



**Report on the results of
auditors' work at Smaller
Authorities 2021-22**

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Report on the results of auditors' work at Smaller Authorities 2021-22

Foreword

The limited assurance audit regime was introduced in response to the Local Audit and Accountability Act 2014 and has now been in place for five years. It enables smaller authorities within the scope of the Act (primarily town and parish councils, parish meetings and internal drainage boards, as well as a few miscellaneous local government bodies) that have an annual turnover of £6.5 million or less to commission, directly or through a 'specified person', a limited assurance audit review in place of a full audit. Since 1 April 2017, the three firms of auditors appointed by SAAA in its capacity as 'specified person' under the Act have undertaken some 23,000 reviews; they have also received some 26,000 certificates of exemption from smaller authorities with either income or expenditure of £25,000 or less.

Over that five-year period, the number of smaller authorities has increased only very slightly (by 0.26%), but the number of reviews required has increased by 7.8% as the turnover of authorities close to the £25,000 exemption threshold has grown. The rate of increase has to some extent been mitigated by a reduction in the number of potentially exempt authorities requiring a review, as the opportunities for exemption have become more widely understood, but is expected to accelerate as a result of higher rates of cost inflation and as smaller authorities take on more functions.

One encouraging development over the last five years has been a reduction of just over 12 per cent in the number of authorities receiving a 'qualified' audit opinion. Auditors are required to issue qualified opinions where they are not satisfied that the Annual Governance and Accountability Return (AGAR) submitted by the authority meets specified requirements, and it is clear that this is becoming less of a problem. We have, however, noted that the percentage of qualified opinions rose slightly in 2021-22 and it remains to be seen whether or not this is a temporary blip or indicates a reversal in the steady trend of improvement.

A less satisfactory trend has been an increase in the number of smaller authorities failing to submit an AGAR or exemption certificate to their auditors by the statutory deadline of 30 June, or even (after receiving two reminders) by 31 December following the end of the financial year. This problem became particularly acute during the Covid-19 pandemic, and 2021-22 saw a significant recovery, but rates of timely submission still remained well below those seen in 2018-19.

Auditors have found particular difficulty in obtaining certificates of exemption from parish meetings, which are often hard to contact as they lack a corporate structure, may not have a dedicated website or email address and in some cases have no activity, financial or otherwise, from one year to the next. As no parish meeting spends or receives more than £25,000 a year, all are potentially exempt and SAAA continues to press for them to be relieved of the obligation to produce a certificate of exemption.

It is pleasing in this final year of the initial appointing period to be able to report a fall in the number of Public Interest Reports (PIRs) and statutory recommendations that auditors have found it necessary to issue, the latter reaching their lowest level since the limited assurance regime came into existence. While the great majority of PIRs and statutory recommendations have resulted from the late submission of returns, there have been some indicating more serious weaknesses, including 12 reporting wrongful claims for exemption from review and four drawing public attention to governance failures. Three of this last category resulted from investigations prompted by objections from members of the public exercising their statutory rights to object to an authority's accounts.

SAAA has now appointed four firms of auditors (including one firm new to the SAAA regime) for the appointment period beginning on 1 April 2022. It will continue to report on the

outcomes of their work as they help local people to hold to account bodies spending more than £1 billion of public money annually.

As I retire from the Board of SAAA, having served as Chair from the outset, I should like to thank all my colleagues for their support and wish my successor and both newly-appointed and continuing directors every success as they continue to develop and sustain an effective and proportionate audit regime that provides assurance to taxpayers and the wider public as to smaller authorities' stewardship of public money.

Michael Attenborough-Cox

Chairman

Smaller Authorities' Audit Appointments

Executive Summary

2021-22 was the fifth year in which smaller authorities were subject to the limited assurance regime introduced in response to the Local Audit and Accountability Act 2014. It was also the final year of the first five-year appointing period during which SAAA was responsible for appointing auditors to smaller authorities. In 2021, SAAA conducted a competitive procurement tendering process and, having obtained the agreement of smaller authorities to continue to opt in to having their auditors appointed by SAAA, appointed four audit firms (three existing suppliers and one that has not previously worked with SAAA) for the five financial years beginning on 1 April 2022

Once again, there was an increase in the number of limited assurance reviews required. This was largely due to more authorities crossing the exemption threshold of £25,000. The increase would have been smaller had it not been for a number of authorities having temporarily lost their exempt status following the issue of a Public Interest Report or statutory recommendation.

The overall picture shows authorities having succeeded in submitting their AGARs or certificates of exemption earlier than in the two Covid-affected years of 2019-20 and 2020-21. The low rate of timely submission remains, however, a concern. 1,211 smaller authorities (almost one authority in eight) failed to meet the statutory deadline of 30 June 2022, and 188 AGARs (3.9%) were still outstanding at 31 December 2022. While this was a smaller number than in 2020-21 (4.6%) or 2019-20 (5.3%) it was much higher than before the pandemic: as at 31 December 2019 only 43 2018-19 AGARs (1.0%) had been outstanding.

We noted in 2019-20 and 2020-21 that the delay in the submission of returns by some smaller authorities had affected the rate at which auditors were able to issue their opinions. Although this may still to some extent have been the case in 2021-22, more notable was the significant increase in the number of delayed opinions, from 103 (2.2% of the total) as at 31 December 2021 to 282 (5.9%) as at 31 December 2022. SAAA recognises that for some auditors this was a consequence of a more rigorous approach to quality assurance (in response to recommendations arising from quality reviews), but has nevertheless made clear that it expects all auditors to provide assurance to taxpayers and the public by delivering not only to a high standard but also within the statutory timescales.

In total, 4,325 opinions were issued by 31 December 2022. 1,266 of these (29 per cent) were qualified by the auditor as not fully meeting statutory requirements. This was a slightly

higher percentage than in any previous year. SAAA will continue to monitor this indicator, and will seek further information should the percentage of qualified opinions rise further.

Following a sharp increase in the number of public interest reports (PIRs) issued by auditors in relation to the financial year 2019-20, mainly for failure to submit an AGAR or certificate of exemption despite two reminder letters from the auditor, SAAA was pleased to see a reduction (from 58 to 32) in the number of PIRs issued in relation to the financial year 2020-21. The number of PIRs issued remained, however, higher than before the pandemic and it was particularly disappointing that 12 of the authorities concerned had already been the subjects of PIRs in 2019-20. In relation to the latest financial year (2021-22), to date only eight PIRs have been issued, far fewer than at the same point a year ago, although this number may well increase as the outstanding reviews move towards completion.

The great majority of public interest reports (133 of the 149 PIRs issued in the last five years) have resulted from authorities having failed to submit an AGAR or Certificate of Exemption. Of the remainder, 12 have been due to authorities having wrongly declared themselves exempt from a limited assurance review. It is encouraging that there have been fewer of these PIRs issued in the last two years (just one each year, down from five in each of the two preceding years).

Since our last report, two further PIRs have been issued drawing attention to governance failures at the authorities concerned (bringing the total of such reports over the five years to four). Both these cases followed investigations prompted by objections from members of the public exercising their statutory rights to object to an authority's accounts.

