

Audit Progress Report

North Lincolnshire Council

April 2024



1. Audit Progress and Audit Planning
2. National publications

01

Section 01:

Audit Progress and Audit Planning

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

2021/22 Audit

The position on the key elements of the 2021/22 audit is summarised below.

Financial Statements audit

We have now concluded our audit work on the 2021/22 financial statements and issued our audit opinion on 11 January 2024.

Whole of government accounts

We have submitted the 2021/22 Assurance Statement to the NAO in relation to the Council's WGA return. We need to wait for confirmation from the NAO about their arrangements for selecting sampled components for additional work before we can issue the audit certificate.

Value for money arrangements

- Our work for 2021/22 will be reported alongside our work for 2022/23. Our VFM work for both years is largely complete and we aim to issue our Auditors Annual Report for both years within 3 months of issuing the opinion on the 2022/23 financial statements

2022/23 Audit

Our Audit Completion Report for the 2022/23 audit was presented to the Audit Committee on 22 November 2023. We confirmed that our audit fieldwork was substantially complete and included details of the outstanding matters at the time of issuing the report. We have now completed our work on pensions. We currently have a small amount of outstanding work in relation to property, plant and equipment. We are aiming to complete our audit work in relation to 2022/23 by the end of April 2024.

2023/24 Audit

We have commenced our planning work for the 2023/24 audit and will bring our Audit Strategy Memorandum to a subsequent meeting of the Audit Committee.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office		
1	NAO report - Approaches to achieving net zero across the UK	The NAO has published its report on Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments' legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.
2	NAO Departmental overview: Transport Services	The NAO has published its Departmental overview for Transport Services which summarises the key information and insights gained from the NAO's examinations of the department and related bodies in the sector in England and the annual reports and accounts.
3	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.
4	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.
5	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.
6	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.
7	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.

National publications

	Publication/update	Key points
National Audit Office (continued)		
8	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.
9	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.
Other		
10	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.
11	Call for views on new local authority capital flexibilities	DLUHC 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.
12	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.
13	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.
14	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.
15	Department for Levelling up, Housing and Communities proposals to clear the audit backlog.	In late February, the Department for Levelling up, Housing and Communities (DLUHC) published a joint statement setting out the proposals to clear the audit backlog.

National Publications

NAO Publications

1. NAO report - Approaches to achieving net zero across the UK

The NAO has published a report – Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments’ legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.

This work has several aims:

- To set out how the responsibilities and powers for achieving the net zero target are split between the UK government and each of the devolved governments.
- To provide insight and stimulate public discussion on each UK nation’s overall approach to achieving net zero.
- To support the scrutiny of governments’ arrangements to achieve net zero.
- To lay the foundations for potential further work on climate change by the UK’s public audit offices.

The report include the following key themes:

- The four nations have different emissions profiles and varied approaches to achieving net zero, but the choices they make must ultimately deliver net zero at the UK level.
- Given the different net zero targets, carbon budgets and policies across the nations, there will be opportunities for the governments to learn from each other.
- Achieving net zero in any one nation depends on UK-level action, and vice versa.
- Effective working relationships and close engagement between the UK and devolved governments will be vital to achieving the overall aim of net zero.

<https://www.nao.org.uk/reports/approaches-to-achieving-net-zero-across-the-uk/>

National Publications

NAO 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

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

3. 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/>

4. 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](#)

National Publications

NAO Publications continued

5. 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/>

6. 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](#)

National publications

NAO Publications continued

7. 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](#)

8. 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

NAO Publications continued

9. 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](#)

National publications

Other Publications

10. 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.

11. 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.

12. 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. 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 FRm.

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

National publications

Other Publications continued

13. 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)

National publications

Other Publications continued

14. 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](#)

National publications

Other Publications continued

15. Department for Levelling up, Housing and Communities proposals to clear the audit backlog.

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 auditor’s 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 \(NAO\)](#)

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