

Audit Progress Report

Rossendale Borough Council

Audit and Accounts Committee July 2023



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01

Section 01:

Audit progress

1. Audit progress

Purpose of this report

This report provides the July 2023 Audit and Accounts Committee meeting with an update on progress, since we last reported to the Committee in March 2023 in delivering our responsibilities as your external auditors. It also includes, at Section 3, a summary of recent national reports and publications for your information.

2018/19 Audit

Financial Statements audit

At the March 2023 Committee we presented our Audit Strategy Memorandum for the 2018/19 external audit. Our fieldwork commenced earlier this year and we were able to progress a number of audit areas. The audit team carried out on site visits over a number of weeks, have established good working relationships with the finance team, and the finance team have supported our audit progress.

Following discussions with the Chief Finance Officer in April and May, the finance team have shifted their focus to produce the Council's unpublished financial statements for 2021/22 and 2022/23. Consequently we have agreed with management to pause our audit work for 2018/19 to enable the finance team to focus on producing those financial statements, acknowledging the capacity constraints of the Council's finance team. We are in regular contact with the Chief Finance Officer and will plan to recommence our audit of 2018/19 once all the outstanding accounts have been produced.

We have carried out a detailed review of the draft 2018/19 financial statements and the finance team are currently working through their responses to our queries and producing a revised set of accounts. The key issues raised to date are:

- Investment property valuations – Investment properties are required to be held at fair value, the draft accounts indicate that they may not be.
- Property, Plant and Equipment valuations – During our preliminary checks we identified a number of land assets held at nil on the balance sheet. Land is required to be held at current value.
- Lease disclosures – The Council is currently producing a revised disclosure note that is compliant with the CIPFA Code.
- Related party transactions – We have noted that there are transactions with a related party, RTB Partnership Ltd, we are currently in the process of ascertaining the value and nature of these with management.

1. Audit progress

Value for Money arrangements

We have commenced our work on the Council's value for money arrangements and have requested initial information in order to progress this work. We are currently awaiting responses and will report back to future committee meetings with our reporting commentary and any recommendations.

As reported on the previous page, the Council have yet to publish its statements of accounts for 2021/22 and 2022/23. The Council now has a plan to progress these and publish them during 2023. A key element of delivering the Council's financial responsibilities is to publish its annual financial statements promptly after the year end.

In our view having the outstanding unpublished accounts is evidence that historically the Council has not had adequate arrangements in place to deliver its financial reporting responsibilities. We are pleased that the Council is now addressing this matter, and consequently have not raised any specific recommendations to address the historic weakness in arrangements. We will continue to monitor the Council's progress and will take this progress into consideration when reporting the outcome of our value for money arrangements work.

02

Section 02:

**Fiscal pressure & inflation challenges
for the public & social sector – our
2023/24 survey**

Fiscal pressure & inflation challenges for the public & social sector – our 23/24 survey

Purpose

We initiated a report specifically looking into what the public sectors response is to fiscal pressures and inflation, whether Local Authorities are able to deliver support where it is most needed and how the public sector is redefining essential services. This is against the backdrop of the significant inflationary pressures the UK faces and the current cost of living crisis.

Key findings

- **Supporting vulnerable communities is a public & social sector imperative** – The public & social sector is taking proactive steps to strengthen support an service delivery to deprived communities but more could and should be done to safeguard vulnerable citizens.
- **Innovation and collaboration are key enablers in the fight against financial constraints** – As the public & social sector moves to meet rising demand with renewed vigour, innovation and collaboration will play a bigger role in helping those in poverty.
- **The public & social sector must redefine its place in an evolving economic landscape** – Many service providers are still thinking short-term, providers need to ensure that public services are future fit and remain relevant to emerging priorities over the next 12-24 months.

Our full report can be downloaded in full from our website

<https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights/Fiscal-pressure-and-inflation-challenges>

03

Section 03:

National publications

National publications

	Publication/update	Key points
Key issues		
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
National Audit Office (NAO)		
2	Good practice in annual reporting	The NAO published an interactive guide that provides examples of good practice in annual reporting.
3	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.
4	Digital Transformation	This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems.
Department for Levelling Up, Housing and Communities		
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.
Other		
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

Chartered Institute of Public Finance and Accountancy (CIPFA)

1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

CIPFA Bulletin 13 – Local Authority Reserves and Balances (March 2023). This provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances. The bulletin largely updates guidance in previous bulletins.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-13-local-authority-reserves-and-balances>

CIPFA Bulletin 14 – Closure of the 2022/23 Financial Statements (March 2023). The annual year-end accounting bulletin provides updates on key issues and includes sections on:

- Grant recognition and presentation
- Subsequent measurement of property, plant and equipment and investment properties
- Other capital accounting issues – capital financing requirement (CFR) and minimum revenue provision
- Reporting impacts of inflation and high interest rates – financial statements
- Final triennial valuation statements received by pension fund account preparers – 2021/22 issue
- Narrative report and recent economic activity
- Accounting standards that have been issued but not yet adopted and IFRS 16 Leases mandatory implementation as of 1 April 2024 (and other IFRS 16 issues)

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-closure-of-the-202223-financial-statements>

CIPFA Bulletin 14 – Supplement on The Triennial Valuation and IAS19 Reporting (May 2023). This supplementary guidance covers the impact of the triennial valuation statements received for pension funds on IAS 19 Employee Benefits Reporting. It affects the 2021/22 financial statements.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-supplement-the-triennial-valuation-and-ias-19-reporting>

NATIONAL PUBLICATIONS

National Audit Office

2. 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

3. 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/>

4. 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/>

Department for Levelling Up, Housing and Communities

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.

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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