

The Arc  
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To: Chair & Members of the  
Audit Committee

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Friday 1<sup>st</sup> March 2024

Dear Councillor

**AUDIT COMMITTEE**

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in the Council Chamber, The Arc, Clowne on Tuesday 12th March 2024 at 14:00 hours.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on pages 3 and 4.

Yours faithfully

A handwritten signature in black ink, appearing to read "J. S. Fielden".

Solicitor to the Council & Monitoring Officer

## **Equalities Statement**

Bolsover District Council is committed to equalities as an employer and when delivering the services it provides to all sections of the community.

The Council believes that no person should be treated unfairly and is committed to eliminating all forms of discrimination, advancing equality and fostering good relations between all groups in society.

### **Access for All statement**

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- **Phone:** [01246 242424](tel:01246 242424)
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- **BSL Video Call:** A three-way video call with us and a BSL interpreter. It is free to call Bolsover District Council with Sign Solutions, you just need WiFi or mobile data to make the video call, or call into one of our Contact Centres.
- Call with [Relay UK](#) - a free phone service provided by BT for anyone who has difficulty hearing or speaking. It's a way to have a real-time conversation with us by text.
- **Visiting** one of our [offices](#) at Clowne, Bolsover, Shirebrook and South Normanton

## AUDIT COMMITTEE

### AGENDA

*Tuesday, 12th March, 2024 at 14:00 hours taking place in the Council Chamber,  
The Arc, Clowne*

Item No.		Page No.(s)
1.	<b>Apologies For Absence</b>	
2.	<b>Urgent Items of Business</b>  To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4(b) of the Local Government Act 1972.	
3.	<b>Declarations of Interest</b>  Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of:  a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	<b>Minutes</b>  To consider the minutes of the meeting held on 27 <sup>th</sup> November 2023	5 - 9
5.	<b>Notes of a meeting held on 24th January 2024</b>  To consider the notes of the last meeting held on 24 <sup>th</sup> January 2024	10 - 12
6.	<b>Strategic Risk Register and Partnership Arrangements</b>  <b><u>REPORT OF THE COUNCIL'S EXTERNAL AUDITORS - MAZARS</u></b>	VERBAL UPDATE
7.	<b>External Audit Progress Report</b>  <b><u>REPORTS OF THE HEAD OF INTERNAL AUDIT CONSORTIUM</u></b>	13 - 21
8.	<b>Summary of Progress on the 2023/24 Internal Audit Plan</b>	22 - 28
9.	<b>Implementation of Internal Audit Recommendations</b>	29 - 42
10.	<b>Internal Audit Plan 2024/25</b>	43 - 51

<b>11.</b>	<b>Local Audit Delays - Consultation and Proposals for the future</b>	<b>52 - 79</b>
<b>12.</b>	<b>Audit Committee Self Assessment for Effectiveness</b>	<b>80 - 92</b>
<b>13.</b>	<b>Member Training 2024/25 - Member Discussion</b>	
<b>14.</b>	<b>Audit Committee Work Programme 2023/24</b>	<b>93 - 95</b>

## AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Monday 27<sup>th</sup> November 2023 at 1400 hours.

### PRESENT:-

Members:-

Councillor Tom Munro in the Chair

Councillors Duncan Haywood, Cathy Jeffery, Carol Wood, and Ruth Jaffray (Coopted Member).

Officers:- Karen Hanson (Chief Executive), Steve Brunt (Strategic Director – Services) Theresa Fletcher (Section 151 Officer), Jenny Williams (Head of Internal Audit Consortium) and Alison Bluff (Governance).

Also in attendance at the meeting was Councillor Clive Moesby, Portfolio Holder for Resources and James Collins (Audit Director - MAZARS).

### AUD21-23/24 APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors Chris Kane and Lisa Powell.

### AUD22-23/24 URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

### AUD23-23/24 DECLARATIONS OF INTEREST

There were no declarations of interest made.

### AUD24-23/24 MINUTES – 26<sup>TH</sup> SEPTEMBER 2023

Moved by Councillor Duncan Haywood and seconded by Councillor Carol Wood  
**RESOLVED** that the Minutes of an Audit Committee held on 26<sup>th</sup> September 2023 be approved as a correct record.

## REPORT OF THE COUNCIL'S EXTERNAL AUDITORS – MAZARS

### AUD25-23/24 REPORT TO THOSE CHARGED WITH GOVERNANCE – MAZARS AUDIT COMPLETION REPORT

Committee considered a detailed report presented by James Collins, Audit Director – MAZARS in relation to their Audit Completion Report for the Council.

The detailed scope of Mazars work was set out in the National Audit Office's (NAO) Code of Audit Practice. Mazars responsibilities and powers were derived from the Local

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Audit and Accountability Act 2014, and as outlined in their Audit Strategy Memorandum, the audit had been conducted in accordance with International Standards on Auditing (UK) and meant Mazars had focused on audit risks that they had assessed as resulting in a higher risk of material misstatement.

Section 4 of the report set out Mazars conclusions and significant findings from their audit. This section also included Mazars conclusions on the audit risks and areas of management judgement in their Audit Strategy Memorandum, which included:

- valuation of Property, Plant and Equipment & Investment Property (significant risk);
- valuation of net defined benefit liability (significant risk);
- management override of controls (significant risk); and
- acquisition of Dragonfly Development Limited (enhanced risk).

Section 5 of the report set out internal control recommendations and section 6 set out audit misstatements. Section 7 outlined Mazars work on the Council's arrangements to achieve economy, efficiency, and effectiveness in its use of resources.

The appendices to Mazars report provided information in respect of the draft management representation letter, the draft audit report, independence, and other communications.

It was noted that a member of the public had made an objection to the Council's accounts in relation to Dragonfly, the Council's wholly owned company.

In response to a Member's query regarding Hyman-Robertson, the Actuary for Derbyshire Pension Fund (LGPS), James confirmed that Mazars had critically assessed their competency and Mazars were comfortable of their expertise.

The Chair thanked James Collins for attending the meeting.

Moved by Councillor Tom Munro and seconded by Councillor Duncan Haywood  
**RESOLVED** that the report be noted.

## **REPORT OF THE DIRECTOR OF FINANCE AND SECTION 151 OFFICER**

### **AUD26-23/24      STATEMENT OF ACCOUNTS 2022/23**

Committee's approval was sought for the Council's Statement of Accounts 2022/23 as set out in Appendix 1 to the report.

Committee was advised that some changes may be requested to the Council's Statement of Accounts by the external auditor, MAZARS, in completing their audit. However, it was anticipated that there would be only limited changes between the version at Appendix 1 and the final Statement of Accounts for 2022/23. Further to this, it was recommended that delegated power be given to the Chief Financial Officer, in consultation with the Chair or Vice Chair of Audit Committee, to agree any final changes to the Statement of Accounts 2022/23. Only changes made under these delegated

## AUDIT COMMITTEE

powers would relate to amendments agreed with the Council's external auditors Mazars.

Moved by Councillor Duncan Haywood and seconded by Councillor Cathy Jeffery  
**RESOLVED** that the Statement of Accounts in respect of 2022/23 be approved,

2) delegated powers be given to the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee, to agree any changes agreed with the Council's external auditors Mazars, which may be necessary to ensure the completion of the Statement of Accounts by 30<sup>th</sup> November 2023.

## AUD27-23/24      ASSESSMENT OF GOING CONCERN STATUS

Committee considered a detailed report which informed Members of an assessment of the Council as a going concern for the purposes of producing the Statement of Accounts for 2022/23.

The concept of a going concern assumed that an authority's functions and services would continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflected the economic and statutory environment in which local authorities operated. These provisions confirmed that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carried out functions essential to the local community and were themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects were that alternative arrangements might be made by central government either for the continuation of the services it provided or for assistance with the recovery of a deficit over more than one financial year.

As with all principal local authorities, the Council was required to compile its Statement of Accounts in accordance with the Code which was published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounts drawn up under the Code therefore assumed that a local authority's services would continue to operate for the foreseeable future.

Given the significant reduction in funding for local government in recent years, and the potential threat this posed to the ongoing viability of councils, as a consequence, external auditors continued to place a greater emphasis on local authorities undertaking an assessment of the going concern basis on which they prepared their financial statements.

The Council's current medium-term financial plan (MTFP) was revised in December 2022 and was based on assumptions that reflected what was known about the economy at that time. The Council had since seen the continued increases to general cost of living and the much-publicised issuing of, or potential issuing of, Section 114 notices by some local authorities. The Council needed to be confident that it understood and had taken into account any threats to its financial sustainability.

## **AUDIT COMMITTEE**

The report for Committee's consideration set out the position for the Council and provided justification for the 2022/23 financial statements being prepared on a going concern basis.

Moved by Councillor Tom Munro and seconded by Councillor Duncan Haywood

**RESOLVED** that the outcome of the assessment of the Council's going concern status for the purpose of preparing the Statement of Accounts for 2022/23 be accepted.

### **AUD28-23/24. STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS**

The Chief Executive provided a verbal update to the meeting in relation to the Council's Strategic Risk Register and Partnership arrangements.

The last meeting of the Risk Management Group was held on 31<sup>st</sup> October 2023, where the Council's Strategic Risk Register had been reviewed. Other items considered at the meeting were;

- a flooding de-brief provided by the Strategic Director of Services regarding the recent flooding in the District, and the grants schemes released by the government in relation to this.
- an update provided by the Chief Executive in relation to the Dragonfly Shareholder Board. The Service Level Agreement would be presented to Local Growth Scrutiny Committee in December and Executive in January 2024 for approval.
- the national picture regarding local authority finances & S114 Notices.
- the service risk register in relation to Governance, Legal and Monitoring provided by the Service Director Governance, Legal Services and Monitoring Officer.
- Emergency Planning Update.
- Insurance Update provided by the Senior Technical Officer from Finance who was ensuring the Council was getting best value from its insurance premiums as possible.

With regard to corporate risks, the group had discussed whether to remove the Covid risk from the Register at the end of March 2024. A risk which had been added was regarding Dragonfly, the Council's wholly owned company, this had been crossed referenced with the risk register in relation to the business case for Dragonfly. Housing pressures were a corporate risk to the Council and was probably the greatest it had ever been. There were just under 2,000 people on the Council's Housing waiting list and depletion of stock due to the Right to Buy Scheme and various government agendas, for example, immigration and homelessness schemes, were putting additional pressure on Housing. Thus the Council's Housing policies and procedures were being looked at. This was an issue which was affecting all councils nationally.