Auditors also made 22 statutory recommendations to authorities that had failed, despite reminders, to submit a 2021-22 AGAR, and these were followed by a PIR in the minority of cases where the recommendation failed to elicit a response. The number of statutory recommendations made was much lower than in the two preceding years. There was moreover a significant reduction in the number of authorities where the auditor had been unable to conclude the audit for one or more earlier years because information was lacking or investigations (normally in response to objections from members of the public) had yet to be concluded.

Introduction

This is the fifth report on the results of auditors' work issued by Smaller Authorities' Audit Appointments Ltd (SAAA) and summarises the results of auditors' work at smaller authorities (local government bodies with annual turnover below £6.5 million) in relation to the year that began on 1 April 2021 and ended on 31 March 2022.

In 2021-22 there were a total of **9,809** such smaller authorities, comprising:

9,663 'local councils' (town councils, parish councils, community councils, neighbourhood councils, and parish meetings (in parishes where there is no parish council));

112 internal drainage boards (IDBs); and

34 other local government bodies (such as Charter Trustees, Port Authorities and Conservators) not classified as 'local councils'.

The 9,663 local councils include **1,253** parish meetings: these are bodies with limited powers and low levels of expenditure. No parish meetings receive or spend more than £25,000 a year, and few come close to that threshold. At least half of all parish meetings were financially inactive in 2021-22. As they lack the continuity provided by a corporate structure, contact details can easily get out of date, creating communication difficulties for auditors. SAAA continues to press for legislative or other change to exempt parish meetings from audit without the requirement for annual certification.

Background

Smaller Authorities

A 'smaller authority' is defined in legislation as an authority where for three years the higher of gross annual income or expenditure does not exceed £6.5 million.

Local councils are the first tier of local government and are statutory bodies. They are independently elected bodies that represent their communities, deliver or contribute to the delivery of a range of services – for example, parks and open spaces, cemeteries, allotments and village halls – and strive to improve the quality of life in their localities. They serve about 15 million people in England and spend over £1 billion of public money each year.

This expenditure is funded mainly through an annual charge, known as a precept, set by the local council and collected on its behalf as part of council tax.

An Internal Drainage Board (IDB) is a public body that manages water levels in an area, known as an internal drainage district, where there is a special need for drainage. IDBs undertake works to reduce flood risk to people and property and manage water levels for agricultural and environmental needs within their district.

There are 113 IDBs in England whose districts cover 1.2 million hectares (9.7 per cent of England's landmass). **112** of these are smaller authorities. IDBs play a key role in reducing flood risk to over 600,000 people and nearly 900,000 properties. They operate and maintain over 500 pumping stations, 22,000 km of watercourse, 175 automatic weed screen cleaners and numerous sluices and weirs.

IDBs spend over £60 million of public money each year. This expenditure is funded mainly through drainage rates on land occupiers and special levies on the local authorities in each drainage area.

The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 established new arrangements for the accountability and audit of local public bodies in England. The legislation requires every smaller authority to appoint its own auditor for the financial year starting on 1 April 2017 and each subsequent financial year.

Smaller Authorities' Audit Appointments Ltd (SAAA)

SAAA was established as the sector-led 'not for profit' company to assist smaller authorities to procure and appoint external auditors. It was formed by the national sector membership organisations, the National Association of Local Councils, Society of Local Council Clerks and Association of Drainage Authorities.

The Secretary of State at the then Department of Communities and Local Government (now the Department for Levelling Up, Housing and Communities and Local Government (DLUHC)) appointed SAAA as the 'specified person' to procure and appoint external auditors to smaller authorities that did not choose to appoint their auditors directly, and to set audit fees for those authorities in compliance with the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, and the Local Audit (Smaller Authority) Regulations 2015.

In 2016, and again in 2021, all smaller authorities agreed to have auditors appointed by SAAA. Each time, SAAA then undertook a comprehensive and robust procurement tender exercise and was able to appoint external auditors to all smaller authorities in a cost-effective way.

Three firms of external auditors were appointed as auditors to smaller authorities for the five financial years ending on 31 March 2022: PKF Littlejohn, Mazars, and Moore Stephens (now Moore East Midlands). Following a second competitive tendering process in 2021, four firms have been appointed for the five financial years beginning on 1 April 2022: PKF Littlejohn, Mazars, Moore East Midlands and BDO.

As well as appointing auditors and setting scales of fees, SAAA is responsible for preparing and making available the Annual Governance and Accountability Return (AGAR) that all smaller authorities are required to complete and for reviewing the quality of audit work.

Responsibilities of smaller authorities

Smaller authorities are required to prepare their accounting statements in accordance with statutory requirements and timetables, as set out in the Accounts and Audit Regulations 2015. These require a meeting to be held annually not later than 30 June at which the previous year's accounting statements (with associated documents) and/or certificates of exemption are approved, published and sent to the external auditor.

Smaller authorities producing accounting statements are required to ensure that they are prepared in accordance with 'proper practices' as set out in *Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices* approved by the Joint Panel on Accountability and Governance (JPAG) and published jointly by the National Association of Local Councils, the Society of Local Council Clerks and the Association of Drainage Authorities.

Smaller authorities complete their accounting statements in the form of an Annual Governance and Accountability Return (AGAR). The AGAR includes the:

- annual internal audit report;
- annual governance statement (AGS);
- accounting statements; and
- external auditor report and certificate (where required).

All smaller authorities (except Parish Meetings) are required to publish their AGAR on a freely accessible public website. It is, however, apparent that, despite reminders, a significant number of smaller authorities are still not complying with this Transparency Code requirement.

Smaller authorities are required under the Freedom of Information Act 2000 to publish contact details, but these are not always kept up to date. Auditors report difficulties in contacting some authorities that have failed to notify the auditor as required when the email address of the Chairman, Responsible Financial Officer or Clerk has changed. For that reason both JPAG and SAAA strongly recommend that every smaller authority maintain and publish a generic email address (for example clerk@ambridgeparishcouncil.gov.uk or chair@lakeygreenparishmeeting.gov.uk) of which the authority is the legal owner.

‘Exempt’ smaller authorities

The Local Audit and Accountability Act 2014 and Local Audit (Smaller Authorities) Regulations

2015 introduced a new category of authorities that can declare themselves exempt from a limited assurance review by the external auditor.

The main exemption criteria are as follows:

- The authority must certify that, for the financial year in question, the higher of its gross income and gross expenditure did not exceed **£25,000**;
- The financial year must not be one of the first three years of the authority’s existence; and
- In relation to the preceding financial year, the external auditor must not have:
 - issued a public interest report in respect of the authority; or
 - made a statutory recommendation to the authority.

The full qualifying criteria for an authority to declare itself as exempt are as set out in Regulation 9 of the Local Audit (Smaller Authorities) Regulations 2015 and are listed on the Certificate of Exemption which is part of the Annual Governance and Accountability Return.

If the authority can confirm that all the criteria apply and that it neither received gross income nor incurred gross expenditure exceeding £25,000, then the authority can declare itself exempt at a full meeting of the authority held after the end of the financial year. The authority must then notify its appointed external auditor by completing and signing a Certificate of Exemption and returning it to the appointed external auditor by 30 June. Once an authority has declared and certified itself as exempt, then the auditor does not have duties in respect of that authority unless an objection is received.

