

The council's 2022/23 financial statements have been approved by the Audit and Accounts Committee and published on the council's website as required by legislation. This document provides additional information in relation to the audit opinion issued by our external auditors.

What is an external audit opinion?

The objective of an 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. If they can reach this conclusion, they will issue an "unmodified opinion" on the financial statements.

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". There are different types of modified opinion that an auditor could issue, including:

- **Disclaimed opinion:** an auditor may 'disclaim' their opinion where they have been unable to obtain sufficient, appropriate audit evidence on which to base an opinion, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.
- **Qualified opinion:** an auditor may 'qualify' their opinion where they conclude they have been unable to obtain sufficient, appropriate audit evidence (scope limitation) or that the financial statements are materially misstated, but the misstatements or scope limitation is limited to a specific set of balances, transactions, or disclosures. The auditor's qualification only applies to these items, and that they have concluded that the financial statements are otherwise true and fair.
- **Adverse opinion:** an auditor may give an 'adverse' opinion where they conclude that, on the basis of sufficient, appropriate evidence, that material and pervasive misstatements exist that undermine the reliability of the financial statements as a whole.

Why have the external auditors issued a "disclaimed opinion" on the 2022/23 Statement of Accounts?

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.

Due to a number of factors nationally, a significant 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.

The government's approach to clear the backlog of local audits and ensure audits are carried out on time 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.

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.

For Basingstoke and Deane Borough Council the statement of accounts for the 2022/23 financial year remain the only unaudited financial statements. Due to the wider issues across the sector our external auditors, EY (Ernst and Young), took the decision to move to the audit of the most recent financial year (2023/24) and therefore did not resource the audit of the 2022/23 accounts, meaning the audit would not be complete by the backstop date of 13 December 2024.

As our auditors have been unable to complete the audit by the backstop date, they will issue a 'disclaimed' audit opinion. This reflects that they have only undertaken limited audit procedures over the financial statement.

The council are not in a unique position, auditors are likely to issue hundreds of 'disclaimed' audit opinions and disclaimed opinions will likely continue for some bodies for a number of years.

What does a “disclaimed opinion” mean for the council?

The time constraints resulting from the statutory backstop dates has meant that our auditor has issued a disclaimed audit opinion on the 2022/23 financial statements as they are unable to acquire sufficient appropriate audit evidence to base their opinion on the financial statements before 13 December 2023.

In response to the consultation on the proposals¹, the government stated, *“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.”* This position has been confirmed in a policy paper² issued in November 2024

While the auditors have issued a disclaimed opinion on the financial statements for 2022/23, they have complied with their other statutory duties, which includes reporting on Value for Money (VfM) arrangements.

Auditors are required to report any significant weaknesses in VfM arrangements that they identify. Continuing with this work is 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 local bodies' financial management.

¹ [Addressing the local audit backlog in England: Consultation response - GOV.UK](#)

² <https://www.gov.uk/government/publications/addressing-the-local-audit-backlog-modified-or-disclaimed-audit-opinions/addressing-the-local-audit-backlog-modified-or-disclaimed-audit-opinions>

For the 2022/23 financial year EY confirmed, in their completion report for those charged with governance, that they did not identify any significant weaknesses in the Council's VfM arrangements.

What is the future impact on audit opinions?

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 over multiple audit cycles, reducing the risk of the backlog recurring.

The financial reporting council has provided a summary table of the likely impact on the future financial years.

Financial Year	Expected Audit 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).</p> <p>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.</p> <p>Therefore, they disclaim their audit opinion.</p>
2024/25	Disclaimer	<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. 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.</p> <p>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. The auditor does not have assurance over the comparative figures.</p> <p>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.</p> <p>The auditor can therefore issue an unmodified opinion.</p>

For the council, the process to rebuild assurance has begun with the 2023/24 Statement of Accounts, where the audit is progressing and is expected to conclude in February 2025, before the next backstop date. This is expected to be a disclaimed opinion, due to the lack of assurance over the brought forward balances from 2022/23.

Where can I find our more information?

The government consulted on the proposals to address the backlog in local audit, the response to this consultation is published here - [Addressing the local audit backlog in England: Consultation response - GOV.UK](#)

The government have published a policy paper which Provides context for modified or disclaimed audit opinions issued in relation to local bodies accounts as a result of the measures implemented to tackle the audit backlog in England - [Addressing the local audit backlog modified or disclaimed audit opinions](#)

The financial Reporting Council have published an “accessible guide” on the impact of disclaimed opinions ([Local Audit Backlog Disclaimed Opinions](#)) and on measures being take to address the issues within the sector ([Local Audit Backlog Rebuilding Assurance](#)).