

# Audit Progress Report

Transport for the North

November 2022



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# 01

Section 01:  
**Audit Progress**

# Audit progress

## Purpose of this report

This report provides the Audit and Governance Committee's November 2022 meeting with updates on:

- the 2020/21 and 2021/22 audits in this section; and
- recent relevant reports and publications for your information in Section 2.

### 2020/21 Audit

Although we have completed our audit of the financial statements and our value for money work, we are still unable to provide our certificate closing the 2020/21 audit until we have completed our work on the whole of government accounts return to the National Audit Office (NAO). The NAO has issued its auditor instructions for the 2020/21 WGA process but further clarification on some key points is required.

### 2021/22 Audit

We presented our Audit Completion Report to the Audit and Governance Committee on 21 September 2022 and reported that there were a number of items outstanding, including the pension fund assurance letter, review of the narrative report, review and closure procedures and submission of the whole of government accounts return for 2021/22. An update on each of these matters is shown below.

- At the time of submitting this progress report, we have not yet received the pension fund assurance letter but will update Members at the Committee meeting;
- We have completed our review of the narrative report and have no matters to bring to your attention;
- We will undertake our final review and closure procedures on file once all work is complete; and
- We are awaiting guidance from the NAO for the whole of government accounts return 2021/22.

Our work on your 2021/22 Value for Money arrangements will be completed within three months of signing our opinion on your financial statements in line with guidance.

# 02

Section 02:

**National publications**

# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
1	CIPFA : Audit Committees Practical Guidance for local authorities and police	Guidance and resources for audit committee members.
<b>National Audit Office (NAO)</b>		
2	Guide to Corporate Finance in the Public Sector	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities
3	Improving government data: A guide to senior leaders	The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past
4	WGA 20-21 and 21-22	The NAO's Whole of Government Accounts (WGA) team has now issued Group Audit Instructions (GAI) and the Assurance Statement in respect of the 2020-21 and 2021-22 WGA processes
5	Audit and Risk Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
<b>Department for Levelling Up, Housing and Communities</b>		
6	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
<b>Financial Reporting Council</b>		
7	Major Local Audits – Audit Quality Inspection	The Financial Reporting Council has published its annual report on the quality of local audit work. This follows its 2022 inspections of files for the 20/21 audit cycle.

# NATIONAL PUBLICATIONS

## CIPFA

### 1. CIPFA : Audit Committees Practical Guidance for local authorities and police 2022 edition – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review.

The link to the publication is here: <https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

# NATIONAL PUBLICATIONS

## National Audit Office

### 2. Guide to Corporate Finance in the Public Sector - September 2022

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

- Principles and concepts
- Organisations and functions
- Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

<https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/>

### 3. Improving government data: A guide to senior leaders - July 2022

The NAO has published Improving government data: A guide for senior leaders aimed at accounting officers, chief executives, director generals, directors and chief operating officers and people responsible for government services. The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past. The guide focusses on data to support the operational delivery of public services, but much of the guide will also be relevant to data for decision-making and to improve performance

<https://www.nao.org.uk/insights/improving-government-data-a-guide-for-senior-leaders/>

# NATIONAL PUBLICATIONS

## National Audit Office

### 4. Whole of government accounts (WGA)

#### WGA 2020-21 - July 2022

The NAO's Whole of Government Accounts (WGA) team has now issued Group Audit Instructions (GAI) and the Assurance Statement in respect of the 2020-21 WGA process. In a change to the process for 2020-21, HM Treasury have elected to raise the threshold for local government to £2bn, aligning it with the central government threshold. While all entities above the minor bodies threshold will continue to have to complete and submit a WGA return, only those above the threshold as set by HM Treasury will be required to have their return subject to audit.

The rights and requirements of the NAO can extend beyond the thresholds set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will need to consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls to determine whether they require, for their purposes, any assurances from auditors of components who are below the HM Treasury thresholds.

The deadline for submission of returns for the 2020-21 WGA process is 31 August 2022. Completed returns should be sent to: [wgareturns@nao.org.uk](mailto:wgareturns@nao.org.uk).

#### WGA 2021-22 - August 2022

The HM Treasury wrote to component finance teams notifying them that the deadline for submitting Cycle 2 returns has been extended to 30 September 2022. As a result of this, the WGA audit team have revised the deadline for assurance statements to 30 September, to align with HM Treasury's deadline. HMT also highlighted the WGA guidance for preparers, as it can be helpful for addressing a number of general queries:

<https://www.gov.uk/government/publications/whole-of-government-accounts-2020-to-2021-guidance-for-preparers>

### 5. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 6. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make Audit and Risk Scrutiny Committees compulsory for all councils, with each Audit and Risk Scrutiny Committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 7. Major Local Audits – Audit Quality Inspection – October 2022

The Financial Reporting Council (FRC) has published its annual report on the quality of local audit work. This follows its 2022 inspections of files for the 20/21 audit cycle.

The headlines from the FRC report are that:

- Overall, the FRC is concerned by the timeliness of reporting in the sector. It raises this as a priority improvement area for audited bodies and auditors.
- The number of audits categorised as good or limited improvements required has remained consistent with the prior year. The FRC assessed 70% of financial statements audits as requiring no more than limited improvements. However, the FRC identified an increased number of audits as requiring significant improvements (15% in 2021/22 and none in 2020/21). It sets out that inconsistency is preventing firms from eradicating poor quality audits.
- Based on their inspections, FRC state that the quality of auditors' work on Value for Money arrangements remains high at all but one firm. Of the work inspected, 93% was categorised as good or limited improvements required (100% in the previous two years).

<https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf>

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