

# Auditor's Annual Report - **DRAFT**

Stockton-on-Tees Borough Council  
– year ended 31 March 2023

May 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Stockton-on-Tees Borough Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders. **This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinion, anticipated in late May 2024.**

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on [insert date]. Our opinion on the financial statements was unqualified. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]**



### Value for Money arrangements

In our audit completion report we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued].** As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on [insert date] gave an unqualified opinion on the financial statements for the year ended 31 March 2023. [At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

### Significant matters discussed with management

During our audit we communicated the following significant matters to management:

#### Pension fund liability and asset

The opening net pensions liability as of 1 April 2022 was amended in the 2021/22 accounts because of the revised pensions report the Council obtained due to the triennial revaluation exercise. This resulted in a decrease of £38.3m to the Council's net pensions liability from £282.2m to £243.9m.

As of 31 March 2023, the Council's net pensions liability had further changed and the actuary notified a surplus. Overall, there has been a move from a £243.9m deficit to £101.7m surplus; a similar significant change has been noted for the other Teesside local authorities where we are the auditor. This significant change arises from gross pension assets exceeding liabilities due to movements in markets for assets and changes in actuarial assumptions impacting on liabilities.

We considered the accounting treatment in respect of the reporting of a net asset position on the LGPS for 2022/23. This included evaluating whether the pension asset needed to be capped at a lower level. Based on our review and the receipt of an asset ceiling calculation from the actuary, no adjustment was required to the net pension asset included in the draft accounts.

We received the letter of assurance from the pension fund auditor on 22 April 2024 and have now completed

our work. The Pension Fund auditor reported to us that the asset values submitted to the actuary were overstated by £25.009m. In addition, there was significant doubt about a further £11.85m which may also be overstated. Given the Council's share of the PF assets at the year-end is 19% of the scheme investment assets, this difference would amount to a £7m overstatement of pension assets in the financial statements which is not material to our opinion on your accounts.

#### Reinforced Autoclaved Aerated Concrete (RAAC)

We made enquiries of officers in respect of RAAC being present in any Council-owned buildings and obtained assurance that government department procedures were being followed and there was no indication of any material issues impacting on the Council's assets.

Reporting responsibility	Outcome
Annual Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

# 03

Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. 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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.


We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**  
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**  
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	17	No	No	No

### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council has an established process for developing its Medium-Term Financial Plan (MTFP). The Council's arrangements have delivered significant levels of savings in recent years. We considered the timetable for the MTFP and confirmed that it allows for early engagement with stakeholders. We confirmed the MTFP is revisited on a regular basis and adjusted to reflect any changes impacting on the Council's financial position such as changes in economic outlook and changes in central government funding. During 2022/23 the rising costs of inflation has put pressure on the council's budget. They directed finance officer time to undertake more scrutiny around some of the key pressure areas. An example of this is the rising cost of energy where finance officers have worked closely with facilities management colleagues to understand the impact of information provided by the regional commissioning body, the North East Purchasing Organisation (NEPO).

Additional money was built into the budget for 2022/23 for energy, pay award and growth in children's and adults services.

We confirmed that there is regular budget monitoring including quarterly reports to the Council's Cabinet. The outturn report for 2022/23 was presented to the July 2023 Cabinet meeting and the overall reported position was not significantly different to that reported during the financial year and records departmental overspends of £0.9 million compared with the budget before pay offer pressures of £2.8 million. This position is associated with inflationary cost pressures and continued issues in Children's Services which are mainly the result of increased costs of external residential care placements for children in the Council's care. Other pressures included a continued national pressure in respect of special educational needs but despite these factors the report notes that:

'Overall, there is an improvement in the draft outturn 2022/23 financial position compared to that projected at December of around £200,000.'

This is evidence of the effectiveness of financial management arrangements despite the continued pressures created by the economic climate.