An authority that meets the exemption criteria can still opt for a limited assurance review by its external auditor for a fee if it so chooses.

Responsibilities of auditors

Auditors are required to undertake their work at smaller authorities within a framework prescribed by the Local Audit and Accountability Act 2014 (the 'Act') and the National Audit Office (NAO) Code of Audit Practice (the 'Code').

Chapter 6 of the Code specifically relates to smaller authority assurance engagements and sets out the work required in relation to these engagements. To support auditors in meeting the requirements of the Act and the Code, the NAO also publishes detailed guidance in its Auditor Guidance Note (AGN) 02 *Specified Procedures for Assurance Engagements at Smaller Authorities*, to which auditors must have regard. The Code of Audit Practice and Auditor Guidance Notes are available on the NAO website.

A smaller authority limited assurance review is not an audit in accordance with professional auditing standards, but a limited assurance review which provides a level of assurance proportionate to the amounts of public money managed by smaller authorities. Auditors give a limited assurance opinion and certify completion of their work. Auditors issue an unqualified opinion where they consider that the annual return meets the specified requirements.

Where authorities fail to comply with the specified requirements or certain matters come to the auditor's attention, auditors are required under schedule 7 of the Act to consider whether they should exercise any of their additional reporting powers by issuing a written statutory recommendation or a public interest report.

An authority whose auditor has exercised these additional powers cannot then declare itself as exempt in the following year of account but must submit an AGAR to the external auditor for a limited assurance review and pay the relevant fee.

Analysis of outcomes 2021-22

The 2021-22 information in this report is based on the position reported by the auditors to SAAA as at 31 December 2022 and is compared to the 2020-21 figures reported by the auditors as at 31 December 2021.

Exemption

In 2021-22 a total of **5,014** smaller authorities (51 per cent of all smaller authorities) declared themselves exempt from a limited assurance review by the external auditor – a slight reduction from the 5,110 (52 per cent) declaring themselves exempt in 2019-20. The number of smaller authorities requiring a review increased by 97 (2.5 per cent) to **4,795**. The proportion varied from county to county, with up to three-quarters able to declare themselves exempt in some very rural counties, compared with fewer than 20 per cent in more densely populated areas.

The 4,795 authorities requiring a review included 150 (2020-21: 167) where neither income nor expenditure exceeded £25,000 but that either did not meet the exemption criteria or had specifically requested a limited assurance review. The number of potentially exempt smaller authorities specifically requesting a review has fallen over the four years since the limited assurance regime was introduced, as the opportunities for exemption from audit have become more widely understood. This trend continued in 2021-22 despite a small increase between 2019-20 and 2020-21. Such evidence as is available suggests that this temporary increase was largely due to a number of authorities failing to adapt their processes to

address the challenges posed by the Covid-19 pandemic, omitting to submit a 2019-20 AGAR and losing their exempt status for 2020-21 following the issue of a Public Interest Report. SAAA looks forward to seeing a continuation of the downward trend in 2022-23.

The 150 potentially exempt authorities shown as requiring a review also included 117 parish meetings that either raised no precept in 2021-22 or raised a precept of £2,500 or less and that had failed to submit a certificate of exemption. By 28 February 2023 this number had reduced to 101. The comparable figures for 2020-21 were 148 and 113. Auditors believe that at least 75 per cent of the parish meetings that had submitted no certificate of exemption by 28 February 2023 despite numerous attempts to contact to contact their Chairs, both directly and through the relevant principal authorities, are in effect not functioning.

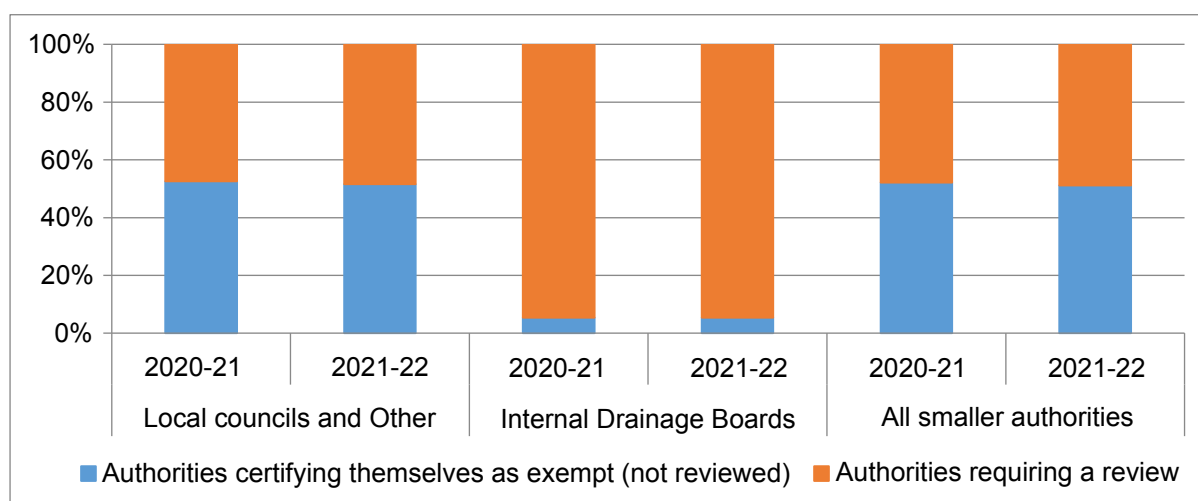
The SAAA Board decided in October 2020 that, on grounds of proportionality, auditors should not charge fees for issuing reminder letters where a parish meeting had failed to certify itself as exempt (even though they should continue to remind them of their obligation to submit a Certificate). This practice continued in 2021-22.

Table 1 shows the number and proportion of all smaller authorities requiring a review or certifying themselves as exempt (not requiring a review) as at 31 December 2021 and 31 December 2022, with separate totals for local councils (including miscellaneous local government bodies) and internal drainage boards.

Table 1: Authorities requiring a review												
	Local councils and Other 2020-21		Local councils and Other 2021-22		Internal Drainage Boards 2020-21		Internal Drainage Boards 2021-22		All smaller authorities 2020-21		All smaller authorities 2021-22	
	Number of authorities	9,696		9,697		112		112		9,808		9,809
Authorities certifying themselves as exempt (not reviewed)	5,104	53%	5,008	52%	6	5%	6	5%	5,110	52%	5,014	51%
Authorities requiring a review	4,592	47%	4,689	48%	106	95%	106	95%	4,698	48%	4,795	49%

Figure 1 shows the percentage of smaller authorities requiring and not requiring a review in 2019-20 and 2020-21.

Figure 1: Authorities requiring a review



Opinions issued

Auditors aim to issue their opinions on smaller authorities' annual returns in time to enable the authorities to publish their annual returns with the auditor's report and certificate by the statutory deadline for the publication of accounts of 30 September. If there are outstanding objections and challenges the auditor may issue an interim certificate pending a review and/or investigation into objections and the auditor's opinion will be issued later. This interim certificate must also normally be issued by the statutory deadline of 30 September.