## **AUDIT COMMITTEE**

The Portfolio Holder for Resources thanked the Chief Executive for a good update report and added that the Finance team were also under pressure, and this needed to be kept an eye on.

In response to a Member's query regarding Council reserves to cover internal claims against loss rather than buying into insurance policies, the Section 151 Officer advised Members that the problem with setting up a reserve was that it needed a lot of money, for example, £1m, and it was having those funds available.

In response to another Member's query, the Section 151 Officer advised the meeting that the Council's insurance policies had increased by £200k, split between the General Fund, Housing Revenue Account and Dragonfly. Total premiums were currently £570k.

Moved by Councillor Tom Munro and seconded by Councillor Duncan Haywood  
**RESOLVED** that the verbal update be noted.

### **AUD29-23/24      AUDIT COMMITTEE WORK PROGRAMME 2023/24**

Committee considered their work programme 2023/24.

Moved by Councillor Tom Munro and seconded by Councillor Cathy Jeffery  
**RESOLVED** that the work programme 2023/24 be noted.

The meeting concluded at 1440 hours.

## AUDIT COMMITTEE

Notes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Wednesday, 24<sup>th</sup> January 2024 at 14:00 hours.

### **PRESENT:-**

Members:- Councillor Duncan Haywood and Tom Munro (Chair).

Officers:- Jim Fieldsend (Monitoring Officer), Theresa Fletcher (Section 151 Officer), Jenny Williams (Head of Internal Audit Consortium), Pam Brown (Director of Executive Corporate Services and Public Partnerships), Ken Eastwood (Joint Assistant Director of Environmental Health), Deborah Whallett (Housing Enforcement Manager), and Alison Bluff (Governance).

***As only two Members were present, this meeting of the Audit Committee was not quorate. However, as only the Minutes of the last meeting and the Work Programme 2023/24 required a formal decision, Members agreed to proceed with the meeting for the other items for information and discussion. The Minutes of the last meeting and the Work Programme 2023/24 would be ratified at the next meeting.***

### **A APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of Councillors Chris Kane and Carol Wood.

### **B URGENT ITEMS OF BUSINESS**

There were no urgent items of business.

### **C DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **D MINUTES – 27<sup>TH</sup> NOVEMBER 2023**

**AGREED** that the minutes of a meeting of the Audit Committee held on 27<sup>th</sup> November 2023 be deferred for approval at the next meeting.

### **E AUDIT COMMITTEE WORK PROGRAMME 2023-2024**

**AGREED** that the Audit Committee Work Programme 2023-2024 be deferred for approval at the next meeting.

## **AUDIT COMMITTEE**

### **F EXCLUSION OF THE PUBLIC**

**AGREED** that under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the stated Paragraph of Part 1 of Schedule 12A of the Act and it is not in the public interest for that to be revealed.

### **G SUMMARY OF PROGRESS ON THE 2023/24 INTERNAL AUDIT PLAN EXEMPT PARAGRAPH 3**

Members considered a report which provided information relating to progress in respect of the 2023/24 Internal Audit Plan.

Appendix 1 to the report provided a summary of reports issued during September to December 2023, in respect of the 2023/24 Internal Audit Plan. The Appendix showed for each report the level of assurance given and the number of recommendations made / agreed where a full response had been received. This provided an overall assessment of the system's ability to meet its objectives and manage risk. The definitions of the assurance levels used were set out in a table in the report. The assurance levels had also now been linked to definitions of risk within the risk management strategy.

It had previously been agreed that Audit Committee would see full copies of any Limited or Inadequate internal audit reports.

During this period, 7 reports had been issued; 4 with Substantial Assurance, 1 with Reasonable Assurance and 2 with Limited Assurance.

Attached at Appendix 2 to the report was a Limited Assurance Internal Audit report. The key points arising from this audit were set out in the report

Attached at Appendix 3 to the report was a second Limited Assurance Internal Audit report. The key points arising from this audit were set out in the report

No issues arising relating to fraud were identified.

Appendix 4 to the report provided full details of the audits completed and those in progress. The Head of Internal Audit Consortium advised Committee that the plan would not be completed, as a member of staff had been on long-term sickness and had now left. However, further to a recruitment process, a new auditor would start in post at the end of March. Any audits not completed would roll over to the 2024/205 plan.

In relation to the first Limited Assurance Internal Audit report, the Assistant Director of Environmental Health provided an update to Committee in terms of progress against the recommendations. All the recommendations had been implemented, however, some small issues remained. He also stated that he wished to put on record his thanks to the Internal Auditor, Sharon Lynch, as this was a complex area, and she had carried out excellent work in understanding and helping the team realise what needed to be done.

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The Chair thanked the officer for the update.

Member's raised various questions to which the Assistant Director of Environmental Health responded.

With regard to the second Limited Assurance Internal Audit report, the Service Director, Executive, Corporate Services and Partnerships, and the Housing Enforcement Manager, provided an update in terms of progress against the recommendations. It was noted that there were many areas of good practice with no issues.

Member's raised various questions to which the Service Director, Executive, Corporate Services and Partnerships, and the Housing Enforcement Manager, responded.

The Chair thanked the officers for their update.

**AGREED** that the Summary of Progress on the 2023-2024 Internal Audit Plan be noted.

The meeting concluded at 14:25 hours.

Bolsover District Council

## External Audit Progress Report

12 March 2024

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# 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 January 2024 Audit Committee meeting with an update on progress in delivering our responsibilities as your external auditors as summarised below. It also includes, at Appendix A, a summary of recent national reports and publications for your information.

### 2021/22

Our audit of the 2021/22 financial statements is complete, with our audit report issued on 28 November 2022.

We also have completed our work on the Council's value for money arrangements, having issued the Auditor's Annual Report in February 2023.

We are unable to issue the audit certificate until the NAO issues its final instructions on sampled components with regard to the Whole of Government Accounts.

### 2022/23

Our audit of the 2022/23 financial statements is substantially complete, and we issued our Audit Completion Report in November 2023.

Our work on the Council's value for money arrangements, including the commentary in the Auditor's Annual Report is in progress, with our report due 3 months after we sign the audit report.

We are unable to issue the audit certificate, until the certificate for 2021/22 is signed and the NAO issues final instructions regarding sampled components for the purposes of the Whole of Government Accounts.

### 2023/24





We have been communicating with management, however we have not started with our planning discussions, as we will do so once the audit for 2022/23 has been completed.


The Government, the National Audit Office, audit suppliers and regulators are working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited.


We will update the Audit Committee as soon as a way forward is agreed with all stakeholders as all parties recognise that the current situation in the public sector external audit market is unsustainable.


## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Land, Buildings and Investment properties		Evidence supporting the values disclosed in the accounts is yet to be reviewed, further queries may arise from this – <a href="#">This has been completed since our ACR report.</a>
Pensions		Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Derbyshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required - <a href="#">This has been completed since our ACR report</a>
Whole Government Accounts		NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 14.
Audit Quality Control and other Completion Procedures including the Disclosure Checklist		Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks.  In addition, there are residual procedures to complete, including review of revised financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 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 for 2024/25 and its updated medium term financial strategy, including the extent of reliance on capital flexibilities to balance the budget.
- Reports from regulators, including OFSTED.
- Any specific local issues .

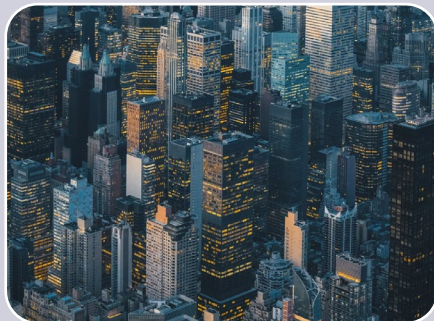




## Appendix A: Insights and publications

# Public and Social Sector Insights

Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles (or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>).



**Beyond efficiency: what's left for local government?**

Today, the financial stability of local authorities is no longer guaranteed, placing public services and employment increasingly at risk. All of which means: it's time to take action.

Based on survey data, the 'Beyond efficiency report' looks to understand Councils' approaches to financial sustainability and risk

**Supporting vulnerable communities**

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.

**A global public and social sector study (2023)**

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.

**Why culture is critical to local government**

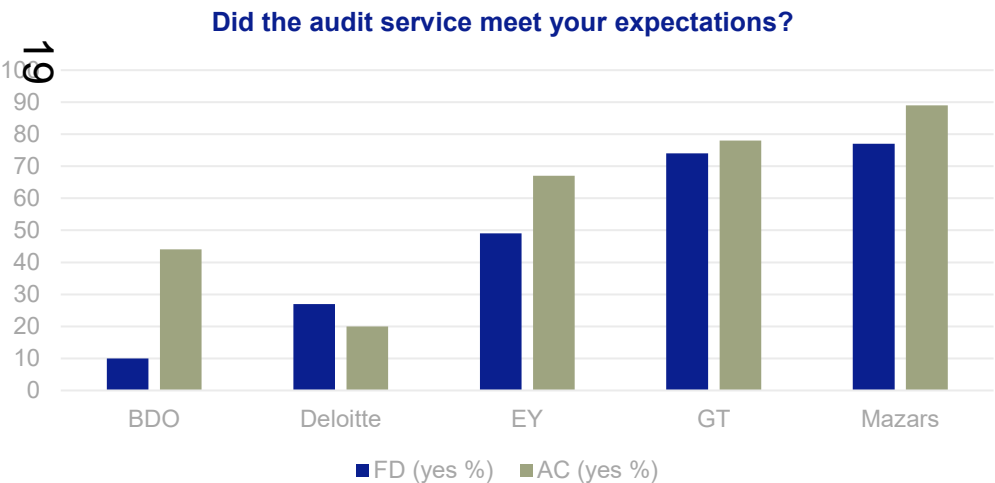
The extent to which an organisation's culture supports the execution of its strategy, the management of risk and the treatment of its service users is increasingly under the spotlight, and weaknesses in culture are now frequently blamed for failings in these areas.

