

# Audit Progress Report 2021/22

London Borough of Hackney &  
London Borough of Hackney Pension Fund

Audit Committee - January 2023



# Purpose and contents

## Purpose

We have prepared this report to communicate to the Audit Committee our progress with auditing the Council's statement of accounts for the year ending 31 March 2022 and an update on our auditor responsibilities relating to prior years. In addition, we wish to highlight some national publications which the Committee may find useful in enabling them to discharge their role as those charged with governance of the Council.

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# 01

Section 01:  
**Audit Progress**

# Audit Progress

## 2021/22 audit – Financial statements

The Council published its draft accounts by the deadline of 31 July 2022. The regulations require the Council to publish either audited accounts, or a notice explaining why this has not been possible, by 30 November. As previously reported, we agreed a timetable for the audit of the 2021/22 accounts that accommodated delays to the 2020/21 audit arising from the Cyber attack.

We have completed our interim audit work and followed up on points arising from the review completed to date. We have progressed our audit procedures on the Council and Pension Fund draft accounts and continue to follow up on outstanding points to allow our completion. We provide details below.

### COUNCIL

- We are finalising our review of identified journal entries within the Council's financial statements.
- We selected a sample of items for testing in the following areas and are finalising our review of the Council's supporting documentation:
  - Income and Expenditure transactions.
  - Revenue and capital grant receipts.
  - Debtor and Creditor balances.
  - Council lease transactions.
- We are continuing to review and challenge the Council's year end property valuations.
- We are completing our review of the Council's disclosures in respect of its pension liabilities.
- We are completing our quality control file review procedures.

# Audit Progress

As noted in our previous update, there is a national issue in respect of Infrastructure assets (specifically highways related) that impacts both the 2020/21 and 2021/22 accounts and audit completion. The Government issued a Statutory Instrument (SI) late in 2022 which came into effect on the 25 December 2022 (see item 2 in Section 03 of this report). The Council is awaiting a CIPFA national guidance note from to enable it to respond to the SI appropriately.

We will discuss the outcome of the Council's response to the national guidance note, together with any associated accounting adjustments or to disclosure revisions arising, and perform associated audit procedures as soon as we are able to. This should enable the Council to approve the final version of the 2020/21 accounts and for us to issue our audit opinion, and also allow us to certify completion of the prior year audits for 2018/19 and 2019/20.

## **Objection to the 2021/22 accounts**

We are completing our procedures in response to an objection made by a local elector to the 2021/22 accounts. We will report to the Audit Committee the outcome in due course.

## **PENSION FUND**

- We are performing our review of identified Fund related journal entries.
- We have selected a sample of items in Benefits paid, Contributions received and Administrative and Other expenses and are performing our review of the Fund's supporting documentation.
- We are awaiting final third party confirmations of year end investments to allow completion of our work on the Fund's financial assets.
- Performance of file review.

# Audit Progress

## Value for Money

### 2020/21 Conclusion

We have completed risk assessment in respect of the Council's Value for Money arrangements and have drafted our commentary on the arrangements. This is included in section 2 of this progress report. We have not identified any significant weaknesses in the arrangements subject to review.

### 2021/22 Conclusion

We have completed our risk assessment in respect of 2021/22 and to date we have not identified any risks of significant weakness in VFM arrangements. However, our consideration of arrangements in respect of 2021/22 will continue and we will discuss the timing of our reporting with management in due course.

# 02

Section 02:

**Value for Money Commentary 2020/21**

# Value for money commentary

## Financial Sustainability

### Background to financial sustainability in 2020/21

The Council began the 2020/21 financial year as the first national lockdown began, which brought with it a range of operational requirements needed to effectively respond to the range of challenges the pandemic presented. Central government made a series of policy announcements as part of the national response to Covid-19, many of which impacted on the Council. Consequently, the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding, and so the Council received significant additional funding in 2020/21. This included general grants to support its Covid-19 response of £32.35m, specific grants of £38.687m and compensation for business rate reliefs of £16m, alongside significant funding provided to support local business in line with the government's national initiatives. This funding helped the Council to support residents and businesses through the year and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The Council's financial sustainability challenges from the Covid-19 pandemic will continue through the medium term and this places considerable pressure on the Council to maintain effective financial sustainability arrangements.

