

# External Audit Progress Report

City of Lincoln Council

Audit Committee March 2022



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# 01

## Section 01: **Audit Progress**

# Audit Progress

## Purpose of this report

This report provides the Committee's February 2022 meeting with updates on:

- the 2020/21 audit and assurance work;
- the 2021/22 audit planning process; and
- recent relevant reports and publications for your information (Section 2).

## 2020/21 Audit

The 2020/21 accounts work is at the final stages of external quality review and we expect to issue the audit opinion and the draft Annual Auditor's Report (including the Value for Money commentary) by the end of March. There are no additional accounts audit matters to report to the Committee and no matters of concern to highlight in relation to the Council's arrangements for securing Value for Money.

The 2020/21 Assurance work (the auditor reports on the Council's Pooling of Housing Capital Receipts Return and the Housing Benefits Claim) is complete and our findings reported by the deadlines to the relevant Government departments (DLUHC and DWP respectively). There are no matters arising from that work that we need to bring to the Committee's attention.

In line with the national position we have not yet issued the Audit Certificate for 2020/21, which formally closes the audit. The Department and the National Audit Office have still not confirmed their requirements, and do not expect to do so now before July 2022. This affects all audits and we will update the Committee when this has been clarified.

## 2021/22 Audit

We will share our formal 2021/22 Audit Strategy Memorandum with the Committee at a future meeting. At this stage we do not expect any significant changes to the audit risk profile and the overall audit approach required under the NAO Code of Audit Practice, and we have not identified any significant changes to the financial reporting requirements under the 2021/22 CIPFA Accounting Code. The operating and financial environment for Councils continues though to be challenging and its important our audit plan is properly tailored to the risks and issues. We have continued to update our planning and our interim audit visit, including our normal system walkthroughs and any early substantive testing, is arranged for March 2022. Mazars held their annual Local Government Accountant's workshops in February 2022, which were attended by members of the Council's finance team. We will follow up any specific issues with management

We have not identified any specific significant concerns from the value for money risk assessment to date. The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is as expected an area where we expect at all Councils to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

# 02

Section 02:

**National publications**

# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
1.	Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code	CIPFA published a consultation on emergency proposals for the update of the 2021/22 (and 2022/23) Code. They were aimed at improving the completion rates for publication of audited accounts and include: <ul style="list-style-type: none"> <li>• delaying the implementation of IFRS 16 for at least 1 year, so the implementation date would now be 1 April 2023 at the earliest; and</li> <li>• allowing for an optional pause of the property revaluation cycle.</li> </ul>
<b>Department for Levelling Up, Housing and Communities</b>		
2.	Measures to improve local audit delays and accounts and audit timetable confirmed	DLUHC announced a new package of measure to support the improved timeliness of local audit. These included additional funds and an extension of the deadline for publishing accounts.
3.	The council tax rebate 2022-23 – billing authority guidance	Guidance to billing authorities on administering the council tax rebate to support households with the rising cost of living.
<b>National Audit Office (NAO)</b>		
4.	AGN/03 – Auditor’s work on Value for Money Arrangements – Updated Guidance	NAO has updated its guidance and confirmed there are no significant changes to the expected approach or timetable.
5.	Framework to review portfolios	This framework provides a structured, flexible approach to reviewing models. It is intended to aid those commissioning or undertaking analysis of a model with the aim of determining whether the model is robust and reasonable.
6.	Good Practice in Annual Reporting	This sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.
<b>Mazars</b>		
7.	Horizon Scanning – Challenges and Opportunities for the Public Sector in 2022	Mazars has issued its annual Horizon Scanning document setting out for Management and Internal Auditors the topics for consideration in improvement and Internal Audit plans.
8.	Local Government Accountants’ Workshop 2022	Mazars has held its annual workshops with clients in relation to the key issues for this year’s accounts and audit.

# NATIONAL PUBLICATIONS

## CIPFA

### 1. Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code, February 2022

CIPFA LASAAC has issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021. The consultation closed on 3 March 2022.

In December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASAAC to consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and has issued this exceptional consultation, which explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code. After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

The consultation also shows the wide range of options that CIPFA LASAAC considered, which includes some which the board considered were outside of its terms of reference.

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 2. A new package of measures to support the improved timeliness of local audit, December 2021

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. The measures include:

- Steps to increase the number of auditors with skills to carry out the work;
- Additional funding to support increases in audit fees; and
- Extension of the audit deadlines to 30 November 2022 and 30 September for 2023 onwards.

[https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm\\_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues](https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm_medium=email&utm_campaign=govuk-notifications&utm_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues)

### 3. A new package of measures to support the improved timeliness of local audit, February 2022

The government has announced a package of support known as the Energy Bills Rebate to help households with rising energy bills, worth £9.1 billion in 2022-23. This includes:

- A £200 discount on their energy bill this autumn for domestic electricity customers in Great Britain. This will be paid back automatically over the next 5 years.
- A £150 non-repayable rebate for households in England in council tax bands A to D, known as the Council Tax Rebate.
- £144 million of discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Rebate, known as the Discretionary Fund.

