



Corporate Governance Group

Thursday, 7 February 2019

External Audit Strategy to 31 March 2019

Report of the Executive Manager 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 2018/19.
- 1.2. Mazars highlight a number of risks concerning the audit focusing on both the financial statements and value for money. For example, pension liabilities and financial resilience included associated commercial activity.
- 1.3. Mazars staff will be available to answer any detailed questions arising from the report.

2. Recommendation

It is **RECOMMENDED** that the Corporate Governance Group accept the External Audit Strategy.

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1. Members will be aware that we have 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 Full Council by the 31 July. Consequently the Accounts are presented to both Corporate Governance Group and Full Council in late July.
- 4.2. The attached report details the approach that Mazars will use when auditing the 2018/19 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:

- The completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts;
- The level of various provisions are reasonable including bad debt provision (referred to as 'impairment'), Business Rates appeals and Minimum Revenue Provision (MRP) are reasonable;
- Financial resilience – both potential changes to local government funding and the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- The appropriateness of commercialisation decisions.

4.3. It should be noted that audit fees for 2018/19 are £31,792 plus VAT. As the new audit contract takes effect this represents a revenue efficiency of £9,496 or 23% (£41,288, 2017/18).

5. Alternative options considered and reasons for rejection

5.1. None

6. Risks and Uncertainties

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

7. Implications

7.1. Financial Implications

7.1.1. The audit fee relating to the costs of the audit work is included within existing budgets.

7.2. Legal Implications

7.2.1. To comply with the Audit Commission Act 1998.

7.3. Equalities Implications

7.3.1. None

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

7.4.1. None

7.5. Other implications

7.5.1. None

8. Link to Corporate Priorities

Transforming the Council to enable the delivery of efficient high quality services

9. Recommendations

It is RECOMMENDED that the Corporate Governance Group accept the External Audit Strategy.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix 1 – External Audit Strategy to 31 March 2019