### The Council's financial planning and monitoring arrangements

In February 2020 the Council set a balanced budget for the 2020/21 financial year. This required an increase in Council Tax of 3.99% (to include the 2% Adult Care precept). Throughout the year the Council has updated its budget forecast, enabling budgets to remain up to date in the fast-changing and uncertain operating environment of both the pandemic and the Council's cyber-attack.

Within the original budget and MTFs approved in February 2020, the Council had identified a budget reduction (savings) gap of £30m, as the Council had recognised it had to fund cost pressures and income reductions by 2022/23, with the above increase addressing approximately £3m of in the short term. While the budget for the 2020/21 period was balanced, there is recognition that a range of initiatives and measures will be required to deliver these reductions.

## Value for money commentary

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities and the impact on resources. Any reallocation of resources, whether to meet assessed need or address the Council's ongoing efforts to address points within the corporate delivery plan, are scrutinised before being reflected in the budget estimates.

The Council updates its financial position to Cabinet throughout the year, and at year end reported its revenue outturn position for 2020/21 as an overall overspend of £0.787m. We have reviewed a sample of the reports presented throughout 2020/21 and 2021/22, these were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a range of other financial measures and other performance information for officers and Members to review and consider overall performance. The Council follows an established timetable for reporting to Cabinet which includes reporting to directorate and divisional management teams as well as the strategic management team.

### **The Council's arrangements for identifying, managing, and monitoring funding gaps and savings**

The Council produces a Medium-Term Financial Strategy (MTFS) each year alongside its annual budget. The MTFS sets out the resources available to deliver the Council's overall commitment to provide the services that will meet the needs of residents over the four-year period. It is subject to review as part of the budget monitoring process completed throughout the year, as well as updating (to extend for a year) as part of each year's budget setting process.

The MTFS sets out the specific drivers of the Council's approach to budget setting, as well as highlight the factors that need to be addressed / considered as far as possible within each of the years covered. It reflects assumptions made to allow forecasting of the level of available resources alongside other budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves held which may impact on the Council's resources.

The budget setting process is a detailed and comprehensive process which includes consultation and discussion with officers and Members around the drivers on which the budget is to be based. As part of the budget setting process, the Council explicitly identifies its budget reduction

# Value for money commentary

requirements for the remaining years of the MTFS the budget relates to, this being through detailed consideration of budgetary pressures, funding estimates, and impact of national and local initiatives.

The Council completes a number of officer and member meetings and discussion to develop the budget and MTFS, review proposals for savings and budget reductions (with associated supporting evidence assessment). Proposals are subject to consultation with staff, officers and Members and are presented to meetings attended by Cabinet and Deputy Cabinet Members and senior officers, Overview and Scrutiny, and Cabinet before submission to, and approval at, Full Council.

As in prior years, when considering the savings that need to be identified, the Council continues to use five main methods to discuss and assist in identifying other savings initiatives to close the gap:

- Scrutiny Panel (through Budget Task and Finish Groups)
- Cabinet led working groups
- HMT / Cabinet Steering groups
- Co-ordinated Cross Council Approach to resource deployment
- Directorate specific initiatives.

We have reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. This confirmed that the documents were comprehensive and detailed, that the process for development is being completed on a timely basis and delivered the intended outcomes to assist with the budget preparation.

## **Council's arrangements and approach to 2021/22 financial planning**

The Council's 2021/22 budget setting process followed the arrangements in place for 2020/21, with the additional factor that the process was completed with regard to the ongoing impact of the cyber-attack. The budget for 2021/22 was approved at the March 2021 Council meeting.

## Value for money commentary

The Council set a balanced budget with a total net budget for Council services of £312.878m with an increase in Council Tax of 3.99% (including 2% Adult Care precept). The budget included £10.413m of recurrent budget reductions /increases. The Council did not assume any increase or use of reserves in the Budget. If reserves are needed during the year, then the movement is discussed and agreed with the agreement of the S151 officer.

We have reviewed the supporting evidence relating to the preparation of the 2021/22 budget and these demonstrate that the arrangements are consistent with the previous year, detailed and robust and properly applied.

