

Stafford Borough Council

Audit build back plan

November 2026

Your key team members

Laura Hinsley
Key Audit Partner
Laura.Hinsley@azets.co.uk

Manpreet Kaur
Manager
Manpreet.Kaur@azets.co.uk

Shahadot Khan
In-charge auditor
Shahadot.Khan@azets.co.uk

This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Executive summary	3
Your support for the build-back process	4
Indicative recovery timeline	5
Planning and managing delivery of the work	6
Balance sheet/non reserves testing	8
Income and expenditure/reserves testing	9
Estimated build back fees	11

Executive summary

Our planned approach to the 2025/26 audit was set out in our Audit Plan presented to the Audit and Accounts Committee in September 2026.

We are responsible for performing the audit in accordance with International Standards on Auditing (UK), the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes, including the Local Audit Reset and Recovery Implementation Guidance (LARRIGs).

An audit of financial statements is directed towards forming and expressing an opinion on those statements. However, as disclaimed audit opinions have been issued on the financial statements for the four years from 2021/22 to 2024/25, the LARRIGs recognise that the auditor may need to issue a further disclaimed audit opinion in the current year due to lack of assurance on opening balances in the disclaimed audit period. LARRIGs also recognise that additional risk-based audit procedures will need to be carried out by the auditor to rebuild the missing assurance.

We are committed to working with the Council to design a programme of work to build back the missing assurance and have invested heavily in developing a risk-based audit approach that complies with all relevant auditing standards and guidance.

This report sets out our proposed build-back plan for the transactions and balances which occurred during the Council's disclaimed audit period from 1 April 2021 to 31 March 2025, based on our risk assessment of the Council. We started this work during our 2024/25 audit and reported details of the work completed in our Audit Completion Report. The remaining work is planned to be undertaken over the next two accounting periods to provide the potential basis for a clean audit opinion by 2027/28.

Our build-back approach is split between balance sheet/non-reserves testing and income and expenditure/reserves testing. The balance sheet/non-reserves element is expected to be completed by May 2027, while the income and expenditure/reserves element is expected to continue until May 2028 due to the more extensive audit procedures required as a result of our risk assessment.

This report also sets out the fees associated with the build back work. These will be raised through fee variations that require approval by Public Sector Audit Appointments (PSAA).

Your support for the build-back process

As set out in this document, the full build-back process to recover from the last clean audit opinion issued for the 2020/21 financial year involves a significant amount of audit work. We will also need to complete our required in-year audit procedures for 2025/26, 2026/27 and 2027/28 alongside the process of rebuilding assurance on disclaimed periods. As a result, overall audit input is likely to be higher than normal and some work may occur outside normal timeframes. We have set out in this report what we consider to be a realistic plan to accomplish this. However, achieving this will only be possible with the full support and co-operation of the Council.

In particular, the Council will need to ensure that:

- The Council's finance function is sufficiently resourced to support both the annual audit process for 2025/26 and future financial years, and the build-back testing on disclaimed periods;
- Good quality supporting information and evidence is made available in response to audit queries raised and sample testing requests issued; and
- Key officers are available to deal with audit queries and requests in line with agreed timescales.

To support the Council and its finance team we will:

- Provide clear details of the scope of the build-back work required and the planned timescales for delivery;
- Set out clearly our expectations for supporting audit evidence which we will require in response to audit testing; and
- Share details of progress with you on a regular basis throughout the build-back process.

We will review this build back Plan every quarter to monitor progress made and make any adjustments as necessary to future timelines and expectations.

Indicative recovery timeline

A key requirement as we move through the build-back process is to assess at what stage we may be able to move from a disclaimed opinion to a modified opinion, and then to an unmodified opinion. This assessment involves considerable input and consultation with the Technical and Compliance teams within Azets to ensure that each annual audit opinion reflects the level of assurance obtained to date.

Our current anticipated recovery timeline, which underpins the rest of this build-back plan, is set out below. Achievement of this indicative timeline is subject to completion of all work set out in this plan.

	2024/25 (actual)	2025/26 (anticipated)	2026/27 (anticipated)	2027/28 (anticipated)
Anticipated audit opinion	Disclaimed	Disclaimed	Modified/"except for"	Unmodified

Planning and managing delivery of the work

This element of the fee relates to the audit input required to:

- Determine the overall approach required to rebuild assurance in line with relevant NAO Local Audit Reset and Recovery Implementation Guidance (LARRIGs);
- Carry out a detailed risk assessment to support this determination;
- Scope out the work required in each area across the full build-back plan;
- Develop a detailed plan setting out the resource requirements to deliver build-back work;
- Discuss and agreed these requirements and a timescale for delivery with the Council;
- Provide Key Audit Partner and Audit Manager direction and review of the build-back work as it is completed; and
- Carry out an overall assessment of the assurance provided by build-back work completed and the extent to which this supports the recovery of assurance across disclaimed periods.

We will revisit and update our approach throughout the build back process.

Planning and managing delivery of the build-back work (continued)

Planning risk assessment

We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening reserve balances following prior year disclaimers. We completed our initial risk assessment in line with the requirements of LARRIG 6 in 2024/25 and reported this in our Audit Completion Report. The risk assessment is repeated below as it guides the overall approach we need to take to build-back assurance on reserves and so the level of detailed substantive testing required on income and expenditure transactions in disclaimed periods.

