

Audit Progress Report

Derbyshire Dales District Council

Governance & Resources Committee July 2024



1. Audit Progress
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01

Section 01:
Audit Progress

Audit progress

Purpose of this report

This report provides the Governance & Resources Committee's 18 July 2024 meeting with an update on the status of the external audit, and provides an update on the national audit 'backstop' position.

National consultations

In late February, the Department for Levelling up, Housing and Communities (DLUHC) published a joint statement setting out the proposals to clear the backlog of unaudited accounts. The associated consultation ran until 7 March 2024. The consultation proposed legislation to provide 'backstop dates' by when local authorities must publish audited financial statements. The proposed dates were 30 September 2024 for 2022/23 and all earlier unaudited financial statements, and 31 May 2025 for 2023/24 financial statements. Dates were also proposed for the future years bringing forward the audited accounts publication dates to 30 November by way of rebuilding assurance over several audit years. The impact of a backstop date of 30 September 2024 would be that auditors would issue a qualified or a disclaimer audit opinion on financial statements where their audit work is not complete by that date.

The National Audit Office also ran a four-week consultation seeking views on changes to the Code of Audit Practice, which sets out how local auditors in England meet their responsibilities under the Local Audit and Accountability Act 2024. The main consultation proposal would require auditors to publish their Auditor's Annual Report by 30 November each year incorporating the commentary on Council's value for money arrangements for the preceding year and summarising the audit work completed in the previous 12 months.

In addition, CIPFA ran a consultation proposing two minor changes to the Code of Accounting Practice for 2023/24 and 2024/25 which would have minimal impact on the Council's financial statements reporting requirements.

All three consultations have now ended and there has been no published outcome at the time of writing the report.

Based on the proposals in the consultations we confirm to the Committee

- We intend to complete our audit of the 2023/24 Council's financial statements well in advance of the proposed May 2025 publication date; and
- We intend to complete our work on the Council's 2023/24 value for money arrangements in advance of 30 November 2024 when we will issue our 2023/24 Auditor's Annual Report.

Audit progress

2022/23 Audit

Financial Statements

Following the satisfactory resolution of the final audit queries, we completed our audit, and provided our audit report, incorporating our audit opinion on the Council's 2022/23 financial statements, on 11 April 2024. We provided the Council with a follow up letter to our Audit Completion Report, which summarised the outcome of the final queries. We highlighted in the follow up letter one immaterial unadjusted misstatement (£109k impacting on the Pension Liability and Pension Reserve only) and one internal control recommendation relating to the treatment of the Council's pension pass through arrangement with Freedom Leisure Trust. A copy of the follow up letter was sent to Committee members for their information.

Value for money arrangements

We completed our work on the Council's value for money arrangements in advance of completing the work on the financial statements. We presented our draft Auditor's Annual Report to the February 2024 Governance & Resources Committee meeting. We issued our final Auditor's Annual Report on 24 April 2024. Our commentary on the Council's value for money arrangements was unchanged from the draft version presented to Committee in February.

Audit Completion

The final output from the 2022/23 audit is our Audit Certificate, confirming our audit is complete. We are unable to issue the Audit Certificate for 2022/23 until the National Audit Office confirm to us that they do not require any further work on the Council's Whole of Government Accounts submission. We do not expect them to require any further work, but we can only issue the certificate when that confirmation is received.

Audit progress

2023/24 Audit

Financial Statements

Our responsibility is to audit the financial statements and provide an audit report, incorporating our audit opinion on the financial statements.

We commenced our detailed planning work in March 2024, and are presenting our Audit Strategy Memorandum for 2023/24 to the Committee's July meeting. We have agreed a timetable with officers to complete the audit of the financial statements. We expect to commence this work in the late summer period and complete the audit by the end of November 2024. We will update the Committee on our progress routinely and communicate any changes to the timetable on a timely basis.

Value for Money arrangements

Our responsibility under the NAO Code of Practice is to be satisfied the Council has proper arrangements in place to deliver value for money in the use of its resources. The NAO provide the criteria which are the 'proper arrangements' against which we consider the Council's arrangements. Where we are not satisfied the Council has proper arrangements in place we report the weaknesses in arrangements (referred to as 'significant weaknesses') and make recommendations for the Council to improve its arrangements such that they are 'proper arrangements'. There is one change we expect to apply to our work in 2023/24 as highlighted on the previous page. The NAO's consultation on its Code of Audit Practice proposes that auditor's work on value for money arrangements for each year must be completed before issuing the audit opinion on the Council's financial statements, and the value for money commentary must be reported by the end of November each year.