# PSAA quality of audit services feedback survey

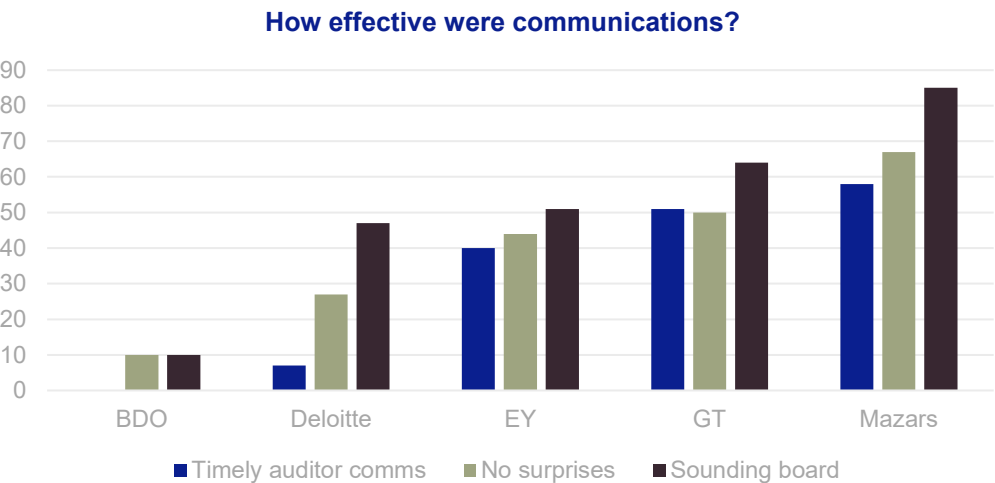
In August 2023 Public Sector Auditor Appointments Ltd (PSAA) published its fourth annual report on feedback from Finance Directors and Audit Committee Chairs of local authorities on their satisfaction with the audit services provided by local auditors.

You can view the full PSAA report at [PSAA-Quality-of-Audit-Services-2021-22-feedback-survey.pdf](#)

Focus area 1 - To what extent did the audit service meet your expectations?



Focus area 2 - To what extent did your auditor provide effective and timely communications? Were the communications timely, with no surprises and was the auditor approachable as a sounding board?



# National publications

Publication / Update		Key points	Link
<b>National Audit Office (NAO)</b>			
	Condition of school buildings, June 2023	Report which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.	<a href="#">Condition of school buildings - National Audit Office (NAO) report</a>
	Investigation into the Homes for Ukraine scheme, October 2023	This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned.	<a href="#">Financial management in government: strategic planning and budgeting - NAO insight</a>
	Reducing the harm from illegal drugs, October 2023	This report examines whether the government is well positioned to achieve the strategy's 10-year ambitions.	<a href="#">Investigation into the Homes for Ukraine scheme - NAO report</a>
	Reforming adult social care in England, 10 November 2023	This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.	<a href="#">Reforming adult social care in England - NAO report</a>
20	Resilience to flooding, 15 November 2023	NAO last reported on government's management of flood risk in November 2020. In this report, we look at the government's long-term ambition "to create a nation more resilient to future flood and coastal erosion risk" and, in the more immediate term, whether Defra and EA are delivering value for money after two years of the capital programme. To do this, we have assessed Defra's progress against the backdrop of its 2020 policy statement and EA's 2020 strategy. We also assess EA's performance in maintaining existing flood defence assets.	<a href="#">Resilience to flooding - National Audit Office (NAO) report</a>
<b>Chartered Institute of Finance and Accountancy (CIPFA)</b>			
	Section 114s: where are we headed next? 16 August 2023	Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.	<a href="#">Section 114s: where are we headed next?   CIPFA</a>

# Contact

## Mazars

The Corner

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Find out more at [www.mazars.co.uk](http://www.mazars.co.uk)

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**mazars**

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ID: Mazars

## **Bolsover District Council**

### **Meeting of the Audit Committee on 12th March 2024**

### **Summary of Progress on the 2023/24 Internal Audit Plan**

### **Report of the Head of the Internal Audit Consortium**

<b>Classification</b>	This report is public
<b>Report By</b>	Head of the Internal Audit Consortium
<b>Contact Officer</b>	Jenny Williams Head of the Internal Audit Consortium

## **PURPOSE/SUMMARY OF REPORT**

To present, for members' information, a progress report in respect of the 2023/24 Internal Audit Plan.

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## **REPORT DETAILS**

### **1. Background**

- 1.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium reports periodically to the Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

### **2. Details of Proposal or Information**

- 2.1 Appendix 1 is a summary of reports issued January to February 2024 in respect of the 2023/24 Internal Audit Plan. The Appendix shows for each report the level of assurance given and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system's ability to meet its objectives and manage risk. The definitions of the assurance levels used can be seen in the table below. The assurance levels have also now been linked to definitions of risk within the risk management strategy.

<b>Assurance Level</b>	<b>Internal Audit Definition</b>	<b>Risk Register Link</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.	Minor / negligible impact
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.	Minor / moderate
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.	Moderate / Severe Impact
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.	Catastrophic Impact

2.2 In this period 2 reports have been issued both with Reasonable Assurance.

2.3 No issues arising relating to fraud were identified.

2.4 Appendix 2 provides full details of the audits completed and those in progress. A few audits will need to be deferred due to staff shortages during the year. A new part time auditor started on the 4<sup>th</sup> March 2024.

### **3. Reasons for Recommendation**

3.1 To inform Members of progress on the 2023/24 Internal Audit Plan and to provide details of the Audit Reports issued to date.

3.2 To comply with the requirements of the Public Sector Internal Audit Standards.

### **4 Alternative Options and Reasons for Rejection**

4.1 N/A

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## **RECOMMENDATION**

1. That the report be noted.

### **IMPLICATIONS:**

**Finance and Risk:**            Yes ☒            No ☐

**Details:**

Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

On behalf of the Section 151 Officer

**Legal (including Data Protection):**            Yes ☒            No ☐

**Details:**

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On behalf of the Solicitor to the Council

**Environment:**

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

**Details:**

N/A

**Staffing:**            Yes ☐            No ☒

**Details:**

On behalf of the Head of Paid Service

## **DECISION INFORMATION**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>Revenue - £75,000   <input type="checkbox"/>   Capital - £150,000   <input type="checkbox"/></b> <b><input checked="" type="checkbox"/> Please indicate which threshold applies</b>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No



<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> <b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Executive</b> <input type="checkbox"/> <b>SLT</b> <input type="checkbox"/> <b>Relevant Service Manager</b> <input checked="" type="checkbox"/> <b>Members</b> <input type="checkbox"/> <b>Public</b> <input type="checkbox"/> <b>Other</b> <input type="checkbox"/>	Details:

<b>Links to Council Ambition: Customers, Economy and Environment.</b>
Internal audit reviews help to ensure that the Council is delivering high quality, cost effective services.

DOCUMENT INFORMATION	
Appendix No	Title
1	Summary of Internal Audit reports issued January to February 2024
2	Progress on the 2023/2024 Internal Audit Plan

<b>Background Papers</b>
<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>

**BOLSOVER DISTRICT COUNCIL**  
**Internal Audit Consortium - Report to Audit Committee**  
**Summary of Internal Audit Reports Issued January to February 2024**

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B013	Housing Rents	To ensure that housing rents are collected promptly and accurately and that there are debt collection procedures in place	Reasonable	26/01/24	16/2/24	3 (1M 2L)	3
B014	Pleasley Vale Outdoor Activity Centre	To review the policies and procedures in place for fees and charges, health and safety, training, insurance, risk management, procurement, inventory etc	Reasonable	29/01/24	19/02/24	6 (2M 4L)	6

H = High Priority M = Medium Priority L = Low Priority

### Bolsover District Council Internal Audit Plan 2023/24

In progress
Ongoing through year
Complete
Anticipate completing
Anticipate Deferring

	<b>Main Financial Systems</b>	<b>Risk</b>	<b>2023/24 Days</b>
	CIPFA Management Code of Practice	M	12
	Payroll	H	20
	Non Domestic Rates	M	20
	Housing Rents	M	20
	Housing Benefits	M	20
	Housing Repairs	M	20
	<b>Total Main Financial Systems</b>		<b>112</b>
	<b>Corporate / Cross Cutting</b>		<b>2022/23</b>
	Corporate Governance / Assurance Statement	H	2
	Financial advice / working groups	H	20
	Safeguarding	M	12
	Climate Change	H	12
	Procurement	M	15
	<b>Total Cross Cutting</b>		<b>61</b>
	<b>Other Operational Audits</b>		
	Asset Management Arrangements	M	12
	Clowne Leisure Centre	M	15
	Commercial Waste		10

		L	
	Compliance Cncl Properties, gas electric, legionella	M	12
	Dragonfly Governance Arrangements	H	20
	E.H Pollution Prevention & Control	L	8
	Expenses and Allowances	L	12
	Contractor Final Accounts	M	5
	FOI / Env Regs	L	10
	Gas Servicing	M	12
	Homelessness	H	12
	Members Expenses	L	10
	Planning Fees	M	10
	Pleasley Vale Outdoors Centre	M	12
	Rechargeable Repairs (housing)	L	6
	Right to Buy Sales	M	12
	Sickness absence / Wellbeing	M	12
	VAT	M	8
	<b>Total Operational Areas</b>		<b>198</b>
	<b>IT Related</b>		
	IT Inventory / disposal of old equipment	M	10
	Members IT Equipment	L	12
	<b>Total IT</b>		<b>22</b>
	<b>Special Investigations / Contingency/ emerging risks</b>		<b>40</b>
	<b>NFI</b>		<b>5</b>
	<b>Apprenticeships / training</b>		<b>30</b>
	<b>Audit Committee / Client Liaison</b>		<b>15</b>
	<b>Grand Total</b>		<b>483</b>

### Reserve Areas

Gifts and Hospitality  
Money Laundering

## **Bolsover District Council**

### **Meeting of the Audit Committee on 12th March 2024**

### **Implementation of Internal Audit Recommendations**

### **Report of the Head of the Internal Audit Consortium**

<b>Classification</b>	This report is Public
<b>Report By</b>	Head of the Internal Audit Consortium
<b>Contact Officer</b>	Jenny Williams – 01246 959770 Jenny.williams@ne-derbyshire.gov.uk

### **PURPOSE/SUMMARY OF REPORT**

To present, for members' information, a summary of the internal audit recommendations made and implemented for the financial years 2020/21 - 2023/24 to date.

