

# Audit Progress Report

The Office of the Police and Crime  
Commissioner and Chief Constable for  
Cleveland

December 2023



# Contents

1. Audit Progress
2. National publications
3. Mazars public sector insights

# 01

## Section 01: **Audit progress**

# 1. Audit progress

## Purpose of this report

This report provides the December 2023 Joint Independent Audit Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2021/22 and 2022/23 audit. It also includes, at Section 2, a summary of recent national reports and publications for your information. In Section 3, we highlight some of the work Mazars has been leading on to provide public sector insights and this may be of interest to Members.

## 2021/22 Audit

Members may recall from the last meeting in September 2023 that there were two outstanding issues in relation to completion of the 2021/22 audit and these are set out below:

- As reported in our follow up letter in September 2023, we received the pension fund audit assurance letter in respect of the tri-ennial revaluation of the Teesside Pension Fund on 11 September 2023. However, this identified a number of significant discrepancies in the data and the pension fund auditor indicated to us that they did not intend to carry out any further work to investigate or resolve the apparent significant discrepancies. We therefore informed the Pension Fund auditor that we needed to follow up these issues ourselves, even though the Pension Fund and its lead authority, Middlesbrough Council, is not one of our audits. This work is still ongoing. Once we have completed this work, we will also finalise our Auditor's Annual Report for 2021/22 which was also presented as a draft at the September 2023 meeting; we hope to complete this work before Christmas; and
- We have not yet reported to National Audit Office (NAO) on your whole of government accounts (WGA) return. Although we have completed our work on the return itself, we can not report on it until we have issued the audit opinion. We will then need to wait for clearance from the National Audit Office (NAO) that they will not be selecting Cleveland Police as a sampled component for additional work. NAO's timetable for the completion of WGA for 2021/22 is the end of March 2024. We therefore anticipate being able to issue our audit certificate closing the 2021/22 audit at about this time.

## 2022/23 Audit

We presented our Audit Completion Report on the 2022/23 financial statements in September 2023 which highlighted a number of areas as outstanding. We are expecting to complete most of this work by the end of December 2023. However, we will be unable to complete our audit of the financial statements as we are not expecting to receive the pension fund audit assurance letter from the auditor of the Teesside Pension Fund until March 2024. At that point, we will provide our opinion on the financial statements and finalise our Auditor's Annual Report for 2022/23.

When we have issued the 2022/23 audit opinion, we will also be able to report to the NAO on the 2022/23 WGA. However, once again we anticipate a delay before we can issue the audit certificate, as we wait for NAO clearance that they will not be selecting Cleveland Police as a sampled component for additional work.

We will report our findings to the March 2024 meeting of the Joint Independent Audit Committee.

# 02

Section 02:

**National publications**

# National publications

Publication / Update		Key points
<b>National Audit Office (NAO)</b>		
1.	Whole of Government Accounts 2020/21, 20 July 2023	Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.
<b>Public Sector Audit Appointments (PSAA)</b>		
2.	PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)	At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.
3.	PSAA October 2023 Update, 17 October 2023	This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.
<b>Chartered Institute of Finance and Accountancy (CIPFA)</b>		
4.	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.
<b>Department for Levelling Up, Housing and Communities (DLUHC)</b>		
5.	Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023	Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.
6.	Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023	An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

# NATIONAL PUBLICATIONS

## National Audit Office

### 1. Whole of Government Accounts 2020/21, 20 July 2023

Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.

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

Whole of Government Accounts (WGA) consolidates the audited accounts of over 10,000 organisations across the UK public sector. WGA is based on International Financial Reporting Standards, the system of accounts used internationally by the private sector.

This is the twelfth year of publication of the WGA. The UK is among the most advanced countries in this regard and the WGA is a uniquely comprehensive product; as it is the only set of consolidated public sector accounts that includes both central government, local government and government owned corporations.

The WGA is independently audited by the National Audit Office providing greater confidence in the figures, and supports effective scrutiny by Parliament. This scrutiny is exercised by the Public Accounts Committee who examine the accounts each year.

In the event the Comptroller and Auditor General qualified the audit certificate and report on a number of points.

Link to further information:

<https://www.nao.org.uk/reports/whole-of-government-accounts-2020-21/>

## Public Sector Audit Appointments (PSAA)

### 2. PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)

At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

Local government bodies are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication. At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

The cumulative position of 918 delayed audit opinions emphasises how important it is that there is a successful conclusion to the intensive ongoing work to find a solution to the backlog, and to ensure that it does not recur. PSAA is making every effort to support this work in collaboration with fellow members of the Local Audit Liaison Committee.

