



# Audit Progress Report

**Bury Council**

July 2024

Audit Committee  
Town Hall  
Knowsley Street  
Bury  
BL9 0SW 7DY

9 July 2025

Forvis Mazars  
One St Peter's Square,  
Manchester,  
M2 3DE

Dear Committee Members,

## Audit progress report – Year ended 31 March 2025

The purpose of this document is to provide you with updates on progress being made towards the 2024/25 audit and any other relevant matters.

Section 1 of the report provides an update of the audit position and highlights the key items we are currently considering as part of our risk assessment.

Section 2 provides a summary of reports issued by a range of stakeholders we consider may be helpful to the Audit Committee as it fulfils its responsibilities. The reports we reference might also be of interest to other Members of the Council.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please feel free to contact me.

This report was prepared solely for the use and benefit of the Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents,

conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully,

A handwritten signature in black ink that reads "Karen Murray".

**Karen Murray**  
Forvis Mazars LLP

# 01

Audit update





# 01 Audit update

## Audit for the year ending 31 March 2024

We presented our Auditor's Annual Report to the Audit Committee meeting in April. This confirmed we had issued our audit report on the financial statements and provided our commentary on the Council's arrangements for Value for Money.

## Whole of government accounts 2023/24

Our final remaining responsibility in respect of the 2023/24 audit relates to the Council's whole of government accounts (WGA) return. We submitted the NAO's assurance statement in February 2025 as required by their Group Audit Instructions. However, the NAO's instructions state they may request further work from auditors on local authorities WGA returns as they complete their work. Until the NAO confirms no further work is required, we are not able to confirm all of our audit work is complete. Consequently, we have not yet issued our Audit Certificate concluding the 2023/24 audit. As soon as the NAO confirm no further work is required, or we complete any work they require, we will issue the certificate.

## Audit for the year ending 31 March 2025

### Financial statements

As the accounts for the year ended 31 March 2022, 2023 and 2024 included disclaimed audit opinions, the audit for the year ended 31 March 2025 is impacted by the need to rebuild assurance. On 9 April 2025 the Government issued its response to a consultation on local audit reform. Included in this is a commitment from Government to work with system partners to ensure additional guidance, advice and practical support is available to support a proportionate approach to the rebuilding assurance. We received this guidance in June 2025.

The NAO has prepared Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 with the endorsement of the Financial Reporting Council (FRC). The NAO issued its suite of LARRIGs to support auditors. To meet the backstop requirements, we issued a disclaimed audit opinion on the Council's 2023/24 statement of accounts. As part of the audit of the 2024/25 audit, we will consider LARRIG 06 in determining how and when we rebuild assurance.

The LARRIG makes clear the work required to rebuild assurance following a disclaimer of opinion(s) may be significant and will vary between authorities. In part, this is because rebuilding assurance on opening balances is complicated by the different reserves and balances held, their link to income and expenditure and the application of statutory overrides.

The LARRIG emphasises the timely delivery of audited financial statements is a collective enterprise where both accounts preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of unqualified audited financial statements.

### Risk assessment

The guidance requires auditors to consider the facts and circumstances impacting the Council's statement of accounts and the different classes of transactions, account balances and disclosures, and to apply professional judgement in determining the appropriate level of audit work to recover assurance, taking account of the reasons why previous financial years were disclaimed. Disclaimed periods of more than one year present a greater risk of material misstatement.

# 01 Audit update

The guidance places an emphasis on the risk assessment procedures auditors should undertake. This means we will conduct a comprehensive risk assessment covering:

- the Council's system of internal control for the periods subject to disclaimed audit opinions
- the areas of the accounts where there is a risk of material misstatement and the associated planned responses and
- undertake special considerations for specified matters:
  - a. property, plant and equipment,
  - b. responses to identified risks of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion, and
  - c. pensions related balances.

The assurance approach for certain classes of account balances, transactions and disclosures usually relies on assurance from the prior year audit for the opening balances, and audit procedures over in-year transactions to obtain sufficient appropriate audit evidence that year end balances are true and fair and in accordance with the applicable financial reporting framework. This approach typically applies to reserves balances. However, this approach is not always practicable where a prior year audit has received a disclaimer of opinion.

This means that where the preceding financial year has been subject to a disclaimer of opinion, it is highly probable regaining assurances over opening balances on reserves will be a significant matter. Additional risk assessment procedures will be necessary to identify the likelihood and magnitude of risks of material misstatements in reserves balances. The risk assessment will enable the auditor to design and perform responses to identified risks. This will apply to:

- usable reserves, with specific procedures for the General Fund and HRA
- unusable reserves and
- property, plant and equipment.