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### **REPORT DETAILS**

#### **1. Background**

- 1.1 Internal Audit make recommendations to improve the governance, risk and control processes in place. It is important to monitor the implementation of these recommendations to improve the control environment and to reduce the risk of fraud and error.

#### **2. Details of Proposal or Information**

- 2.1 This report is to inform Members of the Audit Committee of the internal audit recommendations made and progress in respect of implementing them.
- 2.2 Appendix 1 provides an analysis of the number of recommendations made and implemented for the financial years 2020/21 – 2023/24 to date. The table also summarises the number of recommendations that have been implemented and those that are outstanding. Below this the table details every outstanding recommendation.
- 2.3 There is 1 high, 5 medium and 10 Low priority recommendations outstanding. Managers have provided up to date comments in respect of the overdue recommendations and these can be seen at Appendix 1.

### 3. Reasons for Recommendation

- 3.1 To inform Members of the internal audit recommendations made and outstanding so that it can be assessed if appropriate and timely action is being taken.

### 4 Alternative Options and Reasons for Rejection

- 4.1 N/A

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## RECOMMENDATION

1. That the report be noted.

### IMPLICATIONS:

**Finance and Risk:** Yes ☒ No ☐

**Details:**

The implementation of internal audit recommendations helps to ensure that there are effective controls in place to reduce the risk of fraud and error.

On behalf of the Section 151 Officer

**Legal (including Data Protection):** Yes ☐ No ☒

**Details:**

On behalf of the Solicitor to the Council

**Environment:**

**Details:**

N/A

**Staffing:** Yes ☐ No ☒

**Details:**

On behalf of the Head of Paid Service

## DECISION INFORMATION

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>Revenue - £75,000</b> <input type="checkbox"/> <b>Capital - £150,000</b> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No

<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> <b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Executive</b> <input type="checkbox"/> <b>SLT</b> <input type="checkbox"/> <b>Relevant Service Manager</b> <input checked="" type="checkbox"/> <b>Members</b> <input type="checkbox"/> <b>Public</b> <input type="checkbox"/> <b>Other</b> <input type="checkbox"/>	Details:

<b>Links to Council Ambition: Customers, Economy and Environment.</b>
The implementation of Internal audit recommendations help to ensure that the Council is delivering high quality, cost effective services.

DOCUMENT INFORMATION	
Appendix No	Title
1	Summary of Internal Audit Recommendations Made and Implemented

<b>Background Papers</b>
<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>

Appendix 1

Summary of Internal Audit Recommendations made and implemented 2020/21 – 2023/24 (February 2024)

Recommendations Made	2020/21	2021/22	2022/23	2023/24
Number of High Priority	1	1	0	1
Number of Medium Priority	20	13	18	18
Number of Low priority	32	27	37	39
<b>Total</b>	<b>53</b>	<b>41</b>	<b>55</b>	<b>58</b>
<b>Recommendations Implemented</b>	<b>52</b>	<b>38</b>	<b>33</b>	<b>28</b>
High Recommendations Outstanding	0	1	0	0
Medium Recommendations Outstanding	0	1	4	0
Low Recommendations Outstanding	1	1	5	3
Not overdue yet	0	0	13	27
Total Overdue Recommendations	1	3	9	4
<b>Percentage due implemented or carried fwd to next audit</b>	<b>98%</b>	<b>93%</b>	<b>79%</b>	<b>90%</b>



## **BDC Internal Audit Recommendations Outstanding**

**2020/21**

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
B018	Laptops & Removable Media	Corporate Resources	Reasonable		2	4	6		1L	5
<b>Total</b>					<b>2</b>	<b>4</b>	<b>6</b>		<b>1</b>	<b>5</b>

**2021/22**

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not		
Ref				High	Medium	Low		Overdue	Overdue	Implemented
B009	Disaster Recovery	Strategy & Development	Substantial			3	3		1L	2
B010	30 Year HRA Business Plan	Both	Reasonable	1	2		3		2 (1H 1M)	1
<b>Total</b>				<b>1</b>	<b>2</b>	<b>3</b>	<b>6</b>		<b>3</b>	<b>3</b>

## 2022/23

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not		
Ref				High	Medium	Low		Overdue	Overdue	Implemented
B002	Food Hygiene	Resources	Reasonable		2	5	7	3		4
B004	Risk Management	Resources	Reasonable		1	1	2		1M	1
B007	Pleasley Vale Business Centre	Strategy & Development	Reasonable		2	4	6	1	1L	4
B008	The Tangent Business Centre	Strategy & Development	Reasonable		2	4	6	1	1L	4
B015	Main Accounting & Budgetary Control	Resources	Reasonable		1	2	3	2		1
B016	Committee Processes	Strategy & Development	Reasonable		1	3	4		4 (1M 3L)	
B018	Network Security	Resources	Reasonable		4		4	1	2M	1
B019	Taxi Licensing Arrangements	Resources	Reasonable		1	4	5	5		
<b>Total</b>					<b>14</b>	<b>23</b>	<b>37</b>	<b>13</b>	<b>9</b>	<b>15</b>

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## 2023/24

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not		
Ref				High	Medium	Low		Overdue	Overdue	Implemented
B001	Sickness Absence	Corporate Services & Partnerships	Reasonable		3	5	8	1		7
B002	VAT	Finance	Substantial			3	3	1		2

B003	Procurement	Governance & Legal	Reasonable		1	6	7		3L	4
B004	Commercial Waste	Services	Reasonable		1		1			1
B005	Right to Buy Sales	Services	Reasonable		1	4	5	1L		4
B006	Pollution Prevention and Control	Services	Limited		4	6	10	2		8
B007	Planning Fees	Services	Substantial			1	1			1
B008	Expenses & Allowances	Corporate Services & Partnerships	Substantial			3	3	3		
B009	Members IT Equipment	Finance	Reasonable		3		3	2		1
B010	Non -Domestic Rates	Finance	Substantial			5	5	5		
B011	Safeguarding	Corporate Services & Partnerships	Limited	1	2		3	3		
B012	FOI / EIR	Governance & Legal	Substantial				0	0		0
B013	Housing Rents	Services	Reasonable		1	2	3	3		
B014	Pleasley Vale Outdoor Centre	Services	Reasonable		2	4	6	6		
<b>Total</b>				<b>1</b>	<b>118</b>	<b>39</b>	<b>58</b>	<b>27</b>	<b>3</b>	<b>28</b>

## BDC Outstanding Internal Audit Recommendations as at February 2024

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment February 2024
Laptops and Removable Media – March 21	As part of its next review, the Joint Information Security Policy should be examined and updated where appropriate to reflect any lessons learned from the effects of the rapid move to home working experienced during the Covid-19 pandemic.	Low January 22  Revised Target Date March 2024	The Information and cyber-security policy is currently being finalised and through the approval process. This will be published on the Corporate Teams file area.
IT Disaster Recovery – November 2021	It would be beneficial to complete internal phishing exercises on an annual basis across all 3 authorities to increase awareness of threats within the authorities	Low December 2022  Revised Target December 2024	Priorities diverted to other cyber related mitigation tasks such as moving to exchange online. Phishing training was distributed in June to all Staff and members with real examples highlighted. Known Phishing example publicised regularly when they come up. Currently investigating use of additional tools provided with M365 suit; however, this may take some time to implement.
HRA Business Plan – December 2021	The 30 Year HRA Business Plan should be revisited at least every 5 years in line with the MTFP to ensure that it is financially viable and meets the objectives of the Council Ambition. Once finalised the	High  Once finalised then every 5 years	February 2024 – Work in relation to Dragonfly is still causing capacity issues. The hope is that once we catch up enough on year end preparation, we will look at the business plan again. Contact will be made with the consultant soon.

<b>Audit and date audit completed</b>	<b>Recommendation Outstanding</b>	<b>Priority and Original Target Date</b>	<b>Managers Comment February 2024</b>
	30 year Plan that is currently in development should be formally approved by Council.		
HRA Business Plan – December 2021	Whilst developing the new HRA 30 Year Business Plan the assumptions made should be stress tested to ensure that the plan is robust i.e. looking at best and worst case scenarios for important factors such as voids, inflation and rent levels.	Medium  Once finalised then every 5 years	Please see previous comment.
Risk Management – August 2022	It should be ensured that risk training is provided for officers and Members to generate an inherent awareness and drive risk management further to ensure that risk is embedded within the culture of the organisation.	Medium  July 2023	Training for Members has been provided. Zurich (the Council's insurers) have been approached in relation to potentially providing training for Officers.

<b>Audit and date audit completed</b>	<b>Recommendation Outstanding</b>	<b>Priority and Original Target Date</b>	<b>Managers Comment February 2024</b>
Pleasley Vale and the Tangent Business Centres – November 2022	Risk assessments for the business centres should be completed and subject to regular review to provide assurance against any potential incidents.	Low March 2023	February 2024 - We are currently reviewing risks as part of the Dragonfly SLT and have a workshop scheduled with the SLT to go through the risks across the organisation so it will be picked up as part of that. This has changed significantly, due to the increased risks at Pleasley in particular, so a more strategic risk assessment is required.
Committee Processes – April 2023	To require completion of the standard report template for all formal committees (excluding Planning Application reports) therefore capturing all implications (Finance/ Legal/Staffing/Environment) to ensure a consistent approach,	Low End June 2023	The requirement to complete the standard report template will be included in the report writing guidance, which is currently being updated. This will be issued to report writers once it is complete.  The Governance Team have been briefed to check that all reports for formal committees are on the standard report template.
Committee Processes – April 2023	An officer be designated to proactively review all Environment Implications on Committee Reports on the same footing as Finance/Legal and HR matters	Low End June 2023	The Service Director for Executive, Corporate and Customer Services and Partnerships is now the Climate Change Lead and can be contacted for advice.

