

Audit Progress Report

Stockport Metropolitan Borough Council

Audit Committee March 2024



1. Audit Progress
2. National publications

01

Section 01:

Audit Progress and Audit Planning

Audit progress

Purpose of this report

This report provides the Audit Committee's 13th March 2024 meeting with:

- an update on the status of the 2022/23 Audit
- an update on the status of the 2023/24 Audit

2022/23 Audit

The position on the key elements of the 2022/23 audit is summarised below.

Financial Statements

We have completed our audit in respect of the financial statements for the year ended 31 March 2023. Our Audit Completion Report for the 2022/23 audit was presented to the 15th November 2023 committee meeting. We signed our audit report with an unqualified audit opinion on 1 December 2023.

Value for Money arrangements (2022/23)

Our work on the Council's value for money arrangements for 2022/23 is also complete. Our Auditor's Annual Report for the 2022/23 audit, which contains our commentary on the arrangements the Council has in place to secure value for money in its use of resources, is being reported to the March 2024 Audit Committee meeting. We have concluded that the Council has proper arrangements in place for the year to 31 March 2023, and we have not identified any significant weaknesses in those arrangements.

Whole of Government Accounts (WGA) work (2022/23)

We have completed the work required by the NAO's group instructions and submitted the WGA assurance statement. However, we are unable to formally conclude the audit and issue our audit certificate because the NAO's Group Audit Instructions include the potential for the NAO to request further work on WGA submissions at a later date. Until the NAO confirm there is no further work required, we are unable to certify that the 2022/23 audit is complete.

Audit progress

2023/24 Audit

In late February, the Department for Levelling up, Housing and Communities (DLUHC) published a joint statement setting out the proposals to clear the backlog. The joint statement and the full consultation proposals, which ran until 7 March 2024, can be found using the following links:

Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK (www.gov.uk)

<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/addressing-the-local-audit-backlog-in-england-consultation>

The consultation proposes putting a date in law of the 30th September 2024 (the “backstop date”), by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23. The report notes that the backstop date coming into effect is likely to be a factor in local auditors issuing a greater number of modified or disclaimed opinions on outstanding accounts, where there is not enough time to complete all audit work before the deadline. It is auditors statutory duty to report on Value for Money (VFM) arrangements, this remains a high priority in governments proposals.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the five-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) running from financial years 2023/24 to 2027/28. The backstop date for the audit of the 2023/24 accounts is proposed to be 31 May 2025. The measures are being suggested as a way for auditors to rebuild assurance over several audit cycles, as a result of the anticipated increase in modified and disclaimer opinions, due to the backstop date.

Furthermore, the National Audit Office have launched a four-week consultation seeking views on changes to the Code of Audit Practice, which sets out how local auditors in England meet their responsibilities under the Local Audit and Accountability Act 2024. One of the consultation proposals is that the Auditor’s Annual Report is published each year by 30 November and summarises the audit work completed in the previous 12 months. The NAO consultation also ran until 7 March 2024 and can be found using the following link:

Code of Audit Practice Consultation - National Audit Office (NAO)

While the direct impact on the Council’s audit is minimal, given that the 2022/23 audit has been completed, we will discuss with management the impact on the audit timing when the consultation process has been completed. We will report the outcome to a future Audit Committee meeting.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office		
1	NAO Report Reforming adult social care in England	In 2019, the government promised to “fix the crisis in social care”. Following the COVID-19 pandemic, in September 2021 Department of Health & Social Care (DHSC) published Build Back Better: Our Plan for Health and Social Care. The NAO report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.
2	NAO Departmental overviews	The NAO has published the following department overviews. They summarise the key information and insights that can be gained from the NAO’s examinations of the departments and related bodies in the sector in England and annual reports and accounts.
3	NAO report: Resilience to flooding	The NAO last reported on government’s management of flood risk in November 2020. This report looks at the government’s long-term ambition “to create a nation more resilient to future flood and coastal erosion risk” and, in the more immediate term, whether the Department for Environment, Food, & Rural Affairs (Defra) and the Environment Agency (EA) are delivering value for money after two years of the capital programme. The report assesses Defra’s progress against the backdrop of its 2020 policy statement and EA’s 2020 strategy and EA’s performance in maintaining existing flood defence assets.
4	NAO Departmental overview: Education	The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education’s (DfE’s) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE’s annual report and accounts.
5	NAO Departmental overview: Department for Work and Pensions 2022-23	The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. DWP spent more than £240 billion in 2022-23 to deliver welfare, pensions and child maintenance policy. The overview summarises information and insights gained from the NAO’s examinations of DWP and related bodies and DWP’s annual report and accounts.
6	NAO Insight: Overcoming challenges to managing risks in government	The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.

