



# Audit Progress Report Darlington Borough Council

28 October 2024

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# 01

Audit progress

# Audit progress

## 2023/24 update

We have started our audit planning and our risk assessment for our 2023/24 value for money work is included on the next two slides.

## Backstop arrangements

On 31 July 2024, following consultation initiated in February, the new Government published its proposals to address the significant backlog in local government annual accounts audits. These measures include both legislative changes to the Accounts and Audit Regulations 2015 and the introduction of several statutory deadlines ('backstop dates') aimed at helping to clear the backlog of local government annual accounts audits. Local government entities are required to publish their audited annual accounts by each backstop date, which are:

- Financial years up-to-and-including 2022/23: 13 December 2024 (previously 30 September 2024 in the initial consultation)
- Financial year 2023/24: 28 February 2025 (previously 31 May 2025)
- Financial year 2024/25: 27 February 2026 (previously 31 March 2026)
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

Where the backstop dates now mean an auditor cannot complete all necessary audit procedures to obtain sufficient appropriate audit evidence to support the audit opinion, a modified opinion may be necessary (usually referred to as a disclaimed opinion or a qualified opinion).

Auditors will still be required to discharge their value for money (VFM) responsibilities, which requires the work to be completed by the date of the audit opinion.

In September 2024, the Government laid before Parliament the Accounts and Audit (Amendment) Regulations 2024 as required to enact the proposals previously announced. At the same time, the Comptroller and Auditor General (C&AG) of the National Audit Office (NAO) laid before Parliament a draft revised Code of Audit Practice (the Code). On 10 September 2024, the NAO, on behalf of the C&AG, also published Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) 1-5 to support auditors in meeting the requirements of the Local Audit and

Accountability Act 2014 (the Act). The 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.

The initial focus of this guidance is on supporting the reset for incomplete audits up to and including the 2022/23 financial year and the implementation of the backstop dates for the publication of audited accounts. The NAO will issue further guidance to support the recovery phase in due course.

Whilst the guidance is primarily aimed at supporting auditors, it makes clear the requirements on local authorities to prepare good quality accounts, clear and comprehensive working papers supported by knowledgeable finance teams.

## Impact on the 2023/24 audit of Darlington Council

We have engaged regularly with the Executive Director – Resources and Governance and her team on the backstop measures since they were first proposed earlier this year. Following publication of the final backstop dates we have considered the impact on our ability to deliver a complete audit of the Council's accounts for 2023/24 that would enable the Council to publish audited accounts by the new statutory deadlines.

The auditor of your prior year accounts intends to backstop the 2022/23 audit of the Council's financial statements and issue a disclaimed opinion. As this will provide us with no audit assurance for the prior year financial statements, and the backstop for 2023/24 has been brought forward by 3 months to 28 February 2025, we have concluded that there is insufficient time to deliver audit procedures for 2023/24 that would give us sufficient appropriate evidence for an unmodified opinion. Consequently, we will therefore issue a disclaimed opinion on the 2023/24 financial statements.

We will continue to engage with the Executive Director – Resources and Governance and her team as we consider the practical steps to re-building assurance in future years, starting with the 2024/25 audit.

# Value for money arrangements

## The framework for value for money work

We are required to form a view as to 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where value for money (VFM) work comes under the 2020 Code of Audit Practice (the Code). Our responsibility is to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include: <ul style="list-style-type: none"><li>• NAO guidance and supporting information;</li><li>• information from internal and external sources including regulators;</li><li>• knowledge from previous audits and other audit work undertaken in the year; and</li><li>• interviews and discussions with officers and Members.</li></ul>
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none"><li>• significant weaknesses identified and our recommendations for improvement; and</li><li>• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.</li></ul>

# Value for money arrangements

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p><b>Financial sustainability</b></p> <p>In the Council's Revenue Outturn 2023/24 report, a £0.545m improvement in the 2023/24 financial position was reported. Overspends in some areas such as £4.4m in children's services were offset by savings elsewhere. However, this financial position was only achieved after a planned significant contribution from the General Fund balance.</p> <p>General fund balances have reduced from £21.425m at 31 March 2023 to £13.779m at 31 March 2024, a reduction of £7.646m. The General Fund balance is forecast to reduce further to £6.5m in 2024/25. The 2024/25 medium term financial plan reports use of the Council's general fund balances up to 2027/28 totalling £34m. However, on the current trajectory, balances will be exhausted by 2025/26.</p> <p>The Council has other usable reserves totalling £91m as at 31 March 2024 including earmarked reserves of £36.3m. Some of these may be available to support the revenue budget but most are earmarked for specific purposes. The remaining usable reserves relate to the housing revenue account, school balances, revenue and capital grants unapplied and the capital receipts reserve. These are not available to support the revenue budget. Without significant action, the Council risks depleting its general fund balances to a level which is not sustainable.</p> <p>From our discussions with officers, the Council has recognised the risk and is taking action to increase income, identify further savings and initiate transformation projects.</p>	●	●	●	<p>We will consider how the Council is addressing the overall deficit position to minimise any further significant draw on reserves.</p> <p>We will assess the robustness and realism of the Council's plans.</p>

# 02

Publications and other updates

# National publications

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1	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.
2	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).
3	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.
4	NAO report: The effectiveness of government in tackling homelessness	The NAO has published its report The effectiveness of government in tackling homelessness.
5	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.
6	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. 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.

### 2. 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

## 3. 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

## 4. 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

## 5. 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

## 6. 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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