

**MIDDLESBROUGH COUNCIL**

<b>Report of:</b>	Director of Finance (S151 Officer)
<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
<b>Submitted to:</b>	Audit Committee
<b>Date:</b>	25 July 2024
<b>Title:</b>	Middlesbrough Council – Audit Strategy Memorandum 2023/24
<b>Report for:</b>	Information
<b>Status:</b>	Public
<b>Council Plan priority:</b>	Delivering Best Value
<b>Key decision:</b>	No
<b>Why:</b>	Report is for information only
<b>Subject to call in?:</b>	No
<b>Why:</b>	Not Applicable

### **Executive summary**

The External Auditor, Mazars, has concluded their planning work in relation to the financial year 2023/24 and will present the Annual Report to the Committee for information and discussion.

The report comprises the Auditor's proposed approach and key issues in relation to the audit of the financial statements and on the assessment of the Council's arrangements for securing robust governance and Value for Money for the last financial year.

This is the first year of the new external audit contract with Mazar's, covering the period 2023/24 to 2027/28. Members will be aware that the audit of the two previous year's accounts for the Council with Ernst & Young are still open and that we are expecting these to be modified and/or disclaimed opinions, depending on government legislation that is still to be confirmed.

## **1. Purpose**

1.1 The purpose of the report is for Mazars, the Council's External Auditor, to present their Audit Strategy Memorandum for the 2023/24 financial year. This sets out their plans for the audit of the financial statements and value for money arrangements for the Council.

## **2. Background and relevant information**

2.1 Mazar's Audit Strategy Memorandum for 2023/24 is attached at Appendix 1 and includes the following sections:

- Engagement and responsibilities summary
- The audit engagement team
- Audit scope, approach, and timeline
- Significant risks and other key judgement areas
- Value for money arrangements
- Fee for the audit and other services
- Commitment to independence
- Materiality and other misstatements

2.2 The external auditor will present their report and overall approach to the Committee.

## **3. What decision(s) are being recommended**

3.1 That the Committee:

- Note the contents of the Audit Strategy Memorandum for the 2023/24 audit.
- Discuss any appropriate matters with the external auditors and officers which may have a bearing on the parameters for the audit being undertaken.

## **4. Rationale for the recommended decision(s)**

4.1 The Committee is required to receive and consider the external auditor's report as part of its governance role and responsibility in relation to audit activities.

## **5. Impact(s) of the recommended decision(s)**

### **5.1 *Financial (including procurement and Social Value)***

The Council decided on 23 February 2022 to 'opt in' to the national audit appointment scheme undertaken by Public Sector Audit Appointments (PSAA), a government agency for contracting external audit services. This decision covered contracts being let for the period from 1 April 2023 to 31 March 2028 (five financial years) and would cover both the financial statements audit and the assessment on the value for money arrangements in place.

The Council was notified by PSAA in December 2022 that Mazars would be the new external auditor for this period. This was in line with the requirement under the local audit and accountability act 2014 of having an external auditor in place prior to the 31 December, before the start of each new financial year. The Mazars contract replaces

the current arrangement with Ernst & Young who have been the Council's auditor since the start of the 2017/18 financial year.

The base audit fee for any local authority who opts into the national scheme is set by PSAA, based on size and on previous audit experience and fees paid. The audit fee for the Council for the 2023/24 audit is outlined in Section 6 of the audit strategy memorandum at £321,074. This fee may increase based on any additional work required by the auditor as part of their statutory role.

The fee for 2023/24 is a significant increase over the base audit fee for 2022/23 of £111,857 but represents the additional external audit work undertaken in relation to the Council over the last couple of completed audits. The 2023/24 fee is fully budgeted for within the corporate part of the Council's accounts.

## **5.2 Legal**

There are no legal implications arising from this report.

## **5.3 Risk**

The report sets out how the external auditor will assess whether:

- the financial statements prepared by the Council, show a true and fair view.
- the governance and value for money arrangements in place within the Council are adequate when managing public money.

Both assessments contain an element of reputational risk in how the Council has managed the various processes.

## **5.4 Human Rights, Public Sector Equality Duty and Community Cohesion**

There are no specific impacts or implications.

## **5.5 Climate Change / Environmental**

There are no specific impacts or implications.

## **5.6 Children and Young People Cared for by the Authority and Care Leavers**

There are no specific impacts or implications.

## **5.7 Data Protection**

There are no specific impacts or implications.

**Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
Not applicable		

**Appendices**

1	Middlesbrough Council – Audit Strategy Memorandum 2023/24
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**Background papers**

Body	Report title	Date
Council	Appointment of External Auditors 2023/24 – 2027/28	23 February 2022

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