### **Conclusion**

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.**

# Value for money commentary

## Corporate Governance

### The Council's risk management and monitoring arrangements

The Council has a well-established risk management system alongside an embedded governance structure across the organisation. The Council has continued to refresh its Risk Management Strategy each year that is well integrated within the Council's service planning arrangements. The risk management arrangements detail the importance of maintaining strong arrangements and includes corporate, directorate, service and project risk registers, all of which are informed by detailed assessments of the key risks impacting on each area. The Corporate Risk Register is formally reported regularly to HMT and to Audit Committee with a supporting analysis detailing movements in risk levels.

The detailed registers are all fed from the data within the Council's risk management system which sets out the strategic and corporate risks and links these with Directorates / Services and the corporate plan / objectives (a requirement for all risks). The risk registers apply a risk score both before and after the identification and application of any mitigation measures and enable the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy and examples of risk registers, as well as the corporate risk register and performance reviews made to the Audit Committee. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail to inform Council officers and Members.

The Council reports its risk registers through its governance framework, with registers presented and discussed at a range of Member and officer meetings and feeding into the regular risk update reports to Cabinet and the Audit Committee. Through our attendance at the Audit Committee meetings has confirmed the Committee understands its role in the risk management framework and, through its process of review and deep dives, provides challenge to management on the overall risk management strategy, associated registers, corresponding risks and mitigating actions.

The Council maintains an internal audit function, provided by an in-house team, which provides assurance over the effective operation of internal controls. The services is managed overall by the Group Director of Finance and Resources I who also oversees the arrangements to prevent and detect fraud. The annual Internal Audit plan is agreed with management at the start of the financial year and is subject to approval, as well an

## Value for money commentary

ongoing review and challenge, by the Audit Committee. The audit plan is based on an assessment of risks identified by the Council and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

During 2020/21, both the Covid-19 pandemic and the cyber-attack impacted on Internal Audit's plans and the Audit Committee was kept informed of progress, changes to plans and potential implications for overall delivery. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk-based approach and consider the implications of the pandemic and responding to the cyber-attack.

The Council has comprehensive anti-fraud and corruption policies which are updated as required. During 2020/21 the Council's anti-fraud work has included review of processes to minimise any loss on business grant payments made to businesses.

Internal Audit progress reports include reporting on the follow up of recommendations from previous Internal Audit reports and an assessment of progress in delivering these. Throughout the year we have attended all Audit Committee meetings, and from our attendance at these meetings we are satisfied this allows Members to engage with the reports and challenge the papers and reports which they receive from management, internal audit and external audit.

At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2020/21 the Head of Internal Audit concluded that an adequate level of assurance could be given that the Council's overall framework of governance, risk management and control remain appropriate and has been complied with. Whilst this reflected the significant impact of the pandemic, as well as the impact on controls arising from the cyber-attack, the annual report highlighted that improvements continue to be made in key control areas.

### **Council arrangements for budget setting and budgetary control**

The 2020/21 Revenue and Capital Budget was approved in February 2020, outlining the estimates of the financial challenge for the financial year 2020/21, as supported by the MTFs. Financial monitoring reports were prepared through much of 2020/21, seeking to highlight key issues and

## Value for money commentary

ensure any potential impact on budgets in the medium term. The cyber-attack limited the councils ability to complete these tasks for much of the year.

Over the summer of 2020, there was continued discussion between officers and Members to consider the current financial position and the impact on the budget of the Council and how to manage the impact of the pandemic on the council and its service delivery. Members were engaged closely in discussions about the financial implications for the Council of the pandemic and ongoing lobbying to maintain the financial plans that had been developed with the Council's MTFS and, through this engagement, the Council was able to maintain its commitment to its existing plans whilst continuing to maintain service delivery.

The Council has well established budget monitoring arrangements. Internal finance teams are aligned with the Council's management portfolio structure and the team work closely with budget holders to review, discuss and consider the financial pressures impacting on specific service areas.

The Council maintains a detailed internal budget monitoring timetable to ensure that reports and commentary / discussions are completed on a timely basis. Overall financial monitoring reports are prepared for the whole Council position in respect of both its Capital and Revenue budgets and these reports are presented to Cabinet throughout the year. The format of the report has been subject to some review and update to ensure relevant information, including that around the pandemic where an additional Covid-19 dashboard was prepared and reported upon, together with how the Council is delivering in respect of its previously identified key performance indicators.

