



## **Governance Scrutiny Group**

**Thursday, 29 June 2023**

### **External Audit Annual Plan 2022/23**

## **Report of the Director – Finance and Corporate Services**

### **1. Purpose of report**

- 1.1. The attached report from Mazars summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2022/23.
- 1.2. Mazars highlight four significant risks concerning management override of controls, net defined benefit liability valuation, valuation of property, plant and equipment and insourcing of Streetwise (see pages 12 to 17 of Appendix One).
- 1.3. Mazars will conduct a Value for Money (VFM) review in line with the 2020 Code of Audit Practice.
- 1.4. Mazars staff will be available at the meeting to answer any detailed questions arising from the report.

### **2. Recommendation**

It is RECOMMENDED that the Governance Scrutiny Group accept the External Audit Annual Plan.

### **3. Reasons for Recommendation**

To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

### **4. Supporting Information**

- 4.1. Councillors will be aware that the Council has a legal requirement to produce a draft Statement of Accounts by the 31 May which is then subject to review by the Authority's external auditors, Mazars, and approval by 'those charged with governance', the Governance Scrutiny Group, by the 31 August 2023.
- 4.2. On page 10 of the Audit Plan, Mazars have set the completion target date as October 2023 and it should be noted that this is incongruent with the Committee timetable which ordinarily would approve the Audit Completion Report at its September meeting. If this deadline is not met then the report will

have to be presented to the November Committee assuming the work is completed by the deadline to submit reports for this meeting.

- 4.3. The attached report details the approach that Mazars will use when auditing the 2022/23 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These include:
- management override of controls
  - net defined benefit liability valuation
  - valuation of property, plant and equipment (PPE)
  - insourcing of Streetwise.

- 4.4. It should be noted that the audit fees for 2022/23 are currently set at £50,216 plus VAT less £17,808 additional government funding, although these fees are not finalised. It does not yet include additional work for the new auditing standards ISA315 and from Streetwise insourcing. Fees for 2021/22 are £61,662 offset by £16,389 additional funding. These are in line with PSAA and include additional testing as a result of the implementation of new auditing standards, more assurance required regarding pensions and PPE and the Code of Audit Practice. The 2022/23 fee represents an increase of £18,424 (58%) on the original base fee of £31,792 set in 2019/20.

- 4.5. Management will continue to challenge the level of fees and their reasonableness compared to audit risk. The public sector audit and accounting labour market is under pressure created by a combination of increasingly onerous audit standards, legacy accounting issues in the sector and a lack of good quality available labour. This is impacting upon costs across the sector.

## **5. Risks and Uncertainties**

The Mazars report highlights relevant risks (stated at paragraph 4.2 above).

## **6. Implications**

### **6.1. Financial Implications**

The audit fee relating to the costs of the audit work will be met from existing budgets.

### **6.2. Legal Implications**

The Governance Scrutiny Group plays a key role in supporting the Council's governance controls by supporting and contributing to the Council's responsibility to maintain an adequate and effective system of internal control.

### **6.3. Equalities Implications**

There are no equalities implications.

#### 6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 Implications.

#### 7. Link to Corporate Priorities

Quality of Life	There is no link to this corporate priority within this report.
Efficient Services	Undertaking an external audit of the financial accounts ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	There is no link to this corporate priority within this report.
The Environment	There is no link to this corporate priority within this report.

#### 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group accept the External Audit Annual Plan.

<b>For more information contact:</b>	Peter Linfield Director - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	None.
<b>List of appendices:</b>	<b>Appendix 1</b> – External Audit Annual Plan 2022/23