

Audit Progress Report

Trafford Metropolitan Borough Council

February 2023



1. Audit Progress
2. National Publications
3. Revised ISA 315

01

Section 01:
Audit Progress

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Council's whole of government accounts (WGA) return. We are waiting the NAO to clarify whether they require any work to be carried out on the Council's WGA return.

2021/22 financial statements audit

The 2021/22 audit is progressing as expected with a substantial number of areas are near completion.

The resolution to the sector-wide accounting issue on infrastructure assets has progressed. Government published a statutory override which came into effect at the end of December 2022. CIPFA published their update to the Code of Practice in early January 2023. Once the Council has considered this guidance, additional work will be required by the finance team to determine the adjustments needed to the accounts. Once this is provided, we will carry out our audit work in order to conclude on this area

The timing of the completion of our audit, and our reporting back to members is being discussed with Finance team and will depend on resolution of the accounting for infrastructure assets.

2021/22 work on the Council's arrangements to deliver value for money

We plan to complete and report our VFM arrangements work for 2021/22 shortly after providing our audit opinion on the 2021/22 Accounts (noting that the National Audit Office requires us to report our VFM work within three months of the audit report on the financial statements).

2022/23 audit

We will commence our planning for the audit of the 2022/23 financial statements and value for money arrangements at the conclusion of the 2021/22 audit. We highlight for the Audit Committee a change to an auditing standard (known as ISA 315) which applies from 2022/23. We have included, at section 3 of this report, a summary of the changes and the expected impact on our audit work. We will liaise with the finance team and will include further details in our formal 2022/23 audit reports.

02

Section 02:

National Publications

National publications

| | Publication/update | Key points |
|---|---|---|
| Department for Levelling Up, Housing & Communities (DLUHC) | | |
| 1 | Dedicated Schools Grant (DSG) – Extension of statutory override | Confirmation of the extension of the period for which the statutory override is applicable. |
| 2 | IFRS9 – Extension of the statutory override | Confirmation of the extension of the period for which the statutory override will be extended. |
| National Audit Office (NAO) | | |
| 3 | Departmental Overview 2021-22: Department for Levelling Up, Housing & Communities | overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021-22. |
| Chartered Institute of Public Finance and Accountability (CIPFA) | | |
| 4 | Insourcing in the Public Sector: A Practical Guide (2022 edition) | Guidance for practitioners |
| Public Sector Audit Appointments Ltd | | |
| 5 | Directory of Auditor Appointments from 2023/24 | Auditor appointments for PSAA opted-in bodies |
| 6 | Publication of the 2022/23 fee scale | External audit fees for 2022/23 |

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing & Communities (DLUHC)

1. Dedicated Schools Grant (DSG) – Extension of statutory override

Confirmation has been received that, as part of the government's local government finance policy statement 2023-24 to 2024-25, the Statutory Override for the Dedicated Schools Grant for will be extended for a further three years from 2023-24 to 2025-26..

[Local government finance policy statement 2023-24 to 2024-25 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policy-statements/local-government-finance-policy-statement-2023-24-to-2024-25)

2. IFRS9 – Extension of the statutory override

In December 2022, DLUHC wrote to local authorities informing them that, following a consultation process run between August and October 2022, ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025.

This statutory override mitigates the impact of fair value movements of pooled investment funds. .

DLUHC intend to publish the full government response in early 2023.

[https://www.gov.uk/government/consultations/future-of-the-ifs-9-statutory-override-mitigating-the-impact-of-fair-value-movements-of-pooled-investment-funds\)](https://www.gov.uk/government/consultations/future-of-the-ifs-9-statutory-override-mitigating-the-impact-of-fair-value-movements-of-pooled-investment-funds)

NATIONAL PUBLICATIONS

National Audit Office

3. Departmental Overview 2021-22: Department for Levelling Up, Housing & Communities

This publication provides 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.

This 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

CIPFA

4. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Directory of Auditor Appointments from 2023/24, January 2023

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The PSAA Board agreed the appointments at its meeting on 16 December 2022. Mazars will continue as the Council's external auditor from 2023/24.

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

6. 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 Council's scale fee for 2022/23 is £125,673.

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 intend to consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psa.co.uk/2022/11/news-release-publication-of-the-2022-23-fee-scale/>

03

Section 03:

Revised ISA315

Revised ISA 315

Revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

(Effective for audits of financial statements for periods beginning on or after December 15, 2021)

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your 2022/23 audit are outlined below:

- **Enhanced risk identification and assessment**

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the “spectrum of inherent risk”, at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

The standard also increases the focus on auditors identifying the assertions where the inherent risk lays. For clarity, we include a table of assertions:

| | |
|---------------------------|---|
| Completeness | Is the balance complete? |
| Accuracy & valuation | Are transactions accurately recorded and assets and liabilities appropriately measured? |
| Classification | Is the balance classified correctly? |
| Occurrence | Did the transaction occur? |
| Existence | Does the item exist? |
| Rights & obligations | Does the entity own the item? |
| Cut-off | Is the item recorded in the correct financial year? |
| Presentation & disclosure | Is the item presented in the accounts appropriately? |

- **Greater emphasis on IT**

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity’s IT environment to better understand the possible risks within an entity’s information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

Revised ISA 315

- **Increased focus on controls**

Off the back of the emphasis for auditors to gain a greater understanding of the IT environment, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

Impact on the audit of the Council

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment and at this stage are not aware of any significant changes. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

Contact

Mazars

Partner: Karen Murray

Email: karen.murray@mazars.co.uk

Senior Manager: Muhammad Uzair Khan

Email: muhammad-uzair.khan@mazars.co.uk

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.

*where permitted under applicable country laws.

www.mazars.com

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars