

Audit Progress Report

Liverpool City Region Combined
Authority (and Merseytravel)

Audit and Governance Committee

March 2023



1. Audit Progress
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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 your external auditors. It also includes, at Section 2, a summary of recent national reports and publications for your information..

2020/21 audit

Our one remaining responsibility in respect of the 2020/21 financial year is a review of the Authority's whole of government accounts (WGA) return. We have received the NAO group instructions and are currently waiting on confirmation of sample audits to be tested. Once the NAO has confirmed this, we will liaise with Officers to complete any work we are required to do. Following this, we will issue our Audit Certificate to formally close the 2020/21 audit.

2021/22 audit

Our initial planning work and early substantive testing for the 2021/22 audit was completed early in 2022. Following this we presented our Audit Strategy Memorandum to the July 2022 Audit and Governance Committee meeting, setting out the audit risks we identified in respect of the 2021/22 financial statements. There has been no change to our risk assessment since issuing our Audit Strategy Memorandum.

We received the Authority's draft Accounts and annual governance statement in July 2022, in line with the timetable agreed with Officers and the national timetable. We reported our findings from our audit to the November Audit and Governance Committee meeting with details of those items that remained outstanding. Most of this is now complete. However, we are still finalising our procedures in those areas detailed below:

- infrastructure assets - Committee members will recall from our previous reports the ongoing accounting issue in relation to infrastructure assets. The value of LCRCA's infrastructure assets in the draft accounts is £247m. In order to resolve the accounting issue, Government brought forward an optional temporary Statutory Override to allow Local Government bodies to prepare accounts that are materially correct. This Statutory Instrument took effect on 25 December 2022 and the supporting CIPFA guidance notes on its application were published in January 2023. We are currently working with management to understand the impact on LCRCA's accounts and to complete the required audit work as soon as possible. Our Infrastructure Assets work at Merseytravel also remains in progress.
- Cashflow statement – we are awaiting answers to a small number of queries raised.
- Consolidation – we are awaiting LCRCA's group boundary assessment.

We will issue a follow up letter to this Committee following the completion of the outstanding work.

We plan to complete and report our Value for Money arrangements work within three months of the date of our audit opinion on the financial statements (in line with National Audit Office (NAO) guidance).

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
2	CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution	Covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets
Public Sector Audit Appointments Ltd		
3	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
4	Publication of the 2022/23 fee scale	External audit fees for 2022/23
Department for Levelling up Housing and communities		
5	Local Government Finance settlement	Final local government finance settlement 2023-24
National Audit Office		
6	Education recovery in schools in England	The NAO has published its report on Education recovery in schools in England

NATIONAL PUBLICATIONS

CIPFA

1. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

2. CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution, January 2023

The CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets.

The objective of the bulletin is to provide guidance on the temporary solution for accounting for infrastructure assets, focussing on the reporting of the derecognition provisions where there is replacement expenditure and particularly for highways infrastructure assets

The temporary solution includes the Update to the Code and Specifications for Future Codes for Infrastructure Assets (Update to the Code) from 1 April 2021 to 31 March 2025 which features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and the statutory prescriptions from England and Wales and Scotland

The Bulletin also includes guidance on accounting for the pattern of consumption of economic benefits and service potential i.e. depreciation.

The Bulletin includes guidance on materiality, an overview of different elements of the temporary solution, the accounting requirements for derecognition including the statutory prescription, the impact on accounting policies and the reporting requirements for disclosure of gross cost and accumulated depreciation

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-12-accounting-for-infrastructure-assets-temporary-solution>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

3. Directory of Auditor Appointments from 2023/24, January 2023

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The PSAA Board agreed the appointments at its meeting on 16 December 2022. Mazars will continue as the Council's external auditor from 2023/24.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

4. Publication of the 2022/23 fee scale, November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards. The Council's scale fee for 2022/23 is £82,498.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA intend to consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psa.co.uk/2022/11/news-release-publication-of-the-2022-23-fee-scale/>

Department for Levelling up Housing and communities

5. Local Government Finance Settlement

The final local government finance settlement 2023-24 was announced on 6th February.

[Final local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](#)

National Audit Office

6. NAO report - Education recovery in schools in England

The NAO has published its report Education recovery in schools in England that examines whether the Department for Education (DfE) is achieving its objective to help pupils recover lost learning by effectively supporting education recovery in schools following the COVID-19 pandemic.

<https://www.nao.org.uk/reports/education-recovery-in-schools-in-england/#downloads>

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