



Audit Progress Report

York and North Yorkshire Combined Authority

October 2024

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Audit progress

Audit progress

Audit environment

On 7 February 2024, the government and the National Audit Office released a 4-week consultation on their proposals to address the national backlog. The plans were to reset, recover and reform the system.

Department for Levelling Up, Housing and Communities (DLHUC) proposals

To clear the backlog of accounts and ‘reset’ the system, the previous government department DLHUC proposed putting a date in law (the “backstop date”) – 30 September 2024 – by which point local councils would publish audited accounts for all outstanding years up to and including 2022/23.

Local auditors would issue a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before the backstop date.

To ‘recover’ the system, DLUHC proposed to put further backstop dates into law for the publication of audited accounts by local bodies.

On 30 July 2024, the newly renamed Ministry of Housing, Communities and Local Government published a statement including the proposed backstop dates, set out below.

- Financial years up to and including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

Further detail can be found in section 3 of this report. The firm is currently considering what this will mean for audits that remain outstanding for 2023/24 and earlier years.

Chartered Institute of Public Finance Accountancy (CIPFA) proposals

CIPFA consulted on temporary changes to the Code of Practice on Local Authority Accounting which include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least two years.

As of July 2024, CIPFA is no longer considering the temporary measures from earlier in the year, it is instead considering longer-term measures.

2023/24 update

As at the time of writing this progress report, we have not received approved draft financial statements for the Authority for the two-month period ending 31 March 2024. As such we plan to back stop the York and North Yorkshire Combined Authority 2023/24 external audit and rebuild assurance as part of the 2024/25 audit.

Audit firms are currently considering what audit work will be required to back stop audits. As a minimum we expect to present our Audit Strategy Memorandum and Annual Auditor’s Report (including our commentary on your Value for Money Arrangements) for 2023/24, which we plan to present at the January 2025 meeting of the Audit and Governance Committee.

We will continue to liaise with management and agree completion timescales.

02

Value for Money approach

Value for money (VFM) arrangements

The framework for value for money work

We are required to form a view as to whether York and North Yorkshire Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the first audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility is to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

We have issued our VFM self-assessment to management which will provide a good platform for our 2023/24 assessment. We anticipate Governance will be a key area of focus, given the organisation's status as a new entity and the associated inherent risks.

Planning and risk assessment	<p>Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

03

National Publications

National publications and other updates

	Publication/Update	Key Points
National Audit Office (NAO)		
1	Measures to tackle backlog in local audit.	Reforms announced to clear the significant backlog in the auditing of local bodies' accounts in England.
2	Overcoming challenges to managing risks in government, December 2023	The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.
3	NAO report: Use of artificial intelligence in government, March 2024	The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services.
Department for Levelling Up Homes and Communities (DLUHC)		
4	Capital finance: guidance on minimum revenue provision, April 2024	Statutory guidance on the Minimum Revenue Provision.
CIPFA		
5	Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024	Code of Practice for 2024/25 financial statements.
6	IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023	Guidance for Local Authorities in implementing IFRS16, lease accounting.
Other		
7	FRC report on the quality of major local audits, December 2023	Annual report from FRC inspections of local audits.

National publications and other updates

NAO Publications

1. Measures to tackle worsening backlog in local audit

There is currently a backlog of outstanding audits and this is expected to increase to around 1,000 by the end of September 2024.

In July 2024 the Minister for State announced in the House of Commons measures to tackle the backlog in auditing the accounts of councils and other local bodies. These measures, the Minister stated, are intended to rebuild the foundations of local government financial reporting.

Secondary legislation will be laid to set a statutory backstop of 13 December 2024 for the publication of audited accounts for all financial years up-to-and-including 2022/23. It is recognised that this will mean not all audits being completed and consequently auditors will issue 'disclaimed' or 'modified' audit opinions for hundreds of audits. The proposals will also set backstop for subsequent years up to 2028 which are intended to recognise the need for auditors to rebuild assurance.

If any bodies fail to comply with a backstop date they would be required to publish an explanation, send a copy to the Secretary of State, and publish audited accounts as soon as practicable. The government also intends to publish a list of bodies and auditors that do not meet the proposed backstop dates.

Auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports – remain a high priority.

The proposed backstop dates are:

Financial years up-to-and-including 2022/23: 13 December 2024

Financial year 2023/24: 28 February 2025

Financial year 2024/25: 27 February 2026

Financial year 2025/26: 31 January 2027

Financial year 2026/27: 30 November 2027

Financial year 2027/28: 30 November 2028

<https://www.gov.uk/government/news/significant-measures-to-tackle-worsening-backlog-in-local-audit#:~:text=The%20proposed%20backstop%20dates%20are,2024%2F25%3A%2027%20February%202026>

National publications and other updates

NAO Publications

2. NAO Insight: Overcoming challenges to managing risks in government, December 2023

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/>

3. NAO report: Use of artificial intelligence in government

The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services. The primary focus for this report is the role of the Cabinet Office and DSIT in supporting the adoption of AI in the public sector. Specifically, the report looks at:

- the government's strategy and governance for AI use in public services (Part One).
- how government bodies are using AI and how government understands the opportunities (Part Two).
- central government's plans for supporting the testing, piloting and scaling of AI; and progress in addressing barriers to AI adoption (Part Three).

<https://www.nao.org.uk/reports/use-of-artificial-intelligence-in-government/>

National publications and other updates

DLUHC Publications

4. Capital finance: guidance on minimum revenue provision, April 2024

Following its consultation, DLUHC has published its response to the consultation, and a revised, 5th edition of its guidance for local authorities on determining a prudent level of minimum revenue provision when investing in their capital assets. This 5th edition of the guidance applies for accounting periods starting on or after 1 April 2025, with the exception of paragraphs 74 to 77 of the guidance which apply from 7 May 2024. The guidance is issued under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to this guidance.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/outcome/government-response-to-the-consultation-on-changes-to-statutory-guidance-and-regulations-minimum-revenue-provision>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition>

National publications and other updates

CIPFA Publications

5. Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024

CIPFA has published its 2024/25 Code of Practice. This 2024/25 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2024.

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 mandatory adoption of IFRS 16 Leases. Other amendments include:

- a suggestion that narrative reporting could reflect on the risk that a Section 114 notice might be issued
- recent changes to the IFRS treatment of sale and leaseback arrangements
- specifying the treatment on initial application of IFRS 16 where service concession arrangements provide for variable payments that depend on an index or rate.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202425-online>

6. IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023

This publication provides guidance on IFRS 16 Leases for 2022/23, which is applicable to those authorities deciding to voluntarily implement the requirements of Appendix F of the Code (which includes the specifications applicable to those entities implementing IFRS 16 as of 1 April 2022). It will also be of interest to those intending to apply as of 1 April 2023 and those mandatorily implementing as of 1 April 2024.

This guidance on IFRS 16 provides comprehensive coverage of the proposed requirements for lessees. Although there have not been significant changes to the requirements for lessors, the guidance also includes extensive commentary on this area.

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-a-guide-for-local-authority-practitioners-2023-edition>

National publications and other updates

Other Publications

7. FRC report on the quality of major local audits, December 2023

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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