Adherence to this timetable requires timely completion and submission by authorities of their Annual Governance and Accountability Returns (AGARs) and/or certificates of exemption. In 2021-22 1,211 authorities (almost one in eight smaller authorities) failed to meet the statutory deadline of 30 June 2022. While this was a significant improvement on 2021, when almost one in four smaller authorities failed to meet the deadline, there had been extenuating circumstances that year, as extended timetables were revoked and the requirement for face-to-face meetings re-instated following the easing of Covid-19 restrictions. The low level of timely submissions therefore remains a concern.

By 31 December 2022, 188 authorities had still failed to submit an AGAR. While this was a smaller number than in 2020-21 (217) or 2019-20 (222), it was still well above the pre-pandemic level: as at 31 December 2019, prior to the onset of the pandemic, only 43 authorities had failed to submit an AGAR for the 2018-19 financial year. All of the authorities failing to submit an AGAR by 31 December 2022 were local councils; at one IDB, however, the auditor had been unable to issue a certificate because requested information had not been made available and no provision had been made for the exercise of public rights.

By 31 December 2022, auditors had issued a final opinion and certificate on the 2021-22 annual return at **4,220** local councils and other authorities (90 per cent of local councils requiring a review), and **105** IDBs (99 per cent). In respect of local councils, this was a lower proportion than in any of the three preceding years: in 2018-19 98 per cent of the opinions required had been issued by 31 December. The deterioration was not solely due to a high rate of late submission of AGARs, but also reflected the adoption by some auditors of a more rigorous approach to quality assurance, in the light of observations made by SAAA following its annual quality review.

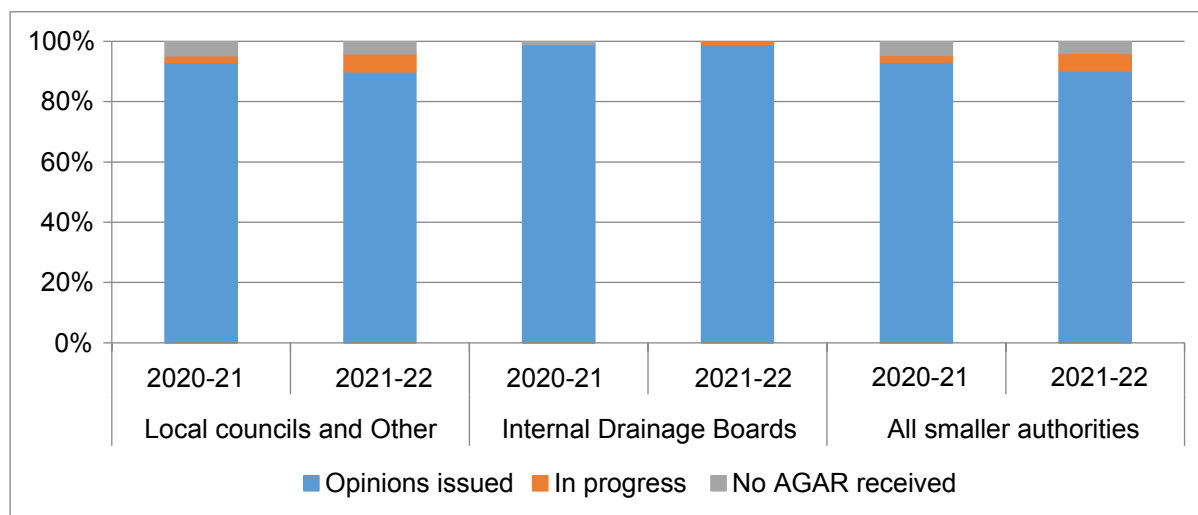
Consequently 282 reviews (5.9 per cent of the total) were reported as still in progress as at 31 December 2022. This figure (which includes a number of cases in which an AGAR had been submitted but the audit remained open as the period for exercise of public rights had not come to an end or objections were still being investigated) compared with 103 (2.2 per cent) at 31 December 2021. SAAA has made clear to the newly-appointed auditors who will be reviewing smaller authorities' accounts for 2022-23 that it expects a significant improvement in the timeliness of reports as well as the maintenance of high standards of review.

Table 2 shows the number and proportion of opinions issued as at 31 December 2021 and 31 December 2022, with separate totals for local councils (including miscellaneous local government bodies) and internal drainage boards.

Table 2: Opinions issued and not issued						
	Local councils and Other 2020-21	Local councils and Other 2021-22	Internal Drainage Boards 2020-21	Internal Drainage Boards 2021-22	All smaller authorities 2020-21	All smaller authorities 2021-22
Authorities requiring a review	4,592	4,689	106	106	4,698	4,795
Opinions issued	4,273 93%	4,220 90%	105 99%	105 99%	4,378 93%	4,325 90%
In progress	103 2%	281 6%	0 0%	1 1%	103 2%	282 6%
No AGAR received	216 5%	188 4%	1 1%	0 0%	217 5%	188 4%

Figure 2 shows the percentages of opinions issued and (as at 31 December) still to be issued in relation to those authorities requiring a review.

Figure 2: Opinions issued and not issued



Appendix A provides an analysis by contract area¹ of the numbers of smaller authorities requiring and not requiring a review and (in the former category) of the numbers of local councils where opinions had or had not been issued by 31 December 2022 (Table A.1 and Figure A.1). As explained above, in 40 per cent of the authorities where no opinion had been issued the reason was that no AGAR had been submitted, and more than half of the non-submitting authorities were very small parish meetings. Consequently, Table A.1 and Figure A.1 show counties with very large numbers of parish meetings (particularly Lincolnshire and, to a lesser extent, North Yorkshire) having a relatively high proportion of opinions not issued.

Qualified and unqualified opinions

Auditors issue an unqualified opinion where they consider that the Annual Governance and Accountability Return (AGAR) meets with the specified requirements. Where this is not the case, the auditor will 'qualify' the opinion, setting out the respects in which the requirements are not met and explaining the reasons that have led to that conclusion.

