of time the previous auditor took) that there is not time for them to do any audit work and will simply pass across to the new incoming auditors picking up 2023-24. This means our council and stakeholders will have no audit assurance on the backlog years. Speakers have stated they expect current auditors to make reasonable efforts.
24. We appear to be in the fortunate position of having had our 2022/23 accounts signed off and the relationship with our auditor has remained positive throughout - our frustration remains with pensions accounting and the reliance our auditor needs to place on the work that the pension fund auditor does, which is never available on time and negatively impacts on our timescales.
25. Another question on PSAA scale fees - our new auditors have just informed us of the following: "there will be an additional fee element to cover ISA 315R which is not included in scale fees. This applies to all PSAA entities". Is this correct and will PSAA be communicating about this and the reasons for this on top of the significant increases to fees already agreed?
26. Can the auditors stop working on the audit given that the back stop is 30 September 2024?
27. Please can I check on the future dates (from 2023/24) that only the VfM needs to be issued by these dates and not the full audited SoA and audit report?
28. Can you please advise what Local Authorities should do if their external audit are not willing to undertake the main audits for 2021/22 & 2022/23. They are only prepared to do the Pension Fund and VfM audits in these years. They have also advised that as they won't be undertaking the work this will lead to disclaimers for these two years and then limitations of scope for the 2-3 years that follow (2023/24 - 2025/26), as they will not be able to substantiate balances in the accounts as they will not have audited 2021/22 & 2022/23. This could mean 5 years of qualifications. Why are the external auditors able to choose not to undertake the main audits for 2021/22 & 2022/23? It seems to go against what is suggested that the auditors should be trying to complete as many audits as possible before the back stop dates.
29. Local government is under pressure to balance their budget and deliver a sustainable MTFP. Can auditors use this as a reason to qualify the council VfM opinion?
30. We have been asked to let our current appointed auditor be moved to another Authority audit. My concern is that as we only have a new auditor appointed shortly it may result in a delay in the audit opinion. I am very concerned that a disclaimed audit opinion may result in this being misunderstood by the taxpayer and Council/Authority members. Can I suggest a new category of disclaimer is introduced and well advertised/explained that it is not a failure of the Authority. Especially in the current context of falling public confidence in public bodies issuing section 114 notices.
31. How will a new deadline in law differ from the statutory deadlines already in place? We were told that PSAA could not penalise the audit firms as this could invalidate or influence an auditor to give an opinion it may not otherwise have done simply to avoid a penalty. How will a new law differ from this?
32. Given you have just highlighted there are circa 700 audits outstanding, and taking away the 3 months of NHS audits in April - June, what is your expectation of delivery of these audits and Auditors’ capacity over the 4 months now available to complete this task?
33. I definitely agree with Neil Harris that we need to give support to Audit Committees, ours are very concerned about this issue and so clarification for them would be very welcome.
34. Is there acknowledgement that part of the problems encountered in operation of the audit market relates to the very detailed specification of the audit work now required of the audit forms? If so, what further opportunities does the panel foresee to reduce the very large overhead costs of the audit work that have become apparent in recent months?
35. Given the challenges regarding the shortage of auditors and the setting of timescale/dates, how are we going to keep costs to councils under control and sufficient players in the market for procurement?
36. If an authority feels their auditor has "downed tools" and is waiting for the backstop/disclaimer - when in fact there is not much left to do to complete - is there any way they can challenge the firms’ prioritisation and resource allocation if the local conversation has got stuck?
37. The reset assumes that local audit finance teams are sitting waiting for auditors to land to clear the backlog - this is not the case and causing undue stress for staff. It feels very one sided. How can this be supported - there has been no real support to date? The data does not tell the whole story.
38. As a Councillor who is Chair of Governance, when will you send out the implications for all that Neil Harris has just mentioned to help explain the implications of disclaimers etc.? We don’t know yet what our auditors will report, of course.
39. I have serious concerns over accountability of firms over the forthcoming contract period. Are there any examples where firms have refunded fees for non-delivery over the past 5 years?
40. What is the distinction between modified and disclaimed opinions?
41. Can I ask why this year's unaudited deadline is seen as unmovable? There will be priority conflicts to meet the backlog deadline and the 23/24 unaudited deadline. I don't understand why this can't be moved/hasn't been considered to be moved before.
42. Are there any plans to increase the size of the market for future procurement processes, so that there is an excess of suppliers that hasn't existed so far?
43. Employers' support for financial staff and auditors is very important whilst this process is on-going.
44. Out of interest did any of the audit firms providing local government audits have any similar issues with the private/corporate audits over the same period?
45. What consideration has been given to those authorities whose accounts have been audited up to and including 22/23, to ensure they don’t become part of the backlog system in future years and therefore compound the issue (due to potential audit prioritisation to current backstop clients as a result of their finite resources)?
46. Apologies, I didn't fully hear Siobhan's comment re additional funding for local authorities - can you please confirm the position.
47. Will there be any future revisiting of the levels that determine if a body is category 1 or 2? Originally the legislation matched the Companies Act, but this hasn't kept pace.