

EXPLANATORY MEMORANDUM TO
THE ACCOUNTS AND AUDIT (AMENDMENT) REGULATIONS 2022
2022 No.708

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Levelling Up, Housing and Communities and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument amends the Accounts and Audit Regulations 2015 (S.I. 2015/234) (“the 2015 Regulations”) to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. Following this, the deadline will revert to 30 September for 6 years, taking effect for the 2022/23 accounts and ending once the 2027/28 accounts have been completed.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is England and Wales.
4.2 The territorial application of this instrument is England and Wales.

5. European Convention on Human Rights

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation no statement is required.

6. Legislative Context

- 6.1 The Accounts and Audit Regulations 2015 (S.I. 2015/234) (“the 2015 Regulations”)¹ set out a procedure for the audit of accounts of relevant authorities (apart from health bodies), as defined in Schedule 2 to the Local Audit and Accountability Act 2014 (“the 2014 Act”).
6.2 This instrument changes the deadline for publishing audited local authority accounts from 30 September to 30 November 2022 for the 2021/22 accounts and then 30 September for the 2022/23 accounts and the following 6 years, until the 2027/28 accounts have been completed.

7. Policy background

What is being done and why?

- 7.1 The 2022 (Amendment) Regulations change the deadline for publishing audited local authority accounts and were made in response to the Redmond Review’s findings about the fragility of the local audit market.

7.2 In January 2021 the government consulted on amendments to the Accounts and Audit Regulations 2015 to implement recommendation 10 of the Redmond Review, which was partially accepted, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. Seventy one per cent of respondents agreed with the government’s proposals. Following this consultation, the government laid the Accounts and Audit (Amendment) Regulations 2021 to extend the deadline for two years from 2020/21.

7.3 Despite the changes to the deadline, audit delays have continued to deteriorate. This led to the government publishing a package of measures in December 2021. This included a commitment to extend the deadline for 21/22 accounts and then for 6 years for 2022/23-2027/28 accounts. This was designed to provide certainty to the market for the whole of the next contract period for local audit, which will run from 2023/24-2027/28.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union

9. Consolidation

9.1 This instrument does not consolidate any legislation.

10. Consultation outcome

10.1 Section 32(3) of the 2014 Act requires that any regulations be subject to consultation with certain named stakeholders. These are the Comptroller and Auditor General of the National Audit Office, appropriate representatives of relevant authorities and recognised supervisory bodies. Given the request for the Regulations to be corrected as soon as possible to provide category 2 authorities and audit firms with certainty, we consulted sector stakeholders from 6 May to 3 June 2022.

10.2 All named stakeholders were consulted.

10.3 There was strong support for the first proposal to extend the accounting deadline to 30 November and mixed support for the second proposal to move the accounting deadline back to 30 September from 2022 onwards. Those who didn’t agree with the second proposal raised concerns about being able to meet a tighter deadline from next year onwards whilst auditor supply issues continue to afflict the sector.

10.4 Although the government recognises the concerns about audit capacity, it does not have any evidence that extending the deadline to November on a permanent basis would improve timeliness. Indeed, over 40% of 2020/21 audits are still outstanding, 9 months after the deadline. There are knock on effects of having the deadline too late in the year, including on the preparation of the Whole of Government accounts. We therefore believe it is important for Local Authorities and audit firms to make best efforts to work over the longer term to achieve the September deadline. Keeping to this deadline will also provide greater certainty to the market ahead of the procurement for the 23/24-27/28 audit contracts, which concludes on 11 July 2022.

10.5 Given the specific and minor nature of the change it is not intended to publish a separate consultation response.

11. Guidance

11.1 We are not intending to produce guidance to accompany this statutory instrument.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 An Impact Assessment has not been prepared for this instrument as there is a low level of impact

13. Regulating small business

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

- 14.1 The impact of this legislation will be kept under internal review.

15. Contact

- 15.1 Chris Martin at the Department for Levelling Up, Housing and Communities Telephone: 0745 812 9584 or email: chris.martin@levellingup.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Radhika Sriskandarajah, Deputy Director for Local Government Performance, at the Department for Levelling Up, Housing and Communities can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Kemi Badenoch, Minister of State at the Department for Levelling Up, Housing and Communities can confirm that this Explanatory Memorandum meets the required standard.