## **Responses to the assessed risk of material misstatement**

ISA (UK) 330 requires the auditor to design and perform further audit procedures based on, and responsive to, the assessed risks of material misstatement at either the financial statement level, or the assertion level. The ISA requires the auditor to obtain more persuasive evidence as the assessment of risk increases.

In rebuilding assurance, the guidance requires the auditor to design and perform procedures proportionate to the risks of material misstatement attached to specific assertions in relation to opening reserve balances.

For individual reserve balances the auditor identifies through risk assessment procedures, there are range of potential responses. These range from determining individual reserve balances as both qualitatively and quantitatively immaterial and so performing no further work, to undertaking some or all of a range of detailed tests tailored to the identified risks.

# 01 Audit update

## **What is the status of our consideration of the NAO's guidance?**

We will begin our comprehensive risk assessment procedures required to identify and assess the risk of material misstatement in November. We will then need to design the associated planned responses. We anticipate we will have completed the risk assessment procedures by the end of December and will discuss the details with the Director of Finance and his team.

## **When do we expect to fully rebuild assurance?**

LARRIG 05 provided more general guidance on rebuilding assurance following a disclaimed audit opinion. It makes clear that it may not be possible, despite reasonable endeavours, for auditors to perform all the necessary work to issue an opinion based on sufficient appropriate audit evidence for the current year of audit.

Our current expectation is the Council's audit opinion for 31 March 2025 will be a disclaimed opinion. This is because of the extent of work we expect to be required to rebuild assurance given the previous years disclaimed opinions.

## **The impact on the audit fee?**

PSAA have yet to determine the impact of the auditor's procedures for rebuilding assurance on the scale audit fee for 2024/25. This will be dealt with through PSAA's scale fee variation approval process. We will be transparent in communicating with the Director of Finance the impact on your fee in 2024/25 and in subsequent years so there is clarity on the additional audit costs arising from our work on rebuilding assurance.

You can access the NAO's guidance here [LARRIG 06](#)

## **Value for Money**

Since the last Audit Committee meeting we have met with key officers to discuss the Council's progress in addressing the statutory recommendation we made in audit report issued in December 2024. We have continued to receive updates on progress with the Council's improvement plan and we will continue to liaise over the coming months.

The Code of Audit Practice was updated in 2024 and revises the timetable for completing our work on the Council's value for money arrangements. From 2024-25, we are required to issue our draft Auditor's Annual Report by 30 November each year. This will conclude on whether there are any significant weaknesses in the Council's arrangements based on work completed to date. Should we identify any further significant weaknesses between issuing our draft Auditor's Annual Report and concluding our audit of the Council's financial statements, we are able to reissue our Auditor's Annual Report to report on any additional weaknesses identified.

# 02

National Publications



# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountancy ('CIPFA')</b>		
1	Audit Committee Update issue 41 – the local audit backstop	A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help. <b>For information only.</b>
2	CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement	CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS). <b>For information only.</b>
3	CIPFA Better Reporting Group consultation	CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting. <b>For information only.</b>
4	CIPFA Advisory Note: Statement of Responsibilities	CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. <b>For information only.</b>
<b>Ministry of Housing, Communities and Local Government ('MHCLG')</b>		
5	Code of Audit Practice 2024: Explanatory memorandum	This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament in accordance with the Local Audit and Accountability Act 2014. <b>For information only.</b>
6	MHCLG Addressing the local audit backlog in England: Non-compliance lists	MHCLG has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024. <b>For information only.</b>
7	Local audit reform: a strategy for overhauling the local audit system in England	MHCLG has published its response to the consultation on local audit reform. This included making some additional commitments in response to the findings of the consultation. <b>For information only.</b>
<b>National Audit Office ('NAO')</b>		
8	NAO overview: The impact of fraud and error on public funds 2023-24	This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve. <b>For information only.</b>



## National publications

	Publication/update	Key points
9	NAO report: Whole of Government Accounts 2022-23	The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies to provide the most complete and accurate picture of the UK's public finances. <b>For information only.</b>
10	NAO insight: Financial management in government: monitoring and forecasting	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on monitoring and forecasting for better financial management in government. <b>For information only.</b>
11	NAO insight: Government's approach to technology suppliers: addressing the challenges	This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. <b>For information only.</b>
12	NAO insight: Financial management in government: allocating resources	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on how to allocate resources for better financial management in government. <b>For information only.</b>
13	NAO Insight: Managing the commercial lifecycle	The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. <b>For information only.</b>
<b>Other</b>		
14	Audit opinion data 2023/24	An update was provided on the delivery of audit opinions for 2023/24 against the backstop date of 28 February 2025. For information only.
15	ICAEW and LGPS Scheme Advisory Board launch LGPS informer	This document explains how the Local Government Pension Scheme ('LGPS') works in practice, and other key information. <b>For information only.</b>
16	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. <b>For information only.</b>

# National publications

## CIPFA

### 1. Audit Committee Update issue 41 – the local audit backstop

A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help.

