



Audit Progress Report

County Durham and Darlington Fire and Rescue Authority

27 November 2024

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Audit progress

Purpose of this report

To provide an update on progress of the Council's 2023-24 audit. 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: www.psa.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).

Update on the 2023/24 Financial Statements Audit

Our audit work is ongoing. There are currently no matters which we wish to bring to your attention at this stage. We will issue our Audit Strategy document later in the year. Based on our initial planning work we have set out what we expect to be areas of focus in our audit. We also detail the planned timescales for the audit which we intend to deliver ahead of the February 2025 backstop deadline.

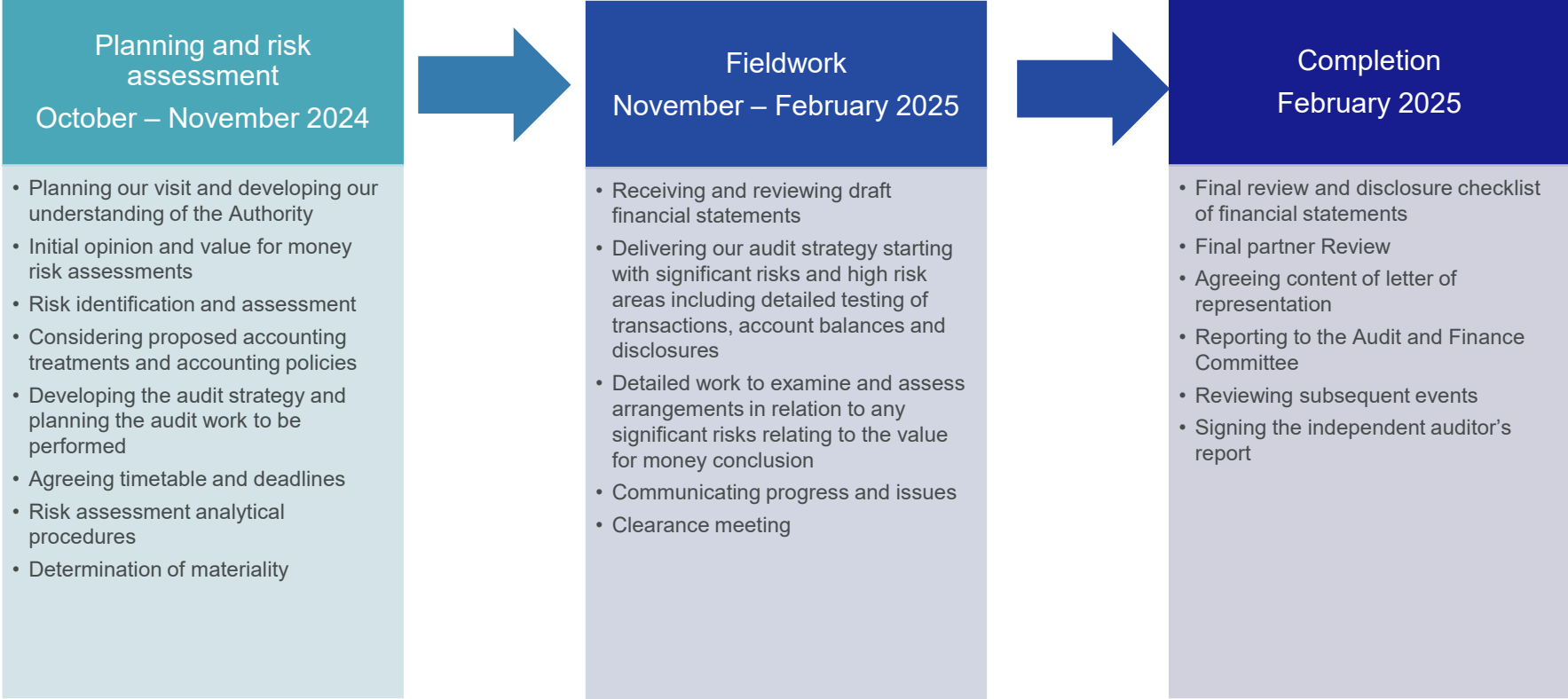
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Audit scope, approach, and timeline

Audit timeline



Expected Significant risks

Based on our audit work to date we would expect the following to be significant risks in the coming audit.