¹ A contract area is normally a county; the Internal Drainage Boards are covered by a separate contract

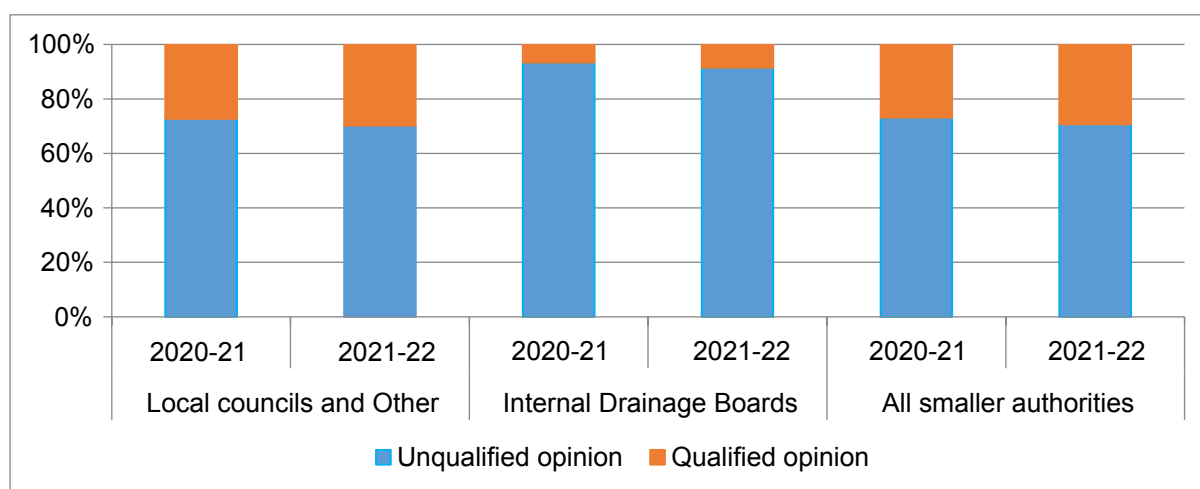
Auditors may qualify the opinion on the AGAR because of issues identified in the accounting statements, the annual governance statement (AGS), or both. A qualification on the AGS may relate to one or more of the assertions the smaller authority is required to make. The assertions are set out in Appendix B.

Of the opinions that auditors had issued to smaller authorities by 31 December 2022, 71 per cent were unqualified, as shown in Table 3 and Figure 3. For the first time since the new assurance regime was introduced, there was a small increase in the percentage of qualified opinions. We will continue to monitor this indicator, and will seek further information should the percentage of qualified opinions rise further.

Table 3 Number of qualified and unqualified opinions

	Local councils and Other 2020-21		Local councils and Other 2021-22		Internal Drainage Boards 2020-21		Internal Drainage Boards 2021-22		All smaller authorities 2020-21		All smaller authorities 2021-22	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Opinions issued	4,273		4,220		105		105		4,378		4,325	
Qualified opinions	1,167	28%	1,257	30%	7	7%	9	9%	1,174	27%	1,266	29%
Unqualified opinions	3,106	72%	2,963	70%	98	93%	96	91%	3,204	73%	3,059	71%
Opinions not issued	319		469		1		1		320		470	

Figure 3: Qualified and unqualified opinions



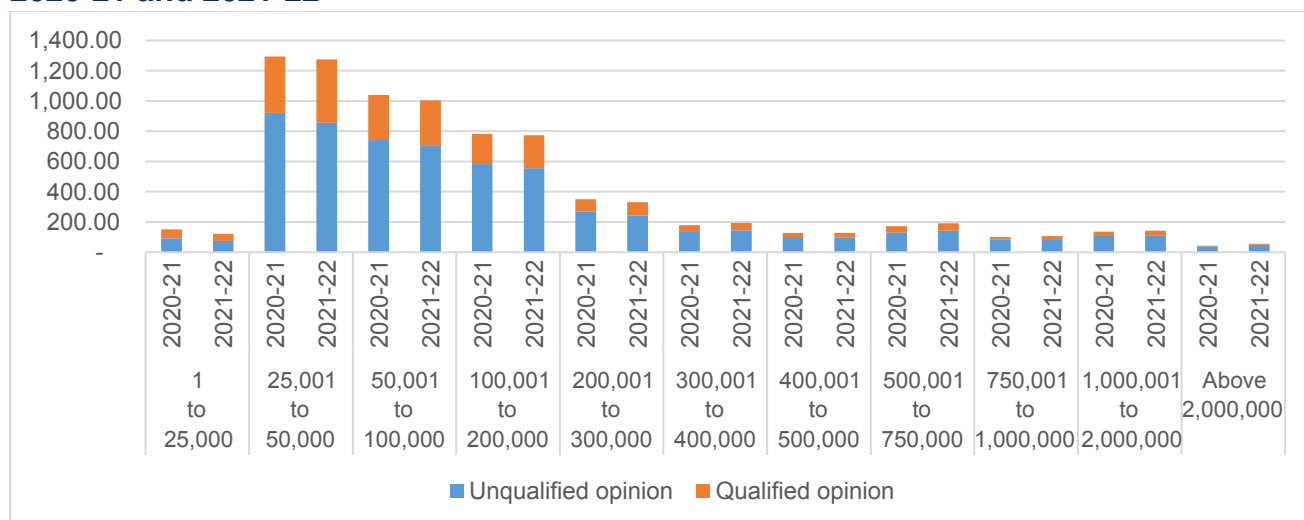
Appendix A provides an analysis by contract area² of the number of smaller authorities receiving qualified and unqualified opinions, as well as the number where (for whatever reason) an opinion has not yet been issued (Table A.2 and Figure A.2).

The number of smaller authorities in each fee band receiving a qualified opinion is shown in more detail in Table 4 and Figure 4. The percentage of qualified opinions was higher in 2021-22 than in 2020-21 in all fee bands other than the very lowest (authorities with a turnover of £25,000 or less) and the very highest (authorities with a turnover exceeding £2 million).

² A contract area is normally a county; the Internal Drainage Boards are covered by a separate contract

Table 4: Qualified opinions for smaller authorities by fee band – 2020-21 and 2021-22

Fee band (£)	Opinions issued 2020-21	Number and percentage of qualified opinions 2020-21		Opinions issued 2021-22	Number and percentage of qualified opinions 2021-22	
		Number	Percentage		Number	Percentage
1 to 25,000	152	60	39%	122	48	39%
25,001 to 50,000	1,295	374	29%	1,275	419	33%
50,001 to 100,000	1,039	298	29%	1,005	297	30%
100,001 to 200,000	782	200	26%	773	217	28%
200,001 to 300,000	350	80	23%	332	90	27%
300,001 to 400,000	179	44	25%	194	50	26%
400,001 to 500,000	127	27	21%	127	29	23%
500,001 to 750,000	173	44	25%	192	50	26%
750,001 to 1,000,000	101	18	18%	107	26	24%
1,000,001 to 2,000,000	136	23	17%	142	33	23%
Above 2,000,000	44	6	14%	56	7	13%
Total	4,378	1,174	27%	4,325	1,266	29%

Figure 4: Qualified and unqualified opinions for smaller authorities by fee band 2020-21 and 2021-22

Public Interest Reports (PIRs) and Statutory Recommendations

Schedule 7 of the Local Audit and Accountability Act 2014 requires auditors to consider whether, in the public interest, they should make a report on any matter that relates to an authority or an entity connected with the authority coming to their notice during the audit, so that it can be considered in accordance with the requirements set out in schedule 7 or brought to the public's attention. Auditors may issue a public interest report during or after the end of the audit.

The great majority of public interest reports (133 of the 149 PIRs issued in the last five years) have resulted from authorities having failed to submit an AGAR or Certificate of Exemption as required by legislation despite having received a request from the auditor and

two reminder letters. Reminder letters are accompanied by a demand for a fee (currently £40). Where the authority might have been able to claim exemption (but failed to submit a Certificate) there is a further financial consequence, as the authority is unable to claim exemption the following year and must receive and pay for a limited assurance review.

