

Audit Progress Report

Cheshire East Council

September 2020





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1. AUDIT PROGRESS

Purpose of this report

This report provides the Audit & Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

With regards to our external audit of Cheshire East Council, since the last Committee meeting we have:

- Commenced our main audit work, continuing to work remotely, on the audit of the draft financial statements. This work is planned to continue through September, with completion activities in October, with a plan to sign the audit report and VFM conclusion in November.
- Maintained a regular dialogue with the Director of Finance & Customer Services. We have held monthly video calls up to the start of September and have scheduled weekly calls through the main audit work in September. These ensure that we remain up to speed with the Council's response to the challenges and its plans regarding financial reporting.

There are no additional matters to report to the Audit & Governance Committee relating to our 2019/20 external audit.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office			
1	Whole of Government Accounts 2018-19	Published version of WGA for the previous year	5
2	Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19	Practical guide for Audit Committees	5
CIPFA			
3	Code of Practice on Local Authority Accounting in the United Kingdom 2020/21	Code of Practice for the Financial Statements 2020/21	6
4	Delivering Outcomes in the Public Sector	Practical guide to assist public sector organisations	6
MHCLG			
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Other			
6	Nottingham City Council Public Interest Report	Report issued by the auditors of the Council	8

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Whole of Government Accounts 2018-19, July 2020

The Whole of Government Accounts consolidates the accounts of over 9,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

<https://www.nao.org.uk/report/whole-of-government-accounts-2018-19/>

2. Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19, June 2020

Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.

This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

2. NATIONAL PUBLICATIONS – CIPFA

3. Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, July 2020

This code is prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK. The 2020/21 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2020.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202021>

4. Delivering Outcomes in the Public Sector, August 2020

Delivering Outcomes in the Public Sector is practical guidance for anyone with a role or interest in improving public services and ensuring that public money is directed towards meeting the needs of citizens. It uses an outcomes approach to address challenges in public spending.

Outcomes are a way of defining effectiveness, or benefits, but in order to assess value for money, practitioners need to consider costs as well as benefits. Political judgement is also required to determine spending priorities depending on the relative importance of different outcomes.

The rationale for an outcomes approach – a way of thinking and working that focuses on things that customers value – seems self-evident, but public sector organisations face significant challenges in:

- translating outcomes into measurable indicators of performance
- assessing the impact that a particular service or programme has on outcomes.

This guidance provides advice about how to navigate these challenges and avoid the various pitfalls that can trap the unwary. Key points are illustrated with examples that give a real insight into the detailed work required to plan and implement an outcomes approach.

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-outcomes-in-the-public-sector>

2. NATIONAL PUBLICATIONS – MHCLG

5. Redmond Review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities.

The final report makes a number of recommendations in relation to:

- external audit regulation;
- smaller authorities audit regulation;
- financial resilience of local authorities; and
- transparency of financial reporting.

Alongside the report, MHCLG have published a number of annexes intended to further inform the reader.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

2. NATIONAL PUBLICATIONS – OTHER

6. Nottingham City Council, Public Interest Report, August 2020

The external auditors of Nottingham City Council issued a Public Interest Report into the council's governance of Robin Hood Energy Ltd, an energy firm it set up in 2015 to tackle fuel poverty.

The Public Interest Report makes thirteen recommendations to improve governance and accountability of the company, and provides useful lessons for all Councils to learn on the governance of subsidiary companies.

<https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf>

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