Significant risks

	Description
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
2	<p>Net defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
3	<p>Valuation of property, plant and equipment</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p>

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Publications and Other Updates

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	NAO report: Support for children and young people with special educational needs	The NAO has published its report Support for children and young people with special educational needs.
2	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.
3	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).
4	NAO report: Improving educational outcomes for disadvantaged children	The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England.
5	NAO report: The effectiveness of government in tackling homelessness	The NAO has published its report The effectiveness of government in tackling homelessness.
6	NAO report: DWP customer service	The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service.
7	NAO report: The condition and maintenance of local roads in England	The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance.

National publications and other updates

NAO Publications

1. NAO report: Support for children and young people with special educational needs

The NAO has published its report Support for children and young people with special educational needs. This report assesses how well the current system is delivering for children and young people (from birth to 25 years) in England identified as having SEN. It also looks at DfE's progress in addressing the underlying challenges to providing a sustainable system that achieves positive outcomes for children. This report:

- describes the support available, outcomes achieved for those with SEN, DfE funding, and DfE's strategic approach;
- examines DfE's actions to restore confidence and create a sustainable system.

[Support for children and young people with special educational needs - NAO report](#)

National publications and other updates

NAO Publications

2. 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.

3. 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 and other updates

4. NAO report: Improving educational outcomes for disadvantaged children

The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England, from early years to the end of key stage 4 (the end of compulsory schooling). It assesses:

- whether DfE has a coherent approach to support the attainment of disadvantaged children, and its progress against its objectives;
- how DfE understands the attainment of children and how it evaluates what works to effectively allocate resources; and
- the accountability arrangements and support DfE provides schools and early years providers to ensure value for money.

The report concludes that each year, DfE spends around £60 billion to support all children across schools and early years settings. For 2023-24, this included an estimated £9.2 billion focused on supporting disadvantaged children and narrowing the attainment gap between them and their peers, with half of this comprising disadvantage elements of its core funding for schools.

Despite this investment, disadvantaged children performed less well than their peers across all areas and school phases in 2022/23. The gap in children's attainment had been narrowing before the COVID-19 pandemic, which then had a detrimental impact. The gap continues to widen for key stage 4, which is when children leave school, and, while the attainment gap for those finishing primary school narrowed slightly in the past year, it remains wider than it was a decade ago.

DfE has evidence to support some of its interventions and uses this to help schools and early years providers to make decisions. However, it does not yet understand the outcomes resulting from a significant proportion of its expenditure on disadvantaged children. It also does not have a fully integrated view of its interventions, or milestones to assess progress and when more may need to be done.

This, and the lack of sustained progress reducing the disadvantage attainment gap since 2010/11, means that DfE cannot demonstrate it is achieving value for money. To make progress, and secure value for money, it should build more evidence of what works, look strategically across its interventions and how it allocates its funding, and work effectively across government to address the wider factors to make progress on this complex issue.

[Improving educational outcomes for disadvantaged children](#)

National publications and other updates

5. NAO report: The effectiveness of government in tackling homelessness

The NAO has published its report *The effectiveness of government in tackling homelessness*. Note: On 9 July 2024, the Department for Levelling Up, Housing & Communities (DLUHC) was renamed the Ministry of Housing, Communities & Local Government (MHCLG). The report refers to DLUHC throughout, as that was the name in use at the time of fieldwork.

This report follows on the NAO's last report on homelessness in 2017 – around six months before Homelessness Reduction Act (HRA) 2017 came into force. The report assesses value for money in terms of whether DLUHC is working with government departments and local authorities in a way that maximises government's ability to tackle homelessness. Specifically, it looks to establish whether DLUHC: has a good understanding of the nature of homelessness; is delivering appropriate system leadership; and supports local authorities well.

The report concludes that homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Statutory homelessness has increased significantly in recent years, meaning that more people are finding themselves either with no stable place to live or in temporary accommodation provided by their local authority.

