



Governance Scrutiny Group

Thursday, 22 February 2024

Annual Audit Letter

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached letter from Mazars summarises progress on the audit process for the 2022/23 financial year. It reiterates the key conclusions of the Auditors' Report on the 2022/23 Accounts and the Report to those Charged with Governance, both of which were considered by the Governance Scrutiny Group on 23 November 2023.
- 1.2. At the last meeting, Mazars reported that they had not completed their work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, and had not issued recommendations in relation to any identified significant weaknesses in those arrangements at the time. This work has now been completed and the attached report provides commentary on the Council's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising.
- 1.3. The report is very positive (particularly in the context of the troubles across the sector in relation to finance and audit), no major concerns have been raised and no actions are required in relation to the report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the receipt of the Annual Audit Letter.

3. Reasons for Recommendation

To ensure that due regard has been given to issues and concerns raised by the Council's external auditors.

4. Supporting Information

- 4.1. The Auditors Annual Letter for 2022/23 is attached at Appendix A.

- 4.2. The sector is under considerable pressure due to a backlog of audits coupled with recruitment and retention issues and revised audit standards which makes this a challenging time for all involved. This is a key reason we have yet to receive the Audit Plan for the 2023/24 audit which Mazars will give a verbal update on. The statutory deadline for signing off the Statement of Accounts was returned to the original deadline of 30 September for the 2022/23 accounts. Nationally, just one per cent of local authority accounts were signed off by this deadline. Although not meeting this deadline, the Council was one of a handful that had their accounts signed off by the end of November. Despite the above challenges, there were no significant issues that have arisen during the 2022/23 financial year.
- 4.3. Mazars are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The table below summarises the outcomes of their work against each of the three reporting criteria, including whether they have identified any significant weaknesses in arrangements or made other recommendations.

Reporting Criteria	Identified risks of significant weakness?	Actual risks of significant weakness?	Other recommendations made?
Financial Sustainability	No	No	No
Governance	No	No	No
Improving economy, efficiency and effectiveness	No	No	No

- 4.4. Page 13 of the Auditors Annual Letter refers to data published in May 2023 by the Department for Levelling Up, Housing and Communities (DLUHC) on Local authority general fund earmarked and unallocated reserve levels. It should be noted that there was an error in the data used by OFLOG to populate these charts. This has now been corrected with DLUHC but has not yet been reflected by OFLOG. The correction results in the Un-ringfenced reserves as percentage of service expenditure reducing from 361% to 202% - much closer to the other Nottinghamshire Districts. It should also be noted that over the term of the MTFs going to Full Council in March 2024 reserves are expected to substantially reduce.

5. Risks and Uncertainties

There is a risk that the Council's accounts for 2023/24 will not meet the statutory deadline of 30 September 2024 due to the aforementioned backlog.

We are also reliant on a timely completion of the pensions audit by Mazars who are in turn reliant on Nottinghamshire County Council accounts being completed in good time. The Government, the National Audit Office, audit suppliers and regulators are working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited. In January 2024, proposals were announced to address the backlog with an initial backstop date of September 2024 for all outstanding audits. The Council maintain ongoing dialogue with Mazars on new matters and the timetable for the 2023/24 audit. At this point, interim audit and planning are scheduled for March 2024, but the Audit Plan and completion date cannot be finalised until the extent of changes from the backstop proposal are known.

6. Implications

6.1. Financial Implications

The existing budget covers the fee for audit work of £42,739 (£31,792 for 2021/22 audit). In addition to this, Mazars propose fee variations of £16,290 in relation to additional testing due to the changes in the Code of Audit Practice requirements on new auditing standards ISA540, insourcing of Streetwise and new VFM approach. These variations are subject to confirmation by Public Sector Audit Appointments (PSAA). The Council has received additional grant funding of £17,808 to cover this increase. Note the 2023/24 fee is substantially increasing to c£128k as a result of the national tender by PSAA across the sector. This is consistent with other authorities and reflects supply and demand in the audit market and the backlog of work and the impact on audit firms resourcing the work. It is an additional financial pressure in relation to the budget. The Council remains mindful of the amount of time the audit takes and the potential impact on officer workload.

6.2. Legal Implications

There are no direct legal implications arising from the recommendations of this report.

6.3. Equalities Implications

There are no equalities implications connected to the recommendations of this report.

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

There are no Section 17 implications connected to the recommendations of this report.

6.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications connected to the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	None
Efficient Services	Undertaking a programme of external audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	None
The Environment	None

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group note the receipt of the Annual Audit Letter.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix A – Mazars Annual Audit Letter 2022/23