### How the Council plans to bridge funding gaps and identifies achievable savings

The MTFP arrangements include the identification of pressures and savings. The February 2023 MTFP details estimated pressures over the life of the MTFP totalling £16 million in 2023/24 rising to £21.5m in 2025/26. After adoption of the social care levy for 2023/24 the Council set a balanced budget for the year and pressures

reduced to £7.1 million for 2023/24 rising to £10 million for 2025/26. The Council has a good track record of identifying and delivering savings.

The MTFP recognises the increasing difficulty of identifying savings and managing the impact on front line services especially given the uncertainty about future funding levels. Our review of the MTFP and associated assumptions identified no evidence of a significant weakness in arrangements.

### How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council developed a refreshed three-year Council Plan which was agreed by Cabinet in February 2023. This sets out the Council's contribution to delivering the vision of a place where people are healthy, safe and protected from harm, a place that is clean, vibrant and attractive and a place with a thriving economy where everyone has opportunities to succeed.

We confirmed that the MTFP was developed on reasonable assumptions including forecast funding streams, identification of budget pressures and savings targets required and ability to draw from the budget support reserves if required. The MTFP recognises the ongoing pressure the Council faces and the potential impact on service delivery. In-year monitoring reports detail the pressures faced by the Council, whether savings are being achieved, and if resources need to be redirected to areas in need.

Our review of the MTFP did not identify a reliance on 'one-off' measures to balance the budget. The assumptions in the MTFP and recent outturn against budget confirms the Council has a track record of prudent assumptions in the MTFP.

In addition to this a programme of transformation has begun, which is aimed at securing the financial stability of the Council as well as ensuring they provide efficient and appropriate services for residents. Key services within the council have been identified to form part of the transformation programme. One of the biggest areas is Children's Services which is an area that is causing huge financial pressures. The transformation reviews will undertake a wholesale review of appropriate areas to see where the Council can improve outcomes whilst also ensuring efficient use of resources.

Our work did not identify any evidence to indicate a significant weakness in arrangements

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the Council ensures that its financial plan is consistent with other plans

The MTFP and Capital Programme are considered and reviewed in the context of other plans such as the Capital, Investment and Treasury Management Strategies and the Annual Pay Statement. These plans and strategies are considered and approved by Council alongside the MTFP and budget decisions each year.

Other operational planning and its impact on the MTFP is also considered, together with the impact of working with other public bodies.

In line with the Prudential Code and the Council's Capital Strategy, revenue implications of capital investment decisions are fully considered and form part of the MTFP planning and budget setting process to ensure such investments are fully funded. A detailed Capital plan is included in the MTFP.

The Cabinet and Council consider the updated financial position at various stages throughout the year which allows for Member scrutiny and challenge. The latest MTFP update was considered by the Cabinet and Council at their February 2023 budget setting meetings.

Savings plans are risk assessed to advise Members of the potential impact with initial proposals being risk assessed for impact on communities and service delivery. Each saving proposal includes an equality impact assessment. We have considered this in current and prior year savings process with no significant changes in the process noted.

The annual MTFP process includes reviewing the Council's earmarked reserves. We confirmed a review was completed in 2022/23 to ensure funding set aside remains in line with strategic and statutory priorities of the Council. This is evidenced in the outturn reports presented to Cabinet during the financial year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council identifies and manages risks to financial resilience

The MTFP outlines uncertainties, challenges, and risks facing the Council over the life of the Plan. The 2023/24 MTFP details risks associated with future funding and the ongoing economic uncertainty created by the economic climate. We confirmed that areas of pressure faced in the 2022/23 financial year are reflected in the

2023/24 MTFP. These include the demand pressures faced in some services provided by the Council, such as looked after children. Despite these uncertainties the 2023/24 MTFP still includes continued investments across a number of key front line service areas, including continued town centre investment in Thornaby, Stockton and Billingham.

During 2022/23 the rising costs of inflation has put pressure on the council's budget. They have directed finance officer time to undertake more scrutiny around some of these key pressure areas. An example of this is the rising cost of energy where finance officers have worked closely with facilities management colleagues to understand the impact of information provided by the regional commissioning body NEPO. Additional money was built into the budget for 2022/23 for energy, pay award and growth in children's and adults services.

