

Report of the Deputy Chief Executive

Audit of Accounts 2023/24 and Associated Matters

1. Purpose of Report

To approve the letter of representation and the process for the approval of the Statement of Accounts for 2023/24 and to receive the Audit Completion Report and the draft Auditor's Annual Report for 2023/24 from the Council's external auditors following their work on these accounts.

2. Recommendation

The Committee is asked to receive the Audit Completion Report for the year ended 31 March 2024 and the draft Auditor's Annual Report for 2023/24 and RESOLVE that:

- (i) the updated Statement of Accounts 2023/24 and letter of representation as circulated be approved; and**
- (ii) delegation be given to the Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any further changes required to the Statement of Accounts 2023/24.**

3. Detail

Further to earlier updates, the Council's appointed external auditors, Forvis Mazars, have almost concluded their work on the Statement of Accounts 2023/24. Forvis Mazars has published its Audit Completion Report, which is included at **Appendix 2**. It is pleasing to report that the auditors anticipate issuing an unqualified audit opinion on the 2023/24 accounts. A number of changes have been made to the draft accounts. A summary is set out in **Appendix 1**, which includes the management responses to the auditors' internal control recommendations.

Forvis Mazars have also completed their work in respect of the Value for Money conclusion for the year ended 31 March 2024. The auditors are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The reporting criteria are:

- Financial sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks.

- Improving economy, efficiency and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Again, it is pleasing to report that the auditors have not identified any significant weaknesses in the Council's arrangements that would require it to make a recommendation. An observation has been included for the Council to consider relating to the Governance and the functioning of this Committee. Further details are provided in the draft Auditor's Annual Report for 2023/24 which is presented and included at **Appendix 3**.

In accordance with the regulations, the Council's letter of representation in respect of the 2023/24 accounts must be approved by the Committee charged with governance. The draft letter, as prescribed, is included at **Appendix 4**.

The updated Statement of Accounts for 2023/24, including any amendments agreed with the auditors, is included at **Appendix 5**. It is proposed that any further amendments to the accounts be delegated to the Deputy Chief Executive to resolve, in conjunction with the Chair of this Committee.

A representative from Forvis Mazars will be available at the meeting to introduce the Auditors reports and respond to any enquiries.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications arising from this report.

5. Legal Implications

The comments from the Head of Legal Services were as follows:

The legislation in the Accounts and Audit Regulations (2015) sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

Not applicable.

8. Climate Change Implications

Not applicable.

9. Data Protection Compliance Implications

This report does not contain any OFFICIAL(SENSITIVE) information and there are no Data Protection issues in relation to this report.

10. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

11. Background Papers

Nil.

Appendix 1**Audit of Accounts 2023/24 and Associated Matters**

In November 2024, this Committee received the final version of the external auditors Audit Strategy Memorandum for the year ending 31 March 2024 setting out their approach to the audit of the 2023/24 accounts, highlighting the significant audit risks and areas of key judgements.

The draft Statement of Accounts 2023/24 were approved and presented to Forvis Mazars for review on 30 May 2024. This fully met the requirements of the Accounts and Audit Regulations 2015. The public inspection period commenced on 3 June 2024 and ended on 12 July 2024 with details placed on the Council's website.

Forvis Mazars subsequently commenced their audit review of the 2023/24 accounts from October 2024. This involved scrutinising working papers and other supporting documentation and liaising as necessary with officers and associated third parties. Mazars' work focused upon the following significant risks:

- Management override of controls;
- Net defined benefit pension liability valuation; and
- Valuation of land, buildings, council dwellings and investment properties.

Forvis Mazars have almost concluded their work on the accounts and have produced their Audit Completion Report (ACR). The auditors have stated in the Executive Summary at Section 1 that, at the time of preparing the report, there are no significant matters outstanding or significant matters remaining outstanding. It is pleasing to note that the auditors are anticipating issuing an unqualified opinion on the financial statements.

