

External Audit Progress Report

Cheshire East Council

Audit and Governance Committee

September 2022



1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit Progress

Purpose of this report

This report provides Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

Audit progress

Audit of the 2020/21 Statement of Accounts

As reported to the May Audit and Governance Committee, we unable to issue our audit opinion on the Council's accounts for 2020/21 because there is an outstanding national issue around the accounting for infrastructure asset. The issue remain unresolved.

CIPFA, through a Task and Finish Group, has been working to identify potential solutions to the issue so that it can make appropriate amendments to the Code of Accounting Practice. During the early summer, CIPFA LASAAC consulted the sector and other stakeholders on proposals which are largely focussed on the derecognition of parts of infrastructure assets when replacement expenditure is undertaken. The issue is a technical accounting matter and a clear way forward has yet to be agreed.

Until further guidance is provided, the Council cannot consider the impact on the financial statements and we are unable to conclude our audit.

2020/21 Whole of Government Accounts (WGA) work

Our work in relation to whole of the government accounts (WGA) for 2020/21 remains outstanding. We will complete this once the audit of the financial statements can be concluded (see comments above).

Audit of the 2021/22 Statement of Accounts

During March and April 2022, we completed our initial planning work for the 2021/22 audit. Following this, we presented our Audit Strategy Memorandum to the July Audit and Governance Committee meeting. This set out the audit risks we identified in respect of the 2021/22 financial statements. There has been no change to our risk assessment since issuing our Audit Strategy Memorandum.

We received the Council's draft Statement of Accounts at the end of July 2022, in line with the timetable agreed with Officers. Our detailed fieldwork on the statements commenced in September 2022, and is due to continue until mid November. We plan to report our findings from our audit to the November Audit and Governance Committee meeting. However, this is subject to the resolution of the national technical issue in respect of accounting for infrastructure assets as detailed above.

We plan to complete and report our Value for Money arrangements work in line with our audit opinion. National Audit Office (NAO) guidance provides for this to be completed within three months of the audit report on the financial statements.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23	Code of Practice for 2022/23 financial statements
Department for Levelling Up, Housing and Communities		
2	Guidance on flexible use of capital receipts	Updated guidance on the type of projects that qualify for the capital receipts flexibility programme 2022-2025
3	Better Care Fund planning requirements 2022-23	Planning requirements for local authorities for the BCF 2022/23 year
National Audit Office (NAO)		
4	Improving government data: A guide for senior leaders	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
5	Consultation on 2022/23 scale of audit fees	Consultation document

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23, July 2022

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2022/23 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2022.

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 a number of important amendments relating both to context and an understanding of requirements. Changes include:

- clarifying and expanding the applicability of the Code to Welsh authorities and bodies including corporate joint committees
- amendments to clarify the treatment of social benefits
- provisions which allow local authorities to account for leases in accordance with IAS 17, while also offering the option for local authorities to choose to adopt IFRS 16 on a voluntary basis. Where the latter option is taken, service concession arrangement liabilities must also be measured in accordance with the measurement requirements of IFRS 16.

The Code sets out the relevant requirements on local authority accounting including material developed as a result of an exceptional consultation which explored options which might help alleviate pressures on the timetable for publication and audit of local authority financial statements. However, preparers should be aware that further consultation has been undertaken in relation to accounting for infrastructure assets, and this may result in amendments and updates being made to this edition of the Code and potentially other earlier editions of the Code.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202223-online>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

2. Guidance on flexible use of capital receipts, August 2022

This is an updated direction and statutory guidance to extend the freedom for local authorities to use eligible capital receipts to fund the revenue costs of projects that deliver ongoing savings or improved efficiency. This direction revokes and replaces the direction of the same name issued on 4 April 2022.

Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs. The direction introduces a new restriction that authorities may not use the flexibility to fund discretionary redundancy payments, i.e. those not necessarily incurred under statute. This does not affect other types of severance payments and, to be clear, does not restrict, including pension strain costs, which may still be qualifying expenditure.

The direction allows authorities to use the proceeds from asset sales to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services. This is an extension of the flexibility that has been in place since 2016, and will allow this freedom to continue to 2024/25 to help authorities plan for the long-term.

This direction clarifies that the capital receipts obtained must be disposals by the local authority outside the “group” structure.

As introduced in the direction issued on 4 April 2022, this direction includes the requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority’s own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, the information must be sent to ensure transparency and allow proper monitoring by central government.

<https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts>

3. Better Care Fund planning requirements 2022-23, July 2022

The Better Care Fund (BCF) planning requirements set out details of the requirements that BCF plans must meet. They apply to both integrated care boards and local authorities, and they are published jointly with the Local Government Association.

<https://www.england.nhs.uk/publication/better-care-fund-planning-requirements-2022-23/>

NATIONAL PUBLICATIONS

National Audit Office

4. Improving government data: A guide for senior leaders, July 2022

This guide is for senior leaders responsible for delivering government services. The NAO's aim is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past.

The guide focuses on data to support the operational delivery of public services, but the NAO intends that much of their guide will also be relevant to data for decision-making and to improve performance.

The guide discusses overcoming barriers in data sharing, data quality, data standards, resourcing, access to raw data and APIs (application programming interfaces), creating cross-government data sets for multiple users, data analytics.

[Improving government data: A guide for senior leaders - National Audit Office \(NAO\) insight](#)

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Consultation on 2022/23 scale of audit fees, August 2022

PSAA is consulting on the fee scale for 2022/23 audits. This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23. Audit work under the proposed 2022/23 fee scale will largely be undertaken from autumn 2023 onwards.

This fee scale consultation is separate from the procurement exercise PSAA is currently undertaking for audit contracts that will apply for the next five years, for audits from 2023/24. Audit work under the new contracts will take place from 2024 onwards. Any audit fee implications arising from the results of the procurement will be covered by our consultation on the 2023/24 fee scale in twelve months' time.

Consultees will be aware that auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These changes have resulted in significant tensions and pressures in the wider audit market and profession and have led to a series of government-commissioned reviews of audit and audit regulation. The Department for Levelling Up Housing and Communities (DLUHC) has announced a range of measures to be implemented to address the issues identified in the local audit framework specifically. These include a new system leader role to be discharged by a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established under future legislation.

This consultation on the 2022/23 fee scale is taking place in the context of these pressures and changes. The consultation explains how PSAA proposes to calculate the audit fees which will make up the 2022/23 fee scale, managing the impact of three key elements:

- fee variations approved in relation to 2019/20 and 2020/21 audit work which relate to recurrent audit work that is needed in subsequent audit years;
- changes in local audit requirements; and
- the impact of changes in inflation.

The consultation will close on Friday 30 September 2022.

<https://www.psa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

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