### **Council decision making arrangements and control framework**

The Council's core decision making structure and arrangements are established in the Council Constitution, with decisions being either made by Members (Cabinet, Council, or other decision making committees) the Mayor, Cabinet portfolio leads, or officers as appropriate. All Cabinet and Key Decision reports include Officer Comments, together with notes of Finance, Legal, Risk Management, Equalities and Organisational Implications. The Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

## Value for money commentary

During 2020/21 the Council continually adapted its decision-making arrangements to respond to the challenges of Covid-19 as well as the significant impact that the cyber-attack had on the governance arrangements within the council. As both events developed and changed, the council worked to focus its governance structure to ensure decisions were made at appropriate levels and included the Council and relevant partners. As a result, the Council was able to proactively manage the developing risks and to take properly informed decisions in an appropriate timescale.

The Council has a separate Audit Committee, and this the appropriate status within the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has a wide range of responsibilities, but includes an agreed workplan that addresses governance issues, and requests reports on specific internal control issues if considered appropriate. The Audit Committee met regularly throughout the year, with minimal cancellations as a result of the pandemic, and received a range of reports on internal controls. Where the Committee identifies areas where it requires additional assurance, such as on IT disaster recovery and Treasury Management, reports are brought to future meetings.

### **Conclusion**

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.**

# Value for money commentary

## Economy, Efficiency and Effectiveness in the Use of resources

### The Council's arrangements for assessing performance and evaluating service delivery

The Council prepares performance monitoring and financial monitoring reports which are presented to senior management and Cabinet as part of the overall budget monitoring and performance reporting cycle. During 2020/21, financial monitoring reports included information about the financial pressures of the Council, the response to them, updates on the impact of the pandemic and management of associated financial costs / funding received, as well as the impact of the cyber-attack as financial information became available.

For services, the performance review analysis highlighted areas of new or increased service demand whether arising from the pandemic or other service pressures, and included the impact of the many government initiatives and policies on the Council's financial and operational performance.

These reports are also used to identify service delivery challenges, for example where increased costs are incurred to address service backlogs or underlying underperformance. Where such issues are highlighted through financial monitoring, the resources required as an investment to address this are identified. It also sought to identify actions, based on performance data and forecasting, the Council could implement to seek to manage demand / need and impact on planned expenditure.

During 2020/21, many of the key performance indicators (KPIs) were suspended due to the focus on Covid-19 pressures. Performance reporting was subject to regular revision to take account of the circumstances and developments in report identified by Officers and Members.

As part of the ongoing budget monitoring the Council has a suite of performance indicators which it collects on a regular basis as well as in a large number of services access to live management data on current service performance (via Qlik). Performance (data and progress against projects etc) is monitored at all levels of the organisation to ensure that the Council is delivering its objectives (as laid out in the Corporate Plan and statutory obligations).

Performance is monitored at local management level as well as Directors, group Director, HMT and Cabinet members. HMT, Directors and Cabinet

## Value for money commentary

members have access to online performance dashboards which have the top PIs (agreed by HMT/Cabinet) for the Council updated as new data becomes available. Regular review of these takes place at meetings of HMT and between HMT and Cabinet Members and the Mayor.

The Council's Audit Committee has also compiled a dashboard of KPIs which are reported on each quarter to the committee with relevant Directors available to answer questions and address concerns.

These arrangements were partly affected by the cyberattack part way through the year of account in 2019/20 and 2020/21.

The Council also employs financial and performance benchmarking across its services. Examples, include use of RA/RO, Section 251 data in determining potential areas for efficiency savings, through the ASC-FR statistical returns and through regular ADASS budget surveys as well as responded to ad hoc requests for benchmarking facilitates through the ADASS Finance Leads group, the use of benchmarking data to underpin transformation work in Housing Services and the use of national Local Environmental Quality Indicator, to compare the cleanliness of Hackney's street with other local authorities and to ensure continuous improvement in their performance.

In addition to the corporate performance reporting, the Council completes a range of internal performance and management reporting to evaluate performance and identify areas for improvement.

The latest CQC was carried out on 15 December 2020 and the Council received the results of the latest Ofsted inspection of Housing with Care services, which rated the service as 'requires improvement'. In response to this, and prior to the pandemic, the Council have developed a whole Council response and were developing a plan to move the Council to Good and onto Outstanding. While plans are in place, the pandemic has had an impact on the initial delivery of the response, although these are considered to be achievable in the short to medium-term.

