

Audit Progress Report

Stockport Metropolitan Borough Council

November 2021



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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 and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

We completed our audit of the financial statements and signed our unqualified audit opinion on 27 September 2021. This was in advance of the 30 September deadline for 2020/21. Our final audit completion letter issued at the conclusion of the audit updated the Audit Committee on the items listed as outstanding in our Audit Completion Report presented to the previous Audit Committee meeting. There were no new matters arising to bring to the Committee's attention.

We are still to complete the final two elements of our 2020/21 audit: the work we are required to complete on the Council's value for money arrangements; and the work that we are required to complete on the Council's Whole of Government Accounts (WGA) submission.

We are progressing our value for money work, and are planning to complete this work before the end of December 2021. There are no matters to bring to the Committee's attention based on the work completed to date.

The Council's WGA submission is dependent on the government department providing their guidance and submission arrangements. The Council have yet to receive this information and consequently cannot yet submit its WGA return. Our audit work on the return will be completed once the Council has submitted this information. Our work is based on specific requirements communicated by the National Audit Office – these specific requirements have not yet been communicated. We will keep the Audit Committee updated on progress through subsequent update reports.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Financial Reporting Council (FRC)		
1.	Major local audits – Audit Quality Inspection	Sets out the findings of FRC’s most recent quality inspection of major local audits.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2.	Code of Practice on Local Authority Accounting in the United Kingdom 2021/22	New code for 2021/22
National Audit Office (NAO)		
3.	Good practice guide: Cyber and information security	Provides a good practice guide for audit committees on cyber security arrangements.
4.	Financial sustainability of local authorities visualisation: update	Updated summary comparative analysis

NATIONAL PUBLICATIONS

FRC

1. Major local audits – Audit Quality Inspection, October 2021

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014. This monitoring is performed by the FRC's Audit Quality Review (AQR) team. The reviews of individual major local audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of local audit in the UK. Audit firms are required to audit the financial statements and Value for Money (VFM) arrangements conclusion and exercise their additional powers or duties, as required, in accordance with the Local Audit and Accountability Act 2014

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits.

[FRC AQR Major Local Audits October 2021](#)

NATIONAL PUBLICATIONS

CIPFA

2. Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, June 2021

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2021/22 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2021.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements. Changes include:

- Reframing the Code requirements in terms of UK-adopted standards rather than EU adopted standards, reflecting the United Kingdom's withdrawal from the European Union.
- Confirmation of the accounting arrangements for the Dedicated Schools Grant to reflect changes to the statutory requirements.
- Amendments to confirm the existing adaptation in the Code for standards issued but not yet adopted.
- Augmentations to the reporting of estimation uncertainty.
- Confirmation of the reporting requirements for interest rate benchmark reform.

Importantly, the Code includes an appendix on the future implementation of the IFRS 16 Leases standard, which has been deferred for a further year. The appendix sets out the anticipated provisions in the 2022/23 Code and it will allow local authority accounts preparers to make effective preparations for the implementation of the standard in the 2022/23 financial year. Note that early adoption of IFRS 16 is not permitted, with the exception of Transport for London.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202122-online>

NATIONAL PUBLICATIONS

National Audit Office

3. Good practice guide: Cyber and information security, October 2021

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

National Audit Office

4. Financial sustainability of local authorities visualisation: update, July 2021

The data visualisation describes changes in English local authorities' financial circumstances over the last decade.

It updates a number of pieces of analysis originally set out in the NAOs 2018 report Financial sustainability of local authorities 2018 and its accompanying data visualisation (2018). It also draws on and updates analysis and findings from their 2016 report Financial sustainability of local authorities: capital expenditure and resourcing and its data visualisation (2016), and the 2020 report Local authority investment in commercial property.

Key themes explored in the data visualisation include:

- Reductions in revenue funding
- Growth in some new and alternative income streams
- Changing patterns of service spending
- New capital investment strategies and associated risks
- Changing patterns of financial sustainability

<https://www.nao.org.uk/other/financial-sustainability-of-local-authorities-visualisation-update/>

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