

# Audit Progress Report

Trafford Metropolitan Borough Council

Accounts and Audit Committee

21 June 2023



1. Audit Progress and Audit Planning
2. National publications

# 01

## Section 01: **Audit Progress and Audit Planning**

# Audit progress

## Purpose of this report

This report provides the Accounts and Audit Committee's 21 June 2023 meeting with an update on the status of the 2021/22 and 2022/23 audits

It also includes, at Section 2, a summary of recent national reports and publications for your information.

## 2021/22 Audit

The position on the key elements of the 2021/22 audit is summarised below.

### *Financial Statements audit*

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

We are currently completing our work on the Council's valuations of property, plant and equipment and investment properties. This includes dealing with responses to the queries we have raised with your finance team and valuer.

In our previous external audit progress report we highlighted a national accounting issue in relation to infrastructure assets, which could not be progressed at that time of our report until the CIPFA and Department for Levelling Up, Housing and Communities (DLUHC) had resolved the expected accounting treatment and issued relevant guidance to Councils. The guidance was issued on 11 January 2023 and we have liaised with your finance team to determine the impact on the Council's financial statements.

We are satisfied that, the Infrastructure balances and transactions are not materially misstated.

# Audit progress – 2021/22 Audit

## ***Financial Statements audit (continued....)***

Since the date of the Committee's last meeting a further national issue has emerged which is relevant to the 2021/22 draft financial statements. Actuaries carrying out the Pension Fund triennial valuations have informed the Council that their work in updating membership and other assumptions has resulted in material changes to the 31 March 2022 valuation reports used to prepare the 2021/22 draft financial statements. Following the receipt of updated guidance from CIPFA on this matter, the Council needs to obtain an updated IAS19 report from the Actuary in order to assess the impact on the Council's 2021/22 accounts.

We will update the Committee at the next meeting on the current position and report the results of our work in our Audit Completion Report which we will issue at the conclusion of the audit.

## ***Value for Money arrangements***

We plan to complete and report our VFM arrangements work alongside our audit opinion on the 2021/22 accounts.

## ***Whole of Government Accounts (WGA) work***

Our work in relation to whole of the government accounts (WGA) also remains outstanding.

We will complete this once the audit of the financial statements can be concluded.

# Audit progress – 2022/23 Audit

## 2022/23 Audit

Professional standards and PSAA requirements mean we need to rotate your engagement lead. We intend to make this change for the 2022/23 audit and Alastair Newall, Director in our Manchester office, will assume responsibility.

Alastair has over 25 years of public sector audit experience and is registered as a Key Audit Partner in line with requirements of the Local Audit & Accountability Act.

Audit planning will commence as soon as we conclude the work on the 2021/22 accounts. We expect to present an Audit Strategy Memorandum to your Committee in September 2023. This will include the detailed timetable for the delivery of our work which we will agree with your team.

# 02

## Section 02: **National publications**

# National publications

Publication/update		Key points
<b>National Audit Office (NAO)</b>		
1	Good practice in annual reporting	The NAO published an interactive guide that provides examples of good practice in annual reporting.
2	Tackling Fraud and Corruption in Government	This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.
3	Digital Transformation	This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems.
<b>Department for Levelling Up, Housing and Communities</b>		
4	Department consultation – public inspection of Category 1 authority accounts 2022/23	The Department for Levelling Up, Housing & Communities (DLUHC) is requesting views on the current deadline for category 1 authorities to make their draft accounts available for public inspection.
5	Levelling up enquiry on Local Audit	The Levelling Up, Housing and Communities Committee has launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings.
<b>Other</b>		
6	ICAEW Vision for Local Audit	The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).

# NATIONAL PUBLICATIONS

## National Audit Office

### 1. Good practice in Annual Reporting – February 2023

The NAO has published an [interactive guide](#) that provides examples of good practice in annual reporting, drawing on examples from the public sector and other organisations shortlisted for the Building Public Trust Awards, which recognise trust and transparency in corporate reporting.