We have commenced our work on the Council's value for money arrangements for 2023/24, and the Council will provide its self-assessment of the arrangement in place to assist our updated understanding. We will continue our work through the summer 2024 period and will report our commentary on the Council's arrangements in our Auditor's Annual Report, to be issued by 30 November 2024.

Other information

On 1st June, Mazars formally completed its business combination and became Forvis Mazars. There are no changes to your engagement team, and no changes to the audit approach your team adopts. Our branding and our email addresses will be updated to reflect the new organisation, but otherwise we do not expect any changes of substance to affect our engagement with the Council.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office		
1	Overcoming challenges to managing risks in government	The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.
2	Good practice in annual reporting	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting. The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.
3	Whistleblowing in the civil service	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.
4	Whole of Government Accounts 2021-22	The NAO has completed its audit of the Whole of Government Accounts 2021-22
5	NAO report: Use of artificial intelligence in government	The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services
Department for Levelling Up Homes and Communities (DLUHC)		
6	Capital finance: guidance on minimum revenue provision	Statutory guidance on the Minimum Revenue Provision
7	Call for views on new local authority capital flexibilities	DLUHC is sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.

National publications

	Publication/update	Key points
CIPFA		
8	Code of Practice on Local Authority Accounting in the UK 2024/25	Code of Practice for 2024/25 financial statements
9	IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition	Guidance for Local Authorities in implementing IFRS16, lease accounting
Other		
10	HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft	Draft proposals for changes that will affect Financial Reporting Manual (FRM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets.
11	Office for Local Government (Oflog): consultation on draft Corporate Plan 2024 to 2027	Consultation on corporate plan for the new Office for Local Government
12	FRC report on the quality of major local audits	Annual report from FRC inspections of local audits

National Publications

NAO Publications

1. NAO Insight: Overcoming challenges to managing risks in government

The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.

The guide outlines 10 approaches to overcome these challenges and each approach is supported by an outline of why this is a priority for government; case studies and quotes; and practical tips.

The guide has been drawn from insights from NAO's reports and insight teams, as well as the thoughts of a range of leaders and practitioners from NAO audited bodies and external organisations across industry and academia.

<https://www.nao.org.uk/insights/overcoming-challenges-to-managing-risks-in-government/>

2. NAO insight: Good practice in annual reporting Communities 2022-23

The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting grouped into four areas:

- Supporting accountability
- Transparency
- Accessibility
- Understandability

The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.

[Good practice in annual reporting - National Audit Office \(NAO\) insight](#)

National publications

NAO Publications continued

3. NAO insight: Whistleblowing in the civil service 2022-23

The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations for example those who might:

- work in HR policy
- work in a team that oversees progress with whistleblowing cases
- design whistleblowing processes
- be the first point of contact for whistleblowers who raise concerns by email or phone
- investigate concerns raised by whistleblowers
- be a nominated officer or senior member of staff that people can raise concerns with

Every organisation is different, so there is no single approach to follow for improving whistleblowing. This guide is not a comprehensive list of everything but it does set out areas to be mindful of and what other organisations find helps them.

[Whistleblowing in the civil service - NAO insight](#)

4. Whole of Government Accounts 2021-22

The NAO has completed its audit of the 2021-22 Whole of Government Accounts. The Whole of Government Accounts consolidates the accounts of central and local government and public corporations such as the Bank of England, to provide a picture of the UK's public finances.

<https://www.nao.org.uk/reports/whole-of-government-accounts-2021-22/>

NAO Publications continued

5. NAO report: Use of artificial intelligence in government

The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services. The primary focus for this report is the role of the Cabinet Office and DSIT in supporting the adoption of AI in the public sector. Specifically, the report looks at:

- the government's strategy and governance for AI use in public services (Part One).
- how government bodies are using AI and how government understands the opportunities (Part Two).
- central government's plans for supporting the testing, piloting and scaling of AI; and progress in addressing barriers to AI adoption (Part Three).

