



**OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE**

Governance & Resources Committee – 15 February 2024

EXTERNAL AUDITOR'S COMPLETION REPORT AND AUDITOR'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

Report of the Director of Resources

Report Author and Contact Details

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Wards Affected

District-wide

Report Summary

These reports summarise work undertaken and the key findings arising from the external auditor's work in relation to the Authority's financial statements for 2022/23.

Recommendation

1. That the External Auditor's "Audit Completion Report for the year ended 31 March 2023" be received.
2. That the "Draft Auditor's Annual Report for the year ended 31 March 2023" be received.
3. That, subject to the approval of Public Sector Audit Appointments Limited, the additional audit fees of £17,500 (over the scale fee) in respect of work on the 2022/23 financial statements be approved.

List of Appendices

Appendix 1 "Audit Completion Report for the year ended 31 March 2023" from Mazars

Appendix 2 "Draft Auditor's Annual Report for the year ended 31 March 2023" from Mazars.

Background Papers

None

Consideration of report by Council or other committees

No

Council Approval Required

No

Exempt from Press or Public

No

External Auditor's Completion Report and Auditor's Annual Report For The Financial Year Ended 31 March 2023

1. Background

- 1.1 Members are requested to note the reports from the external auditor prior to approving the Council's Statement of Accounts. The external auditor, Alastair Newall, from Mazars LLP, will attend the meeting to take members' questions on the reports.
- 1.2 Local authorities are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication.
- 1.3 Public Sector Audit Appointments (PSAA) announced that at the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given.
- 1.4 Due to resource constraints on both sides, there has been a delay in the preparation of the financial statements and the in the completion of the external audit of the Statement of Accounts for 2022/23. Members of the Committee will recall that the deadline of 30 November 2022 (for the 2021/22 financial statements) was also missed. The 2021/22 accounts, with the audit certificate, were published on 20 September 2023.
- 1.5 As can be seen from paragraph 1.3, the delayed audit is by no means unusual this year. Indeed, many authorities are still awaiting the completion of audits relating to 2021/22 financial statements. The Department for Levelling Up, Housing and Communities is soon to commence consultation on plans to clear the backlog by 30 September 2024. Timely financial information is important so, while the delay is noted, it is good that the external audit of Derbyshire Dales District Council's Statement of Accounts 2022/23 has been concluded.

2. Key Issues

- 2.1 The Council's external auditors, Mazars LLP, have issued their Audit Completion Report for the year ended 31 March 2023 covering the 2022/23 accounts. The purpose of this document is to summarise the audit conclusions for the 2022/23 financial statements. A copy of the report is shown at Appendix 1; the external auditor has requested that it be brought to Members' attention.
- 2.2 The key issues in the Audit Completion Report are:
 - Audit opinion: The external auditor anticipates issuing an unqualified opinion on the financial statements for 2022/23;
 - Value for Money: The external auditor anticipates having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources;

- Wider powers: The external auditor did not receive any questions or objections to the financial statements from electors;
- Significant risks: The external auditor has identified three significant risks:
 - Management override of controls
 - Valuation of the net defined benefit pension / liability
 - Valuation of land and buildings and investment properties.

For two of these risks, the external auditor has not identified any material issues arising from these risks to bring to members' attention. However, page 12 of the report sets out the external auditor's conclusion relating to the valuation of the net pension asset, where the initial calculations carried out by the actuary required amendment and further assurance.

- Internal control recommendations: The external auditor has identified two medium and 1 low risk issues. The external auditor's recommendations have been accepted (1 in principle pending further discussions) and will be addressed as part of preparations for the Statement of Accounts for 2023/24.
- Unadjusted misstatements: The external auditor has identified one unadjusted misstatement. Details of the adjusted misstatement are given on page 20 of the Audit Completion Report (Appendix 1) and in the report on the Letter of Representation elsewhere on the agenda for this meeting;
- Adjusted misstatements: The external auditor identified two misstatements that were accepted by management and subsequently corrected in the financial statements. Details of the adjusted misstatements are given on page 21 of the Audit Completion Report (Appendix 1).
- Disclosure amendments: The external auditor also identified three disclosure amendments. Details of the disclosure amendments are given on page 22 of the Audit Completion Report. The Statement of Accounts has been amended accordingly.

2.3 The Council's external auditors, Mazars LLP, have issued their Draft Auditor's Annual Report for the year ended 31 March 2023 covering the 2022/23 accounts. This version of the Auditor's Annual Report is issued as "Draft" because the external auditor can only issue the final version of the Auditor's Annual Report after the Audit Opinion on the financial statements has been signed. It was felt that it would be more expedient to bring the draft report to this committee meeting, alongside the Audit Completion Report, rather than present the final version at the next committee meeting.