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment February 2024
	<p>are or further training or advice is given to report authors to ensure Environment issues are fully considered.</p> <p>As a minimum further guidance should be provided through the update of the 'Report Writers Hints &amp; Tips' document the 'Decision and Report Process Notes' including the contact point of where further advice can be sought.</p>		This will be included in the updated report writing guidance.
Committee Processes – April 2023	To demonstrate that Environment matters have been considered add a check box for the Environment Implications for authors to complete.	Low End June 2023	The report template has been amended to include a check box. This will be issued once the report writing guidance is finalised.
Committee Processes – April 2023	In order to be compliant with the Local Government Act 1972 and promote openness	Medium	The constitution has now been amended to include reference to the public interest test and to place responsibility with the

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment February 2024
	<p>and transparency the Constitution be updated to reflect that:-</p> <p>i) when determining whether a report is exempt, the public interest test is completed;</p> <p>ii) reports may only be classified as exempt with the agreement of the Assistant Director, Solicitor to the Council.</p> <p>To assist authors, the agreed process be added to the 'Report Writers Hints &amp; Tips document the 'Decision and Report Process'.</p>	30 <sup>th</sup> June 2023	<p>Monitoring Officer for determining whether reports are exempt.</p> <p>The report writing guidance is currently being updated.</p>
Network Security – May 2023	It is essential that all policies and strategies are reviewed, updated and approved on a timely basis. Once approved the policies should be published on the Joint ICT Intranet site.	<p>Medium</p> <p>July 2023</p> <p>Revised target March 2024</p>	The Information and cyber-security policy is currently being finalised and through the approval process. The will be published on the Corporate Teams file area.



<b>Audit and date audit completed</b>	<b>Recommendation Outstanding</b>	<b>Priority and Original Target Date</b>	<b>Managers Comment February 2024</b>
Network Security – May 2023	ICT should consider the development of an I-Cloud Policy for NEDDC and BDC and include this on the Council's Joint ICT Intranet Site.	Medium End March 2022  Revised target March 2024	This has been included into the Information and cyber-security policy currently being finalised and through the approval process. The will be published on the Corporate Teams file area.
Procurement July 2023	The contracts for bespoke scheduling software and CRM software currently held by Kirona Solutions and Alicum Software respectively should be formally tendered when next due to expire as required by Contract Procedure Rules.	Low Autumn 2023	Awaiting progress from IT Services
Procurement July 2023	A timeframe be agreed for when procurement training for staff will recommence.	Low Autumn 2023	Awaiting availability from Legal services to combine the training. Monitoring Officer to advise when available to deliver the training as joint venture.
Procurement July 2023	To support officers involved with procurement contracts the Procurement Team alert managers of contracts which are due to expire to allow re-procurement or extension of contracts and the update of	Low December 2023	Still to identify a suitable prompt within the system to allow automatic alerts. IT are assisting in investigating options available. Update April 2024.

<b>Audit and date audit completed</b>	<b>Recommendation Outstanding</b>	<b>Priority and Original Target Date</b>	<b>Managers Comment February 2024</b>
	the contract register accordingly.		

## **Bolsover District Council**

### **Meeting of the Audit Committee on 12<sup>th</sup> March 2024**

#### **Internal Audit Plan 2024/25**

#### **Report of the Head of the Internal Audit Consortium**

<b>Classification</b>	This report is Public
<b>Report By</b>	Head of the Internal Audit Consortium
<b>Contact Officer</b>	Jenny Williams Head of the Internal Audit Consortium

### **PURPOSE/SUMMARY OF REPORT**

To present to Members for consideration and agreement the Internal Audit Plan for 2024/25

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### **REPORT DETAILS**

#### **1. Background**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk- based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk- based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

#### **2. Details of Proposal or Information**

- 2.1 The plan has been prepared taking into account the following factors: -

- The organisational objectives and priorities
- Local and national issues and risks
- The requirement to produce an annual internal audit opinion
- An update of the internal audit risk assessment exercise
- The Council's strategic risk register
- Consultation with the Senior Leadership Team

- 2.2 Some reserve audit areas have been included at the end of the plan. Whilst every effort will be made to complete the 2024/25 planned areas first, a list of

reserve areas provides more flexibility. At certain times of the year, particularly year end there can be legitimate reasons why an audit is not feasible at a particular time. If the contingency days are not required then these will be utilised on the reserve areas.

- 2.3 An annual report summarising the outcome of the 2023/24 internal audit plan will be presented to this Committee after the year-end. Some of the areas within the 2023/24 plan have been carried forward to 2024/25.
- 2.4 A summary of the internal audit plan for 2024/25 is shown below and in detail at Appendix 1.

#### **Internal Audit Plan 2024/25**

<b>Summary</b>	<b>Audit Days</b>
Main Financial Systems	128
Other Operational Audits	95
Computer / IT Related	15
Corporate / Cross Cutting / Governance	81
National Fraud Initiative	6
Special Investigations & Contingency	40
Apprenticeships / Training	30
Audit Committee / Client Liaison	15
Dragonfly Ltd	73
<b>Grand Total</b>	<b>483</b>

- 2.5 Resource availability has been based on the Consortium Business Plan that is due to be approved by the Joint Board on the 27<sup>th</sup> March 2024. 483 days are allocated in total. It is intended to allocate 73 days to Dragonfly Ltd this year. Some of the days allocated to Dragonfly will be utilised to develop and agree their plan moving forward once the role of Internal Audit has been clarified and agreed with the Shareholder and Dragonfly Boards. The audit of Dragonfly Management functions is business as usual however clarity is still required in relation to our role in respect of Dragonfly Development Ltd.
- 2.6 The plan is ambitious and is reliant upon having a full staffing complement and fully trained staff so may not be completed in its entirety.

### 3. **Reasons for Recommendations**

- 3.1 To comply with the Public Sector Internal Audit Standards and to determine the internal audit work plan for the year.
- 3.2 To ensure that the annual internal audit opinion can provide assurance in respect of the Council's governance, risk and control arrangements.

### 4 **Alternative Options and Reasons for Rejection**

- 4.1 N/A

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## **RECOMMENDATIONS**

1. That the Internal Audit Plan for 2024/25 be agreed.
2. That it be noted that the plan is provisional and may need adjusting and prioritising in the light of any emerging risks / staff shortages etc.

### **IMPLICATIONS:**

**Finance and Risk:**                      Yes ☒                      No ☐

**Details:**

Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

On behalf of the Section 151 Officer

**Legal (including Data Protection):**                      Yes ☒                      No ☐

**Details:**

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance".

On behalf of the Solicitor to the Council

**Environment:**

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

**Details:**

N/A

**Staffing:**                      Yes ☐                      No ☒

**Details:**

On behalf of the Head of Paid Service

## **DECISION INFORMATION**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>Revenue - £75,000   <input type="checkbox"/>   Capital - £150,000   <input type="checkbox"/></b> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> <i>(Only Key Decisions are subject to Call-In)</i>	No

<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> <b>Leader / Deputy Leader   <input type="checkbox"/>   Executive   <input type="checkbox"/></b> <b>SLT   <input checked="" type="checkbox"/>   Relevant Service Manager   <input type="checkbox"/></b> <b>Members   <input type="checkbox"/>   Public   <input type="checkbox"/>   Other   <input type="checkbox"/></b>	Details:

<b>Links to Council Ambition: Customers, Economy and Environment.</b>
The internal audit plan is linked to the Council Ambition in respect of its aim to deliver an excellent service that will provide assurance in respect of the Councils governance, risk and control arrangements.

DOCUMENT INFORMATION	
Appendix No	Title
1	Internal Audit Plan 2024/25

<b>Background Papers</b> <i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>

## Appendix 1

### Bolsover District Council Internal Audit Plan 2022/23 – 2024/25

Audits not completed

Priority		2022/23 Days	2023/24 Days	2024/25 Days	Risk Factor / Strategic Risk
	<b>Main Financial Systems</b>				
M	Main Accounting/Budgetary Control / MTFP	15	0	15	Failure to produce a reliable set of accounts, lack of control over spending, (Strategic Risk 2)
M	CIPFA Financial Management Code	0	12	0	Lack of financial resilience / Sustainability (Strategic Risk 2)
M	Payroll	0	20	0	Employees are paid incorrectly, there are ghost employees in the system
M	Creditor Payments	20	0	20	Incorrect or fraudulent payments are made (Strategic risk 3)
M	Government Grants / sign off	0	0	3	Monies not paid out in accordance with scheme
M	Debtors	10	0	15	Loss of income, fraud
M	Treasury Management	10	0	15	Misappropriation of funds, poor investment decisions
M	Cash and Banking	18	0	20	Loss of income, theft
M	Council Tax	10	0	20	Loss of income, fraud (Strategic risk 3)
M	Non Domestic Rates	20	20	0	Loss of income, fraud (Strategic risk 3)
M	Housing / Council Tax Benefits	20	20	20	Reputational damage, fraud (Strategic risk 3)
M	Housing Rents	0	20	0	Loss of income, fraud (Strategic risk 3)
M	Housing Repairs (now Dragonfly Management)	10	20	0	Reputational damage, health and safety risks (Strategic Risk 3)
	<b>Total Main Financial Systems</b>	<b>133</b>	<b>112</b>	<b>128</b>	

Priority		2022/23 Days	2023/24 Days	2024/25 Days	Risk Factor / Strategic Risk
H	<b>Dragonfly – Company audits</b>			73	Company failure, poor governance, reputational damage, financial loss
H	<b>Corporate Governance Arrangements with Dragonfly</b>	12	20	15	Poor Governance
	<b>Other Operational Audits</b>				
M	Asset Management Arrangements (Joint audit with Dragonfly)	0	12	8	Assets not fit for purpose, poor VFM
M	Clowne Leisure Centre	0	15	0	Loss of income / theft (Strategic risk 3)
L	Commercial Waste	0	10	0	Loss of income
M	Committee Processes	12	0	0	Lack of transparency (Strategic risk 8)
M	Compliance Cncl Properties, Legionella, gas, electric	12	12	0	Health & Safety
M	Contract accounts and procedures	12	0	0	Value for money
L	Corporate Credit Card	0	0	5	Inappropriate spend
M	Disabled Facilities Grants	0	0	10	Reputational / fraud
M	E Health Food Hygiene	12	0	0	Public Health risk (Strategic risk 3)
L	E.Health Misc Licensing	0	0	8	Income loss, reputational
L	E.Health Pollution Prevention & Control	0	8	0	Income loss, non compliance with legislation
L	Expenses & Allowances	0	12	0	Fraudulent / incorrect claims
M	Final Accounts	5	5	0	Incorrect payments, fraud
L	FOI / Env Regs	0	10	0	Lack of transparency
M	Gas Servicing (now Dragonfly Management)	0	12	0	Safety risk, reputational issues (Strategic risk 3)
L	Grounds Maintenance	10	0	0	Reputational (Strategic risk 3)
M	Homelessness	12	12	0	Reputation, public welfare, failure in statutory duty (Strategic Risk 13)
M	Housing Allocations and Lettings	12	0	0	Reputational risk, fraud