<https://www.nao.org.uk/reports/use-of-artificial-intelligence-in-government/>

National publications

DLUHC Publications

6. Capital finance: guidance on minimum revenue provision

Following its consultation, DLUHC has published its response to the consultation, and a revised, 5th edition of its guidance for local authorities on determining a prudent level of minimum revenue provision when investing in their capital assets. This 5th edition of the guidance applies for accounting periods starting on or after 1 April 2025, with the exception of paragraphs 74 to 77 of the guidance which apply from 7 May 2024. The guidance is issued under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to this guidance.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/outcome/government-response-to-the-consultation-on-changes-to-statutory-guidance-and-regulations-minimum-revenue-provision>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition>

7. Call for views on new local authority capital flexibilities

DLUHC has sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.

[Call for views on new local authority capital flexibilities - Department for Levelling Up, Housing and Communities - Citizen Space](#)

The consultation closed on 31 January 2024 however the link provides information on the key options that were consulted on.

National publications

CIPFA Publications

8. Code of Practice on Local Authority Accounting in the UK 2024/25

CIPFA has published its 2024/25 Code of Practice. This 2024/25 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2024.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces mandatory adoption of IFRS 16 Leases. Other amendments include:

- a suggestion that narrative reporting could reflect on the risk that a Section 114 notice might be issued
- recent changes to the IFRS treatment of sale and leaseback arrangements
- specifying the treatment on initial application of IFRS 16 where service concession arrangements provide for variable payments that depend on an index or rate.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202425-online>

9. IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition

This publication provides guidance on IFRS 16 Leases for 2022/23, which is applicable to those authorities deciding to voluntarily implement the requirements of Appendix F of the Code (which includes the specifications applicable to those entities implementing IFRS 16 as of 1 April 2022). It will also be of interest to those intending to apply as of 1 April 2023 and those mandatorily implementing as of 1 April 2024.

This guidance on IFRS 16 provides comprehensive coverage of the proposed requirements for lessees. Although there have not been significant changes to the requirements for lessors, the guidance also includes extensive commentary on this area.

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-a-guide-for-local-authority-practitioners-2023-edition>

10. HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft (ED)

M Treasury consultation: Non-investment Asset Valuation – Exposure

HM Treasury has published its consultation on proposals for changes that will affect its Financial Reporting Manual (FReM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets. The changes flow from HM Treasury's thematic review of non-investment asset valuations and the exposure draft covers the whole UK public sector, which is the boundary for the Whole of Government Accounts.

The document contains HM Treasury's proposed changes to the valuation of non-investment assets as discussed and agreed by the Financial Reporting Advisory Board. Its publication forms part of due processes for any such changes. It is a technical document that sets out the rationale for HM Treasury's conclusions, and the detail of proposed changes to the FReM. The ED does not recommend a transition to historic (deemed) cost model for non-investment assets. The proposals include:

- Introducing a new asset class, Assets held for their operational capacity, to replace the present categories of specialised assets and non-specialised assets.
- Maintaining the Existing Use Value (EUV) measurement basis.
- Maintaining the Depreciated Replacement Cost (DRC) of a Modern Equivalent Asset (MEA) measurement basis.
- Removing the requirement to consider alternative sites in determining the DRC measurement.
- Changing the measurement basis of Intangible Assets to be at historical (deemed) cost on transition and historic cost thereafter.

[Non-investment Asset Valuation - Exposure Draft 23 \(01\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/non-investment-asset-valuation-exposure-draft-23-01)

11. Office for Local Government (Oflog): consultation on draft Corporate Plan 2024 to 2027

Oflog consulted on its draft Corporate Plan 2024-2027. The consultation ran from 15 February 2024 to 14 March 2024. The Corporate Plan proposes how Oflog will deliver its strategic objectives set out in the remit letter from the Secretary of State for Levelling Up, Housing and Communities. Oflog will publish its final Corporate Plan later this year.

<https://www.gov.uk/government/consultations/office-for-local-government-oflog-consultation-on-draft-corporate-plan-2024-to-2027>

Other Publications continued

12. FRC report on the quality of major local audits

The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

There were six health and four local government audits selected for inspection in the 2022-23 cycle. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog.

Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. All financial statement audits were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Audit procedures regarding completeness and accuracy of expenditure.
- On the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance.

In terms of value for money (VfM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VfM arrangements was not complete on one audit that was inspected. All VfM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Risk assessment procedures not being performed in a timely manner.
- Not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries.
- The audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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