Link: [Audit Committee Update issue 41 – the local audit backstop](#)

### 2. CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement

CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS).

The consultation is on a proposed Addendum to the current AGS guidance within Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016). The purpose of the Addendum is to reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities.

The consultation is applicable to all local government bodies that undertake an annual review and publish an AGS in accordance with the appropriate national regulations and the 2016 Framework. It is also relevant to external auditors and the stakeholders of local authorities.

Link: [Consultation on updated guidance on the annual review](#)

# National publications

## CIPFA

### 3. CIPFA Better Reporting Group consultation

CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting either through proposing amendments to the Code of Practice on Local Authority Accounting for the United Kingdom (the Code) or assisting to develop practical guidance to enhance its application.

Link: [Better Reporting Group](#)

### 4. CIPFA Advisory Note: Statement of Responsibilities

CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. The advisory note applies to all local government bodies in the UK.

The note draws from lessons learnt from recent examples and a roundtable with CFO's and reinforces good practice principles that local government bodies in the UK should adopt. The CIPFA Practice Oversight Panel expects all local government bodies to be aware of the lessons learnt and therefore auditors may wish to ensure the bodies they audit are aware of this latest guidance.

Link: [Statement of Responsibilities](#)

# National publications

## MHCLG

### 5. Code of Audit Practice 2024: Explanatory memorandum

The draft Code of Audit Practice 2024 has been developed by the Comptroller and Auditor General (C&AG) and laid in Parliament on his behalf by the government. The government has produced this accompanying explanatory memorandum.

The changes in the Code are part of wider measures to address the significant backlog of unaudited local body accounts in England. This backlog affects non-NHS bodies within the Code's remit including local authorities, National Park authorities, fire authorities, police and crime commissioners, waste authorities and transport authorities

Link: [Code of Audit Practice 2024: Explanatory memorandum](#)

### 6. MHCLG Addressing the local audit backlog in England: Non-compliance lists

The Ministry of Housing, Communities and Local Government (MHCLG) has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024.

Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)



# National publications

## MHCLG

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Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

### 7. Local audit reform: a strategy for overhauling the local audit system in England

Extracts from Press Release on 9 April 2025:

#### **Road to recovery outlined in new commitments for local audit reform to streamline and fix the fragmented and broken system**

New reforms to repair the 'broken' local audit system will boost taxpayers' confidence in council spending and streamline the sector so it's fit-for-purpose, legal and decent.

Today, 16 commitments have been set out to achieve this, including simplifying financial reporting requirements and increasing capacity to avoid reliance on a small number of auditors.

The reforms will be backed by up to £49 million of support to help councils clear their backlogs and cover the additional cost of restoring audit assurance. Releasing funds to councils will be reliant on compliance with statutory backstops and linked to the publication of audited accounts and audit fees being paid.

In addition, a further £15m of grant was paid to local bodies in March 2025 as part of an existing package to help meet the wider costs of meeting audit requirements and fees.

The 16 new measures follow an [open consultation](#) on the local audit strategy, which attracted hundreds of responses.

The measures build on an existing commitment to set up the Local Audit Office as an independent and unified body, which will stop fragmentation in the system by co-ordinating functions spread across different organisations including the Public Sector Audit Appointments Ltd, the National Audit Office and the Financial Reporting Council.

These reforms will be crucial to fixing the foundations and bringing long-term stability to local government as committed in the Plan for Change.

Link: [Overhaul of local audit will restore trust in broken system - GOV.UK](#)

# National publications

## NAO

### 8. NAO overview: The impact of fraud and error on public funds 2023-24

This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve.

This overview summarises the key information and insights from our work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it
- the fraud and error risk management cycle
- fraud and error against government, including in benefits, taxes and COVID-19 fraud
- emerging threats and opportunities
- what to look out for when thinking about fraud and error.

Link: [The impact of fraud and error on public funds 2023-24](#)

### 9. NAO report: Whole of Government Accounts 2022-23

The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies, including 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.

Link: [Whole of Government Accounts 2022-23](#)

# National publications

## NAO

### 10. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation's decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.