The Council has an established risk management framework, and the Audit and Governance Committee receives regular risk management updates.

We confirmed that management reported to Cabinet on the Council's commercial activities, including the hotel as part of the updated MTFP in February 2023.

There was regular reporting of the Council's 2022/23 financial position to Cabinet throughout the year. The outturn report presented to the July 2023 Cabinet meeting was consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the financial sustainability reporting criteria.

### 3. Commentary on VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### **How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud**

The Council has an active internal audit team, and the Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council's Audit and Governance Committee. As detailed in the plan the Council uses a risk-based approach to determine the priorities of the internal audit activity, consistent with the Council's goals. The plan is discussed with service leads ahead of being finalised.

We confirmed that the Audit and Governance Committee received regular updates on the Audit Plan. Internal Audit reviews highlight weaknesses and recommend actions, when required, to strengthen processes or procedures. These are regularly reported to Audit and Governance Committee which holds management to account where weaknesses are identified. The Audit and Governance Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Audit and Governance Committee challenges management if recommendations are not implemented within the agreed timeframe.

The Head of Internal Audit Opinion was presented to the Audit and Governance Committee meeting in May 2023. This provides the opinion that 'the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives and detect fraud and other malpractice within a reasonable period of time'. We have reviewed the Internal Audit Plan and matters arising. We have identified no evidence of a significant weakness in arrangements.

An anti-fraud and corruption strategy is in place and was updated and reported to the September 2023 Committee, we confirmed there is also regular reporting to the Audit and Governance Committee on counter fraud activities, including fraud investigations.

As part of our audit procedures, we considered the Council's Annual Governance Statement. This included consideration of the Statement and our cumulative audit knowledge. We identified no matters indicating a significant weakness in arrangements.

### **How the Council approaches and carries out its annual budget setting process**

The Council's MTFP arrangements include the identification and evaluation of risks to the Council's finances. We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall, the Council is aware of the financial pressure it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring.

### **How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during 2022/23 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a significant weakness in arrangements. As well as being reported to Senior Management Team and Cabinet, reports are also presented to Executive Scrutiny Committee.

The Council has a good record of delivering against its budgets and this is evidence of effective arrangements for budgetary control.

The financial statements timetable is approved by the Audit and Governance Committee and was delivered in 2022/23. Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

Decisions are made in accordance with the Constitution and Scheme of Delegation.

We have reviewed Council minutes in the year and have not identified any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council publishes on its website a notice of key decisions. This includes officer decisions under the Officer Scheme of Delegations.

Service Select Committee meetings provide an opportunity to challenge decisions. An Executive Scrutiny Committee is in place to oversee and coordinate the work and our review identified no matters that indicate a significant weakness in arrangements.

### How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution is reviewed at least annually and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Supporting the Constitution are codes of conduct for Members and officers. Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Statement of Accounts also records material related party transactions and details of senior officer pay and Member allowances. We considered these disclosures and compared them with the interests declared. Our work did not indicate a significant weakness in arrangements.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website.

The Standards Panel is responsible for promoting and maintaining high standards of conduct by Members. It is responsible for advising and arranging relevant training relating to the requirements of the Code of Conduct. The Standards Panel has not met recently which indicates there has not been any member misconduct identified for investigation.

A system of scrutiny is in place as set out and documented in the Annual Governance Statement. We reviewed the Scrutiny Annual Report for 2022/23 and identified no evidence of a significant weakness in arrangements. The Council also published an Overview and Scrutiny end-of-term report summarising all activity from 2019 to 2023 detailing the role of the Committees and topics covered each year.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2022/23 financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

### Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the governance reporting criteria.



### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

Directorates have well established and effective processes for reviewing financial and performance information and using this to inform areas for improvement.

The Council has a performance management framework, reporting against a series of indicators. Corporate performance against key performance indicators is presented to Cabinet on a six-monthly basis. Our review of those reports identified no evidence of a significant weakness in arrangements.

