

Audit Progress Report

Durham County Council

September 2022



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Section 01:
Audit Progress

Audit Progress

Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as the Council's external auditors.

Audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022 but there are some areas of work ongoing. These matters include:

- detailed testing of property, plant and equipment valuations;
- accounting for infrastructure which is subject ongoing national discussion – see below for further detail; and
- assurances from the pension fund auditor.

We expect to issue our Audit Completion Report before the next meeting of the Audit Committee. The timetable for the publication of your 2021/22 audited financial statements is 30 November 2022.

Value for money arrangements

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages resources to ensure it can continue to deliver services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about costs and performance to improve the way services are managed and delivered.

At the planning stage of the audit, we undertake work to understand the arrangements in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

We will report the outcome of our work on the Council's VFM arrangements in our commentary within the Auditor's Annual Report. We plan to present the Auditor's Annual Report later in the year.

To date, we have not identified and risks of significant weaknesses or recommendations that need to be made.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such questions or objections have been received.

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Infrastructure

Concerns were raised earlier this year about how local government infrastructure assets are accounted for. A key issue is how ongoing expenditure on assets is recorded and specifically whether local authorities should be assessing if there are costs remaining in their balance sheets that relate to replaced components which should have been derecognised.

In response CIPFA issued a consultation on infrastructure asset reporting. Further detail on the outcome of this consultation is available here - <file:///C:/Users/jzc29/Downloads/cipfa-lasaac-update-on-the-consultation-on-infrastructure-assets-statement.pdf>.

An update was provided by CIPFA on the proposed way forward in August 2022 and is available here <https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets> . One of the matters being considered is a statutory prescription regarding the derecognition of parts of infrastructure assets that have been replaced or restored.

At the date of drafting this report this matter has not been resolved and, as a consequence, there remains uncertainty over the remedial actions.

2020/21 certificate

We have not completed our work on the 2020/21 Whole of Government Accounts (WGA) as we are waiting for clarification from the National Audit Office on expected audit procedures. Once this work is completed and we have provided assurance to the NAO we will issue the 2020/21 certificate.

Mark Kirkham – Public and Social Sector

mark.kirkham@mazars.co.uk

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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