



Audit Progress Report

Stockton-on-Tees Borough Council 2023-24

July 2024

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01

Audit progress

Audit progress

Purpose of this report

To provide an update on progress of the Council's 2023-24 audit. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO).

Update on the 2023/24 Financial Statements Audit

From the beginning of the 2023/24 audit, James Collins has taken on the role as the new Engagement Lead from Gavin Barker. Nora Natova will be the Audit Manager, replacing Cath Andrew. David Hurworth will continue to be the Team Lead for the audit.

We have started our preliminary planning for the 2023/24 audit. On page 6, we have set out a broad timetable for your 2023/24 audit.

We will present our Audit Strategy Memorandum 2023/24 to the next meeting of the Audit and Governance Committee in September 2024. At this stage, we do not anticipate significant changes to the overall risk profile, or audit approach since the 2022/23, based on initial inquiries of management.

We are working towards completing most of our work, except for pensions, and produce an Audit Completion Report for the November 2024 Audit and Governance Committee. A follow-up letter will be issued to report on any findings subsequently to this, due to the required assurances needed from the Pension Fund auditor which are not expected to come through in time for audit completion in November 2024. We anticipate that the receipt of those will come through into the new year (January/ February 2025) at which point we will be able to conclude the audit.

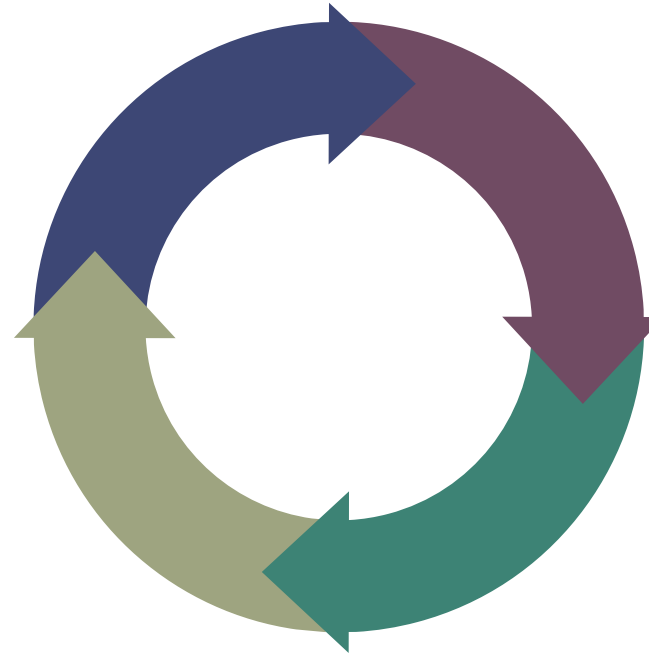
Audit timeline

Our audit will be planned and performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view.

The timeline for the 2023/24 audit is set out below. We will update the Audit and Governance Committee if these timescales change over the course of the audit.

Planning and Risk Assessment (July- August 2024)

- Planning visit and developing our understanding of the Council
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality
- Documenting systems and controls
- Performing walkthroughs
- Initial assessment of VFM arrangements



Fieldwork (August- November 2024)

- Reassessment of audit plan and revision if necessary
- Reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high-risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Ongoing review of VFM arrangements
- Clearance meeting

Completion (November 2024/ January-February 2025)*

- Final review and disclosure checklist of financial statements
- Final engagement lead review and internal quality reviews
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Issuing the Auditor's Annual Report
- Signing the independent auditor's report

* Expected timing for the receipt of Pension Fund auditor assurance

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National Publications

National Publications

	Publication/update	Key points
National Audit Office		
1	Overcoming challenges to managing risks in government, December 2023	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, February 2024	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, February 2024	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, March 2024	The NAO has completed its audit of the Whole of Government Accounts 2021-22.
5	NAO report: Use of artificial intelligence in government, March 2024	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, April 2024	Statutory guidance on the Minimum Revenue Provision.

National Publications

	Publication/update	Key points
CIPFA		
7	Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024	Code of Practice for 2024/25 financial statements.
8	IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023	Guidance for Local Authorities in implementing IFRS16, lease accounting.
Other		
9	HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft, December 2023	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.
10	Office for Local Government (Oflog): consultation on draft Corporate Plan 2024 to 2027, February 2024	Consultation on corporate plan for the new Office for Local Government.
11	FRC report on the quality of major local audits, December 2023	Annual report from FRC inspections of local audits.

