



Governance Scrutiny Group

Thursday, 30 May 2024

External Audit Annual Plan 2023/24

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 2023/24.
- 1.2. Mazars highlight three significant risks concerning management override of controls, valuation of the LGPS defined benefit pension, valuation of land and buildings (see pages 15 to 19 of Appendix 1).
- 1.3. Mazars will conduct a Value for Money (VFM) review in line with the 2020 Code of Audit Practice reporting on financial sustainability, governance and improving economy, efficiency and effectiveness.
- 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 30 September 2024.
- 4.2. On page 12 of the Audit Plan, Mazars have set the completion target date as August 2024, which would allow for approval of the Audit Completion Report at the Governance Scrutiny Group meeting on the 26 September. 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 2023/24 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 are:
- management override of controls
 - valuation of the LGPS defined benefit pension
 - valuation of land and buildings
- 4.4. It should be noted that the audit fees for 2023/24 are currently set at £128,376. The new 2023/24 scale fee includes additional fees in respect of the VFM commentary. PSAA review the scale fee each year and make adjustments to reflect new requirements such as auditing standard ISA315 and IFRS16 (Leases) and is therefore subject to change. This represents a significant increase of 200% on the 2022/23 scale fee and is not uncommon with the increases experienced by other district/borough Councils.
- 4.5. Total approved fees for 2022/23 (including fee variations) are £50,513 offset by £17,808 additional funding. These are in line with PSAA and include additional testing as a result of the implementation of new auditing standards ISA540, Streetwise insourcing and Value For Money. PSAA are still considering fee variations in relation to ISA315 and therefore the final fees are subject to change.
- 4.6. Management will continue to challenge the rising fees and their reasonableness compared to audit risk particularly at a time of cost pressures across all service areas. The public sector audit and accounting labour market is under pressure and this, along with other cost pressures, are impacting upon costs across the sector and ultimately reflected in the PSAA contract. Any future rationalisation of audit requirements could result in reduced fees although it is not known when or if this may happen.

5. Risks and Uncertainties

The Mazars report highlights relevant risks (stated at paragraph 4.3 above).

6. Implications

6.1. Financial Implications

The audit fee (paras 4.4) 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.

6.5. Biodiversity Net Gain

There are no Biodiversity Net Gain 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.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 – External Audit Annual Plan 2023/24