Steve Freer, PSAA's Chair said,

'The scale of the backlog of local audit opinions is becoming more and more serious. It is now very clear that an extraordinary intervention of some sort is urgently required to put the system back on track. Hopefully, current work to develop a solution can be concluded quickly, enabling details of the planned solution to be announced and implemented as soon as possible.

An important strand of any solution must be to address the root causes of so many delayed opinions so that following its implementation the delivery of timely opinions is firmly and permanently re-established.'

Link to further information:

<https://www.psaa.co.uk/2023/10/psaa-announces-the-number-of-audit-opinions-completed-for-the-2022-23-audits/>



# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments (PSAA)

### 3. PSAA October 2023 Update, 17 October 2023

This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.

Content:

- 2022/23 audit opinion delivery
- Update on our consultation on the fee scale for 2023/24 audits
- Additional information for 2022/23 audits
- Contract Monitoring Data Pack: Quarter 1 for 2023/24
- Latest Annual Report and Accounts published
- Local audit news from elsewhere

Link to further information:

<https://www.psaa.co.uk/2023/10/october-2023-update/>

## Chartered Institute of Finance and Accountancy (CIPFA)

### 4. 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.

This is an assessment of a very topical subject given the increasing number of s114 notices in recent times.

The term 'Section 114' refers to this section of the Local Government Finance Act 1988, part (3) of which sets out the duty of the chief finance officer (CFO) to "make a report under this section if it appears to him that the expenditure of the authority incurred (including expenses it proposes to occur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

Issuing the notice under Section 114(3) immediately suspends all financial activity apart from that which is necessary to maintain statutory duties; it also initiates a 21-day period for full council to consider the report and agree urgent action to start to remedy the situation.

CIPFA's guidance states that the authority's external auditors and the Department for Levelling Up, Housing and Communities (DLUHC) should also be notified and 'can step in to provide advice and support'.

These cases tend to reflect situations of financial failure and / or financial collapse. All Members of authorities need to be alert to how their organisation is managing its financial risks and taking steps to avoid any form of financial distress.

The insights in this article may be of particular interest to Members.

Link to further information:

<https://www.cipfa.org/cipfa-thinks/articles/section-114s-where-are-we-headed-next>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities (DLUHC)

### 5. Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023

Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.

This paper sets out the detail of proposals to address to address audit delays and clear the backlog. It was provided by the Minister to the Chair of the Levelling Up, Housing and Communities Committee, after the Minister provided evidence to the Committee in Parliament at a meeting in June.

The paper sets out the issues in some detail. The item on the next page (page 21) provides a summary of the main issues from a recent Municipal Journal article on the subject.

This is a link to the detailed paper:

<https://committees.parliament.uk/publications/40932/documents/199432/default/>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities (DLUHC)

### 6. Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023

An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

Quotes from this article include:

“The number of outstanding local audits dating back to 2015-16 is now too high, and is likely to increase further without action.

To do that, we recognise there will be hard decisions. Our proposals include setting a series of statutory deadlines for account preparers and auditors to clear the backlog. I know the setting of ‘backstop’ dates may result in some qualifications and disclaimers of opinion in the short term.

As others have noted too, clearing the backlog can’t be our sole focus. The return to timely audits must be sustained as part of an effective system underpinned by proportionate financial reporting, auditing and regulatory requirements; we cannot resolve a backlog one day only to see it starting to build again the next.

So, the second big endeavour is to ensure future local authority accounting and audit activity strikes a balance between maintaining the highest standards of financial reporting and the fundamental, day to day purpose of audit – to provide financial information and general assurance which is useful for taxpayers and others. That is why when it comes to debates on issues such as the accounting requirements for infrastructure assets, we need to consider our approach carefully. In the meantime, the Department for Levelling Up, Housing and Communities will seek to extend the legislative changes made in this area last year while the Chartered Institute of Public Finance and Accountancy (CIPFA) explores longer-term changes to reporting requirements for non-investment assets and pension valuations.”

Link to the full article:

<https://www.themj.co.uk/Rebuilding-audit/233116#>

# 03

Section 03:

**Mazars public sector insights**



# Public 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>



## Recruitment crisis in the public sector

Insights from over 170 individuals across the UK public and social sector highlighted that the UK is on the cusp of a recruitment and retention crisis. Amid ongoing social and economic instability, how can we improve efforts to support our public sector workforce and effectively attract new talent?



## Fiscal Pressure and inflation challenges

Over 300 individuals from across the UK public and social sector told us that the UK is at a critical juncture. Amid ongoing social and economic turmoil, decisive action is needed now to support those most in need.



## 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.

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