The guide draws on examples of good practice for annual reporting from organisations who are leading the way in this area. These examples are grouped by the sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

It also provides further examples where bodies have made their reports easier to understand with the use of graphics, clear and accessible language and signposting. The list is not definitive, but the NAO hopes it provides ideas for all bodies in both the public and private sector to think about as they plan their annual reporting for 2022-23.

# NATIONAL PUBLICATIONS

## National Audit Office

### 2. Tackling Fraud and Corruption against Government – March 2023

Since the start of the COVID-19 pandemic, government has recorded a higher level of fraud in the accounts we audit. This reflects the nature of the government's response to the pandemic, including the rapid implementation of large new spending and loan programmes that came with an unusually high risk of fraud.

This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.

The report follows NAO previous work which found government did not have a good understanding of fraud before the pandemic. In NAO's 2016 Fraud landscape review, they found a large disparity between the level of fraud and error that the UK government reports and the level reported in other countries and the private sector. NAO also found there were few incentives for departments to record and report the true scale of potential fraud; a lack of data or metrics to evaluate performance in detecting and preventing fraud; and mixed capability across departments to tackle fraud.

The report can be found at the following link:

<https://www.nao.org.uk/reports/tackling-fraud-and-corruption-against-government/>

### 3. Digital Transformation in Government – Addressing the Barriers - March 2023

This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems. NAO focus on the approach to transforming government, how the Central Digital and Data Office, its Roadmap and departmental leaders will support and promote this, and whether senior business leaders across government have a suitable level of digital capability.

The report can be found at the following link:

<https://www.nao.org.uk/reports/digital-transformation-in-government-addressing-the-barriers/>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 4. Department Consultation on public inspection of Category 1 authority accounts 2022/23 – February 2023

In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements about when accounts must be made available for public inspection for the 2020/21 and 2021/22 accounts, and provided that the period for the exercise of public rights needed to commence on or before the first working day in August in the following financial year.

For 2022/23, the statutory requirement for category 1 authorities is to make accounts available for public inspection for a period that includes the first 10 working days of June, effectively requiring them to be published by 31 May at the latest.

The Government is minded for this deadline to remain in place, but is interested in hearing stakeholders views via a short consultation.

<https://consult.levellingup.gov.uk/redmond-response-team/request-for-views-draft-accounts-deadline/>

### 5. Levelling Up Committee launches inquiry on local audit – March 2023

The Levelling Up, Housing and Communities Committee has launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings.

The inquiry will scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority.

The inquiry is also likely to explore how local authority financial reporting could be made more accessible, the role of local audits in acting as ‘red flag’ for action by councils to address financial issues, and how auditors in local government could work together to share best practice.

The Committee welcomes written evidence on the terms of reference, which fall under the following headings:

- Users and uses of local authority accounts and audit
- Understandability and accessibility of local authority accounts and audit
- Making local authority accounts meet the needs of users better
- Addressing findings in audits and sharing best practice

<https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/news/186485/levelling-up-committee-launches-inquiry-on-local-audit/>

# NATIONAL PUBLICATIONS

## ICAEW

### 6. ICAEW Publishes its Vision for Local Audit – March 2023

The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).

The ICAEW welcomes the MoU, which covers the role of the ‘shadow’ system leader for local audit pending the establishment of the Audit, Reporting and Governance Authority (ARGA). The ICAEW also believes more needs to be done urgently if the local financial reporting and audit crisis is to be resolved.

The ICAEW's vision for local audit is designed to prompt discussion, identifying a series of challenges the ICAEW believes need to be overcome, and actions it supports to address those challenges. These are grouped into the following areas:

- Improve financial reporting to enhance transparency and accountability
- Deliver high-quality local audits on a timely basis
- Strengthen financial management and governance
- Reform finances to ensure value for money and protect the public interest
- Build a thriving profession that is highly valued

<https://www.icaew.com/insights/viewpoints-on-the-news/2023/mar-2023/ICAEW-publishes-its-vision-for-local-audit>

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