

Title of Report	External Audit Plan 2022/23
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Jackie Moylan, Group Director of Finance

1. Introduction

- 1.1. This report introduces the 2022/23 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts.
- 1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. Memorandums have been agreed with relevant officers of the Council.

2. Recommendations

- 2.1. **The Audit Committee is recommended to: consider and note the contents of the attached reports from Mazars, the Council's external auditor.**

3. Reason(s) for decision

- 3.1. The Audit Committee is "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2022/23 Statement of Accounts for both the Council and the Pension Fund.

4. **Background**

Policy Context

- 4.1. The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

Equality impact assessment

- 4.2. This report does not require an equality impact assessment.

Sustainability and climate change

- 4.3. Not Applicable

Consultations

- 4.4. Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

Risk assessment

- 4.5. As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

Audit Strategy Memorandums 2022/23

- 4.7. Mazars have identified four significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood of potential financial misstatement. These are the same as for the audit of the 2021/22 accounts and are in respect of the management override of controls, the valuation of property, plant and equipment (PPE), valuation of investment properties and the pensions defined benefit liability valuation. Details of these risks and the audit approach to these are set out in section 4 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

- 4.8. In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of investments where at least one input that has an impact on the valuation is not based on observable market data. Further details and the auditors' approach to these risks are set out in section 4 of the Pension Fund Memorandum at appendix 2.

- 4.9. Section 5 of the Audit Strategy Memorandum sets out the requirements of the external auditor in relation to the Council's value for money arrangements under the Code of Audit Practice. It is noted that the auditors have yet to commence their planning and risk assessment work in relation to

this requirement and will report the results of our planning and risk assessment work to the next Audit Committee.

- 4.10. At the time of writing this report, work has already commenced in relation to the 2022/23 audit, and the expectation is that this will run through to November with a conclusion in December 2023.

5. **Comments of the Group Director of Finance and Corporate Resources.**

- 5.1. As detailed in the Audit Strategy Memorandum (Section 6, Appendix One), the proposed base fee for conducting the annual audit of accounts is projected to be £196,659. This reflects a 13% increase compared to the previous year. The fee structure for 2022/23 is established using the 2021/22 audits as a starting point, with additional adjustments for:

- A 8% recurrent fee variations for 2019/20 and 2020/21 audits, for audited bodies where these have been submitted to PSAA and approved; and
- the 5.2% inflationary increase required under PSAA's current audit contracts

- 5.2. However, there are a number of additional fees quoted in respect of Group Accounts, increased regulatory requirements, changes to the Code in respect of VFM and revised auditing standards in respect of accounting estimates. The fee for this additional work is quoted in the range of £23,400 to £53,000 At the upper end of the scale this is an additional 12%-27% compared to the base fee. We also note there are a number of areas 'TBC'. We will be working with Mazars to determine expectations and understand criteria in terms of where the final fee for the audit will sit. It is noted that the fees quoted are based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact the final fee charged.

- 5.3. In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £17,852, an increase of £841 from the previous year. There is an additional £2,000 - £4,000 in relation to audit work required on IAS19 assurances and Level 3 investments & ISA 540. The fees are still being subject to review and discussion between the Council and Mazars

- 5.4. Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are yet to be estimated in full.

- 5.5. The costs outlined will need to be contained within existing budgets.

6. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 6.1. The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.
- 6.2. The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).
- 6.3. The Audit Strategy Memorandum proposals accord with the required arrangements.

Appendices

Appendix 1 - Audit Strategy Memorandum – LB Hackney 2022-23
Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund 2022-23

Background documents

None

Report Author	Mizanur Rahman Chief Accountant mizanur.rahman@hackney.gov.uk 020 8356 4347
Comments for the Group Director of Finance prepared by	Jackie Moylan Group Director Finance jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys Acting Director of Legal, Democratic & Electoral Services louise.humphreys@hackney.gov.uk 020 8356 4817