2019-20 saw a very large increase in the number of public interest reports issued for this reason. This may to some extent have been due to the impact of the Covid-19 pandemic: although the Accounts and Audit Regulations were temporarily amended to make compliance easier (some statutory deadlines were extended and virtual meetings permitted for the first time) many smaller authorities evidently found it difficult to comply with the amended Regulations, and over 50 failed to submit an AGAR.

2020-21 saw a welcome reduction in the number of PIRs issued for non-submission, although the number (29) was still higher than before the pandemic and it was particularly disappointing that 12 of these were authorities that had already been the subjects of PIRs in 2019-20.

12 PIRs have been issued as a result of authorities having wrongly declared themselves exempt from a limited assurance review. This usually occurs when an authority does not include all of its gross income and/or expenditure when considering whether it meets the '£25,000 or less' criterion to declare itself exempt. The number of such reports appears to be declining: while five were issued in 2018-19 and four in 2019-20, there were only two such cases in 2020-21.

Occasionally a public interest report is issued as a result of an investigation: there have been four such reports in the five years since the introduction of the new assurance regime. One of these recorded an authority's failure to comply with VAT regulations; in another case, the authority had not undertaken necessary due diligence in disposing of land; the other two PIRs drew public attention to multiple governance failings, including failure to ensure transparency and accountability and to follow proper processes in the conduct of business, including the making of financial decisions.

With the exception of the land disposal case, which came to the auditor's attention as a result of a judicial review of the actions of a related party (a principal authority), the auditor's investigation was in all cases prompted by objections from members of the public exercising their statutory rights to object to an authority's accounts.

Table 5 lists the authorities where the auditor has issued a report in the public interest. All but one of these are local councils; the list also includes one IDB (Ramsey) that did not submit its 2019-20 AGAR until nine months after the due date and also failed to submit a timely AGAR for 2020-21. The IDB has been receiving support from the Association of Drainage Authorities (ADA) in putting its governance in order, but as at 28 February 2023 it had still not provided the information required for the auditor to reach a conclusion.

The list includes all PIRs issued up to 31 January 2023. Because of delays in the completion of reviews, only eight reports relating to 2021-22 had been issued by that date. That number is expected to increase.

All PIRs are published on the SAAA website (www.saaa.co.uk) and copies are sent to the Secretary of State at DLUHC (for local councils) and at DEFRA (for IDBs), the National Audit Office and the local Monitoring Officer. Since 2019-20 auditors have not been issuing PIRs where a small parish meeting (raising no precept or precepting no more than £2,500) has, despite reminders, failed to submit an AGAR, as they have taken the view that the cost of doing so is disproportionate to any public benefit.

Table 5: Public interest reports issued over the past five audit years

Key:

A = authority failed to submit AGAR

E = authority incorrectly claimed exemption from review

O = other reason

Smaller authority	2017-18	2018-19	2019-20	2020-21	2021-22
Abbotsham Parish Council				A	
Alne Parish Council		E			
Alverdiscott and Huntshaw Parish Council	A	A			
Asfordby Parish Council			A		
Assington Parish Council			E		
Aubourn and Haddington Parish Council			A		
Azerley Parish Council			A		
Backford Parish Council	A				
Barham and Woolley Parish Council			A		
Bengeo Rural Parish Council			A		
Bisham Parish Council			A		A
Bispham Parish Meeting	A				
Bostock Parish Council			A		
Bowerchalke Parish Council	A				
Bradford-on-Tone Parish Council				A	
Brotherton Parish Council			A	A	
Burnham Parish Council				A	
Char Valley Group of Local Councils			E		
Clayton-le-Dale Parish Council			A		
Coniston and Thirtleby Parish Council		A	A	A	
Cononley Parish Council			E		
Coveney Parish Council		A			
Coxwold Parish Council			A		
Dalwood Parish Council	A				
Debden Parish Council				E	
Dunston Parish Council			A		
Earls Colne Parish Council					A
East Keswick Parish Council			A		
Eskdale Parish Council	A				
Essington Parish Council	O				
Fordbridge Town Council					A
Fountains Abbey Parish Council			A		
Freethorpe Parish Council		A			
Gedding Parish Meeting		A			
Grantham Charter Trustees			A		
Great and Little Leighs Parish Council		A			
Great Wratting Parish Council	A	A	A		
Greetham Parish Council		E			
Gunthorpe (Notts) Parish Council		A	A		
Halling Parish Council			A		
Hatfield Heath Parish Council		A			

Haworth Cross Roads and Stanbury Parish Council			A		
Holme Abbey Parish Council			A		
Holwell Parish Council					E
Howden Town Council		A			
Icklingham Parish Council			A	A	
Irby upon Humber Parish Council			A	A	
Keelby Parish Council		A			
Kelbrook and Sough Parish Council	A			A	
Kilmington Parish Council	A				
Kingwater Parish Council			A		
Kirby Grindalythe and Duggleby Parish Council					A
Kirby Muxloe Parish Council				O	
Lapford Parish Council			A		
Lea Parish Council				A	
Ledston Parish Council		A			
Leire Parish Council			E		
Levens Parish Council		E			
Littleport Parish Council				A	
London Colney Parish Council			A		
Lyneham & Bradenstoke Parish Council		A			
Mapperton Parish Meeting		A			
Mareham le Fen Parish Council				A	
Melton Ross Parish Council			A		
Middleton Parish Council (Morecambe)	A	A			
Miserden Parish Council			A		
Much Cowarne Parish Council			A		
Newbourne Parish Council				A	
Newsham Parish Council			A		
Newton Longville Parish Council			A		
Newton-on-the-Moor and Swarland Parish Council			E		
Nidd Parish Council	A				
Orchard Park Community Council	A		A		
Osbaldeston Parish Council				A	
Overton Parish Council (Lancashire)	A				
Pidley cum Fenton Parish Council				A	
Potto Parish Council				O	
Preston Parish Council			A	A	
Pudding Norton and Testerton Parish Council	A				
Quadring Parish Council			A		
Ramsey Internal Drainage Board				A	
Raskelf Parish Council				A	
Ringwould and Kingsdown Parish Council			A		
Ripple Parish Council		A			
Rountons Parish Council			A		
Salterforth Parish Council	A				
Scarrington Parish Meeting		A			
Scotter Parish Council	A	A			
Scrayingham Parish Council	A	A	A	A	

Sennen Parish Council	A				
Shrewsbury Town Council			O		
Skidbrooke With Saltfleet Haven Parish Council				A	
Snetterton Parish Council	A				
Soulbury Parish Council			A	A	
South Somercotes With Fenhouse and Scupholme Parish Council				A	A
St Buryan Parish Council	A				
St Gluvias Parish Council		E			
St Levan Parish Council	A				
St Mary Bourne Parish Council				A	
St Pinnock Parish Council			A		
Stanstead Parish Council		A	A	A	
Stoke Gabriel Parish Council		E			
Stoke-by-Clare Parish Council			A		
Theydon Mount Parish Council		A			
Tibberton Parish Council			A		
Tingewick Parish Council			A	A	
Tremaine Parish Council			A	A	A
Tresmeer Parish Council			A	A	A
Uffculme Parish Council		A	A	A	
Welbourn Parish Council			A		
West Halton and Coleby Parish Council	A				
Whitminster Parish Council			A		
Winterbourne Abbas and Winterbourne Steepleton Parish Council				A	
Winterton Town Council		A			
Woolhampton Parish Council			A		
Worminghall Parish Council			A		
Worsthorne with Hurstwood Parish Council			A		
Worth Parish Council			A		
Wotton Parish Council				A	
Wrose Parish Council			A		

