

Audit Planning Update and Progress Report

East Lindsey District Council

Audit and Governance Committee January 2023



1. Audit Planning Update and Progress
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01

Section 01:
Audit Progress

Purpose of this report

This report provides the Committee's January 2023 meeting with updates on:

- the 2020/21 and 2021/22 audits and any significant matters to date; and
- recent relevant reports and publications for your information (Section 2).

2020/21 Audit

We presented our Audit Completion Report for 2020/21 to the September 2021 meeting, and noted a number of areas of work as remaining outstanding at that point in time. On the 29th November 2021 we issued our Follow-up Letter to this report setting out our progress against these matters. We have summarised below the current position on the key elements of our work that still remain outstanding:

Whole of Government Accounts (WGA)

Whilst the National Audit Office has issued its auditor instructions for the 2020/21 WGA process they are yet to decide on a sample of authorities to undergo additional audit procedures. Whilst we have submitted the required certification to the NAO we are still unable to fully conclude this matter.

Audit Certificate

The Audit Certificate will be issued, and the audit formally 'closed', when the remaining stages set out above have been completed.

2021/22 Audit

The detailed Audit Strategy Memorandum for 2021/22 was reported to the April 2022 meeting and there have been no changes to the risks identified since that date.

Audit Reporting

Our main reporting outputs from our work will continue to be:

- Audit Completion Report – summarising the outcome of our main accounts audit and expected audit opinion.
- Audit Report – encompassing our Audit Opinion on the financial statements and other required information.
- Annual Auditor's Report – including our Value for Money Commentary
- Audit Certificate – formally closing the audit

Financial Statements

We received the Council's draft financial statements on 4th July and our audit commenced on this date. Our work is progressing well although there are a small number of areas of work that still remain in progress, which we set out below:

Audit area	Status	Description of outstanding matters
Journals	Incomplete	We have received the outstanding evidence from management in relation to our sample testing and we are currently finalising our work in this area.
Group accounts	Incomplete	The Council has a requirement for the first time to produce Group Accounts as a result of the growing activities of its subsidiary company INVEST East Lindsey Ltd. We are yet to receive these from management and our work over both the Council's consolidation arrangements and detailed testing of any material balances has yet to commence.
Going concern	Incomplete	We have yet to receive management's own assessment to justify why its accounts should be prepared on a going concern basis.
Whole of Government Accounts (WGA)	Incomplete	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.

Elector Query

Following the receipt of correspondence from an elector by letter (dated 16 August 2022) and email (dated 22 August 2022 and 5 October 2022), on the 12th December 2022 we formally accepted an objection on East Lindsey District Council's Statement of Accounts for 2021/22.

The matters of the objection relates to the representation and handling of the income reportedly from the Business Improvement District Levy, in particular to the Council's failing to follow relevant legislation when dealing with the accounting side of the scheme.

Our work to consider this matter further is ongoing and we will report on its outcome in due course.

Value for Money Work

We have not identified any specific significant concerns from the value for money risk assessment to date and there are no risks of significant weaknesses in arrangements to bring to the Committee's attention. We will keep our assessment up to date and report our findings in the Annual Auditor's Report

The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is as expected an area where we expect at all Councils to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Integrating Care	CIPFA has published a report entitled, 'Integrating care: policy, principles and practice for places'.
Public Audit Forum		
2	Consultation responses to the revised Practice Note 10	<p>The Public Audit Forum (PAF) oversees the development and publication of the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom which was revised in 2022.</p> <p>PAF has now published the responses to the consultation and final draft amendments. These amendments were approved by the Financial Reporting Council in November 2022.</p>
National Audit Office (NAO)		
3	Government Shared Services	The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver.
4	Departmental Overview 2021-22	The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021-22
Department for Levelling Up, Housing and Communities		
5	Technical consultation on consequential changes to the homelessness legislation	This consultation aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.
6	Local government finance policy statement 2023-24 to 2024-25	The policy statement sets out the government's intentions for the local government finance settlement for the next 2 years.

