

North East Derbyshire District Council

External Audit Progress Report

15 April 2024



Contents

- 01** Engagement and responsibilities summary
- 02** Status of the 2022/23 audit
- 03** Value for money
- A** Appendix A – Insights and publications
- Appendix B – Consultations on measures to tackle the local government financial reporting and audit backlog

This document is to be regarded as confidential to North East Derbyshire Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. Engagement and responsibilities summary

Overview engagement responsibilities

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Governance Scrutiny Committee, as those charged with governance, of their responsibilities.

The Section 151 is responsible for the assessment of North East Derbyshire District Council's ability to continue as a going concern.

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of Section 151's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North East Derbyshire District Council's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting

We report to the NAO on the consistency of the Council's financial statement with its Whole Government Accounts (WGA) submission. The 2014 Act requires us to give an elector, or any representative of the elector the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Value for money

We are also responsible for forming a commentary on the arrangements that the Trust has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

2. Status of the 2022/23 audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters at time of drafting this report detailed below.

Audit area	Description of the outstanding matters	As at January 2024	As at April 2024
Land, Buildings and Investment properties	Evidence supporting the values disclosed in the accounts is yet to be reviewed, further queries may arise from this.	Post review of evidence, further queries were raised to the management and valuer which are currently under review	Completed
Pensions	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Derbyshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required	No changes	Completed – Misstatement raised to be added in the ACR Follow up letter
Expenditure testing	We have a small number of tests to complete, including on Housing Benefits.	Completed	Completed
Group accounts	We have some outstanding audit procedures on the group accounts	Bulk of the work is now completed with review procedures outstanding.	Awaiting actuary's calculations of asset ceiling for RHL
Investments	Enquiries have been made to management regarding the reporting of interest in other bodies. –.	This query has since been resolved	Completed
Whole Government Accounts	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 14.	No changes	No Changes
Housing Revenue Account and Collection Fund	Work in this area is ongoing	Bulk of the work is now completed with review procedures outstanding.	Completed
Evidence, review and evaluation	Including debtors	Completed	Completed
Audit Quality Control and other Completion Procedures including the Disclosure Checklist	Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including review of revised financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.		



3. Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Matters under review

Throughout the year, we stay alert to any matters that may be relevant to our work, which at the point of drafting this report includes:

- The Council's financial position, including progress in delivering cost efficiencies and stay within budget..
- The development of the Council's budget for 2024/25 and its updated medium term financial strategy, including the extent of reliance on capital flexibilities to balance the budget.
- Reports from regulators,
- Any specific local issues .



Appendix A: Insights and publications

Public and Social Sector Insights

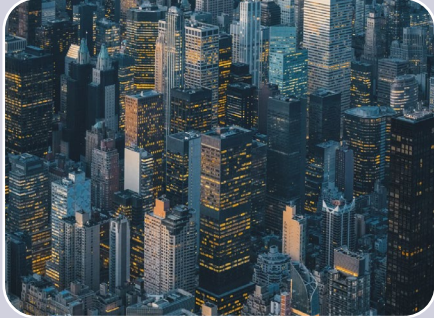
Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles (or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>).



Beyond efficiency: what's left for local government?
Today, the financial stability of local authorities is no longer guaranteed, placing public services and employment increasingly at risk. All of which means: it's time to take action.
Based on survey data, the 'Beyond efficiency report' looks to understand Councils' approaches to financial sustainability and risk



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.



Why culture is critical to local government
The extent to which an organisation's culture supports the execution of its strategy, the management of risk and the treatment of its service users is increasingly under the spotlight, and weaknesses in culture are now frequently blamed for failings in these areas.

National publications

Publication / Update	Key points	Link
National Audit Office (NAO)		
NAO report – Government Resilience: Extreme Weather 5 December 2023	The NAO has published its report Government Resilience: Extreme Weather which examines how well-prepared the country is for future extreme weather events	Government resilience: extreme weather - NAO report
NAO Departmental overview: Department for Work and Pensions 2022-23 – 5 December 2023	The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. overview summarises information and insights gained from the NAO’s examinations of DWP and related bodies and DWP’s annual report and accounts.	Department for Work and Pensions 2022-23 - NAO overview
NAO insight: Good practice in annual reporting – 19 February 2024	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting that includes 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
Whistleblowing in the civil service - 21 February 2024	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.	Whistleblowing in the civil service - NAO insight
NAO good practice - Digital transformation in government: a guide for senior leaders and audit and risk committees 27 February 2024	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.	Digital transformation in government: a guide for senior leaders and audit and risk committees - NAO insight
Chartered Institute of Finance and Accountancy (CIPFA) and Department for Levelling Up, Housing and Communities (DLUHC)		
Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - 21 December 2023	DLUHC is consulting on the statutory guidance and final form of the Minimum Revenue Provision Regulations. The deadline for responses was 16 February.	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space
Consultation on the Code of Practice on Local Authority Financial Reporting in the United Kingdom short term England-only measures to aid the recovery of local authority reporting and audit – 29 February 2024	CIPFA has launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA LASAAC decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing: > An option to simplify measurement of operational property plant and equipment using specified indexation, and > Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.	Consultation on short term England only measures in the Code CIPFA

Appendix B: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

CIPFA/LASAAC consultation on short-term measures to aid the recovery of local authority reporting and audit

This consultation proposes amendments to the Code of Practice on Local Authority Accounting (the Accounting Code), applicable only to relevant bodies in England. The proposals are to:

- Extend the current temporary solution for accounting for infrastructure assets beyond 2024/25;
- Remove some disclosure requirements relating to a body's net defined benefit liabilities / assets; and
- Simplify the measurement for operational property, plant and equipment in specific circumstances up to 2025/26.

DLUHC consultation on addressing the local audit backlog in England

This consultation proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been

met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and
- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This consultation has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Contact

Mazars

The Corner

Newcastle

NE1 1DF

Follow us:

LinkedIn:

www.linkedin.com/company/mazars-in-the-uk/

Twitter:

www.twitter.com/Mazars_UK

Facebook:

www.facebook.com/MazarsintheUK/

Instagram:

www.instagram.com/mazarsintheuk/

WeChat:

ID: Mazars

Find out more at www.mazars.co.uk

© Mazars 2023

mazars