

9. **EXTERNAL AUDIT (Mazars): 2019/20 ANNUAL AUDIT LETTER (A1362/ JW)**

Purpose of the report

1. This report asks Members to consider the External Auditor's 2019/20 Annual Audit Letter.

Key issues

2. Key issues include:
- The Annual Audit Letter provides a summary of the results of the external audit for 2019/20

Recommendations

3. **1. That the 2019/20 Annual Audit Letter be considered and acknowledged**

How does this contribute to our policies and legal obligations?

4. The work of the external auditors is a key part of our governance arrangements, helping us to monitor and improve performance to ensure the Authority has a solid foundation. It supports achievement of the 2019-2024 Corporate Strategy - that we have arrangements in place to secure economy, efficiency and effectiveness in all our operations (KPI22).

Achieving an unqualified opinion on the financial statements and satisfying the Auditor that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources are corporate performance indicators.

Background

5. The duties and powers of auditors are set out in the Local Audit and Accountability Act 2014, the Local Government Act 1999, the Statement of Responsibilities of Auditors and Audited Bodies and the Code of Audit Practice. The Authority meeting considers the Auditor's annual letter as part of its work programme.

Proposals

6. The full letter for consideration is given at Appendix 1.
7. The letter highlights changes to the Code of Audit Practice which mainly impacts on the Auditors work on value for money arrangements. The Auditors will now be required to report on significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in use of resources instead of reporting a form of conclusions. The three criteria in the new Code of Practice are financial sustainability, governance and improving economy, efficiency and effectiveness.
8. The Auditors will now report weaknesses as they are identified, along with recommendations, instead of presenting a set of conclusions. The Authority has been notified of expected additional work that is likely to be required to for the Auditors to complete their work in relation to the 2020/21 Audit . This is estimated at £19.7k and has been included in the 2021/22 budget.

Are there any corporate implications members should be concerned about?

9. **Financial:** The fees of £10,209 for external audit are funded from the existing Finance Service budget.

There is a proposed additional fee of £3,518 in relation to Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes and a further additional fee of £2,454 in relation to:

- Impact of 'Material Valuation Uncertainty' in Authority's Assets and its share of Pension Fund Assets
- Updating audit risk assessments, including the value for money conclusion
- Additional considerations of estimation uncertainty in going concern,
- Changes impacting pension liabilities through McCloud & Goodwin

Total fee cost is £16,181. This can be met from existing finance budgets.

10. **Risk Management:**

The scrutiny and advice provided by external audit is part of our governance framework. The Auditor's work is based on an assessment of audit risk.

11. **Sustainability:**

There are no issues to highlight

12. **Background papers** (not previously published) – None

Appendices-

Appendix 1: External Audit: 2019/20 Annual Audit Letter

Report Author, Job Title and Publication Date

Justine Wells, Head of Finance, 11 February 2021.