

Title of Report	Indicative External Audit Plan 2023/24
For Consideration By	Audit Committee
Meeting Date	17 April 2024
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 2023/24 Indicative Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of the Council's 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 2023/24 Statement of Accounts for the Council.

4. **Background**

Policy Context

- 4.1. The attached memorandums set out the arrangements for the audit of the Council's annual Statement of 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.

- 4.6. Audit Strategy Memorandums 2023/24

- 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 2022/23 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. In addition there will be three areas of focus: preparation for IFRS 16, capital adjustments and Minimum Revenue Provision. 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. 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 their planning and risk assessment work to the next Audit Committee.

5. Comments of the Interim Group Director, Finance

- 5.1. As detailed in the Indicative Audit Strategy Memorandum (Section 6, Appendix One), the proposed base fee for conducting the annual audit of accounts is estimated at £535k. This projection stems from an award process overseen by Public Sector Audit Appointments (PSAA), which followed a comprehensive procurement exercise. The exercise underscored the constrained audit capacity within the local audit market. Consequently, PSAA highlighted an imminent major reset of total fees, confirming a subsequent increase of 172% of the scale fee.
- 5.2. However, there are a number of additional fees quoted in respect of PPE & IP valuations, risk based procedures for value for money, and additional work to address risks. The fee for this additional work is quoted in the range of £15k to £40k at the upper end of the scale; this is an additional 3%-7% compared to the base fee. 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. It is noted that a significant increase in audit fees was anticipated and this pressure was factored into the Council's assumptions with the Medium Term Financial plan.

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 - Indicative Audit Strategy Memorandum – LB Hackney 2023-24

Background documents

None

Report Author	Mizanur Rahman Assistant Director of Corporate Finance 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