



**OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE**

Governance & Resources Committee – 18 July 2024

**EXTERNAL AUDIT STRATEGY MEMORANDUM FOR THE FINANCIAL YEAR
ENDING 31 MARCH 2024**

Report of the Director of Resources

Report Author and Contact Details

Karen Henriksen, Director of Resources

01629 761284 or karen.henriksen@derbyshiredales.gov.uk

Wards Affected

None

Report Summary

This report provides information about the upcoming external audit relating to the financial year 2023/24.

Recommendation

That the External Audit Strategy Memorandum for the year ending 31 March 2024 be received and agreed.

List of Appendices

Appendix 1 Audit Strategy Memorandum 2023/24 from Forvis Mazars

Background Papers

None

Consideration of report by Council or other committees

No

Council Approval Required

No

Exempt from Press or Public

No

External Audit Strategy Memorandum For The Financial Year Ended 31 March 2024

1. Background

- 1.1 Each year the Council's external auditor, now Forvis Mazars LLP, provides an Audit Strategy Memorandum for the forthcoming audit of the Council's financial statements. The purpose of this document is to summarise the audit approach, highlight significant audit risks and areas of key judgements and provide the committee with the details of the audit team.

2. Key Issues

- 2.1 The external auditor has provided an Audit Strategy Memorandum for the external audit relating to the financial year ending 31 March 2024. A copy of the Memorandum is shown at Appendix 1 to this report. The external auditor has requested that the Memorandum be brought to Members' attention. Alastair Newell from Mazars will attend the committee meeting to present the Memorandum and answer any queries relating to it.

- 2.2 The Accounts and Audit Regulations 2015 (amended) state that the deadline for the completion of the audit relating to the 2023/24 accounts is 30 September 2024. The audit scope, approach and timeline are set out in Section 3 of the report at Appendix 1. The audit approach is risk-based; the audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. In terms of timeline, the intention is for the audit to be completed in time for a report on the outcome to be presented to the Governance and Resources Committee meeting on 5th December 2024.

- 2.3 Significant risks and other key judgement areas are described in Section 4 of the report at Appendix 1. These include:

- Management override of controls,
- Valuation of the net defined benefit pension asset / liability, and
- Valuation of land and buildings and investment property.

The report describes the planned response to each of these significant risks.

Materiality levels are similar to those applied to the 2022/23 financial statements and there are no significant changes to methodology or the audit approach.

- 2.4 Section 5 of the report describes the approach that the external auditor will take to form a view as to whether the Council has made proper arrangements for securing economy, efficiency & effectiveness (collectively "Value for Money") in its use of resources. If the external auditor identifies significant weaknesses in these arrangements, he is required to report these to the Council and to make recommendations for further improvement.

- 2.5 Proposed fees are set out in Section 6. Information relating to fees is included in paragraph 7.1 of this report.

3. Options Considered and Recommended Proposal

3.1 Not applicable.

4. Consultation & Publicity

4.1 The deadline for local authorities to publish draft financial statements for 2023/24 was 31 May. The Council's draft Statement of Accounts for 2023/24 is expected to be ready for publication on the Council's website by 31 July (there have been delays in completing work on pensions and on land & property). When completed, the Statement of Accounts for 2023/24 (including the Annual Governance Statement) will be published on the Council's website, together with a notice of public rights, and the public inspection period will commence. The public inspection will for 30 working days from the date of publication of the draft accounts.

4.2 A notice of a delay in public inspection of the Statement of Accounts for 2023/24 is currently shown on the Council's website, pending the completion of the financial statements and the approval of the Annual Governance Statement at this Committee meeting and its inclusion in the draft Statement of Accounts for 2023/24.

5. Timetable for Implementation

5.1 The external auditor has undertaken some planning and risk assessment work already and has determined levels of materiality for the audit. Most of the external audit work is expected to take place in September and October 2024, with a final review in November and a report to the Governance & Resources Committee in December 2024.

6. Policy Implications

6.1 None

7. Financial and Resource Implications

7.1 The estimated fees for the external audit of the 2023/24 accounts are shown in the Strategy Memorandum as £118,914, which is a significant increase from the fees of £64,398 for work on the 2022/23 accounts. The fee of £118,914 is the PSAA "scale fee" following the award of a new national contract for external audit. Under the contract, if additional work is required during the audit, the external auditor can seek approval for additional fees from PSAA. The proposed fees can be accommodated within the 2024/25 budget of £120,895 for external audit fees. The financial risk is assessed as low.

8. Legal Advice and Implications

8.1 This report provides information about the external audit plan for the 2023/24 accounts.

8.2 The recommended decision at the start of this report is to receive and agree the external audit strategy memorandum (plan). The legal risk associated with this decision has been assessed as low.

9. Equalities Implications

9.1 There are no equalities issues arising from this report.

10. Climate Change Implications

10.1 There are no climate change issues arising from this report.

11. Risk Management

11.1 The work of the external auditor provides assurance that the Council's financial statements present a true and fair view of the Council's finances.

11.2 The VFM assessment that will be undertaken will identify any significant weaknesses in the arrangements that the Council has put in place to secure economy, efficiency & effectiveness in its use of resources. This will help to reduce the risks to financial sustainability, which in turn reduces the risks of failure to deliver corporate plan priorities.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	10/07/2024
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	10/07/2024
Monitoring Officer (or Legal Services Manager)	Helen Mitchell	8/7/2024