Service reviews have also been used to identify areas for improvement and to deliver agreed changes. For example, Children's Services was identified as an area for improvement following an Ofsted inspection report published in July 2019 (requires improvement to be good). A reinspection report published in May 2023 confirmed that, although the leadership team has made significant improvements in response to kinship care, progress has been too slow and there is still work to do to improve the experiences of children and their families and care leavers.

The Council Plan includes priorities in relation to children's care and helping families to stay together and monitors the rate of children in care as a specific performance measure. More detailed monitoring of the number of contacts and care plans with families is carried out by the service (including initial enquiries, rate of referrals, rate of assessments complete, etc). Detailed evidence of monitoring and actions is available from the monthly tactical operational performance (TOP) meetings.

Finance and Performance clinics are being introduced across directorates to visibly demonstrate the link between the two measures. This is also being linked to the council plan and individual service plans.

Transformation reviews require an assessment of performance which pull in both performance and finance measures. This is used to identify areas for improvement. Benchmarking is also being used to identify successes elsewhere to inform future service improvements.

### How the Council evaluates the services it provides to assess performance and identify areas for improvement

The Cabinet has monitored performance during the year. Performance is measured against the Council Plan and the format of reports is aligned to the vision and hopes for the Borough. In 2022/23 the six-monthly report tracked performance against the Council Plan priority actions and included a detailed commentary on progress.

The Council has arrangements for responding to the most recent Ofsted inspection of Children's Services, as detailed above.

### How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council ensures that it is represented at a senior level in its key partnerships, such as partnerships with health. For example, the Council has a well-established and successful partnership with Health via the Better Care Fund. The Council is represented from a service perspective by the relevant Director and from a financial perspective by the Director of Finance, Transformation and Performance. The Strategic Finance lead for Adults and Health provides regular support and input. Where necessary key required actions will be incorporated into Council planning, priorities and plans.

In addition, the Council is working in partnership with Keepmoat Homes Limited to deliver the redevelopment on the Victoria Estate in Stockton. The scheme runs under a collaborative agreement and is overseen by a Project Board. The Board comprises two officers of the Council and two representatives from Keepmoat, the Board is now well established and is operating successfully.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities. The impact of the pandemic saw an increase in the use of Council on-line services.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

**How the Council commissions or procures services, how the Council ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits**

Key commissioning and procurement decisions are taken by suitably skilled and trained staff to ensure compliance with legislation, professional standards and internal policies. Access is readily available to professional legal and procurement advice.

The Council operate a Strategic Procurement function across two teams, each supporting a specific range of Council services and functions.

The Council has established a brokerage function for Adult Social Care packages, which has now been extended to Children's care packages.

There is evidence that the Council has arrangements in place to ensure procurement is done in accordance with relevant legislation, professional standards and internal policies, no issues identified that suggest a significant weakness.

### Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued]**. As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

The NAO timetable for 2022/23 WGA is for completion by the end of November 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate by this date.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in July 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees *
Planned fee in respect of our work under the Code of Audit Practice – PSAA scale audit fee	£100,824	£115,960
Recurring increases in the base audit fee arising from regulatory pressures (as reported in the 2019/20 audit, from 2021/22 we increased this fee by 25% to reflect a 25% increase in the PSAA fee rates for this work, most of this is now included in the scale fee)	£18,910	£3,774
Additional fees in respect of the new VFM approach (recurring, as agreed from the 2020/21 audit)	£10,000	£10,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring, as agreed from the 2020/21 audit)	£4,400	£4,400
Additional fees in respect of the Council's infrastructure (additional work required in relation to the national issue in this 2021/22 audit only – not recurring)	£10,000	£nil
Additional fees in respect of the issues with Pension Fund auditor assurance, the updating of accounts for triennial pensions, and follow up of the PF auditor's letter – not recurring.	£7,000	£nil
Additional fees in respect of the issues with the disclosure of a Pension fund asset for 2022/23 – not recurring	£Nil	£4,000
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time) – not recurring	£Nil	£7,500
<b>Total fees</b>	<b>£151,134</b>	<b>£145,634</b>

\* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor (continued)

#### Fees for other work

In 2022/23 the Council has engaged Mazars LLP for the following audit related assurance services:

- Housing Benefit assurance - £13,515 plus VAT (£12,287 in 2021/22); and
- Teachers' Pensions assurance - £5,385 plus VAT (£4,895 in 2021/22).



