



National Audit Office

LARRIG 04

Auditor reporting requirements under ISA 250A
(Consideration of Laws and Regulations in an Audit
of Financial Statements) and reporting in the public
interest

Issued on 10 September 2024

Local Audit Reset and Recovery Implementation Guidance (LARRIG) 04

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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 LARRIGs are intended to be in place for a limited period of time and will be withdrawn once no longer necessary.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.



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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).

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Status of guidance

1. The backstop arrangements set out in the proposed changes to the Accounts and Audit Regulations 2015 may create conditions where the auditor is unable to obtain sufficient appropriate audit evidence, in accordance with the ISAs (UK), to conclude whether the financial statements as a whole are free from material misstatements. The auditor may then determine in these circumstances that it is appropriate to issue a disclaimer of opinion due to these externally imposed constraints on the time available to complete the audit.
2. Irrespective of this, if, as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters. The auditor's ability to identify non-compliance with laws and regulation is based on procedures performed during the course of the audit, which may be curtailed as a consequence of backstop arrangements. Guidance on the planning and performance of an audit in these circumstances is set out in LARRIG 02.
3. Auditors should note that under the 2024 Code of Audit Practice, for years up to and including 2022-23, auditors may issue their opinion on the financial statement ahead of reporting by exception on significant weaknesses in arrangements to secure value for money, with any necessary subsequent reporting in the certificate.
4. Auditors are also reminded of their wider reporting duties as set out in paragraph 5.5 of the 2024 Code of Audit Practice that *"where the auditor issues a modified audit report on the financial statements that is not solely as a result of any statutory publication requirements for audited financial statements, they should consider whether to issue a statutory recommendation or public interest report to draw attention to the significance of the issue(s)."* Further guidance on auditors' wider public reporting responsibilities is also set out in AGN 04 *Auditors' additional powers and duties* and AGN 07 *Auditor reporting*.
5. Auditors are reminded that this guidance specifically deals with auditors' reporting responsibilities and duties with respect to identified or suspected non-compliance of laws and regulations as set out in ISA (UK) 250 Section A *Consideration of Laws and Regulations in an Audit of Financial Statements* (ISA (UK) 250A). Any references to reporting in the public interest within this guidance should be read only in the context of this ISA(UK).

Duties with respect to identified or suspected breaches of laws and regulations within the context of a financial statement audit.

6. The auditor's objectives with regard to identified or suspected breaches of laws and regulations are set out in ISA (UK) 250A, and continue to apply regardless of the eventual form of the auditor's opinion. In particular, the objective set out in paragraph 11(c) of this standard still applies:

To respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

7. The relevant paragraphs within ISA (UK) 250A to which the auditor must have regard where identified or suspected breaches of laws and regulation come to light are:
 - a. Paragraphs 19–22, which set out the auditor's requirements to investigate these matters;
 - b. Paragraphs 23–25, which set out the auditor's responsibilities to communicate on these matters with those charged with governance;
 - c. Paragraphs 26–28, which set out the implications for the auditor's report; and
 - d. Paragraphs 29–29-1, which set out the auditor's responsibilities for reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
8. In instances where the entity is a public interest entity, the auditor should also have regard to the requirements and guidance set out in ISA (UK) 250 Section B *The auditor's statutory right and duty to report to regulators of public interest entities and regulators of other entities in the financial sector* (Revised November 2019).
9. Auditors should consider evidence obtained during their work on value for money arrangements up to the point of giving their opinion when determining whether there are identified or suspected breaches of laws and regulations within the context of their financial statements audit. Where the auditor has identified findings in respect of their work in relation to value for money arrangements, the auditor considers whether these constitute actual or suspected non-compliance with laws and regulation in accordance with ISA (UK) 250A. If the auditor concludes that these matters do constitute actual or suspected non-compliance with laws and regulation, then the auditor should follow the requirements within ISA (UK) 250A as set out in paragraph 6 above.

10. Paragraph 27 notes that there may be circumstances where the auditor is required to modify their opinion if the entity prevents them from obtaining sufficient appropriate audit evidence:

If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with ISA (UK) 705 (Revised November 2019).

11. In instances where backstop arrangements apply and management or those charged with governance have acted in this way, the auditor applies professional judgement to determine whether the limitation of scope arose because of the backstop, or due to the entity failing to provide the necessary evidence on a timely basis.
12. In instances where a determination has been made that, notwithstanding any preclusion by management or those charged with governance from obtaining sufficient appropriate audit evidence in relation to non-compliance, the auditor will disclaim their opinion as a consequence of backstop arrangements, the auditor should also ensure that they satisfy the following paragraphs in ISA (UK) 705 Modifications to the Opinion in the Independent Auditor's Report:

27. *Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.*

A24. *An adverse opinion or a disclaimer of opinion relating to a specific matter described within the Basis for Opinion section does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor's opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements.*



Departure from LARRIG Guidance and Raising Technical Issues or Queries

13. 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.
14. 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.
15. All queries related to LARRIGs should be submitted to the NAO's Local Audit Code and Guidance (LACG) team by e-mailing <mailto:LACG.queries@nao.org.uk>. Auditors are reminded that only nominated contacts can email LACG Queries. Please email <mailto:lacg@nao.org.uk> to request additional contacts to be added, including details of role and supporting explanation.
16. 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.