



# Audit Progress Report

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

September 2024

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# 01

Audit progress

# Audit progress

## 2022/23 update

We have completed our audit work for 2022/23 except for issuing our audit certificate. We will issue our audit certificate, once we have received confirmation from the NAO that we will not be required to undertake additional procedures on the PCC and CC's 2022/23 Whole of Government return.

## 2023/24 update

Our Audit Strategy Memorandum for 2023/24 is a separate item on the agenda.

We received draft financial statements for the PCC and the CC in June 2024. We commenced the audits in July.

## Audit environment

In August 2024, following consultation in April, Government published its proposals to address the significant backlog in local government annual accounts audits. These measures include both legislative changes to the Accounts and Audit Regulations 2015 and the introduction of several statutory deadlines ('backstop dates') aimed at helping to clear the backlog of local government annual accounts audits. Local government entities are required to publish their audited annual accounts by each backstop date, which are:

- Financial years up-to-and-including 2022/23: 13 December 2024 (changed from proposed 30 September 2024)
- Financial year 2023/24: 28 February 2025 (previously 31 May 2025)
- Financial year 2024/25: 27 February 2026 (previously 31 March 2026)
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

Where the backstop dates now mean the auditor cannot complete all necessary audit procedures to obtain sufficient appropriate audit evidence to support the audit opinion a modified opinion may be necessary – usually referred to as a disclaimed opinion or a qualified opinion.

Auditors will still be required to discharge their value for money (VFM) responsibilities, which requires VFM work to be completed by the date of the audit opinion.

This month, the Government laid before Parliament the Accounts and Audit (Amendment) Regulations 2024 as required to enact the proposals previously announced. At the same time, the Comptroller and Auditor General (C&AG) of the National Audit Office (NAO) laid before Parliament a draft revised Code of Audit Practice (the Code). On 10 September, the NAO, on behalf of the C&AG, also published Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) 1-5 to support auditors in meeting the requirements of the Local Audit and Accountability Act 2014 (the Act). The LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The initial focus of this guidance is on supporting the reset for incomplete audits up to and including the 2022/23 financial year and the implementation of the backstop dates for the publication of audited accounts. The NAO will issue further guidance to support the recovery phase in due course.

Whilst the guidance is primarily aimed at supporting auditors, it makes clear the requirements on local authorities to prepare good quality accounts, clear and comprehensive working papers and supported by knowledgeable finance teams.

## Impact on the audits of the Office of the Police and Crime Commissioner for Cleveland and Chief Constable for Cleveland

We have engaged regularly with officers over the potential impact of the backstop measures since they were first announced earlier this year. Following publication of the final backstop dates we have considered the impact on our ability to deliver and complete our audits to enable the PCC and CC to publish audited accounts by the new statutory deadlines. As we are currently auditing the PCC and CC accounts, at this stage there is sufficient time to complete our work.

02

National Publications

# National publications

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1	Draft Code of Audit Practice laid in Parliament	A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website. Subject to Parliament's approval, the Code will come into force in late autumn 2024.
2	Local Audit Reset and Recovery Implementation Guidance	The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages Guidance and information for auditors - National Audit Office (NAO).
3	NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.
4	NAO insight: Good practice in annual reporting	Transparent, timely, and clear annual reporting in the public sector has never been more important. A good annual report is a key opportunity for bodies in the public sector.
5	NAO report: Non-executive appointments	Non-executive directors ('NEDs') make an important contribution to the running of government. However, the government must do more to ensure the best quality of candidates are recruited.
<b>Department for Levelling Up, Housing and Communities (DLUHC)</b>		
6	Addressing the local audit backlog in England: Consultation	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. The consultation closed on 7 March 2024.
7	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	The duty to make Minimum Revenue Provision ('MRP') is an important component of the Prudential Framework. The purpose of this consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The consultation ran from 21 December 2023 to 16 February 2024.
<b>Other</b>		
8	Financial Reporting Council (FRC) – FRC report on quality of major local audits	Report on the quality of major local audits
9	Forvis Mazars – Preparing for the Procurement Act 2023	The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies. Our latest article provides an in-depth overview of the new Procurement Act.
10	Forvis Mazars – Understanding the new 'Failure to Prevent Fraud' Offence in a Public Sector context	The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

# National publications and other updates

## NAO Publications

### 1. Draft Code of Audit Practice laid in Parliament

A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website, as required by Schedule 6 of the Local Audit and Accountability Act 2014. Subject to Parliament's approval, the Code will come into force in late autumn 2024.

<https://www.nao.org.uk/wp-content/uploads/2024/09/code-of-audit-practice-draft.pdf>

The new Code was developed following a consultation in February/March 2024. It is intended to support measures taken by the Ministry of Housing, Communities & Local Government (MHCLG) to address the current backlog of local government audits. MHCLG has also laid regulations to introduce statutory deadlines for publication of audited accounts, which is intended to work alongside the draft Code.

### 2. Local Audit Reset and Recovery Implementation Guidance

The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages [Guidance and information for auditors - National Audit Office \(NAO\)](#).

Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) are prepared and published by the NAO on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

LARRIG guidance has been issued by the C&AG and published by the NAO to enable auditors (and preparers of accounts) to begin planning its implementation. The guidance will come into effect as statutory guidance to auditors as soon as the relevant legislation underpinning the guidance comes into force, subject to Parliamentary approval. For the purposes of these LARRIGs, these are the Accounts and Audit (Amendment) Regulations 2024, and the 2024 Code of Audit Practice.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

# National publications

## NAO

### 3. NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees

The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid. The guide identifies seven areas where the more persistent obstacles stand in the way of successful digital transformation in government and have grouped them into three themes:

- constraints of the existing environment;
- under-estimating the scope of early work; and
- lack of skills and leadership.

[Digital transformation in government: a guide for senior leaders and audit and risk committees](#)

### 4. NAO insight: Good practice in annual reporting

Transparent, timely, and clear annual reporting in the public sector has never been more important.

A good annual report is a key opportunity for bodies in the public sector to:

- weave a compelling narrative that resonates with the public;
- serve as a tool for accountability by shedding light on how taxpayer's money has been spent; and
- equip stakeholders with information to hold organisations to account.

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2023-24.

[Good practice in annual reporting](#)



# National publications

## NAO

### 5. NAO report: Non-executive appointments

Non-executive directors (NEDs) are crucial to the effective running of government. They are individuals who sit on governing boards of government departments and arm's-length bodies, including non-departmental public bodies and government companies, to provide external expertise. They provide strategic leadership, scrutinise performance, promote transparency and take a long-term perspective.

NEDs make an important contribution to the running of government, providing an independent perspective, expertise, and challenge where needed. However, the government must do more to ensure the best quality of candidates are recruited. This includes fixing the often long and drawn-out appointments and re-appointments process, which poses risks to the quality and diversity of boards, as well as to the governance of those organisations when vacancies are not filled.

[Non-executive appointments](#)

# National publications

## DLUHC

### 6. Addressing the local audit backlog in England: Consultation

The external auditing of local bodies is vital in supporting democratic accountability and providing assurance for local people and their elected representatives. The consultation sought 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. The draft statutory instrument covers the core elements of the proposed amendments to the Regulations. The Joint Statement, agreed with system partners, provides vital context and explains the cross-system proposals and how the various elements are intended to interact.

The consultation ran from 8 February 2024 to 7 March 2024. Documents relating to the consultation are still available for download at the link below, which is also the place where the outcome to the public feedback will be available.

[Addressing the local audit backlog in England: Consultation](#)

### 7. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework. Where local authorities finance capital expenditure from debt, they must set aside an amount of money each year to ensure their debt liabilities can be repaid. In practice, the application is more complex, but when it operates effectively it should ensure that local authorities do not borrow more than they can afford.

The purpose of the consultation was to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government's expectations of how the Regulation requirements should work in practice.

The consultation ran from 21 December 2023 to 16 February 2024 however the link provides information on the key issues that were consulted on.

[Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision](#)

Following its consultation, DLUHC has published its response to the consultation, and a revised, 5th edition of its guidance for local authorities on determining a prudent level of minimum revenue provision when investing in their capital assets. This 5th edition of the guidance applies for accounting periods starting on or after 1 April 2025, with the exception of paragraphs 74 to 77 of the guidance which apply from 7 May 2024. The guidance is issued under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to this guidance.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/outcome/government-response-to-the-consultation-on-changes-to-statutory-guidance-and-regulations-minimum-revenue-provision>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition>

# National publications

## Other

### 8. Financial Reporting Council (FRC) - FRC report on quality of major local audits

The FRC has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

The FRC reviews in the 2022-23 inspection cycle comprised six health and four local government audits. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog. Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. Across all suppliers, all financial statement audits were assessed as "good" or "limited improvements required". Areas requiring limited improvements included:

- audit procedures regarding completeness and accuracy of expenditure; and
- on the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance on property, plant and equipment valuations.

In terms of value for money (VFM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VFM arrangements was not complete on one audit that was inspected. All VFM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- risk assessment procedures not being performed in a timely manner;
- not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries; and
- the audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

Examples of good practice have also been included in the report regarding risk assessment, execution of the audit, and audit completion and reporting.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

## National publications

### Other

#### 9. Forvis Mazars – Preparing for the Procurement Act 2023

The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies in the UK by:

- enhancing transparency in procurement processes, requiring greater disclosure of information about procurement opportunities;
- improving efficiency by introducing new measures such as electronic procurement platforms; and
- promoting fairness to ensure all suppliers have equal access to government contracts.

Our latest article provides an in-depth overview of the new Procurement Act, including when it will be implemented, key provisions and how public sector organisations can prepare.

[Preparing for the Procurement Act 2023](#)

#### 10. Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context

The UK Government has recently announced a new corporate criminal offence – the ‘failure to prevent fraud’ offence – within the Economic Crime and Corporate Transparency Act 2023.

Fraud is currently the most common crime in the UK, and this new offence is designed to drive a cultural shift, encouraging organisations to improve their prevention procedures and reduce instances of fraud. It strengthens existing powers to fine and prosecute organisations for fraud committed by their employees and agents, closing loopholes that have allowed organisations to avoid prosecution in the past.

This new offence holds large organisations, both in the public and private sectors, accountable for fraudulent activities committed by their employees or agents.

[‘Failure to Prevent Fraud’ in the Public Sector](#)

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