



# Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01

## General arrangements supporting guidance for auditors in implementing the reset and recovery

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### About Local Audit Reset and Recovery Implementation Guidance

Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the [Code of Audit Practice](#) published by the NAO on behalf of the C&AG.

LARRIGs are numbered sequentially and published on the NAO's website. LARRIGs are intended to be in place for a limited period of time and will be withdrawn once no longer necessary.

The NAO prepares Local Audit Reset and Recovery Guidance notes (LARRIGs) solely to provide guidance to local auditors in interpreting the Code of Audit Practice made under the Local Audit and Accountability Act 2014. The contents of LARRIGs cannot be reproduced, copied or re-published by parties other than local auditors without permission from the NAO.

LARRIGs are designed specifically to assist local auditors in forming their own understanding of the requirements of the Code during the reset and recovery of the local audit system. Auditors are required to have regard to LARRIGs, which means that they must take into account the guidance issued by the NAO, and, if they decide not to follow it, they must give clear (in the sense of objective, proper, and legitimate) reasons within audit documentation as to why they have not followed the guidance. LARRIGs are in no way intended as a substitute for the exercise of the independent professional skill and judgement of a local auditor in deciding how to apply the NAO's guidance or when providing explanations as to why guidance has not been followed.

Local auditors should not assume that LARRIGs are comprehensive or that they will provide a definitive answer in every case.

This LARRIG is relevant to local auditors of local public bodies covered by the Local Audit and Accountability Act 2014 and the [Code of Audit Practice](#) **except** auditors of local NHS bodies including NHS foundation trusts and smaller authorities as defined by the 2014 Act.



## Introduction and context

The guidance within this document is prepared to assist auditors in meeting their responsibilities under the [Code of Audit Practice](#) (the Code).

LARRIG 01 sets out the approach that the National Audit Office (NAO), supported by the Financial Reporting Council (FRC), will be taking to develop and maintain guidance to support the reset and recovery of local audit in England.

**LARRIG guidance has been issued by the C&AG and published by the NAO to enable auditors (and preparers of accounts) to begin planning its implementation. The guidance will come into effect as statutory guidance to auditors as soon as the relevant legislation underpinning the guidance comes into force, subject to Parliamentary approval. For the purposes of these LARRIGs, these are the Accounts and Audit (Amendment) Regulations 2024, and the 2024 Code of Audit Practice.**

Initially the programme will focus upon producing guidance to support auditors to meet new requirements in the Code to complete their work in time to enable local public bodies to publish their audited accounts in accordance with any statutory deadlines ('backstop dates') set out in applicable regulations. The first phase of guidance will focus initially on the reset phase, covering financial years up to and including 2022-23. The next phase of guidance will focus on the recovery phase for 2023-24 onwards.

The programme of guidance is focused on the work of auditors. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly owned delivery plans for each year's audit. Audit Committees should ensure that they are planning and able to play their full part in the process. The Local Audit Liaison Committee (LALC)<sup>1</sup> will continue to keep progress under review and work collaboratively wherever necessary to support the reset and recovery.

Further guidance will be issued during the period of reset and recovery, to respond to issues identified by the sector as work progresses. This may include further guidance for auditors, providing information to stakeholders on the different forms of auditor opinion that may be required during this period, guidance on how auditors should approach the rebuilding of assurance and other matters that emerge during the implementation of the reset and recovery stages.

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<sup>1</sup> The Department for Levelling Up, Housing and Communities (now the Ministry of Housing, Communities and Local Government (MHCLG)) established the Local Audit Liaison Committee in July 2021 to gather sector expertise and develop a joined-up response to the challenges and emerging priorities across local audit. As incoming shadow system leader the FRC chairs the Committee. Membership includes, among others, MHCLG, HM Treasury, the National Audit Office (NAO), the Local Government Association, Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW) and Chartered Institute of Public Finance and Accountancy (CIPFA).

Auditors should note that throughout this suite of LARRIG guidance, references to ‘authority’ and ‘body’ should be read as referring to any relevant authority subject to the requirement to comply with statutory deadlines for the publication of audited financial statements (‘backstop dates’).

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## Status of guidance

1. Guidance will be issued and published by the Comptroller and Auditor General (C&AG) using his powers under s19 and Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014. This statutory guidance is endorsed by the FRC, which confirms that there is nothing in it that contradicts the requirements or the objectives of International Standards on Auditing (UK) (ISAs (UK)). The FRC's regulatory activity will consider auditors' adherence to the Code and whether proper regard has been given to the statutory guidance. ICAEW mirror the FRC's approach for local audits that are not major local audits.
2. This guidance is separate from the suite of existing statutory auditor and supplementary guidance notes issued by the C&AG and is expected only to be in place during the period of reset and recovery, currently up to and including 2027-28 as proposed in the July [Ministerial Statement](#). The current auditor and supplementary guidance series covering general issues relating to the Code and the audit of local NHS bodies and smaller authorities remains in operation.
3. The FRC will suspend inspection activity in the local government sector for audits up to and including 2022-23 (the reset period). Auditors will still be expected to comply with ISAs (UK) and follow statutory guidance or explain why departure from the guidance is appropriate in the context of an individual audit engagement. The FRC's regulatory activity for 2023-24 onwards will consider if an auditor has given proper regard to statutory guidance. These inspections will not challenge an auditor who follows, and correctly applies, statutory guidance contained in the LARRIGs in delivering their audit engagements but may challenge an auditor who departs from it.