National publications

	Publication/update	Key points
Public Sector Audit Appointments Ltd		
7	Publication of the 2022/23 fee scale	PSAA has published the 2022/23 audit fee scale following consultation.
8	Directory of Auditor Appointments from 2023/24	PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement.
9	PSAA announces the number of audit opinions completed for the 2021/22 audits	PSAA has published this year's position on delayed audit opinions.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA publishes integrating care report – December 2022

CIPFA has published a report entitled, 'Integrating care: policy, principles and practice for places'. The report provides an overview of the changes since the Health and Care Act 2022 was introduced and discusses what integration is seeking to achieve. It considers the wider health and care landscape in the current climate and addresses the remaining challenges at place level.

The recommendations and case studies it contains are intended to influence the development of further policy and guidance by central government, and to provide support for practitioners at local level. The purpose of the report is to help health and local government partners to find effective solutions to the challenges of health and care integration.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/press-release-cipfa-publishes-integrating-care-report>

NATIONAL PUBLICATIONS

Public Audit Forum

2. Consultation on Practice Note 10 (Revised 2022): Summary of Responses and Proposed Amendments – December 2022

The consultation on the exposure draft of the 2022 revision of Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (PN 10) closed on 16 September 2022 and this document summarises the responses to the consultation and the amendments the Public Audit Forum (PAF) proposes to make to the final draft as a result.

Part 1 of PN 10 provides guidance on applying auditing, quality management and ethical standards in the public sector. It is important to consider potential changes to PN 10 in the context of PN 10's status as a Statement of Recommended Practice (SORP): a set of sector-driven recommendations on (in this case) auditing practices for the public sector which guide auditors on how to apply the underlying standards, including International Standards on Auditing (UK) (ISAs (UK)), in the specialised context of the public sector. The PAF has no role in determining the principles or requirements which are included in the ISAs (UK). The PAF also has no direct role in setting the financial reporting frameworks for public sector entities (although member bodies of the PAF maintain dialogue with the framework setters).

As set out in the summary of responses included in the report, respondents commented on a range of issues faced by auditors of public sector entities. By far the most-cited issue was the current situation in local audit in England and current delays in completing audits of local authorities. A number of respondents suggested various ways in which the consultation draft of PN 10 might be amended so as to ameliorate some of these issues by reducing the audit effort in particular areas. There were suggestions that the proposed changes to the guidance on applying ISA (UK) 320 Materiality in planning and performing an audit may have a significant impact on local auditors' approach to materiality judgements.

<https://www.public-audit-forum.org.uk/wp-content/uploads/2022/12/Practice-Note-10-Consultation-Response-2022.pdf>

NATIONAL PUBLICATIONS

National Audit Office

3. Government shared services – November 2022

The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver. It aims to answer the following questions:

- Has the government made progress since we last reported on shared services in 2016? (Part One)
- Are the right conditions in place for the government to deliver its proposed efficiencies and savings? (Part Two).
- Has the government put in place mitigating actions to address the future challenges it faces in delivering its strategy? (Part Three)

The report concludes that the government's previous shared services strategies failed to deliver their intended cost savings and other benefits. Its new Shared Services Strategy is highly ambitious and, while most departments consider the cluster model a sensible approach, there are several fundamental elements yet to be put in place that are jeopardising the success of the strategy. For example, the Cabinet Office is still unclear on the extent of the benefits this programme can be expected to bring. It is difficult to judge what progress has been made on enablers such as process and data convergence.

The report highlights concerns that these gaps cause uncertainty for departments and mean that the Cabinet Office will repeat past failures. The NAO, therefore, cannot conclude that this programme is on track to demonstrate value for money.