Section 2 of the report details the status of the audit which is nearing full completion. With a small number of residual queries to resolve with officers, the only outstanding items relate to the Whole Government Accounts, where National Audit Office (NAO) instructions for local authority audits are not yet available, and the final audit quality control and completion procedures.

Section 4 of the report details the significant findings from Forvis Mazars' work with positive conclusions identified. The audit observations and conclusions have resulted in three internal control recommendations in Section 5 relating to journal authorisation; related party declarations by Members; and employment contracts. The recommendations have been acknowledged and agreed, with details including the management responses being set out further below.

The auditors identified a number of misstatements in the draft 2023/24 accounts, with full details being set out in section 6. There were two misstatements that were not considered to be material and for which no adjustment has been made. These are listed within the Letter of Representation that is included with this report.

Section 7 sets out progress made with the auditors conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources i.e. the Value for Money (VFM) conclusion. The auditors have completed their work in respect of the Council's arrangements for the year ended 31 March 2024 and have not identified any significant weaknesses in arrangements that would require it to make a recommendation.

The opinion is provided in the draft Auditor's Annual Report (AAR) 2023/24 at Appendix 3. This report includes a key observation for the Council to consider more clearly labelling items on the agenda for this Committee to differentiate between 'governance', 'audit' and 'standards' items. Members should be reminded of the purpose and function of an 'audit committee' and to not confuse responsibilities with scrutiny. Whereas scrutiny is concerned with the review of policy, its formulation and implementation, audit operates to ensure that the governance and risk environment within the Council is effective, and that financial management is fit for purpose. Furthermore, the proposals from the Redmond Review recommended independent members on audit committees to ensure membership included an adequate level of skill and experience to be able to challenge the complexities of local government finance and governance. This is something the Council may wish to consider for 2025/26 and beyond.

Internal Control Recommendations

The auditors have made three internal control recommendations in their ACR.

One is priority ranked as 'Level 1' (high) where in the auditors' view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.

A further two recommendations are priority ranked as 'Level 2' (medium) where there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.

1. Significant deficiencies in internal control – Journals (Level 1)

During the testing of journals, the auditors identified one user that had self-authorized journal entries when they should not have. Audit testing was extended with no issues arising. The potential effects are the increased risk of error in the accounts.

Recommendation – The Council should refresh authorisation and ledger access rights to ensure that access and authorisation are relevant and up-to-date.

Management response – Agreed. A full review of users’ access rights to the general ledger, including journal authorisation, will be undertaken. The matter identified involved a junior officer in the Finance Services team self-authorising an internal journal transfer. Whilst there was an increased risk of error without the assurance provided by review and authorisation, the risk of financial loss and/or fraud was low.

2. Significant deficiencies in internal control – Members’ Declarations of Interest (Level 2)

During the testing of related party transactions, the auditors noted two missing declarations of interest from Members. A similar control deficiency was reported in the 2022/23 report. The potential effects are that, whilst there are compensating controls such as declarations of interest at each committee meeting, related party transactions could go undetected which would lead to disclosure errors in the financial statements.

Recommendation – The Council should ensure that all declaration forms are completed on an annual basis. These must be used as a basis to complete the related party note in the accounts.

Management response – Agreed. The circumstances surrounding the two missing declaration forms are known. Officers will continue in their endeavours to obtain 100% of the annual declarations required from Members in good time. This continues to require early and sustained effort from officers. The support of Members, and their respective political groups, is essential in successfully completing this task.

3. Significant deficiencies in internal control – Employment Contracts (Level 2)

During the testing of pay costs, auditors identified four employees that did not have a signed contract of employment on file. There is an increased risk of incorrect terms or conditions being applied.

Recommendation – The Council should ensure conduct a risk-based review of employment contracts to ensure signed copies are retained in personnel files.

Management response – Agreed. Finance Services will liaise with the Human Resources and Payroll teams to evaluate the extent of work required and the associated risks to the Council. A new process has been implemented with a transactional record maintained of each new contract being produced, signed and returned. For new starters, any contract that has not been returned, will be signed in person as part of employee induction process.