2.4 The Draft Auditor's Annual Report summarises the work the external auditor has undertaken for the year ended 31 March 2023. A copy of the report is shown at Appendix 2; the external auditor has requested that it be brought to Members' attention.

2.5 The key issues in the Auditor's Annual Report are:

- **Audit opinion:** The external auditor anticipates issuing an unqualified opinion on the financial statements for 2022/23;
- **Value for Money (VFM) Arrangements:** The external auditor has not identified any significant weaknesses in arrangements that the Council has put in place for financial sustainability, governance and to improve economy, efficiency & effectiveness. However, the external auditor has made two recommendations in respect of governance arrangements (see further details in paragraph 2.6);
- **Wider reporting responsibilities:** The external auditor did not receive any questions or objections to the financial statements from electors. The external auditor anticipates reporting on the Whole of Government Accounts (WGA) immediately after issuing our audit opinion;
- **Fees:** The external auditor's fees for the 2022/23 financial statements are set out on page 23 of the Auditor's Annual Report and total £54,739 (for the 2021/22 financial statements the fees were £52,875). This total of £54,739 is £17,500 more than the scale fee of £37,239 for 2023/24.

The additional fees comprise:

Additional fees in respect of the new approach for assessing value for money arrangements (recurring)	£10,000
Additional fees in respect of new ISA540 requirements in relation to Accounting Estimates and related disclosures (recurring)	£2,500
Additional fees in respect of new ISA315 requirements in relation to misstatement risk factors (recurring)	£5,000
Total	£17,500

These additional fees are subject to the approval of Public Sector Auditor Appointments (PSAA) Limited, which manages the contracts for this work.

2.6 The external auditor has made two recommendations in respect of governance arrangements.

- The Council should ensure arrangements are in place to ensure adequate internal audit resources are secured for the future to avoid a limitation of scope in future year's internal audit annual reports.
- The Council should ensure that in-year budget monitoring reports are routinely received at Member and CLT meetings.

Both these risks have been addressed in 2023/24. The audit team is now fully staffed; the Internal Auditor post was converted to a career grade post to make it more attractive to applicants. During 2023/24 improvements have

been made to in-year budget monitoring reports and they are now reported to Council or this Committee on a quarterly basis.

- 2.7 It is pleasing to note that the external auditor states that “Draft accounts and supporting working papers were received from the Council on 9 August 2023 before the start of our rescheduled audit work. The working papers provided were of a good quality and the Finance Team were very responsive to audit queries throughout the audit process”. This reflects the good working relationship and mutual respect between both parties.

3. Options Considered and Recommended Proposal

- 3.1 Not applicable.

4. Consultation & Publicity

- 4.1 The Draft Statement of Accounts 2022/23 and notice of public rights were placed on the Council’s website on the 9th August 2023 and the accounts were available for public inspection from 18th September to 27th October 2023. No objections were received.

- 4.2 Following approval of this Committee, the Audit Completion Report and final version of the Auditor’s Annual Report (when available) will be published on the Council’s website, alongside the Audited Statement of Accounts for 2022/23.

5. Timetable for Implementation

- 5.1 The Audit Completion Report, final version of the Auditor’s Annual Report and Audited Statement of Accounts will be published on the Council’s website as soon as practicable following the Committee’s approval and the receipt of the opinion from the external auditor.

6. Policy Implications

- 6.1 None.

7. Financial and Resource Implications

- 7.1 The external auditor’s fees for the 2022/23 financial statements are set out on page 23 of the Auditor’s Annual Report and total £54,739 (for the 2021/22 financial statements the fees were £52,875).

- 7.2 As the audit work in relation to the 2022/23 financial statements has been carried out in 2023/24, the fees will be accounted for in 2023/24. The fees of £54,739 exceed the 2023/24 budget of £47,895 by £6,844, which has been assessed as a low financial risk. The forecast outturn for 2023/24 will be £54,739 (based on the fees quoted in the Auditor’s Annual Report).

8. Legal Advice and Implications

- 8.1 As stated, this report summarises work undertaken and the key findings arising from the external auditor's work in relation to the Authority's financial statements for 2022/23. The legal risk for decision-making in association with the report's recommendations 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 should provide reassurance that the Council's arrangements for financial management (including the preparation of the financial statements) and its use of resources are satisfactory. This should minimise financial risks which, consequently, minimises the risk of disruption to services and supports the achievement of many of the Council's aims and priorities.
- 11.2 The VFM assessment has not identified any significant weaknesses in arrangements that the Council has put in place to secure economy, efficiency & effectiveness in its use of resources.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	05/02/2024
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	07/02/2024
Director of Corporate & Customer Services (Monitoring Officer)	Helen Mitchell	7/2/2024