



# Audit Progress Report

## Blackburn with Darwen Borough Council

June 2024

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Audit progress

# Audit progress

## Purpose of this report

This report provides the Audit and Governance Committee with information about progress in delivering our responsibilities as your external auditors for Blackburn with Darwen Borough Council (the Council). We are appointed to perform the external audit of the Council for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

## Audit for the year ending 31 March 2024

Prior to the calling of the general election on 4 July 2024, the Department of Levelling Up, Housing and Communities ('DLUHC') had consulted on proposed arrangements which would implement a 30 September 2024 backstop date for all audits for the 31 March 2023 financial year and earlier, where these are not yet complete. Similar dates were being considered to bring the backstop date forward each year for the next five years. These considerations are now on hold until after the election.

The Council's predecessor auditor signed the audit opinion for the year to 31 March 2022 on 21 March 2024. The external audit for the year to 31 March 2023 has not yet been completed.

We are committed to the delivery of both high quality and timely audits. In this context, we will continue with open discussions with management to agree on an appropriate timeline to commence work on the 2023/24 external audit, taking into account the progress on the 2022/23 audit.

We set out over the page a summary of our engagement and responsibilities as your auditor and then introduce you to our team.

# Progress Report

## Our engagement and responsibilities summary

### Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Governance Committee, as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management [include Internal audit, other key individuals where relevant] as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



### Internal controls

Management is responsible for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal controls relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

### Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.

# Progress Report

## Your audit team



**Karen Murray**

**Audit Partner**

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Karen leads Forvis Mazars public sector external audit practice. She has 30 years of experience working with the sector having started her career with the Audit Commission. She is based in our Manchester office.



**Amelia Salford**

**Senior Manager**

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Amelia is a Senior Manager specialising in local government and NHS audits. She lives in Lancashire and has a good understanding of the challenges faced by the area. Like Karen. She works in our Manchester office.



**Lauren Dawes**

**Audit Senior**

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Lauren is an Audit Senior in our public sector team. She has gained audit experience working across a range of local government bodies and has a strong technical background.

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National publications

# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountancy ('CIPFA')</b>		
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
<b>National Audit Office ('NAO')</b>		
2	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.
3	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.
4	NAO overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts.
<b>Department for Levelling Up, Housing and Communities ('DLUHC')</b>		
5	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.
6	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>		
7	Financial Reporting Council ('FRC') – FRC report on quality of major local audits	Report on the quality of major local audits
8	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.
9	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

## CIPFA

### 1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

#### CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements

This bulletin covers the closure of accounts for the 2023/24 year and provides further guidance and clarification to complement the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2023/24 Code Guidance Notes.

Link: [CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements](#)

#### CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement is intended to provided clarity to those authorities with at least one set of unaudited financial statements for prior years, and their external auditors, on the update of the annual governance statement ('AGS').

Link: [CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement](#)

# National publications

## NAO

### 2. 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
- Lack of skills and leadership

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

### 3. 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
- 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

### **4. NAO overview: Department for Levelling Up, Housing & Communities 2022-23**

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

[Department for Levelling Up, Housing & Communities 2022-23](#)

# National publications

## DLUHC

### **5. 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](#)

### **6. 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](#)

# National publications

## Other

### 7. 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.
- 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.
- 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

### **8. 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](#)

### **9. 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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