# Appendix



# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Management override of controls</b></p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed the management override of controls risk through performing audit work over accounting estimates, review of a sample of journals that meet our risk criteria and significant transactions outside the normal course of business or otherwise unusual.</p> <p><b>Overall findings</b></p> <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.</p>
<p><b>Net defined benefit liability valuation</b></p> <p>The 2022/23 financial statements are expected to contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>For 2022/23, a net asset position is being reported for the LGPS for the first time.</p> <p>The 2022/23 position reflects the triennial revaluation of the pension fund at 31 March 2022, rolled forward to 31 March 2023.</p>	<p>We discussed with our key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.</p> <p>We considered the accounting treatment in respect of the reporting of a net asset position on the LGPS for 2022/23. This included evaluating whether the pension asset needed to be capped at a lower level. Based on our review and the receipt of an asset ceiling calculation from the actuary, no adjustment was required to the net pension asset included in the draft accounts.</p> <p>We sought assurance from the Pension Fund auditor in relation to the pension disclosures.</p> <p><b>Overall findings</b></p> <p>Subject to the misstatements reported, our work has provided the assurance we sought, and we have not identified any other matters to report in relation to the net defined benefit liability valuation.</p>

# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Valuation of land and buildings</b></p> <p>The 2022/23 financial statements are expected to contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE). Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of significant risk.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>• considering the Council's arrangements for ensuring that PPE values are reasonable;</li> <li>• challenging the reasonableness of the valuations provided by the Council's valuers, and assessing the competence, skills and experience of the valuers;</li> <li>• discussing methods used with the valuers and examining supporting information;</li> <li>• using market data to assess whether the assets not revalued are likely to have materially changed in value; and</li> <li>• testing a sample of revaluations in year to valuation reports and supporting information, and undertaking procedures to gain assurance over the source data used in the valuations</li> </ul> <p><b>Overall findings</b></p> <p>Subject to the misstatements reported, our work has provided the assurance we sought, and we have not identified any other matters to report in relation to property, plant and equipment.</p>

## A. Further information on our audit of the financial statements

### Summary of uncorrected misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Debtors			1,055	
	Cr: Gross income		1,055		
	Being the extrapolated error arising from our expenditure cut-off testing; an item was selected for testing from April 2023 which related to March 2023. Testing confirmed that the income had been incorrectly included in 2023/24 when it should have been included in 2022/23 (debtor accrual). Actual error £0.211m, extrapolated error £1.055m.				
2	Dr: Revaluation reserve			438	
	Cr: Capital adjustment account				438
	Being revaluation gain which should have been offset against a previous loss, to be corrected in 2023/24.				
	<b>Total unadjusted misstatements</b>		1,055	1,493	438

## 6. Summary of misstatements

### Summary of uncorrected misstatements (continued)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3 Cr: Other Long-Term Assets – Pension Fund				-7,003
Dr: Unusable Reserves			7,003	
Cr: Movement in Reserves Statement		-7,003		
Dr: Actuarial (gains)/losses on pension assets	7,003			
Overstatement of assets in the financial statements due to misstatements identified by the pension fund auditor. Management has determined not to amend the financial statements because this adjustment is not material.				
<b>Total unadjusted misstatements</b>	<b>7,003</b>	<b>-8,058</b>	<b>8,496</b>	<b>-7,441</b>

### Unadjusted disclosure

During our audit we identified the following disclosure misstatement which has not been adjusted by management:

- Note 18 long-term liabilities, includes total additions, some of which should be classified as short-term.

## Gavin Barker, Director

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

### **Mazars**

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

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