<https://www.nao.org.uk/reports/government-shared-services/#downloads>

4. Departmental Overview 2021-22: Department for Levelling Up, Housing & Communities - December 2022

The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021-22. DLUHC spends nearly £38 billion each year to support economic growth and housing across the country, in collaboration with local authorities. It has overall responsibility in central government for local authorities' funding. Along with other bodies, DLUHC oversees the core accountability system for local authorities.

The guide summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England, and DLUHC's Annual Report and Accounts.

<https://www.nao.org.uk/overviews/departmental-overview-2021-22-department-for-levelling-up-housing-communities/>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

5. Technical Consultation on Consequential changes to the homelessness legislation – December 2022

This consultation seeks views on the consequential amendments to homelessness legislation as a result of the Renters Reform Bill, namely, the removal of section 21 evictions, assured shorthold tenancies and fixed-term tenancies and aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.

The scope of the consultation is limited to responses on the legislative technical amendments. The majority of the amendments to the legislation are minor and, while the consultation is open to everyone, most responses are expected to be from local authorities and charities in the homelessness space.

The consultation will run for 7 weeks.

<https://www.gov.uk/government/consultations/technical-consultation-on-consequential-changes-to-the-homelessness-legislation/technical-consultation-on-consequential-changes-to-the-homelessness-legislation>

6. Local government finance policy statement 2023-24 to 2024-25 – December 2022

The local government finance policy statement sets out the government's intentions for the local government finance settlement for the next 2 years, providing councils with greater certainty on key aspects of their funding to inform their budget setting process and help them to plan for the future.

For the core settlement the Business Rates Multiplier for 2023-24 will be frozen at 49.9p and Revenue Support Grant (RSG) will increase in line with CPI.

For council tax the bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts remains.

In respect of the remaining settlement grants, the Rural Services Delivery Grant will remain unchanged, in recognition of the inflationary pressures across the sector the Lower Tier Services Grant will be repurposed along with a proportion of the expired New Homes Bonus legacy payments to create a new one-off, funding guarantee. This will ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. There will also be new rounds of New Homes Bonus (NHB) payments in 2023-24.

These proposals are subject to consultation which will last for 4 weeks from 19 December 2022 to 16 January 2023.

<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

7. News release: Publication of the 2022/23 fee scale – November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards.

The fee scale applies for the audit work to be undertaken by appointed auditors in respect of the 2022/23 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements for the period 2018/19 to 2022/23.

Auditors will undertake their work under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Under the Local Audit (Appointing Person) Regulations 2015, the 2022/23 fee scale must be published by 30 November 2022 and cannot be amended after that date. Any subsequent changes in national requirements or local circumstances relating to the 2022/23 audits will therefore be the subject of fee variations.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA will consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

8. Directory of Auditor Appointments from 2023/24 – December 2022

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The Board agreed the appointments at its meeting on 16 December 2022.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

9. PSAA announces the number of audit opinions completed for the 2021/22 audits – December 2022

This year's position on delayed audit opinions underscores the scale of the huge challenge that local audit is facing. At the publishing date of 30 November 2022, only 12% of local government bodies' 2021/22 audit opinions have been given. Although this is slightly higher than last year's 9%, this year's publishing date is two months later than the 30 September target for delivery of 2020/21 opinions.

The table below highlights a comparison with previous years.

Year of Account	Publishing Date	Opinions given at the publishing date
2021/22	30 November 2022	12%
2020/21	30 September 2021	9%
2019/20	30 November 2020	45%
2018/19	31 July 2019	57%

What makes the latest position increasingly alarming is that more than 220 opinions from prior years remain outstanding. As opinions have been given at fewer than 60 bodies for 2021/22, this means that a total of more than 630 opinions are currently late. This year the position has been made more difficult by uncertainties concerning the valuation of infrastructure assets, adding to significant ongoing challenges of recruiting and retaining sufficient staff with the requisite knowledge, skills and experience to both prepare and audit the accounts to the required standard.

<https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

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