Schedule 7 of the Local Audit and Accountability Act 2014 also provides for an auditor to make a written recommendation to an authority, which the authority is required to consider. The great majority of these recommendations relate to the requirement to submit an AGAR (or Certificate of Exemption), and may be followed by a PIR where no action is taken. By 31 December 2022 22 such statutory recommendations had been issued by auditors in relation to the financial year 2021-22 (all relating to failure to submit an AGAR) and five of those had been followed by a PIR when no action had been taken within 42 days of the statutory recommendation being issued. There were six other authorities receiving statutory recommendations that had been the subjects of PIRs in earlier years. An authority that receives a statutory recommendation (whether or not followed by a PIR) is unable to claim exemption for the following year.

While persistent non-submission by a small number of authorities remains a concern, SAAA takes some encouragement from the sharp reduction in the number of statutory recommendations from the levels of 2019-20 (when there were 93 such recommendations) and 2020-21 (99 recommendations).

Open audits

In some cases the auditor is unable to conclude the audit because the authority has failed to provide all the necessary information or (more usually) because there are outstanding objections from members of the public or (in a few cases) criminal investigations that have not been resolved.

As at 31 December 2022 there were 11 such cases outstanding relating to 2020-21 audits, and three cases (including two of the 11) in which outstanding issues were preventing completion of the 2019-20 audit. At one of these, the issues to be resolved dated back to before the introduction of the current audit arrangements.

Table 6: Prior Year open audits as at 31 January 2023

Authority	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Battle Town Council					X	X
Bleadon Parish Council						X
Debden Parish Council						X
Groby Parish Council					X	X
Hartlebury Parish Council						X
Kirby Muxloe Parish Council	X	X	X	X	X	X
Middleton Cheney Parish Council						X
Middlewich Town Council						X
Old Basing and Lychpit Parish Council						X
Stoke Ferry Parish Council						X
Wickham Market Parish Council						X
Workington Town Council						X

By 28 February 2023 five of the open audits for 2020-21 had been concluded, leaving the total at six (seven if the additional outstanding 2019-20 audit is included). Auditors expect to conclude all but one of these audits by 31 March 2023.

Appendix A

Table A.1 Smaller authorities: opinions issued by 31 December 2022 by contract area (County)

County area	Number of authorities	Not requiring a review	Requiring a review	Opinions issued by 31/12/22
Avon	137	54	83	76
Bedfordshire	127	43	84	84
Berkshire	103	30	73	71
Buckinghamshire	219	71	148	138
Cambridgeshire	259	104	155	141
Cheshire	233	129	104	88
Cleveland and County Durham	185	99	86	85
Cornwall	212	65	147	139
Cumbria	267	185	82	73
Derbyshire	255	129	126	116
Devon	402	245	157	138
Dorset	196	105	91	82
East Sussex	104	34	70	67
Essex	283	96	187	161
Gloucestershire	264	165	99	88
Hampshire and the Isle of Wight	296	104	192	185
Herefordshire	137	91	46	42
Hertfordshire	125	45	80	75
Humberside and the East Riding of Yorkshire	244	137	107	96
Kent	321	96	225	214
Lancashire	248	121	127	114
Leicestershire	282	149	133	118
Lincolnshire	473	303	170	111
London	2	-	2	2
Norfolk	527	331	196	173
North Yorkshire	600	434	166	131
Northamptonshire	271	134	137	129
Northumberland	155	108	47	41
Nottinghamshire	210	124	86	77
Oxfordshire	317	155	162	142
Shropshire	194	105	89	81
Somerset	316	184	132	121
South Yorkshire	92	36	56	52
Staffordshire	187	93	94	90
Suffolk	429	269	160	135
Surrey	87	20	67	64
Warwickshire	224	112	112	98
West Sussex	154	38	116	107
West Yorkshire	93	18	75	71
Wiltshire	272	165	107	101
Worcestershire	162	80	82	75
Other Authorities	33	2	31	28
Internal Drainage Boards	112	6	106	105
Total	9,697	5,008	4,689	4,220

Figure A.1 Smaller authorities: opinions issued by 31 December 2022 by contract area (County)