National publications

	Publication/update	Key points
National Audit Office continued		
7	NAO Departmental Overview: Cabinet Office 2022-23.	The NAO has published its departmental overview of the Cabinet Office 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of the Cabinet Office and related bodies across the sector in England and the Cabinet Office's annual report and accounts.
8	NAO Departmental overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts.
9	NAO insight: Good practice in annual reporting	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting. The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.
10	NAO insight: Whistleblowing in the civil service	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.

National publications

	Publication/update	Key points
Other		
11	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	DLUHC consulted on the statutory guidance and final form of the Minimum Revenue Provision Regulations.
12	Call for views on new local authority capital flexibilities	DLUHC is sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.
13	HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft	Draft HM Treasury has published its consultation on proposals for changes that will affect Financial Reporting Manual (FRm) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets.
14	HM Treasury consultation: Phase 2 Exposure Draft for Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure in annual Reports	HM Treasury has published its consultation on new climate-related financial disclosures in entity-level annual reports that align with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.
15	FRC's report on the quality of major local audits	The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

National Publications

1. NAO report - Reforming adult social care in England

Following the COVID-19 pandemic, in September 2021 Department of Health & Social Care (DHSC) published Build Back Better: Our Plan for Health and Social Care. The NAO report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper. The report examines:

- key pressures and challenges in adult social care in England;
- DHSC's response to increasing pressures in adult social care during 2022; and
- how DHSC is delivering reform and progress against its commitments

The report concludes that DHSC's 10-year vision for adult social care reform was broadly welcomed by the sector as a step forward. But rising inflation compounded long-standing pressures and led DHSC to reprioritise money and activity to provide local authorities and care providers with some much-needed financial stability.

The sector remains challenged by chronic workforce shortages, long waiting lists for care and fragile provider and local authority finances. Although there are some early signs of improvement in some of these, it remains to be seen whether these trends will continue and at what cost.

Two years into its 10-year plan, DHSC has delayed its charging reforms, scaled back system reform, and is behind on some aspects of its revised plan. It has a long way to go if it is to deliver its ambitions. If DHSC is to successfully reform adult social care, it will need to manage some significant risks, including its own capacity and that of local government to resume charging reform activity alongside system reform.

To maximise its chances of succeeding, DHSC will need to make sure it understands how the different strands of its reforms relate to each other, and the cumulative impact on local authorities and other stakeholders. It must be clear what the critical steps are, manage delivery against those closely and put in place governance needed to manage delivery risks effectively.

Adult social care reform has been an intractable political challenge for decades, and in 2019 DHSC raised expectations that it would be addressed. Working with the sector, DHSC now needs to demonstrate how it is delivering on these plans.

[Reforming adult social care in England - NAO report](#)

National Publications

Publications continued

2. NAO Departmental overviews

The NAO has published the following department overviews. They summarise the key information and insights that can be gained from the NAO's examinations of the departments and related bodies in the sector in England and annual reports and accounts:

Department for Transport: Spends £41 billion each year to support the transport network that helps get people and goods travelling around the UK

Home Office: Spends some £25 billion each year with the aims of keeping UK citizens safe and our borders secure, reducing crime; tackling terrorism; enabling the legitimate movement of people and goods to support economic prosperity; and tackling illegal migration.

