

# External audit progress report

## Northumberland County Council

Audit Committee  
September 2022



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# 01

Section 01:

**Audit progress**

# Audit progress

## Purpose of this report

This report provides the Committee's September 2022 meeting with:

- an update in respect of 2019/20 value for money (VFM) work;
- an update in respect of 2020/21 remaining audit work;
- an update in respect of 2021/22 audit work; and
- a summary of recent relevant reports and publications for your information (Section 2).

## 2019/20 audit work

Our conclusions in respect of the Council's value for money (VFM) arrangements remain outstanding for the 2019/20 financial year; this, along with the 2020/21 Value for Money work, will be informed by completion of the matters outstanding relevant to the 2021/22 opinion, as detailed below.

## 2020/21 audit work

Fieldwork in respect of the 2020/21 financial statements is largely complete; there are a small number of areas remaining, as summarised in the table overleaf, which provides an update on areas marked as 'on-going' in our previous progress report to the May 2022 Committee.

We highlight also that the 2020/21 opinion (and certificate) cannot be signed off until the national infrastructure issue, impacting on most highways local authorities, is resolved. To-date this has not yet been resolved. An update on the infrastructure national issue is provided in Section 2 of this report.

Linked to this, our responsibilities in respect of the Council's Whole of Government Accounts return, which we report on to the National Audit Office (NAO), remain outstanding; the national deadline for this has been extended (for all councils) to the end of September 2022, due to delays in the NAO issuing group audit instructions.

Our responsibilities to report on the Council's VFM arrangements remain outstanding, linked to the outstanding financial statements opinion areas referenced above.

Whilst we appreciate the elapsed time, we would highlight the significant matters that have arisen and been reported on in May 2022, which we are required to consider as part of our audit responsibilities. We will endeavour to resolve these as soon as possible and continue to work closely with the Council.

## 2021/22 audit work

We anticipate bringing our 2021/22 Audit Strategy Memorandum to this Committee. We have arrangements in place to begin our fieldwork for the 2021/22 financial statements in late September/early October 2022.

# Audit progress

This table sets out progress on the 2020/21 financial statements audit:

Area	Status	Material misstatement / issue?	Comments
Senior officers' remuneration	Final stages	Yes	Work is almost complete; we have considered the impact of the s151 officer report and also the wider corporate governance review and the impact on our auditor's opinion for 2020/21. This involved consultation with our internal quality and technical team. Material misstatement as a result of the senior officer's allowance.
Exit packages	On-going	TBC	Our work is not yet complete. We will consider the outcome of the s151 officer's review of exit packages, as referenced in her report of May 2022, once available.
Group accounts	Final stages	Yes	Work is almost complete; a small amount of additional work was required at the Group level to ensure we had sufficient, appropriate assurance over Advance Property, Plant and Equipment. This is shown as on-going, however, we do not anticipate this will have any impact on the timing of completion of the work. Misstatement reported previously, arising from classification of reserves, with no net impact.
AGS 2020/21	On-going	-	We would highlight the requirement for the Council to ensure that the Annual Governance Statement (AGS) covers the period up to and including when the opinion on the 2020/21 financial statements are signed, therefore, further work may be required, depending on any changes to the AGS. We will review the final AGS once it is available.
Post balance sheet events & closure procedures	-	-	Upon completion of outstanding matters, we will carry out our final closing procedures, which will include consideration of any post balance sheet events and a final check of the revised financial statements, including any updated disclosures impacting on the senior officers' remuneration and exit packages disclosures, as well as the revised Annual Governance Statement. Final technical team review will also be required of the financial statements.
Value for money	On-going	-	As we have not reported yet on the 2019/20 value for money conclusion, we cannot conclude our work in respect of the 2020/21 value for money requirements. Our conclusions for both years will be informed by our consideration of the outcomes of the corporate governance review undertaken in May 2022.

# 02

Section 02:

**National publications**

# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
1.	<b>Updated statement on the outcomes of its consultation on infrastructure asset reporting issues, 27 July 2022</b>	Provides an update, however, does not set out any definitive conclusion to the complex technical accounting issue highlighted in the earlier CIPFA consultation. Possible continued impact on audits as a result.
<b>Department of Levelling up and Communities</b>		
2.	<b>Creation of the Audit Reporting and Governance Authority</b>	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
<b>National Audit Office (NAO)</b>		
3.	<b>Whole of Government Accounts 2019/20, June 2022</b>	Qualified opinion again, due to issues around the accounting boundary and a number of other issues.

# NATIONAL PUBLICATIONS

## CIPFA

### 1. Updated statement on the outcomes of its consultation on infrastructure asset reporting issues, 27 July 2022

CIPFA LASAAC issued its Urgent consultation on temporary changes to the code to resolve infrastructure assets reporting issues on 12 May 2022, which closed on 14 June 2022.

This provides stakeholders with an update, however, does not set out any definitive conclusion to the complex technical accounting issue highlighted in the earlier consultation.

<https://www.cipfa.org/policy-and-guidance/cipfa-lasaac-local-authority-code-board>

The earlier consultation exercise set out issues raised in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. The issue arises principally because of information availability relating to these assets and the difficulty of generating information which is both useful and meets the needs of accounting standards. There are also related issues for the reporting of gross historical cost and accumulated depreciation.

<https://www.cipfa.org/policy-and-guidance/consultations-archive/urgent-consultation-on-temporary-changes-to-the-code>

Mazars is liaising with the National Audit Office and other audit firms via the national technical group and will keep this area under close review.



# NATIONAL PUBLICATIONS

## DHLUC

### 2. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

# NATIONAL PUBLICATIONS

## National Audit Office

### 3. Whole of Government Accounts 2019/20, June 2022

The Whole of Government Accounts (WGA) consolidates the accounts of central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

<https://www.nao.org.uk/reports/whole-of-government-accounts-2019-20/>

The auditor's report and certificate highlights the WGA for 2019/20 have been again qualified, arising from:

- disagreements on the identification and application of the accounting boundary;
- inconsistent application of accounting policies;
- qualified audit opinions of underlying statutory bodies included in the WGA;
- disagreements in respect of the consolidation of components with non-coterminous year-ends; and
- limitation of scope in respect of components whose accounts have not been audited,

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1080609/Whole\\_of\\_Government\\_Accounts\\_2019-20.pdf#page=207](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1080609/Whole_of_Government_Accounts_2019-20.pdf#page=207)

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