Link: [Financial management in government: monitoring and forecasting](#)

### 11. NAO insight: Government's approach to technology suppliers: addressing the challenges

This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government's response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

Link: [Government's approach to technology suppliers: addressing the challenges](#)



# National publications

## NAO

### 12. NAO insight: Financial management in government: allocating resources

This guide outlines how finance leaders across government can allocate resources effectively when resources are scarce and trade-offs need to be made. It focuses on three principles:

- Using information intelligently – an organisation should use trusted and objective information intelligently, so it can allocate resources to support strategic objectives.
- Prioritising effectively – finance leaders should support decision makers to make difficult decisions and trade-offs to generate good value-for-money outcomes based on agreed priorities.
- Building for the long term – decisions need to balance short-term pressures with long-term priorities and align with the strategic objectives of the organisation.

Link: [Financial management in government: allocating resources](#)

### 13. NAO Insight: Managing the commercial lifecycle

The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. It reflects upon findings and recommendations drawn from 200 reports concerning over 300 commercial arrangements that have been published over the past 20 years.

The 'commercial lifecycle' means the entire process starting with the identification of a requirement that may be delivered by a supplier to government through to the selection and appointment process, contract management activity, and ending with contract termination or transition to alternative arrangements.

This is a revised and condensed edition of commercial good practice guidance that has been updated regularly since 2008. It remains essential reading for policy and commercial staff involved at all levels of public procurement and commercial activities – including senior leaders and non-executive board members of public authorities. The guidance is presented in ten sections, addressing both strategic and procedural considerations.

To support this guidance, the NAO also updated its guide on the Commercial Audit Framework, which highlights the key questions at each of the ten key stages of procurement. Whether it's the commercial strategy for public procurement, the publication of good-quality, relevant information on a timely basis, or deciding whether to extend the contract or re-procure.

Link: [Managing the commercial lifecycle - NAO insight](#)

# National publications

## Other

### 14. Public Sector Audit Appointments (PSAA) News - Audit opinion data 2023/24

Extract from PSAA Press Release on 11 March 2025

Auditors have reported issuing **224** disclaimed or qualified opinions due to the backstop of 28 February 2025 for the 2023/24 audits of accounts covered by PSAA’s appointing person scheme.

There were **7** modified opinions that auditors have not attributed to the backstop, including **2** disclaimed opinions.

There are a further **48** opinions that remain outstanding. This includes **6** authorities where there is an exemption due to a material objection or legal matter or due to VFM arrangements work.

Audit Opinion for 2023/24	Number	Percentage
Unmodified	174	37.9%
Unmodified with additional disclosures*	6	1.3%
Disclaimed (backstop)	216	47.1%
Qualified (backstop)*	8	1.7%
Disclaimed (non-backstop)	2	0.4%
Qualified (non-backstop)*	5	1.1%
Not yet delivered	48	10.5%
Total	459	100%

Link: [Press release: Local government audit opinion data - PSAA](#)

# National publications

## Other

### 15. ICAEW and LGPS Scheme Advisory Board launch LGPS informer

This document explains:

- how the Local Government Pension Scheme works in practice;
- key information flows between employing bodies, pension funds and actuaries;
- the content and purpose of annual accounting reports and triennial valuations;
- key accounting requirements for employing bodies; and
- the role of external auditors.

Link: [ICAEW and LGPS Scheme Advisory Board launch LGPS informer](#)

### 16. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

Link: [Major Local Audits Reports](#)

# 03

## Appendices





# Appendix A: Current year updates, forthcoming accounting & other issues

## New standards and amendments

### Effective for accounting periods beginning on or after 1 January 2019

#### *IFRS 16 Leases (Issued January 2016)*

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

### Effective for accounting periods beginning on or after 1 January 2023

#### *IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)*

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

# Appendix A: Current year updates, forthcoming accounting & other issues

## International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

### Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over ‘significant components’ of a group, i.e., a ‘full scope’ audit of a significant component’s financial information relevant to the group financial statements was required. Forvis Mazars defined a ‘significant component’ as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group’s reported profit before tax would be classified as a significant component and a ‘full scope’ audit would be performed over that component’s financial information.

ISA (UK) 600 Revised eliminates the ‘significant component’ concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component’s financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component’s financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a ‘non-significant’ component’s financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component:  i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or  ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

# Appendix A: Current year updates, forthcoming accounting & other issues

## International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

### Key changes (continued)

**Definition of ‘component’** - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

**Common controls** - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

**Definition of ‘engagement team’** - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

**Calculation of component materiality** - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

**Other changes** - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

**Scope of audit work to be performed over a component’s financial information** - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

# Contact

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