This guidance covers the operation and delivery of the Council Tax Rebate and Discretionary Fund. The Department for Business, Energy and Industrial Strategy will separately set out details on the energy bill discount scheme in a consultation in the spring.

Funding will be paid to billing authorities in March 2022. Funding for the Council Tax Rebate will be based on the number of eligible properties recorded in the 2021 council tax base statistics.

<https://www.gov.uk/government/publications/the-council-tax-rebate-2022-23-billing-authority-guidance/support-for-energy-bills-the-council-tax-rebate-2022-23-billing-authority-guidance>



# NATIONAL PUBLICATIONS

## National Audit Office

### 4. AGN/03 – Auditor’s work on Value for Money Arrangements – Updated Guidance, December 2021

NAO has updated its guidance and confirmed there are no significant changes to the expected approach or timetable for 2021/22 audits.

The guidance can be seen at this link: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

### 5. Framework to review portfolios, January 2022

Government broadly defines a portfolio as the programmes, projects and wider work required to meet a common objective. A portfolio differs from a programme, where all activities need to be delivered to achieve the end goal, as there can be choices over the activities undertaken. Our work across government has touched on portfolios brought together to achieve high-profile objectives, such as achieving net zero carbon emissions by 2050 or modernising the justice system. Through this work we have seen the value of portfolio thinking in helping prioritise activities to meet a strategic objective. Portfolio thinking can improve the chances of success by bringing everything together to translate objectives into activities and make effective decisions. It can help to reinforce:

- a shared understanding of an objective across decision-makers, practitioners and stakeholders to bring together the activities that can achieve it;
- a whole system and longer-term perspective to help understand the totality of change required to meet an objective;
- an understanding of the aggregate risk, to then assess this against the risk appetite and tolerance of an organisation; and
- complete and comparative information to help consider all the activities within the portfolio and make effective decisions.

<https://www.nao.org.uk/report/framework-to-review-portfolios/>

### 6. Good Practice in Annual Reporting, January 2022

This sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

Our guide draws on examples of good practice from within each of the six sections of an Annual Report: Strategy, Risk, Operations, Governance, Measures of success, Financial performance, External factors

<https://www.nao.org.uk/report/good-practice-in-annual-reports/>

# NATIONAL PUBLICATIONS

## Mazars

### 7. Horizon Scanning – Challenges and Opportunities for the Public Sector in 2022, December 2021

Mazars has issued its annual Horizon Scanning document setting out for Management and Internal Auditors the topics for consideration in improvement and Internal Audit plans.

The document states that as the economy and society move into an endemic state of virus management, local authorities have found themselves in an unenviable position. They must balance pre-COVID-19 service demand within a new normality that has exacerbated the need for public services, along with an emptying high street, hybrid working, environmental awareness, and increased personal debt. Balancing the budget has never been more challenging, nor is internal audit so critical to an organisation's resilience. This year's Horizon Scanning report breaks down the assurance requirements of a local authority into five categories:

1. financial resilience,
2. council services,
3. IT,
4. Environmental, Social and Governance (ESG) considerations; and
5. fraud.

Within these headings the report has broken down the detail and shared considerations for internal audit plans.

The guidance can be seen at this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Transforming-your-organisation/Horizon-Scanning/Internal-audit-planning-Financial-considerations>

# NATIONAL PUBLICATIONS

## Mazars

### 8. Local Government Accountants' Workshops, February 2022

Mazars has held its annual workshops with clients in relation to the key issues for this year's accounts and audit.

The topics included:

- External Audit Market and reforms – updating attendees on the issues being faced and the steps being taken to strengthen the arrangements.
- Audit delivery 2020/21 – an update on the delivery of 2020/21 audits nationally.
- PSAA procurement – an update on the process for the letting of the 5 year contracts for 2023/24 onwards.
- 2021/22 timetable – an update on the timetable set out in the regulations, the current proposals and likely timetable.
- CIPFA emergency proposals 2021/22 and 2022/23 – an update on the CIPFA proposals regarding IFRS16 deferral and pause PPE valuations and the possible implications.
- MRP regulations – an update on the proposed changes which are designed to address the Government's concerns over the reasonableness of the policies being applied.
- PPE and Investment Property Valuations – an update on the common areas of concern and issues for audit focus.
- Estimation and judgements – an update on the impact of the new auditing standard and issues for audit focus.
- Expected Credit Loss – a reminder of the expectations under IFRS9 and common areas of concern.
- IFRS16 Preparations – a reminder of the key issues for clients to consider as part of the preparations for the implementation of the accounting standard.

Slides from the workshop were provided to attendees and additional copies can be provided if needed.

# Contact

## Mazars

Director: Mark Surridge

Email: [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Senior Manager: Mike Norman

Email: [michael.norman@mazars.co.uk](mailto:michael.norman@mazars.co.uk)

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