Priority		2022/23 Days	2023/24 Days	2024/25 Days	Risk Factor / Strategic Risk
M	Insurance	0	0	12	Wrong cover levels and type, fraudulent claims
L	Leisure – Extreme Wheels	0	0	8	Health & Safety
L	Members Expenses	10	10	12	Fraud, reputational risk
L	Money Laundering	0	0	5	
L	Petty Cash	0	0	5	Inappropriate Spend
L	Planning Fees	0	10	0	Loss of income
M	Pleasley Mills/Property Rents (Now Dragonfly Management)	12	0	0	Loss of income, fraud
M	Pleasley Vale Outdoor Centre	12	12	0	Health & Safety
L	Rechargeable Repairs (Hsg, now Dragonfly Management)	0	6	0	Loss of income
M	Recruitment and Selection	12	0	0	Fraud
M	Right to Buy	0	12	0	Fraud
M	Section 106	0	0	12	Loss of income/fraud/ reputational damage, failure to complete projects
M	Sickness Absence / Wellbeing	12	12	0	Fraud, morale(Strategic Risk 4)
M	Social Media / Facebook / Bolsover TV	0	0	10	Reputational Damage
M	Taxi Licensing	12	0	0	Safeguarding (Strategic Risk 10)
M	The Tangent (Now Dragonfly Management)	12	0	0	Poor admin / loss of income
M	Transport, fuel, plant	13	0	0	VFM / fraud / theft
L	VAT	0	8	0	Penalties
	<b>Total Operational Audits</b>	<b>182</b>	<b>178</b>	<b>95</b>	
	<b>Computer and IT Related</b>				
H	Cyber Security / Network Security /	15	0	15	Attack on Council systems (Strategic risk 12)

Priority		2022/23 Days	2023/24 Days	2024/25 Days	Risk Factor / Strategic Risk
	Systems Security/ Transformation programme/ Digital / DR				
M	IT Inventory / disposal of old Equip	0	10	0	Theft of equipment / data
L	Members IT Equipment	0	12	0	Equipment not returned / issued in error
	<b>Total Computer and IT related</b>	<b>15</b>	<b>22</b>	<b>15</b>	
	<b>Cross Cutting Areas</b>				
H	Climate Change	0	12	12	Reputation, failure to meet council objectives (Strategic Risk 14)
H	Corporate Governance and AGS	2	2	2	Poor Governance (Strategic Risk 8)
M	Data Protection	12	0	0	Mis- use of data, large fines
H	Financial Advice / Working Groups	20	20	20	Appropriate controls not in place
M	Health and Safety	0	0	10	Risk of injury, death (Strategic Risk 8)
M	Corporate Targets	12	0	12	Poor Governance (Strategic Risk 8)
M	Procurement	0	15	0	Fraud, poor value for money
M	Risk Management	0	0	10	Failure to identify and mitigate risks (Strategic risk 8)
M	Safeguarding	0	12	0	Public safety, reputational risk (Strategic Risk 9)
	<b>Total Cross Cutting</b>	<b>46</b>	<b>61</b>	<b>66</b>	
	Special Investigations /Contingency/Emerging risks	40	40	40	Fraud, loss of income
	Apprenticeship / training	30	30	30	Lack of appropriately trained staff
	NFI / Key contact	10	5	6	Fraud
	Audit Committee / Client Officer	15	15	15	Non- compliance with Public Sector Internal

Priority		2022/23 Days	2023/24 Days	2024/25 Days	Risk Factor / Strategic Risk
	Liaison				Audit Standards
	<b>Planned Total Days</b>	<b>483</b>	<b>483</b>	<b>483</b>	

**Reserve Areas**

IT Inventory / disposal of old equipment  
Street Cleaning  
Ethical Governance

## **Bolsover District Council**

### **Meeting of the Audit Committee on 12<sup>th</sup> March 2024**

#### **Local audit delays – consultation and proposals for the future**

#### **Report of the Director of Finance and Section 151 Officer**

<b>Classification</b>	This report is public
<b>Contact Officer</b>	Director of Finance and Section 151 Officer Theresa Fletcher

### **PURPOSE/SUMMARY OF REPORT**

The Committee is asked to note the report on the local audit delays, the consultation on clearing the backlog of audits and the proposals for the future to ensure timely audits for the sector.

### **REPORT DETAILS**

#### **1. Background**

- 1.1 Members will be aware that every Council by law, must prepare a statement of accounts each year. These have to be published as a draft version, audited by external auditors (ours are called Mazars), then approved by this Committee and published as a set of audited financial statements on our website.
- 1.2 The statement of accounts represents the main document that local residents, councillors, central government and other accounts users need to demonstrate what money the Council has received and how it used its resources so they can hold it to account.
- 1.3 When preparing the statement of accounts, the key document for authorities in England is the Accounts and Audit Regulations 2015. Regulation 9 requires the Council's Section 151 Officer to sign and date the statement of accounts prior to the start of the public inspection period, which must include the first 10 working days of June.
- 1.4 This means the statement of accounts must be completed by the Council's finance team and be ready for sign off by the Section 151 Officer by the 31<sup>st</sup> of May each year under existing rules. There has been some flexibility allowed over this date in recent years due to Covid, but for the last 2 financial years our draft statement of accounts have been published on our website well before the deadline. The dates being 27<sup>th</sup> May 2022 and 19<sup>th</sup> May 2023.

- 1.5 Regulation 9 requires that the Council approve and publish on our website the audited statement of accounts, no later than 31 July in the relevant financial year, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).
- 1.6 This deadline was extended to the 30<sup>th</sup> of September due to Covid and in recent years this has been extended further to the 30<sup>th</sup> of November. Before Covid we published our audited statement of accounts on our website before the 31<sup>st</sup> of July deadline each year. The accounts since for 2019/20, 2020/21 and 2021/22 were all published before the deadline, the finance team always work really hard to meet this deadline, but this can only be achieved if the auditors are available to carry out the audit on our financial statements.
- 1.7 Members may be aware that there has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the Covid pandemic, leading to a persistent and significant backlog of audit opinions. As of the 31<sup>st</sup> of December 2023, the backlog of outstanding audit opinions stood at 771, with some audits dating back to 2015/16. Only 1% of English Councils were in a position to publish their audited accounts by the 30<sup>th</sup> of September 2023 deadline, this was 5 out of the 467 total. By mid-January this had increased to 10% according to commentators.
- 1.8 The opinion on our statement of accounts for the year 2022/23 is outstanding at the date of writing this report (14<sup>th</sup> February). Mazars our auditors are waiting for the audit of the Derbyshire pension fund to be completed before they can be sure our statement of accounts doesn't need to change to reflect any changes made to the pension fund accounts by their auditors.
- 1.9 Since Spring of 2023, the Department for Levelling Up, Housing and Communities (DLUHC), has been working with the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), the Public Sector Audit Appointments (PSAA) and a number of audit firms with responsibility for local audits, on a cross-system proposal to clear the backlog of audits and put the local audit system on a sustainable footing.
- 1.10 Attached at **Appendix 1** is a joint statement, published on the 8<sup>th</sup> of February 2024 as an update to proposals to clear the backlog and embed timely audit. Published alongside this is the consultation, which is attached at **Appendix 2**, giving details on how the local audit backlog issue is proposed to be resolved. The Council's Section 151 Officer submitted a response to the consultation directly on the government's portal on the 13<sup>th</sup> of February 2024.
- 1.11 The proposals are given in detail at **Appendix 1**, but they can be summarised as follows:
- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by the 30<sup>th</sup> of 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.

1.12 **Phase 1** involves changing some of the existing legislation. The current duty, set out in legislation for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed. We have this notice published on our website for our outstanding 2022/23 statement of accounts.

1.13 The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published. Our unaudited accounts have already been published but we are reliant on Mazars concluding our 2022/23 audit as mentioned in 1.8 above. Our accounts for last year should be finalised before the 30<sup>th</sup> of September backstop date, but there is a possibility our auditor won't achieve this, and our name could therefore appear on the list.

1.14 **Phase 2** will again involve changing legislation and the delay notice requirement will be removed as in Phase 1. In addition to the proposal for a backstop date of 30<sup>th</sup> September 2024 in Phase 1, the government is also proposing additional backstop dates of:

Accounts for year ended	Audited accounts must be approved by
31/3/24	31 May 2025
31/3/25	31 March 2026
31/3/26	31 January 2027
31/3/27	30 November 2027
31/3/28	30 November 2028

1.15 Our finance team will be aiming to publish the unaudited accounts by the 31<sup>st</sup> of May in each year as they do now and will be dependent on the auditors being able to complete the audit by the above dates.

1.16 Regarding the Value for Money (VFM) requirement on the auditors, it is proposed that the Auditors' Annual Report will be issued in draft to those charged with governance (our Audit Committee) by 30<sup>th</sup> of November each year, irrespective of the position on the audit. We have not yet received this report for the 2022/23 financial year.

1.17 The changes to the dates mentioned in 1.14, will mean the unaudited statement of accounts for 2024/25 due to be published on 31/5/25 as usual, will have the same deadline date as the backstop date for the 2023/24 audited accounts. It is hoped that the auditors will manage to carry out the 2023/24 audit and provide the audited

accounts before this deadline, thus preventing the finance team being overloaded at this already incredibly busy time.

1.18 A further change in support of both Phase 1 and 2 is a commitment by the FRC who are developing an escalated reporting framework. It is intended that the framework will be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates, and/or emerging systemic issues ahead of backstop dates, to enable them and system partners to take appropriate action as early as possible.

1.19 **Phase 3** will require work to address the systemic challenges that have led to the current local audit backlog. This work will build on the recommendations of the Redmond Review and all parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

## **2. Reasons for Recommendation**

2.1 To update the Audit Committee on the local audit delays, the joint statement on update to the proposals to clear the backlog and embed timely audit and the consultation document published on the 8<sup>th</sup> of February 2024.