### **The Council's arrangements for effective partnership working**

Through various committees the Council monitors the work and associated service delivery of key partnerships including an ongoing assessment of changes to risks as set out in the applicable risk register. The Council's key partnerships include those with its wholly owned housing subsidiaries

## Value for money commentary

and its relationship with health care partners as part of an integrated health and care system.

The Council owned housing companies all work with the Council with the developed business plans being influenced by the delivery of activities and any associated generation of income that can contribute towards the overall Council's objectives. The governance arrangements in place within the Council to ensure efficient oversight of the companies and their working are continuing to develop as the work and arrangements continue to increase and specific projects are completed and associated sales and rentals are completed.

During 2020/21 the Council has continued to work closely with the local healthcare partners to manage services with the significant impact of the Covid-19 pandemic on health and social care. The Council contributes to the North East London Health and Care Partnership, which developed from Healthwatch Hackney, to seek to develop and implement a fully integrated health and care system that builds on existing arrangements to improve health and wellbeing and reduce inequalities.

Subsequently the Council has worked extensively with these partners to develop a Recovery Plan, recognising that they need to continue to work together through the various arrangements to address delivery issues and ensure further learning and adaption. The developed Recovery Plan has taken the learning and experience from the development of responses to Covid-19 and the existing inequalities in health outcomes of Hackney's population.

### **The Council's arrangements for procurement and commissioning services**

The Council's Constitution contains details of, and a link to, specific Procurement policy and strategy and sets out the processes the Council must follow when procuring goods or services. The strategy seeks to ensure a culture which secures value for money from our contracting activities and achieves the best outcomes for Hackney residents. We have reviewed the procedure rules and confirmed that these appear comprehensive and cover the procedures, the quotation and tender process, any use of frameworks, the post tender evaluation and development of relevant contract monitoring processes.

## Value for money commentary

As part of the procurement strategy the Council has a separate Sustainable Procurement Strategy which seeks to improve the Council's contracting approach through changing its engagement with the market, in particular local and SME suppliers. The strategy focuses on environmental, economic and social sustainable developments themes of procuring green, for a better society and fairly. As part of its contract management the council has also implemented an approach to any insourcing decisions taken by service areas, to give services a more structured approach for insourcing decisions.

All procurement activities must be carried out, in accordance with the Council's Contract Standing Orders as set out in Part 4 of the Constitution, but also in compliance with the Council's General Scheme of Delegation to Officers. The Contract Standing Orders set out procurement routes applicable to various levels of spend, and in addition a risk management framework is in place for procurements above £100k. The application of the risk framework and the estimated value of the requirement determine the governance arrangements which are applicable to individual procurements. All procurements assessed as medium or high risk go through the Council's procurement gateway process with decisions taken by the Cabinet Procurement and Insourcing Committee for high risk or Hackney Procurement Board for medium risk procurements.

Contract managers are responsible for monitoring contracts to ensure that suppliers are delivering against specifications and maintaining records of supplier performance. Arrangements are proportionate to the value and risk of the contracts. Support is provided from the Procurement Team for the management of high risk and key strategic contracts.

The Head of Procurement and Corporate Contract Management unit are responsible for working with commissioners to shape the Council's strategic plans for contract management, as well as assisting in developing specifications, identifying opportunities for improvement within contracts, reviewing contract management information, monitoring KPIs, considering the value for money of contracts and ensuring that the contracts stay up to date throughout the period.

Where contract management information suggests that contracts are not being delivered to the specification, the Council seeks to engage with suppliers to develop and implement improvements to processes and service delivery. The maintenance of dialogue with suppliers is crucial in

## Value for money commentary

managing the relationship, delivering services and in ensuring disputes and disagreements are minimised. The Council establishes expected outcomes and benefits from procurement in a series of key performance indicators within contracts, these being specific to each contract, and subject to active monitoring to ensure the benefits are being delivered.

### **Conclusion**

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.**

# 03

Section 03:

**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>Department for Levelling Up, Housing and Communities</b>		
2	Consultation on Infrastructure Asset Accounting	The Government is consulting on a proposed temporary Statutory Override to unlock the difficulty in agreeing an accounting solution to this matter.
<b>National Audit Office (NAO)</b>		
3	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
<b>Financial Reporting Council (FRC)</b>		
4	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

## 1. CIPFA: Audit Committees Practical Guidance for local authorities and police – 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-police2022-edition>

## 2. Consultation on Infrastructure Asset Accounting – October 2022

CIPFA and CIPFA LASAAC have been seeking to assist in the resolution of this issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not so far been found that satisfies all stakeholders for the amount to be derecognised. The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.

