

# Audit progress report

## Transport for the North (TFN)

September 2019





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# 1. 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.

## **Audit progress**

The 2018/19 audit has been completed and we have issued the Annual Audit Letter for the year which is also on the agenda.

In respect of the 2019/20 audit year, we will meet soon with senior members of your Finance team to discuss the audit process and to agree timescales for the completion of our audit work. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit and Governance Committee

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1.	<b>Whole of Government Accounts 2017/18</b>	Qualified.
2.	<b>Consultation – new Code of Audit Practice from 2020</b>	Second stage of consultation to take place in the second half of 2019. New Code to take effect from 2020/21.
<b>Public Sector Audit Appointments Ltd (PSAA)</b>		
3.	<b>Local audit quality forum</b>	June 2019 meeting slides are now available covering practical help for Audit Committees from a range of sources.
<b>Mazars</b>		
4.	<b>Rethinking Social Value: Unlocking Resources to Improve Lives</b>	Research in respect of social value.

## 2. NATIONAL PUBLICATIONS

### 1. Whole of Government Accounts 2017/18, National Audit Office, May 2019

The Whole of Government Accounts consolidates the accounts of over 8,000 bodies across the public sector, including central and local government and public corporations such as the Bank of England, to produce an accounts-based picture of the UK's public finances. It sets out what the government receives, pays, owns and owes.

The headline results in WGA 2017/18 show income of £760.9 billion (2016/17 £720.8 billion), expenditure of £814.8 billion (2016/17 £760.7 billion). After financing costs are taken into account, the net expenditure for WGA is £212.4 billion (2016/17 £97.8 billion). On the Statement of Financial Position, WGA shows total assets of £2,013.8 billion (2016/17 £1,903.0 billion), and liabilities of £4,579.2 billion (2016/17 £4,323.7 billion).

The 2017/18 WGA has been qualified as a result of qualifications in underlying accounts and as a result of issues relating to the boundary, non coterminous year ends, and accounting policies applied by the Treasury when carrying out the WGA consolidation.

<https://www.nao.org.uk/report/whole-of-government-accounts-2017-18/>

### 2. Consultation – new Code of Audit Practice from 2020, NAO, May 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second will be undertaken in the second half of 2019. The NAO plans to consult on the draft Code text during late summer/autumn and then finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

#### Value for money arrangements

The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money (VFM arrangements).

Currently, the auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

There were three common issues identified, namely:

- financial sustainability;
- financial governance; and
- wider partnership working.

The NAO plans to consider how the auditor should report their findings on the adequacy of arrangements, and whether this should be replaced, or supplemented, by a commentary on the specified risks set out in auditor guidance.

<https://www.nao.org.uk/code-audit-practice/about-code/>

## 2. NATIONAL PUBLICATIONS

### 3. Local audit quality forum June 2019 slides, Public Sector Audit Appointments, June 2019

The local audit quality forum meeting place in which all of the parties which share a responsibility for audit quality can share experiences and good practice. The June 2019 slides are now available as per the link below. The forum addressed 'practical help for Audit Committees', including the following:

- what should the Audit Committee look for in the financial statements?
- what is it like being an Audit Committee Chair;
- support for Audit Committees from CIPFA;
- how can Internal Audit help the Audit Committee to deliver its remit;
- support from the Local Government Association for Audit Committees; and
- new Code of Audit Practice consultation.

The next event is in November 2019. Local bodies, including TFN, who have opted into PSAA's national scheme are entitled to attend LAQF events free of charge (up to two delegates per body).

<https://www.psaa.co.uk/wp-content/uploads/2019/06/10-07-19-LAQF-Presentation-Slides.pdf>

### 4. Rethinking Social Value: Unlocking Resources to Improve Lives, Mazars, June 2019

We have been taking views from our clients in the public and not-for-profit sectors on how social value is defined, delivered and its impact on communities. We are pleased to share the results of this research in our brand new report: '*Rethinking social value: unlocking resources to improve lives*'. The report focuses on:

- the opportunities around social value;
- leadership, communication, and building support;
- case studies highlighting innovative approaches in charities, not-for-profits and private sector partnerships; and
- how to measure the impact of social value.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Public-Services-Insights/Rethinking-Social-Value>

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