<https://www.nao.org.uk/overviews/department-for-transport-2022-23/>

<https://www.nao.org.uk/overviews/departmental-overview-2022-23-home-office/>

National Publications

Publications continued

3. NAO report: Resilience to flooding

The NAO last reported on government's management of flood risk in November 2020. This report looks at the government's long-term ambition "to create a nation more resilient to future flood and coastal erosion risk" and, in the more immediate term, whether the Department for Environment, Food, & Rural Affairs (Defra) and the Environment Agency (EA) are delivering value for money after two years of the capital programme. The report assesses Defra's progress against the backdrop of its 2020 policy statement and EA's 2020 strategy and EA's performance in maintaining existing flood defence assets.

The report covers:

- the government's long-term ambition and objectives and Defra's governance, understanding and management of flood risk
- progress on the capital programme to build new flood defences and risks to future delivery
- EA's performance in maintaining flood defence assets

The report concludes that to combat the growing dangers from flooding, the government has doubled its capital funding in England for the six years to 2027. To manage the larger capital programme and record levels of investment, Defra has intensified its scrutiny and is taking steps with EA to develop a more granular understanding of flood risk.

However, the capital funding is forecast to deliver protection to far fewer properties by 2027 than was promised when the capital programme was launched. Due to underspending in the first two years of the programme, EA will need to achieve record levels of investment in the remaining four years of the programme to spend the full £5.2 billion allocated to the programme. There is a risk that value for money will be further eroded if projects are accelerated or new projects are introduced too quickly to meet this level of investment.

On top of this, EA's maintenance of its assets is not optimising value for money. For the lack of £34 million in annual maintenance funding for 2022-23, more than 200,000 properties are at increased risk of flooding. At the same time, EA underspent by £310 million in the first two years of the capital programme.

Neither Defra nor EA assessed whether using some of this underspend to meet the shortfall in its maintenance budget in 2022-23 would have provided better value for money than deferring it to later in the capital programme.

The government acknowledges that building new flood defences and maintaining existing ones is no longer enough and that a wider range of interventions is now needed to build resilience against increasing flood risk. Although the government's vision for flood resilience stretches to the year 2100 and EA has a number of strategic objectives for 2050, it has not set a target for the level of flood resilience it expects to achieve and has not mapped out any solid plans beyond 2026 to bridge the gap between its shorter-term actions and long-term objectives. This will make it difficult for the government to make rational and informed decisions about its priorities, measure its progress or plan effective investment for the long term.

<https://www.nao.org.uk/reports/resilience-to-flooding/>

National Publications

Publications continued

4. NAO Departmental overview: Education

The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education's (DfE's) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE's annual report and accounts. In 2022-23, the DfE spent £83 billion to meet its responsibilities for children's services and education, including early years, schools, further and higher education policy, apprenticeships, and wider skills in England.

<https://www.nao.org.uk/overviews/department-for-education/>

5. NAO Departmental overview: Department for Work and Pensions 2022-23

The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. DWP spent more than £240 billion in 2022-23 to deliver welfare, pensions and child maintenance policy. The overview summarises information and insights gained from the NAO's examinations of DWP and related bodies and DWP's annual report and accounts.

[Department for Work and Pensions 2022-23 - NAO overview](#)

6. NAO Insight: Overcoming challenges to managing risks in government

The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.

The guide outlines 10 approaches to overcome these challenges and each approach is supported by an outline of why this is a priority for government; case studies and quotes; and practical tips.

The guide has been drawn from insights from NAO's reports and insight teams, as well as the thoughts of a range of leaders and practitioners from NAO audited bodies and external organisations across industry and academia.

<https://www.nao.org.uk/insights/overcoming-challenges-to-managing-risks-in-government/>

National publications

Publications continued

7. NAO Departmental overview: Cabinet Office

The NAO has published its departmental overview of the Cabinet Office 2022-23. As a central department, the Cabinet Office performs various strategic and coordinating functions – in particular, overseeing how departments implement Cabinet decisions and the Prime Minister’s priorities. It also has responsibility for key strategic policy areas such as national security, and for providing direction to departments to improve how they operate.