National Publications

NAO Publications

1. NAO Insight: Overcoming challenges to managing risks in government, December 2023

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, February 2024

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, February 2024

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, March 2024

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/>

National Publications

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, April 2024

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>

National Publications

CIPFA Publications

7. Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024

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>

8. IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023

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>

National Publications

Other Publications

9. HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft (ED) 23/01 Treasury consultation: Non-investment Asset Valuation

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)

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

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>

National Publications

Other Publications Continued

11. FRC report on the quality of major local audits, December 2023

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](#)



Forvis Mazars in numbers

Our specialist public and social sector team provides distinctive audit and advisory services across six sectors:

- Local government
- Central government
- Health (NHS)
- Education
- Social housing
- Charities

The team is one of the largest and most successful in the market, working with over 1000 public services clients nationally. We help these organisations to navigate their specific challenges and find better ways of working – whether it be through assurance, governance and risk, cyber security, sustainability, forensics, investigations, consulting or outsourcing.

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Appointments to English Local Authorities

2023/24 PSAA Contract

8

Centres of excellence across England and Scotland

Public services is a key strategic market for Forvis Mazars and effective local audit is a fundamental part of the local accountability framework. We recognise the responsibilities and value we provide to our clients, local taxpayers and the general public.

140+

Public Sector External Audit Specialists

12

Key Audit Partners



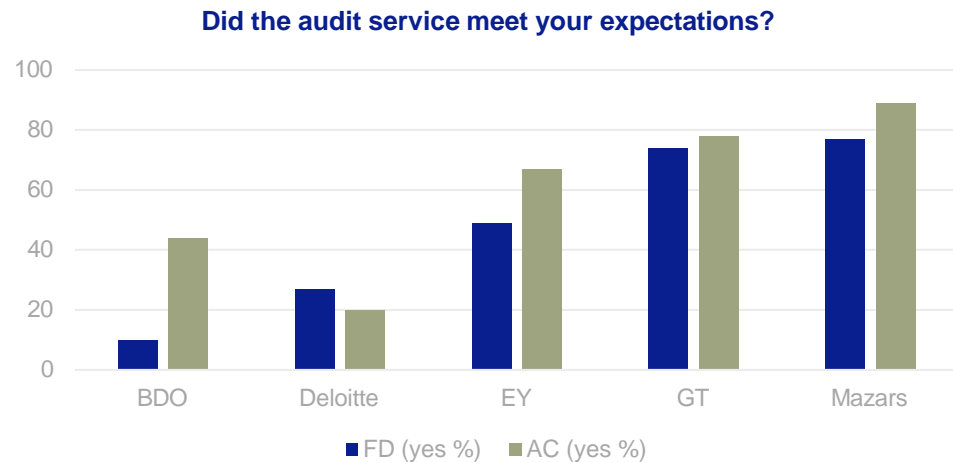
PSAA quality of audit services feedback survey

In August 2023 Public Sector Auditor Appointments Ltd (PSAA) published its fourth annual report on feedback from Finance Directors and Audit Committee Chairs of local authorities on their satisfaction with the audit services provided by local auditors.

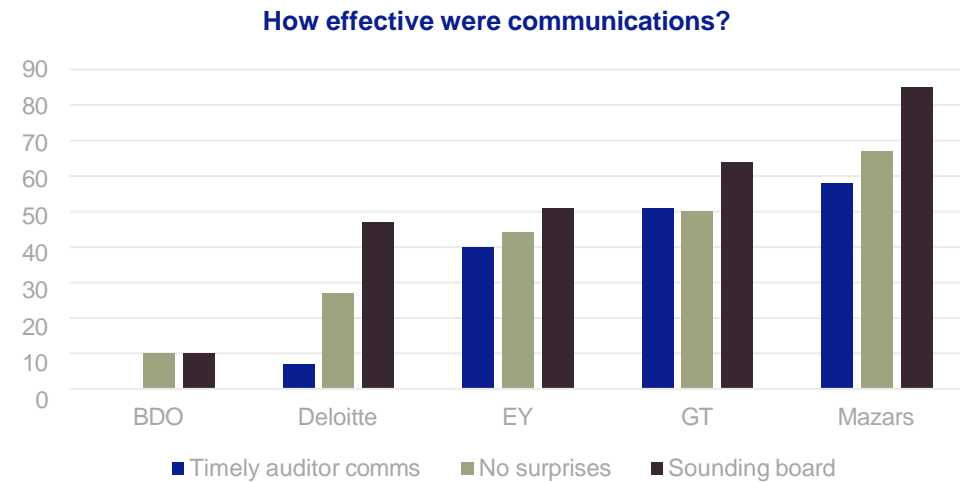
You can view the full PSAA report at [PSAA-Quality-of-Audit-Services-2021-22-feedback-survey.pdf](#)

We include on the next slides 4 key focus areas from the report.