Activity	Outcome
Qualitative Risk Assessment We have considered a number of qualitative risk factors (not all of which apply), as set out in LARRIG 06, including: • Whether the Council has a history of timely production of the financial statements; • The number of years for which disclaimed opinions have been issued; • The level of reserves in place during the disclaimed period and their complexity; • The volume of movements in reserves over the disclaimed period; • The strength of the control environment in place at the Council over the period of disclaimed opinions; • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period; • Any previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements during the disclaimed period; and • Issues reported by Internal Audit and in the Annual Governance Statements.	Our risk assessment has concluded that the Council is at the higher end of the risk spectrum for build-back assurance. Some of the factors leading to this are: the number of years for which disclaimed opinions have been issued, changes to the finance system over that period, weaknesses noted in the control environment and the presence of VFM significant weaknesses. This means extensive procedures over the Council's income and expenditure transactions will be required over the disclaimed period. The procedures we have identified that we will need to complete to build back sufficient audit assurance over opening balances are set out from pages 8 to 10 of this report.
Quantitative Risk Assessment (LARRIG 06) We have also begun a detailed analysis of all the Council's useable and unusable reserves movements over the disclaimed period, assessing the internal consistency of the reserve movements with other transactions and disclosures in the Council's financial statements and the completeness of the expected reserve transactions.	

Balance sheet/non reserves testing

In order to build back sufficient assurance over elements of the Balance Sheet, we need to undertake substantive testing of movements in balances back to the last clean opinion date. We commenced this work in 2024/25 and set out below a summary of the level of assurance obtained to date.

We plan to complete all remaining build-back work on balance sheet/non reserves related areas in 2025/26.

	Current status of build back work by disclaimed period				Planning timing of remaining build back work	
	2021/22	2022/23	2023/24	2024/25	By May 2027	By May 2028
Property, plant and equipment (PPE) opening balances	Not started	Not started	Not started	Not started	✓	
PPE and investment property additions	Completed*	Completed*	Completed*	Completed*	N/A	
PPE and investment property disposals	In progress	In progress	In progress	In progress	✓	
PPE reclassification movements	Not started	Not started	Not started	Not started	✓	
Right of use asset additions and associated liabilities				Not started	✓	
Revaluation and impairment movements	Not started	Not started	Not started	In progress	✓	
Infrastructure assets	Not started	Not started	Not started	Not started	✓	
Grants received in advance	Not started	Not started	Not started	Not started	✓	
Capital Expenditure and Financing (CRF/MRP)	In progress	In progress	In progress	In progress	✓	
Journals testing	Not started	Not started	Not started	Not started	✓	
Estimated fees					£93,488	£0

* Subject to ongoing Audit Manager and Key Audit Partner review procedures.

Income and expenditure/reserves testing

In order to build back sufficient assurance over reserves where the closing position is directly influenced by the opening position and movements over the disclaimed period, we need to undertake some substantive testing of the CIES transactions over the disclaimed period.
As set out on page 7 our risk assessment has concluded that the Council is at the higher end of the risk spectrum for build-back assurance. This means extensive procedures over the Council's income and expenditure transactions will be required over the disclaimed period. The table below summarises our planned timetable for the completion of prior year CIES testing and any testing completed in full or in part in previous years.

	Current status of build back work by disclaimed period				Planning timing of remaining build back work	
	2021/22	2022/23	2023/24	2024/25	By May 2027	By May 2028
Grant income (in cost of services and financing and investing income) • Government grants and contributions • Capital grants and contributions	In progress	In progress	In progress	In progress	✓	
Other fees and charges income	In progress	In progress	In progress	In progress	✓	
Taxation income • Council tax income • NNDR income	Not started	Not started	Not started	Not started		✓
Interest and investment income	N/A	In progress	In progress	In progress	✓	
Staff costs expenditure	In progress	In progress	In progress	In progress	✓	
Other service costs expenditure	In progress	In progress	In progress	In progress	✓	
Internal recharges	Not started	Not started	Not started	Not started		✓
Finance and interest expenditure	In progress**	In progress**	In progress**	In progress**	✓	

** Indicates changes since the last build back report – fees have been adjusted into 25/26.

Income and expenditure/reserves testing (continued)

	Current status of build back work by disclaimed period				Planning timing of remaining build back work	
	2021/22	2022/23	2023/24	2024/25	By May 2027	By May 2028
Depreciation charges	In progress	In progress	In progress	In progress	✓	
Precepts and Levies	In progress	In progress	In progress	In progress	✓	
Housing benefit expenditure	Not started	Not started	Not started	Not started		✓
Housing benefit income	Not started	Not started	Not started	Not started		✓
Revenue funded from capital under statute	Not started	Not started	Not started	Not started		✓
Collection fund	Not started	Not started	Not started	Not started	✓	
Other testing on reserve movements	Completed**	Completed**	Completed**	Completed**	✓	
Estimated fees					£69,005	£62,645

** Subject to ongoing Audit Manager and Key Audit Partner review procedures and, also Indicate changes since the last build back report.

Estimated build back fees

The estimated fees for completion of the build-back process are set out below. The figures for 2024/25 represent those already agreed and charged as part of the 2024/25 audit; the fees for 2025/26 onwards represent current estimates for completed of further build-back work required.

All fees relating to audit work on build-back and other disclaimer related audit work are raised through the fee variation process and as such are subject to approval by PSAA. These estimates do not cover fee variations for any non-build-back related issues which may be identified during the audit process, and which will be separately reported in our Audit Completion Report.

	Estimated fees				
	2024/25 (actuals)	2025/26 (estimated)	2026/27 (estimated)	2027/28 (estimated)	Total
Planning and reporting (see indicative recovery timeline)	14,940	10,245	10,245	-	35,430
Planning and managing delivery of the build-back work	21,463	41,459	41,459	-	104,380
Balance sheet/non reserves related testing	-	93,488	-	-	93,488
CIES/reserves related testing	44,652	69,005	62,645	-	176,302
Total	81,055	214,196	114,349		409,600



AZETS