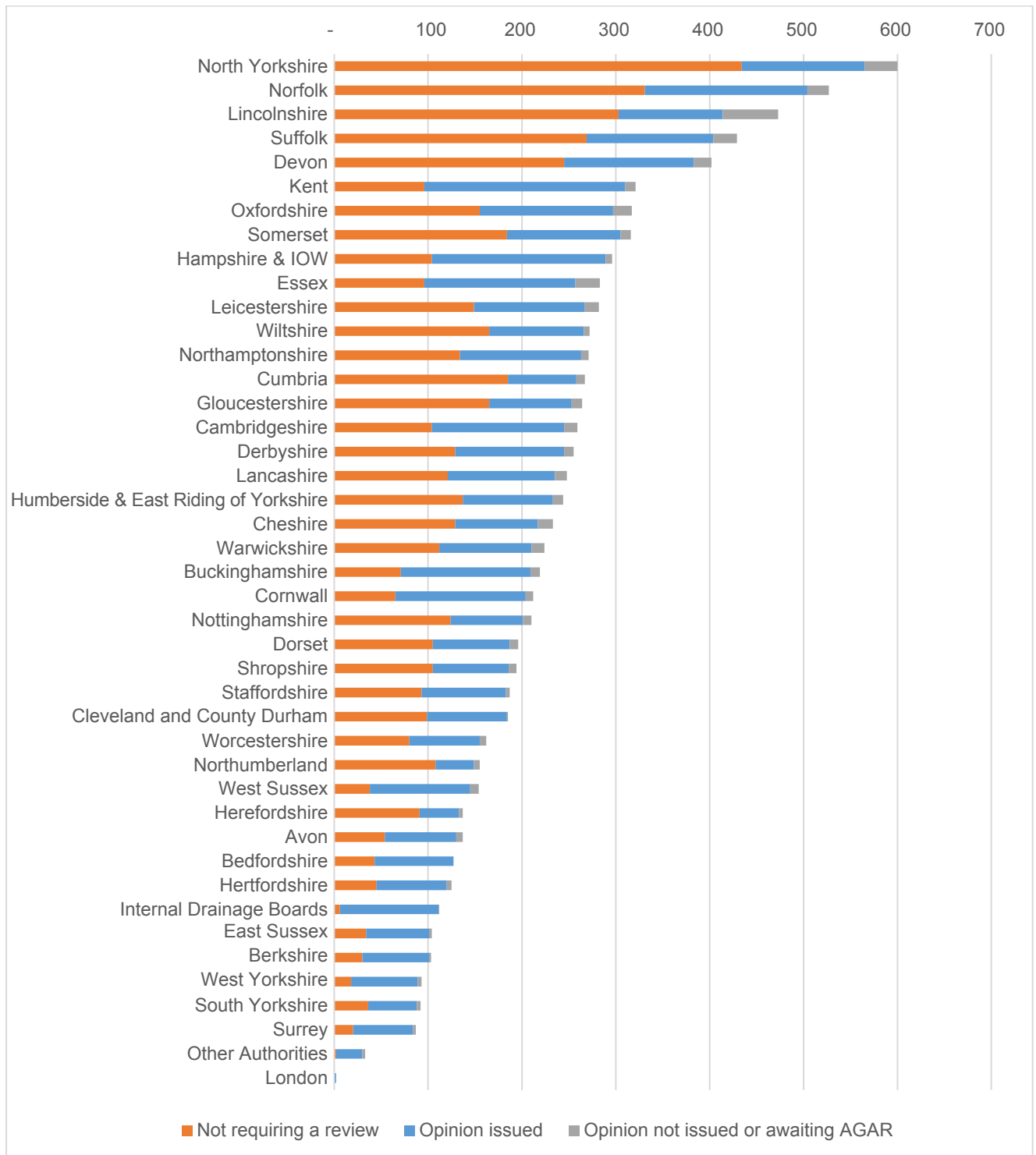
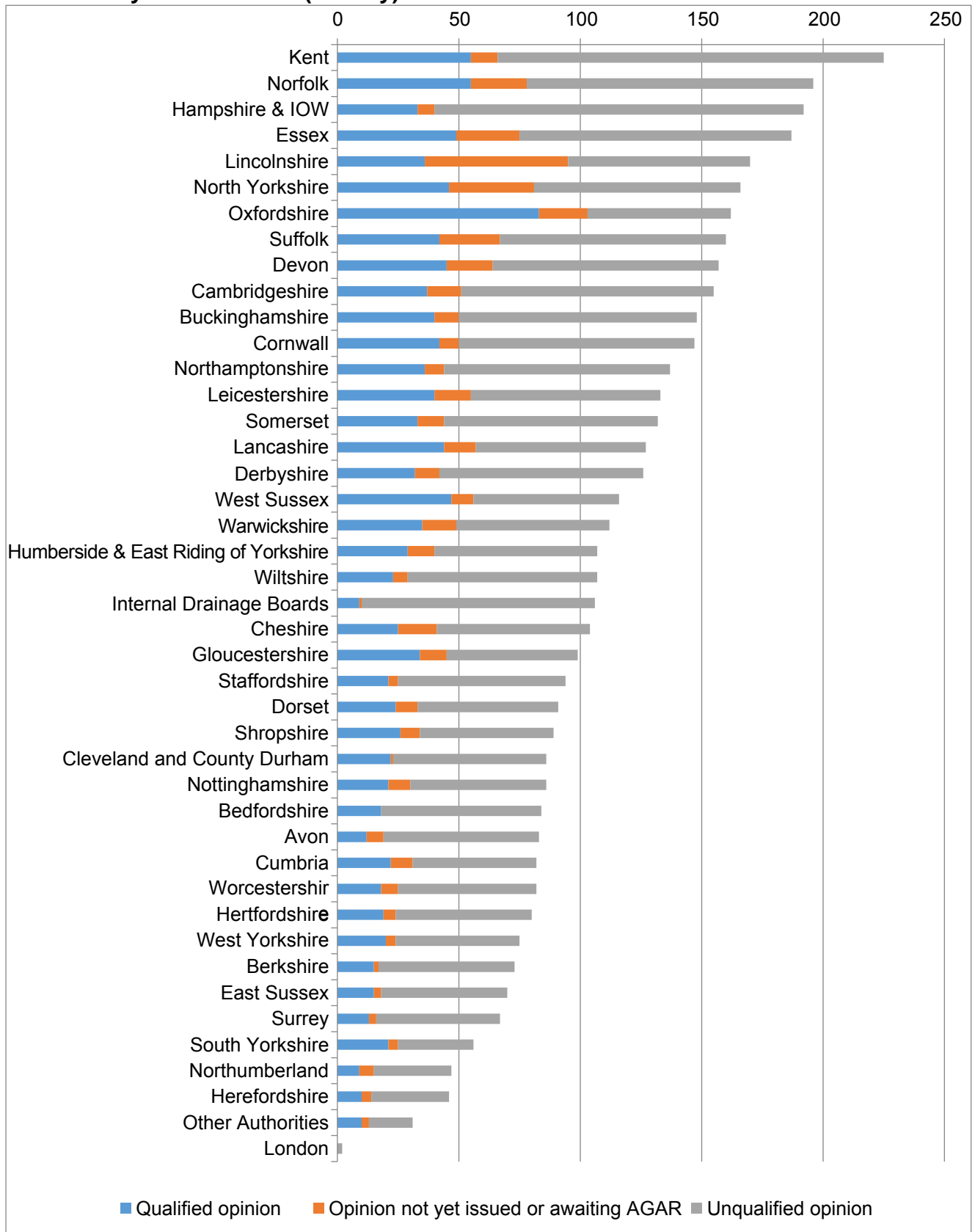


Table A.2 Smaller authorities: qualified and unqualified opinions on 2021-22 accounts by contract area (County)

County area	Unqualified opinion	Opinion not yet issued or awaiting AGAR	Qualified opinion
Avon	64	7	12
Bedfordshire	66	-	18
Berkshire	56	2	15
Buckinghamshire	98	10	40
Cambridgeshire	104	14	37
Cheshire	63	16	25
Cleveland and County Durham	63	1	22
Cornwall	97	8	42
Cumbria	51	9	22
Derbyshire	84	10	32
Devon	93	19	45
Dorset	58	9	24
East Sussex	52	3	15
Essex	112	26	49
Gloucestershire	54	11	34
Hampshire & IOW	152	7	33
Herefordshire	32	4	10
Hertfordshire	56	5	19
Humberside & East Riding of Yorkshire	67	11	29
Kent	159	11	55
Lancashire	70	13	44
Leicestershire	78	15	40
Lincolnshire	75	59	36
London	2	-	0
Norfolk	118	23	55
North Yorkshire	85	35	46
Northamptonshire	93	8	36
Northumberland	32	6	9
Nottinghamshire	56	9	21
Oxfordshire	59	20	83
Shropshire	55	8	26
Somerset	88	11	33
South Yorkshire	31	4	21
Staffordshire	69	4	21
Suffolk	93	25	42
Surrey	51	3	13
Warwickshire	63	14	35
West Sussex	60	9	47
West Yorkshire	51	4	20
Wiltshire	78	6	23
Worcestershire	57	7	18
Other authorities	18	3	10
Internal Drainage Boards	96	1	9
Total	3202	319	1167

Figure A.2 Smaller authorities: qualified and unqualified opinions on 2021-22 accounts by contract area (County)



Appendix B

Assertions in the Annual Governance Statements

Listed below are the assertions that members of an authority are required to confirm, to the best of their knowledge and belief, in respect to the Accounting Statements for the audit year.

1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.
7. We took appropriate action on all matters raised in reports from internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.