Focus area 1 - To what extent did the audit service meet your expectations?



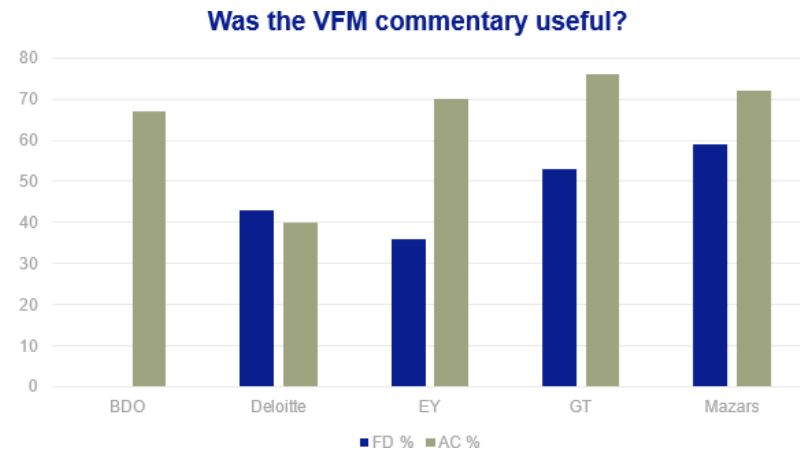
Focus area 2 - To what extent did your auditor provide effective and timely communications? Were the communications timely, with no surprises and was the auditor approachable as a sounding board?



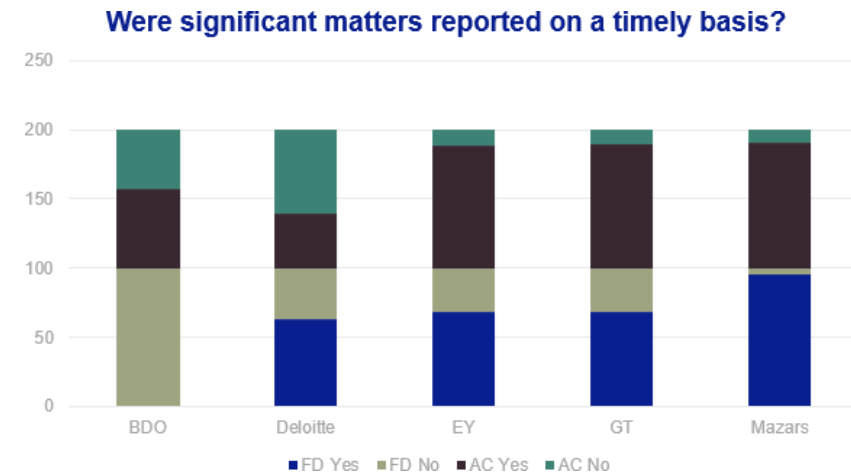


PSAA quality of audit services feedback survey continued

Focus area 3 - How useful did you find the auditor's VFM Commentary (fairly and very useful responses)?



Focus area 4 – Where significant concerns and weaknesses were identified, were these reported on a timely basis – yes or no?





Public Sector Insights

Click [here](#) to find and subscribe to our public and social sector articles. Or copy and paste this link: [Mazars - Public and social sector articles of interest - Forvis Mazars - United Kingdom](#):



Recruitment crisis in the public sector

Insights from over 170 individuals across the UK public and social sector highlighted that the UK is on the cusp of a recruitment and retention crisis. Amid ongoing social and economic instability, how can we improve efforts to support our public sector workforce and effectively attract new talent?



Fiscal Pressure and inflation challenges

Over 300 individuals from across the UK public and social sector told us that the UK is at a critical juncture. Amid ongoing social and economic turmoil, decisive action is needed now to support those most in need.



Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.

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