## **3 Alternative Options and Reasons for Rejection**

3.1 There are no alternative options for consideration, this report is for information.

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## **RECOMMENDATION(S)**

1. That the Committee notes the report.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Resources

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### **IMPLICATIONS.**

**Finance and Risk:** Yes ☐ No ☒

**Details:**

There are no financial implications arising from this report.

On behalf of the Section 151 Officer

**Legal (including Data Protection):** Yes ☐ No ☒

**Details:**

The Council has to prepare a statement of accounts in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.

The audit of those accounts is undertaken in accordance with the statutory

framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014 for England.

On behalf of the Solicitor to the Council

**Environment:**

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

**Details:**

Not applicable to this report.

**Staffing:**      Yes ☐      No ☒

**Details:**

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

## DECISION INFORMATION

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>Revenue - £75,000   <input type="checkbox"/>   Capital - £150,000   <input type="checkbox"/></b> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> <i>(Only Key Decisions are subject to Call-In)</i>	No

<b>District Wards Significantly Affected</b>	All
<b>Consultation:</b> <b>Leader / Deputy Leader   <input type="checkbox"/>   Executive   <input type="checkbox"/></b> <b>SLT   <input type="checkbox"/>   Relevant Service Manager   <input type="checkbox"/></b> <b>Members   <input type="checkbox"/>   Public   <input type="checkbox"/>   Other   <input type="checkbox"/></b>	Details:

<b>Links to Council Ambition: Customers, Economy and Environment.</b>

DOCUMENT INFORMATION	
Appendix No	Title



1	Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit
2	Addressing the local audit backlog in England: Consultation

<b>Background Papers</b>	
<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>	
None	

## **Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit**

**Published 8 February 2024**

### **Executive summary**

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](#) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

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 duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors 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. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VfM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes 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 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

## Introduction

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#) setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). 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

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the

local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

### **Phase 1: Reset**

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.

6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.

7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.

8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.

9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.

10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work, including NHS external audit work, most of which will take place between April and June 2024.

12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.

13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example,

if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

## **Phase 2: Recovery**

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

### **Consultations to deliver Phase 1 and Phase 2**

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

### **Commitments by the FRC to support delivery of Phase 1 and Phase 2**

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. 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. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits](#). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.



32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

#### **Commitments by ICAEW**

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

#### **Commitments by PSAA**

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

#### **Expectations of auditors and local bodies to deliver Phase 1 and Phase 2**

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

### **Phase 3: Reform**

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review](#), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

### **Conclusion**

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

## **Addressing the local audit backlog in England: Consultation**

**Published 8 February 2024**

### **Topic of this consultation:**

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level.

This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing.

This document should be read in conjunction with the [Joint Statement](#) from system partners, including the Department for Levelling Up, Housing and Communities.

### **Scope of this consultation:**

The proposals covered by this consultation relate specifically to ‘Category 1’ Authorities. Category 1 bodies encompass local authorities, but also police and fire bodies, as well as bodies such as National Parks Authorities, waste authorities and Passenger Transport Authorities.

More specifically, in accordance with the [Accounts and Audit Regulations 2015](#), a “Category 1 authority” means a relevant authority that either—

(a) is not a smaller authority; or

(b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with the Local Audit (Small Authorities) Regulations 2015.

For the definition of “relevant authority”, see [section 2 of the Local Audit and Accountability Act 2014](#).

For the definition of a “smaller authority”, see [section 6 of the Local Audit and Accountability Act 2014](#).

### **Geographical scope:**

The questions in this consultation relate to local bodies in England, as defined above.

### **Basic information**

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities (as defined above), audit firms, and other organisations which form part of the local audit framework.

### **Body/bodies responsible for the consultation:**

The Local Government Performance Division in the Department for Levelling-Up Housing and Communities is responsible for conducting this consultation.

**Duration:**

This consultation will be open from 8 February. It will be open for 4 weeks for public participation and will close on 7 March 2024.

**Enquiries:**

For enquiries about the consultation please contact: [localaudit@levellingup.gov.uk](mailto:localaudit@levellingup.gov.uk)

**How to respond:**

You can respond to this consultation through our [online consultation platform](#). We strongly encourage responses via the online survey. Using the online survey greatly assists our analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

Alternatively you can email your response to the questions in this consultation to [localaudit@levellingup.gov.uk](mailto:localaudit@levellingup.gov.uk)

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

Consultation on Addressing the Local Audit Backlog  
FAO Elizabeth Parckar/Local Audit Team  
Department for Levelling Up, Housing and Communities  
Local Government Performance Division  
Fry Building  
2 Marsham Street  
London, SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

**Introduction**

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework.

A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

This consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). These are central to cross-system proposals agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This [Joint Statement](#) provides vital context for this consultation and should be reviewed before responding to the questions below.

As the Joint Statement explains, the wider package of measures consists 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

These are not proposals we take lightly, but these are exceptional times. All system partners, including the government, share the conviction that bold steps are necessary to reset the system.

The [NAO is also consulting](#), in parallel to this consultation, on related changes to the Code of Audit Practice. Further detail on the NAO's proposals can also be found in the [Joint Statement](#).

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors. Further detail on CIPFA LASAAC's proposals can also be found in the [Joint Statement](#).

The government has published a [draft statutory instrument](#) (PDF, 179 KB) alongside this consultation. As explained further below, this covers the core elements of the proposed amendments to the 2015 Regulations.

### **Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023**

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply – see below) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

Regulation 10(2) currently imposes a duty on authorities to publish a delay notice if an audit of accounts has not been concluded before the date specified. We propose to disapply this duty for accounts with outstanding audits for financial years 2015/2016 to 2022/2023. This is because, under these proposals, authorities would be required to publish audited accounts by the backstop date.

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the 30 September 2024 backstop date.

Our intention is to publish a list of Category 1 authorities and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Under these proposals, the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 5 to 14 and 25 to 46) as well as the [draft regulations](#) (PDF, 179 KB).

## Questions

Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)

Do you have any comments on this issue?

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Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)

Do you have any comments on this issue?

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Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

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Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

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Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

### **Phase 2: 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/2028**

The proposed changes to the 2015 Regulations would require (subject to consideration of potential exceptions – see below) Category 1 authorities to publish audited accounts by the following dates for financial years 2023/2024 to 2027/2028:

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

As per the Phase 1 backstop proposals, the NAO is proposing that the Code of Audit Practice would require auditors (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified dates.

As per the Phase 1 backstop proposals, we propose to disapply regulation 10(2), which requires authorities to publish a delay notice if the audit of accounts has not been concluded before the date specified.

Also to maintain consistency with the proposals for phase 1, the NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadlines for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the backstop dates for this period.



Our intention is to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Questions 10 and 11 below seek views on whether, in light of the proposed deadlines for the publication of audited accounts, the existing 31 May deadline for the publication of unaudited accounts (see regulation 15(1)(a)) remains appropriate for financial years 2024/2025 to 2027/2028. (Note that the deadline of 31 May 2024 for the publication of unaudited accounts for the current financial year is not under consideration.)

Under these proposals, the existing requirements in the 2015 regulations relating to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 15 to 46), as well as the [draft regulations](#) (PDF, 179 KB).

### Questions

Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?

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

Do you have any comments on these dates?

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Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

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Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

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Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

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Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)

Please explain your response.

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Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)

Please explain your response.

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Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the [Joint Statement](#), do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

#### **Publication of an audit letter**

Regulation 20 of the 2015 Regulations places a duty on Category 1 authorities to consider and then publish any audit letter received from the auditor “following completion of an audit.”

The NAO’s Code of Audit Practice currently specifies that an auditor’s annual report meets the definition of an ‘audit letter’ in the 2015 Regulations. In practice, therefore, Category 1 authorities have a duty to consider and publish annual audit reports in accordance with Regulation 20.

The 2020 Code of Audit Practice states that an auditor’s annual report brings together all of the auditor’s work over the year. This should be presented at an appropriate forum at the body (e.g. Audit Committee or Full Council) and be made available on the authority’s website.

A core element of the auditor’s annual report is a commentary on the organisation’s arrangements to secure value for money through the economic, efficient and effective use of its resources. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes

to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

These arrangements previously allowed for timely and reasonably predictable public reporting of local auditors' audit letters. The recent backlog issues have, however, resulted in both delays to this public reporting and much less predictability in terms of when the auditors' letters would be published.

Under the proposed changes to the NAO's Code of Audit Practice, aimed at helping with clearing the backlog of local audit opinions and restoring more timely reporting of auditors' work on arrangements to secure value for money, the NAO plans to consult on a fixed annual deadline of 30 November for production and subsequent publication of the auditor's annual report.

A fixed cycle may mean that, due to the proposed deadlines for publication of audited accounts for financial years 2023/2024 to 2027/2028, the auditor would issue their annual report before they have completed all of their work. However, it is hoped that these changes will enable the auditor to report the outcome of the majority of their work on financial sustainability and governance in a more timely and predictable way.

It may therefore be helpful for the 2015 Regulations to require reports categorised as 'audit letters' to be considered and published by Category 1 authorities whenever they are issued, rather than limiting this to circumstances in which an audit has been completed.

Further context on these proposals can be found in the [NAO's consultation](#).

### **Question**

Q13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)

Do you have any comments on this issue?

### **Equality impacts**

In considering new legislation, under section 149 of the Equality Act 2010 (the Act), the government is required to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share protected characteristics and those who do not.

Under the Act, protected characteristics refer to:

- age
- disability

- sex
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sexual orientation.

#### **Question**

Q14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

#### **Further feedback**

#### **Question**

Q15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?

(Where possible, please limit your response to 500 words)

#### **About this consultation**

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

## **Personal data**

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at [dataprotection@levellingup.gov.uk](mailto:dataprotection@levellingup.gov.uk) or by writing to the following address:

Data Protection Officer  
Department for Levelling Up, Housing and Communities  
Fry Building  
2 Marsham Street  
London SW1P 4DF

### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

### **Sensitive types of personal data**

Please do not share [special category](#) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By 'special category personal data', we mean information about a living individual's:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics

- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

### **3. Our legal basis for processing your personal data**

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

### **4. With whom we will be sharing your personal data**

The data collected may be shared with other government departments and arms length bodies.

