

# Audit Progress Report

Greater Manchester Combined Authority

January 2023



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# 01

Section 01:  
**Audit Progress**

# Audit Progress

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

## Audit progress

### 2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Authority's whole of government accounts (WGA) return. Due to the size of the Authority, we are required to undertake a detailed review and testing of its WGA return. Once the Authority has produced its draft return we will agree the timetable for completing this work with the Authority's finance team.

### 2021/22 financial statements audit

Our audit of the Authority's 2021/22 financial statements continues to progress well, and we are on track to report the results of our work at the March 2023 meeting of the Audit Committee. This is subject to the resolution of a small number of queries in relation to grant income, cash flow, investments, reserves and group accounts.

In addition, Committee Members will recall the national, technical accounting issue in relation to the accounting for infrastructure assets. Since the last meeting of the Audit Committee, the Department for Levelling Up, Housing and Communities (DLUHC) issued a statutory override, which provides a temporary solution up to the 2024/25 financial year. CIPFA released updated guidance based on the statutory override on 11 January 2023. The Authority's finance team is currently reviewing the updated guidance with colleagues across the Authority's group. Once the authority has updated the financial statements for the new guidance we will complete our audit on this final area.

We will report the results of our work in our Audit Completion Report, which we will bring to the March 2023 meeting of the Audit Committee at the conclusion of the audit.

### 2021/22 work on the Authority's arrangements to deliver value for money

We received the Authority's updated self assessment of its arrangements in November 2022. We are completing our fieldwork on the Authority's arrangements for the 2021/22 financial year, and intend to report the findings from our work on the Authority's value for money arrangement in our Auditor's Annual Report. This work focusses on following up the significant weaknesses identifies as part of the 2020/21 value for money work.

# 02

Section 02:

**National Publications**

# National publications

	Publication/update	Key points
<b>Financial Reporting Council (FRC)</b>		
1	FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
2	Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
3	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
<b>Public Sector Audit Appointments Ltd</b>		
4	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
5	Publication of the 2022/23 fee scale	External audit fees for 2022/23

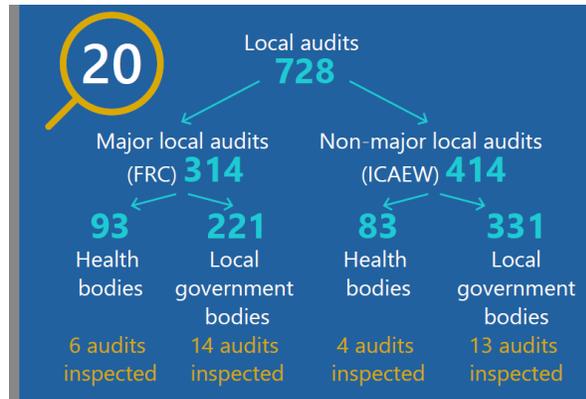
# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 1. FRC Major Local Audit Inspection Report - October 2022

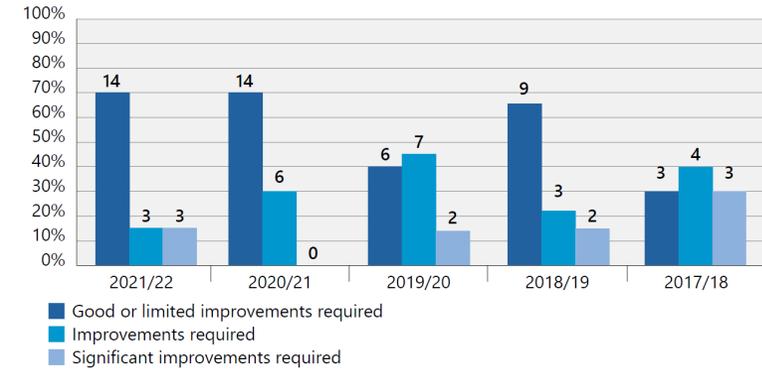
The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
<b>Total</b>	<b>314</b>		<b>20</b>



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

# NATIONAL PUBLICATIONS

## CIPFA

### **2. 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>

### **3. 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

### **4. 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 Authority's external auditor from 2023/24.

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

### **5. 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 Authority'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/>

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