

Audit Progress Report

Bury Metropolitan Borough Council

July 2023



1. Audit Progress
2. National Publications

01

Section 01:
Audit Progress

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2020/21 audit

Our final remaining responsibility relates to the Authority's whole of government accounts (WGA) return. We have received the NAO group instructions and are currently waiting final confirmation that no further audits are to be sampled and the 2020/21 WGA has closed. Once we receive this confirmation, we will issue our Audit Certificate to formally close the 2020/21 audit.

2021/22 financial statements audit

We presented our Audit Completion Report in March 2023. A number of items were shown as outstanding.

We are currently agreeing a timetable for completing this remaining work with the Authority's finance team as follows:

Outstanding areas currently outstanding are:

- Agreement of PP&E amendments
- National and GMPF pensions accounting issues
- Consolidated Accounts queries
- Resolution of queries from the technical review of the financial statement
- Audit completion including manager, key audit partner and our Engagement Quality review.

We will issue a follow up letter to this Committee following the completion of the outstanding work.

2021/22 VFM

Our work is in progress. We received much of the information and supporting evidence from the Council during April. However, further supporting evidence has been received in the last few weeks and we are currently reviewing this.

Audit Progress

Members are reminded that, as we reported previously, we have identified two risks of significant weakness in respect of the:

- Council's arrangements for financial reporting; and
- Outcome of the Ofsted inspection of children's services.

We plan to complete and report our Value for Money arrangements work alongside the remaining aspects of work on the financial statements.

2022/23 audit.

The Council published its draft Accounts and annual governance statement on 31st May 2023, in line with the statutory timetable.

Our planning for the audit of these financial statements is now underway. We will agree a detailed timetable for our work following resolution of the outstanding areas of work on 2021/22.

We highlight for the Audit Committee a change to an auditing standard (known as ISA 315) which applies from 2022/23. We have included, at section 3 of this report, a summary of the changes and the expected impact on our audit work.

02

Section 02:

National Publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA Bulletin 14 Supplement – The Triennial Valuation and IAS 19 Reporting	Covers the impact of the triennial valuation statements on IAS 19 Employee benefits reporting
2	CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements	Provides advice on emerging or urgent accounting issues.
3	Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
4	CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution	Covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets
Department for Levelling up Housing and communities		
5	Local Government Finance settlement	Final local government finance settlement 2023-24
Cross Sectoral		
6	House of Commons Committee of Public Accounts report: Timeliness of local auditor reporting	The Public Accounts Committee (PAC) has published its report on Timeliness of local auditor reporting, following a hearing in March. The report sets out the committee’s conclusions and recommendations.
Public Sector Audit Appointments Ltd		
7	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
8	Publication of the 2022/23 fee scale	External audit fees for 2022/23

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA Bulletin 14 Supplement – The Triennial Valuation and IAS 19 Reporting

The guide is an information source for public bodies to provide advice on the issue of the triennial valuation of the Local Government Pension Scheme (LGPS) being produced before the auditors have provided their opinion.

[file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Supplement%20The%20Triennial%20Valuation%20and%20IAS%2019%20Reporting%20\(1\).pdf](file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Supplement%20The%20Triennial%20Valuation%20and%20IAS%2019%20Reporting%20(1).pdf)

2. CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements

The bulletin provides advice on emerging or urgent accounting issues, and guidance that is intended to be best practice.

<file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Closure%20of%20the%20202223%20Financial%20Statements.pdf>

3. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

NATIONAL PUBLICATIONS

CIPFA

4. CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution, January 2023

The CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets.

The objective of the bulletin is to provide guidance on the temporary solution for accounting for infrastructure assets, focussing on the reporting of the derecognition provisions where there is replacement expenditure and particularly for highways infrastructure assets

The temporary solution includes the Update to the Code and Specifications for Future Codes for Infrastructure Assets (Update to the Code) from 1 April 2021 to 31 March 2025 which features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and the statutory prescriptions from England and Wales and Scotland

The Bulletin also includes guidance on accounting for the pattern of consumption of economic benefits and service potential i.e. depreciation.

The Bulletin includes guidance on materiality, an overview of different elements of the temporary solution, the accounting requirements for derecognition including the statutory prescription, the impact on accounting policies and the reporting requirements for disclosure of gross cost and accumulated depreciation

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-12-accounting-for-infrastructure-assets-temporary-solution>

Department for Levelling up Housing and communities

5. Local Government Finance Settlement

The final local government finance settlement 2023-24 was announced on 6th February.

[Final local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](#)

Cross Sectoral

6. House of Commons Committee of Public Accounts report: Timeliness of local auditor reporting

The Public Accounts Committee (PAC) has published its report on Timeliness of local auditor reporting, following a hearing in March. The report sets out the committee's conclusions and recommendations.

<https://publications.parliament.uk/pa/cm5803/cmselect/cmpublicacc/995/summary.html>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

7. Directory of Auditor Appointments from 2023/24, January 2023

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The PSAA Board agreed the appointments at its meeting on 16 December 2022. Mazars will continue as the Council's external auditor from 2023/24.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

8. Publication of the 2022/23 fee scale, November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards. The Council's scale fee for 2022/23 is £125,673.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA intend to consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psa.co.uk/2022/11/news-release-publication-of-the-2022-23-fee-scale/>

03

Section 03:

Revised ISA315

Revised ISA 315

Revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

(Effective for audits of financial statements for periods beginning on or after December 15, 2021)

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your 2022/23 audit are outlined below:

- **Enhanced risk identification and assessment**

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the "spectrum of inherent risk", at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

The standard also increases the focus on auditors identifying the assertions where the inherent risk lays. For clarity, we include a table of assertions:

Completeness	Is the balance complete?
Accuracy & valuation	Are transactions accurately recorded and assets and liabilities appropriately measured?
Classification	Is the balance classified correctly?
Occurrence	Did the transaction occur?
Existence	Does the item exist?
Rights & obligations	Does the entity own the item?
Cut-off	Is the item recorded in the correct financial year?
Presentation & disclosure	Is the item presented in the accounts appropriately?

- **Greater emphasis on IT**

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

Revised ISA 315

- **Increased focus on controls**

Off the back of the emphasis for auditors to gain a greater understanding of the IT environment, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

Impact on the audit on Bury MBC

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment and at this stage are not aware of any significant changes. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

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