For any other bodies all data shared will be anonymised.

DLUHC may appoint a ‘data processor’, acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

### **5. For how long we will keep your personal data, or criteria used to determine the retention period**

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

### **6. Your rights, e.g. access, rectification, restriction, objection**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have your data corrected if it is incorrect or incomplete
- d. to object to our use of your personal data in certain circumstances
- e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: [dataprotection@levellingup.gov.uk](mailto:dataprotection@levellingup.gov.uk) or

Knowledge and Information Access Team  
Department for Levelling Up, Housing and Communities  
Fry Building  
2 Marsham Street  
London SW1P 4DF

**7. Your personal data will not be sent overseas**

**8. Your personal data will not be used for any automated decision making**

**9. Your personal data will be stored in a secure government IT system**

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

## **Bolsover District Council**

### **Meeting of the Audit Committee on 12<sup>th</sup> March 2024**

### **Audit Committee Self Assessment for Effectiveness**

### **Report of the Director of Finance and Section 151 Officer**

<b>Classification</b>	This report is public.
<b>Contact Officer</b>	Director of Finance and Section 151 Officer Theresa Fletcher

## **PURPOSE/SUMMARY OF REPORT**

To present for Member's information, CIPFA's Position Statement 2022: Audit Committees in Local Authorities and Police and the accompanying guidance, to enable the Committee to undertake a self-assessment.

## **REPORT DETAILS**

### **1. Background**

- 1.1 During 2022, CIPFA updated its Position Statement: Audit Committees in Local Authorities and Police. The statement sets out the purpose, model, core functions and membership of the Audit Committee. The statement represents CIPFA's view on the Audit Committee practice and principles that local government bodies in the UK should adopt, and it has been prepared in consultation with sector representatives. The 2022 edition of the position statement replaces the 2018 edition.
- 1.2 The practical guidance that accompanies the position statement has changed considerably from the 2018 version. The guidance is now split into 2 parts, the first part is "The Audit Committee member in a local authority" and the second part is called "Guiding the Audit Committee – supplement to the Audit Committee member guidance". I have attached the position statement to this report at **Appendix 1** for your information.
- 1.3 The guidance is only available as an on-line document and both parts together total over 100 pages. I've purchased the documents so am able to share them within our Audit Committee but because of their size I have not attached them to this report. They can be obtained by following this link [S:\Finance and Revs&Bens\Finance BDC\PUB\Audit Committee documents](#) or if you would prefer, please let me know and I can send a copy to you via email. I would suggest part 1



is most relevant to you as Audit Committee members, both parts contain the appendices of the guidance.

- 1.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that they are a key component of an authority's governance framework:

*“The purpose of Audit Committees is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”*

- 1.5 The guidance covers:

- The purpose of Audit Committees
- The core functions of an Audit Committee
- Possible wider functions of an Audit Committee
- Independence and accountability
- Membership and effectiveness of the Audit Committee.

- 1.6 Appendix E of CIPFA's publication includes a self-assessment of good practice. This provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and publication. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

- 1.7 A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans and it will also inform the annual report.

- 1.8 It is proposed that the self-assessment of good practice in the new guidance is completed, you may recall we've done this in previous years. **Appendix 2** is a replication of the new self-assessment of good practice, but it can also be found in the publication by following the link in paragraph 1.3 of this report. Once completed, this will be reviewed and if necessary, an action plan will be presented to a future meeting of the Audit Committee.

## **2. Reasons for Recommendation**

- 2.1 To inform Members of CIPFA's updated practical guidance and Position Statement for Audit Committees in local authorities and police 2022 edition, and to enable the Audit Committee to undertake a self-assessment.

### 3 **Alternative Options and Reasons for Rejection**

3.1 There are no alternative options for consideration, this report is for information.

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#### **RECOMMENDATION(S)**

1. That the Audit Committee note the updated CIPFA guidance for Local Authority Audit Committees.
2. That the Audit Committee undertake the self-assessment in **Appendix 2** of the report.
3. That the completed self-assessment is reviewed and if necessary, an action plan be presented to a future meeting of the Audit Committee.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Resources

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#### **IMPLICATIONS.**

**Finance and Risk:** Yes ☐ No ☒

**Details:**

There are no direct financial implications arising from this report. However, failure to have in place an effective Audit Committee would increase governance risk to the Council.

On behalf of the Section 151 Officer

**Legal (including Data Protection):** Yes ☐ No ☒

**Details:**

There are no direct implications arising from this report.

On behalf of the Solicitor to the Council

**Environment:**

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

**Details:**

Not applicable to this report.

**Staffing:** Yes ☐ No ☒

**Details:**

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

## DECISION INFORMATION

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>Revenue - £75,000   <input type="checkbox"/>   Capital - £150,000   <input type="checkbox"/></b> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> <i>(Only Key Decisions are subject to Call-In)</i>	No

<b>District Wards Significantly Affected</b>	All
<b>Consultation:</b> <b>Leader / Deputy Leader   <input type="checkbox"/>   Executive   <input type="checkbox"/></b> <b>SLT   <input type="checkbox"/>   Relevant Service Manager   <input type="checkbox"/></b> <b>Members   <input type="checkbox"/>   Public   <input type="checkbox"/>   Other   <input type="checkbox"/></b>	Details:

<b>Links to Council Ambition: Customers, Economy and Environment.</b>

DOCUMENT INFORMATION	
Appendix No	Title
1	CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
2	Appendix E of CIPFA publication – Self assessment of good practice questions.

<b>Background Papers</b> <i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>
None



## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.



## APPENDIX E

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"><li>compliance with the CIPFA Position Statement 2022</li></ul>					
	<ul style="list-style-type: none"><li>results of the annual evaluation, development work undertaken and planned improvements</li></ul>					
	<ul style="list-style-type: none"><li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li></ul>					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none"><li>financial management</li><li>value for money</li><li>ethics and standards</li><li>counter fraud and corruption</li></ul>					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?						
<ul style="list-style-type: none"> <li>• Separation from executive</li> </ul>						
<ul style="list-style-type: none"> <li>• A size that is not unwieldy and avoids use of substitutes</li> </ul>						
<ul style="list-style-type: none"> <li>• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>						
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18 Is adequate secretariat and administrative support provided to the committee?						
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22 Are meetings effective with a good level of discussion and engagement from all the members?						
23 Has the committee maintained a non-political approach to discussions throughout?						

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.

## Audit Committee Work Programme 2023/24

### Formal Items – Report Key

Treasury Management	Audit/Risk

Date of Meeting	Items for Agenda	✓	Lead Officer
<b>27<sup>th</sup> June 2023</b>	• Report of External Auditor - Audit Strategy Memorandum	✓	Mazars
	• Summary of Progress on the 2022/23 and 2023/24 Internal Audit Plan	✓	Head of Internal Audit Consortium
	• Internal Audit Consortium Annual Report	✓	Head of Internal Audit Consortium
	• Audit Committee Work Programme 2023/24	✓	S151 Officer
<b>25<sup>th</sup> July 2023</b>	• Report of Internal Audit – Summary of progress on the Internal Audit Plan 2023/24	Sep	Head of Internal Audit Consortium
	• Member Training 2023/24 – Member Discussion March 2024 meeting	Mar '24	Feedback from Committee Members on training requirements
	• Annual Governance Statement and Local Code of Corporate Governance Sept meeting	Sep	Director of Governance/Monitoring Officer
	• Audit Committee Work Programme 2023/24	Sep	Governance / S151 Officer
<b>26<sup>th</sup> September 2023</b>	• Report to those charged with Governance – Mazars Audit Completion report	Nov	Mazars
	• Audit Progress Report – Year ended 31/3/23	✓	Mazars
	• Strategic Risk Register and partnership arrangements	Nov	Chief Executive
	• Report of Internal Audit – Summary of progress on the Internal Audit Plan 2023/24	✓	Head of Internal Audit Consortium

Date of Meeting	Items for Agenda	✓	Lead Officer
	• Implementation of Internal Audit Recommendations	✓	Head of Internal Audit Consortium
	• Review of the Internal Audit Charter	✓	Head of Internal Audit Consortium
	• Annual Governance Statement and Local Code of Corporate Governance	✓	Director of Governance/Monitoring Officer
	• BDC Statement of Accounts 2022/23	Nov	Section 151 Officer
	• Assessment of Going Concern Status	Nov	Section 151 Officer
	• Annual Report of Committee	✓	Section 151 Officer
	• Audit Committee Work Programme 2023/24	✓	Governance / Section 151 Officer
<b>27<sup>th</sup> November 2023</b>	• Report to those charged with Governance – Mazars Audit Completion Rpt		Mazars
	• BDC Statement of Accounts 2022/23		Section 151 Officer
	• Assessment of Going Concern Status		Section 151 Officer
	• Strategic Risk Register and partnership arrangements		Chief Executive
	• Audit Committee Work Programme 2023/24		Governance / Section 151 Officer
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<b>24<sup>th</sup> January 2024</b>	• Report of Internal Audit – Summary of progress on the Internal Audit Plan		Head of Internal Audit Consortium
	• <del>Accounting Policies 2023/24</del>		Section 151 Officer Moved to March meeting
	• <del>Report of External Auditor – Auditor's Annual Report 2022/23</del>		Mazars Moved to March meeting
	• <del>Report of External Auditor – External Audit Progress Report</del>		Mazars Moved to March meeting
	• Audit Committee Work Programme 2023/24		S151 Officer

Date of Meeting	Items for Agenda	✓	Lead Officer
12 <sup>th</sup> March 2024	• Strategic Risk Register and partnership arrangements		Chief Executive
	• Accounting Policies 2023/24		Section 151 Officer
	• Report of External Auditor - External Audit Progress Report		Mazars
	• Report of Internal Audit – Summary of progress on the Internal Audit Plan 2023/24		Head of Internal Audit Consortium
	• Implementation of Internal Audit Recommendations		Head of Internal Audit Consortium
	• Report of Internal Audit – Internal Audit Plan 2024/25		Head of Internal Audit Consortium
	• Local audit delays – consultation and proposals for the future		
	• Audit Committee – Self-assessment for effectiveness		Section 151 Officer
	• Member Training 2023/24 – Member Discussion		Feedback from Committee Members on training requirements
	• Audit Committee Work Programme 2023/24		S151 Officer