Providing temporary accommodation alone cost local authorities over £1.6 billion in 2022-23, but it varies in quality and there are gaps in regulation, while some of it – such as B&Bs being used for households with children – is unsuitable. Dealing with homelessness is creating unsustainable financial pressure for some local authorities.

The situation has worsened since the NAO last examined the issue in 2017. Despite the introduction of HRA 2017, homelessness numbers are at a record level and expected to increase. While DLUHC has developed much better homelessness data and stronger links with local authorities, the government still has no strategy or public targets for reducing statutory homelessness, and DLUHC is falling behind on key programmes to improve housing supply. Funding remains fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

Until these factors are addressed across government, DLUHC will not be able to demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness.

[The effectiveness of government in tackling homelessness](#)

National publications and other updates

6. NAO report: DWP customer service

The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service. The evaluative criteria used to assess value for money included whether DWP:

- has a clear framework for monitoring customer service, such as clear objectives, measures and performance reporting;
- has provided good customer service over recent years in relation to four key areas – satisfaction, payment accuracy, payment timeliness and telephony; and
- has clear plans to improve customer service

The report concludes that DWP has a responsibility to provide good customer service, not least because its customers cannot switch to an alternative welfare provider if they are unhappy with the service they receive. Its customers include some of the most vulnerable in society, who rely on DWP for the accurate and timely payment of the benefits to which they are entitled.

Faced with growing demand and a challenging operational context, DWP's customer service has fallen short of the expected standards over recent years, particularly for certain benefits, such as Personal Independence Payment (PIP). It is generally not meeting its performance benchmarks or standards for customer satisfaction, payment timeliness and answering calls to its in-house telephone lines.

There are some areas of strong performance with, for example, the proportion of State Pension customers satisfied with the service they receive consistently above DWP's benchmark of 85%, and Universal Credit performing well on payment timeliness and telephony.

But there are also areas of poor performance, in particular payment timeliness for PIP with only 52% of claims processed in line with the 75-day standard in 2023-24 – although this represents a considerable improvement compared with previous years.

DWP recognises that it needs to transform its services to be a customer-focused organisation. Its modernisation plans are based on a good understanding of the issues that need to be addressed and are necessarily ambitious. However, the scale and complexity of the plans mean delivery is risky, and DWP is unlikely to achieve in the short term the improvements that are needed.

DWP must now set out how it will assess whether its actions to improve customer service are working and how it will track progress towards its goals. This will provide assurance on value for money and help DWP keep its plans on track so that it can consistently provide a good service to those people who rely on it.

[DWP customer service](#)

National publications and other updates

7. NAO report: The condition and maintenance of local roads in England

The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance, and whether it is effectively fulfilling its role in supporting local authorities to deliver local road maintenance. The NAO has assessed whether:

- DfT understands the condition of local roads in England;
- DfT is using its data and information to inform its funding decisions; and
- DfT is supporting local authorities effectively through providing guidance on asset maintenance.

The report concludes that local roads are a vital part of local transport infrastructure, used every day by millions of people. Despite their importance, the condition of local roads is declining and the backlog to return them to a good state of repair is increasing.

DfT has provided between £1.1 and £1.6 billion of capital funding each year to local authorities and has set out plans for additional funding through to 2034. Given the fiscal constraints, it is essential that DfT secures maximum value from the funding it has available.

However, at present DfT does not have a good enough understanding of the condition of local roads and does not use the limited data it does have to allocate its funding as effectively as possible. It does not know whether the funds it allocates are delivering improvements in road condition, and has not updated its guidance to local authorities, to share good practice and help them make the most of their limited funds, for some years.

Managing the local road network is becoming increasingly complex – for example, as climate change and autonomous vehicles demand more from it – and the additional funding that DfT has secured provides an opportunity to equip local authorities to better meet these challenges.

If DfT is able to address the issues in its current approach it will be much better placed to improve the value for money of funding in this area and secure an improved and more resilient local roads network.

<https://www.nao.org.uk/reports/the-condition-and-maintenance-of-local-roads-in-england/>

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