## Anticipated timescales

4. It is the aspiration of LALC that, in the public interest, the audit system for local public bodies in England recovers as quickly as possible following the reset. This means disclaimed opinions driven by backstop dates should in most cases be limited to the next two years (up to and including the 2024-25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter. However, the impact of comparative figures means modifications may remain necessary up to and including the 2025-26 audit cycle, and possibly for longer in some circumstances.

5. In practical terms, this means that the process for rebuilding assurance following a disclaimer opinion in 2022-23 might happen in a similar way to that set out in the illustrative table below. Auditors should note, however, that while the table sets out how auditors might approach the rebuilding of assurance, all audit engagements are different and local circumstances will influence the extent to which the aspiration can be met, for example where several years have been disclaimed. This means that while rebuilding may happen faster in some cases if circumstances allow, it may also take longer. Specific guidance on rebuilding assurance, including the development of case studies, will be included in LARRIG 05. Additionally, the recovery to an unmodified opinion may follow a different trajectory in some cases, for example where modified opinions or disclaimers are not solely as a result of ‘backstop’ date publication requirements, where disclaimers have been issued for several years, or where there are complex technical accounting issues to resolve.

**Table: Illustrative timescales for the process of re-building assurance**

Audit Year	Opinion	Basis
2023-24	Disclaimer	<p>Sufficient assurance over some, but not all, closing balances.</p> <p>No assurance over brought forward balances from 2022-23 where disclaimed and no, or possibly some, assurance over 2023-24 in-year movements and also no assurance over 2022-23 comparatives.</p> <p>Taking the above paragraphs together (lack of assurance over all 2023-24 closing balances and in-year movements), 2023-24 opening balances and 2022-23 comparatives would likely lead the auditor to disclaim, since they cannot conclude that the financial statements are free from material and pervasive misstatement.</p>
2024-25	Disclaimer or qualified (except for)	<p>The auditor has now obtained sufficient evidence to have assurance over most, but possibly not all, closing balances in 2024-25, but does not yet have assurance over the brought forward balances that were not audited in 2023-24.</p> <p>They therefore still do not have assurance over all in-year movements and prior year comparatives.</p> <p>Taken together, this would likely lead the auditor to disclaim, since they still cannot conclude that the financial statements are free from material and pervasive misstatement.</p> <p>Where auditors have been able to gain assurance over in-year movements, they may be able to issue a qualified opinion instead.</p>



2025-26	Qualified (Except for)	<p>The auditor has assurance over the opening and closing balances plus in-year movements, but still does not have sufficient assurance over the comparative figures.</p> <p>This would likely lead the auditor to conclude that there could be material – but not pervasive – misstatement(s) and so would be likely to lead to a qualification for 2025-26 by limitation of scope to exclude assurance over the comparative figures.</p>
2026-27	Unqualified	<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 unqualified opinion.</p>

## Guidance development and scope

6. LARRIGs will be developed through active engagement and consultation with audit suppliers and through a combination of the NAO’s Local Auditor Advisory Group (LAAG) and its supporting sector-specific Technical Networks and the FRC’s Technical Advisory Group and/or ‘Sandbox’ process.
7. The initial focus will be on guidance to support the reset for incomplete audits up to and including the 2022-23 financial year and the implementation of the backstop dates for the publication of audited accounts. Further guidance will support the recovery phase.
8. Areas where guidance has already been identified as being likely to be necessary is set out in the table below along with anticipated timescales for publication. The list of guidance will be added to and LARRIG 01 updated as necessary throughout the reset and recovery period to respond to technical issues as they are identified by auditors and where there is a consensus that additional guidance would be helpful.



LARRIG #	Topic	Consultation with auditors
01	General arrangements supporting guidance for auditors in implementing the reset and recovery.	July 2024
02	Expectations for auditors on the level of planning work needed to support an opinion where the expectation is that it will be disclaimed because of the statutory backstop date.	July 2024
03	Explanations of disclaimed and modified opinions as a result of backstop dates.	July 2024
04	Expectations of auditors on their public interest obligations to report any significant matter that comes to their attention, particularly relating to material non-compliance with laws and regulations.	July 2024
05	Rebuilding of assurances on opening balances in accounts following a disclaimed audit opinion in accordance with ISA (UK) 510.	July 2024

## Departure from LARRIG Guidance and Raising Technical Issues or Queries

9. Where auditors judge that they need to depart from the guidance in a particular engagement, this should be drawn to the attention of the NAO and the FRC’s Director of Local Audit who will consult with the appropriate organisations within the local audit system to resolve the issue.
10. Auditors in firms should raise queries within the firm, in the first instance, so that the relevant technical support service can consider whether to refer queries to the NAO.
11. All queries related to LARRIGs should be submitted to the NAO’s Local Audit Code and Guidance (LACG) team by e-mailing [LACG.queries@nao.org.uk](mailto:LACG.queries@nao.org.uk). Auditors are reminded that only nominated contacts can email LACG Queries. Please email



[lacg@nao.org.uk](mailto:lacg@nao.org.uk) to request additional contacts to be added, including details of role and supporting explanation.

12. The NAO also engages with the firms through its Local Auditors Advisory Group (LAAG) and supporting technical networks to consider any emerging regime-wide technical issues on a timely basis. Auditors should follow their in-house arrangements for bringing significant emerging issues relating to the reset and recovery of the local audit system to the attention of their supplier's representative on LAAG or the relevant technical network.