The Cabinet Office spends approximately £1 billion each year to support the Prime Minister and Cabinet, to lead and coordinate the government’s response to cross-departmental challenges and to act as the corporate headquarters for the government.

[Cabinet Office 2022-23 - National Audit Office \(NAO\) overview](#)

8. NAO Departmental overview: Department for Levelling Up, Housing & Communities 2022-23

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO’s examinations of DLUHC and related bodies in the sector in England and DLUHC’s Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

[Department for Levelling Up, Housing & Communities 2022-23 - NAO overview](#)

9. NAO insight: Good practice in annual reporting

The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting grouped into four areas:

- Supporting accountability
- Transparency
- Accessibility
- Understandability

The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.

[Good practice in annual reporting - National Audit Office \(NAO\) insight](#)

National publications

Publications continued

10. NAO insight: Whistleblowing in the civil service Communities 2022-23

The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations for example those who might:

- work in HR policy
- work in a team that oversees progress with whistleblowing cases
- design whistleblowing processes
- be the first point of contact for whistleblowers who raise concerns by email or phone
- investigate concerns raised by whistleblowers
- be a nominated officer or senior member of staff that people can raise concerns with

Every organisation is different, so there is no single approach to follow for improving whistleblowing. This guide is not a comprehensive list of everything but it does set out areas to be mindful of and what other organisations find helps them.

[Whistleblowing in the civil service - NAO insight](#)

11. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

DLUHC consulted on the statutory guidance and final form of the Minimum Revenue Provision Regulations. Further details and the consultation itself can be found here:

[Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space](#)

The consultation closed on 16 February 2024 however the link provides information on the key issues that were consulted on.

National publications

Publications continued

12. Call for views on new local authority capital flexibilities

DLUHC is sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.

[Call for views on new local authority capital flexibilities - Department for Levelling Up, Housing and Communities - Citizen Space](#)

The consultation closed on 31 January 2024 however the link provides information on the key options that were consulted on.

13. HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft

Draft HM Treasury has published its consultation on proposals for changes that will affect Financial Reporting Manual (FReM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets. The changes flow from HM Treasury's thematic review of non-investment asset valuations and the exposure draft covers the whole UK public sector, which is the boundary for the Whole of Government Accounts.

The document contains HM Treasury's proposed changes to the valuation of non-investment assets as discussed and agreed by the Financial Reporting Advisory Board. Its publication forms part of due processes for any such changes. It is a technical document that sets out the rationale for HM Treasury's conclusions, and the detail of proposed changes to the FReM.

[Non-investment Asset Valuation - Exposure Draft 23 \(01\) - GOV.UK \(www.gov.uk\)](#)

National publications

Publications continued

14. HM Treasury consultation: Phase 2 Exposure Draft for Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure in annual Reports

HM Treasury has published its consultation on new climate-related financial disclosures in entity-level annual reports that align with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.

The Phase 2 Exposure Draft addresses the recommended disclosures for the Risk Management and Metrics and Targets pillars of the TCFD framework. These requirements follow on from the TCFD-aligned disclosure application guidance for Phase 1 of TCFD implementation, published in July 2023.

This Exposure Draft covers the whole UK public sector, which is the boundary for the Whole of Government Accounts.

The proposed effective date for central government bodies is 1 April 2024, with Phase 2 disclosures required in annual reports and accounts for 2024-25 on a comply or explain basis. Other public sector bodies should follow the direction from their respective relevant authority. Public sector bodies may choose to voluntarily apply this guidance - in full or in part.

[TCFD-aligned disclosure Exposure Draft for Phase 2 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/tcfd-aligned-disclosure-exposure-draft-for-phase-2)

National publications

Publications continued

15. FRC's report on the quality of major local audits

The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

There were six health and four local government audits selected for inspection in the 2022-23 cycle. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog.

Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. All financial statement audits were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Audit procedures regarding completeness and accuracy of expenditure.
- On the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance.

In terms of value for money (VfM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VfM arrangements was not complete on one audit that was inspected. All VfM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Risk assessment procedures not being performed in a timely manner.
- Not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries.
- The audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

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