

North West Leicestershire District Council

External Audit Progress Report

April 2024



Audit Progress: Executive Summary

Purpose of this report

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This report provides the April 2024 Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors as summarised below.

2021/22

Our audit of the 2021/22 financial statements is currently ongoing, with an update provided on page 3 on the status of our work. Owing to the delays to this point and the complexity of being able to resource the residual work, we expect the 2021/22 financial statements and 2022/23 financial statements to fall into the backstop.

Our work on the Council's value for money arrangements, including the commentary in the Auditor's Annual Report for both 2021/22 and 2022/23 will be completed September/October 2024.

On the next page, we explain the 'backstop' proposal in more detail.

Backstop implications

The backstop

The backlog in the publication of audited accounts of local bodies in England has grown over the last few years (post Covid-19) to a level where it was deemed intervention would be required. The following proposal was published in February 2024 as a solution to tackle the issue.

To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The proposals consist of 3 stages:

Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

Implications of the backstop

The backstop date is likely to lead to audit firms issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion.

Further information is expected on the exact details of the backstop in the coming months.

Backstop implications

Proposed 'backstop' dates

Phase 1 – Applicable to financial years up to 2022/23



Authorities must approve and publish **audited** accounts by 30 September 2024 (unless exempt)

Phase 2 – Applicable to financial years from 2023/24 until 2027/28







Authorities must approve and publish **audited** accounts by the following dates (unless exempt):


- 2023/24 by 31 May 2025
- 2024/25 by 31 March 2026
- 2025/26 by 31 January 2027
- 2026/27 by 30 November 2027
- 2027/28 by 30 November 2028


2. Status of the audit

See below the status of our audit work to date, we have noted where the work in a section is completed and where there are outstanding items we have noted the risk in relation to that section.





| Audit area | Status | Description of the outstanding matters |
|---|---|---|
| Movement in Reserves Statement | Completed | No issues noted. |
| Laws and regulations | Completed | No issues noted. |
| Fraud and related parties |  | Multiple undisclosed Related Party transactions identified as part of testing. Raised with client who have confirmed adjustments will be made to final accounts. We still have a number of material journals to review as part of our outstanding work. |
| Cost of services |  | We are still awaiting evidence of money going through the bank accounts for a number of outstanding samples. We have a number of outstanding queries on the accounting of treatment of items selected in our cut off sample. |
| Other operating income and expenditure | Completed | No issues noted. |
| Financing and investment income and expenditure | Completed | No issues noted. |
| Taxation and non specific grant income |  | We are awaiting further information relating to several capital grants and contributions received in year. |


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit






| Audit area | Status | Description of the outstanding matters |
|--|---|--|
| Other comprehensive income and expenditure | Completed | No issues noted. |
| Cashflow statement |  | We are awaiting client working papers in order to verify several figures in the statement |
| Investment properties |  | A number of valuation queries remain outstanding. We also noted a material adjustment being required for disposal of an investment property in year this has been agreed with the Council. |
| Property, plant and equipment |  | We are working through a number of issues in relation to PPE: <ul style="list-style-type: none"> • Completeness of assets; • Supporting document for additions; • Reconciliation between the valuers report, the FAR and the statement of accounts. |
| Heritage assets | Completed | We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received. |
| Investments | Completed | Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report. |
| Inventory | Completed | Our VFM work is substantially complete and we have not identified any significant weaknesses that require further work or reporting to members. Our assessment remains open until we issue the Annual Auditor's Report. |
| Debtors |  | We are awaiting bank evidence for a number of items. |


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit




| Audit area | Status | Description of the outstanding matters |
|---------------------------|---|--|
| Cash and cash equivalents |  | We are working through residual queries in relation to the bank reconciliation |
| Loans and borrowings |  | We have noted some variances between the clients loans working paper and the figures in the statement of accounts which we are currently working through. |
| Creditors |  | We are awaiting evidence of subsequent payment for a number of items |
| Pensions |  | We are working through residual queries |
| Financial instruments | Completed | We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received. |
| Reserves | Completed | Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report. |
| Housing Revenue Account | Completed | Our VFM work is substantially complete and we have not identified any significant weaknesses that require further work or reporting to members. Our assessment remains open until we issue the Annual Auditor's Report. |
| Collection Fund |  | We have a number of items outstanding in relation to Council Tax and Business Rates testing. |


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit

| Audit area | Status | Description of the outstanding matters |
|------------|---|---|
| Provisions |  | We are working through residual queries |
| Completion |  | Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report. |
| VFM |  | Our work is in progress and we expect to be able to bring our report to the Committee by September 2024. |

 Highly unlikely to be completed before the backstop date

 Unlikely to be completed by the backstop date.

 Expected to be completed by the backstop date.

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Matters under review

Throughout the year, we stay alert to any matters that may be relevant to our work, which at the point of drafting this report includes:

- The Council's financial position, including progress in delivering cost efficiencies and stay within budget..
- The development of the Council's budget and its updated medium term financial strategy, including the extent of reliance on capital flexibilities to balance the budget.

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