The government has put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override does not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the Code. Use of the override is optional, as authorities can choose not to apply it.

It is the government's view that this is a necessary, short-term solution to avoid the widespread qualification of local authority accounts. The government recognises that a long-term solution is required, but due to the complexity of the issue this will necessarily take time, and there is an immediate need to mitigate the risks of widespread qualifications and delays to audit. The override applies to all local authority accounts for which an audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25.

The date on which the Statutory Instrument took effect was 25 December 2022, and as such auditors will be unable to issue any audit opinions on clients with material infrastructure assets until late January 2023.

[The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022: call for evidence - Department for Levelling Up, Housing and Communities - Citizen Space](#)

# NATIONAL PUBLICATIONS

## 3. Guide to Corporate Finance in the Public Sector

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/>

## 4. Major Local Audits – Audit Quality Inspection

See page 24

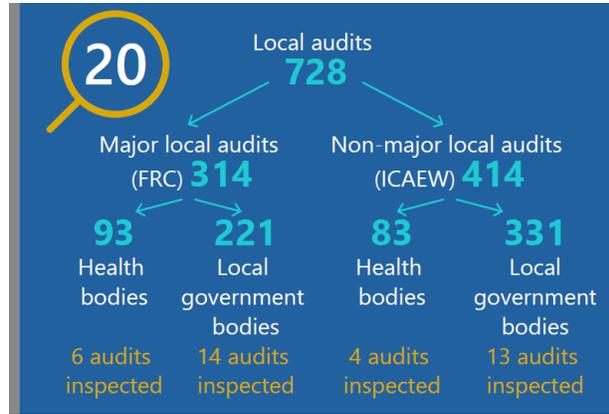
<https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf>

# Financial Reporting Council's report on local audit quality

## FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

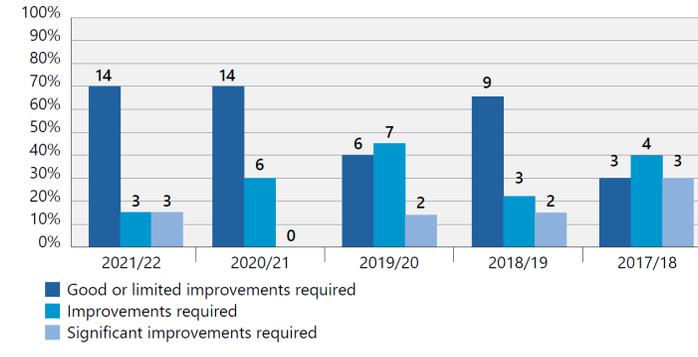
Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
<b>Total</b>	<b>314</b>		<b>20</b>



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

For Mazars, the FRC found that all 3 files reviewed met the expected standards.

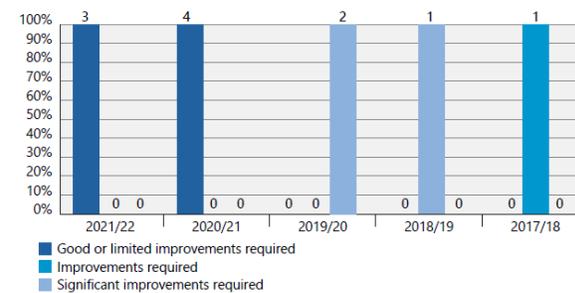
All financial statement reviews – for the firms inspected



This was the second successive year of 100% compliance following issues with audit quality in 2019/20. Whilst the sample size is small and focused on the higher risk audits, the improvement does reflect the investment we have made in people, technical expertise, specialists (such as building on in-house valuation team and strengthening our methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

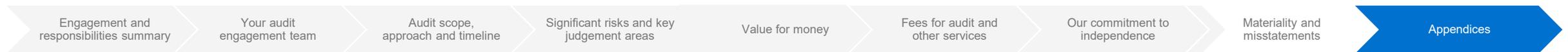
### Mazars LLP

Our assessment of the quality of financial statement audits reviewed



**100%**

At Mazars LLP, all three financial statement audits inspected were assessed as good or limited improvements required.



# Contact

## Mazars

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