

MIDDLESBROUGH COUNCIL

Report of:	Director of Finance (S151 Officer)
Relevant Executive Member:	Executive Member for Finance and Governance
Submitted to:	Audit Committee
Date:	22 August 2024
Title:	Forvis Mazars – Audit Progress report
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value
Key decision:	No
Why:	Report is for information only
Subject to call in?:	No
Why:	Not Applicable

Executive summary

The External Auditor, Forvis Mazars, produces a regular progress report for the Audit Committee to outline how their audit work is progressing and any items of interest in the external audit or governance sector for Members.

This is the first year of the new external audit contract with them, covering the financial year's accounts from 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.

The main item of note is the issuing of proposed backstop dates by the new government for all audit opinions up to the 2027/28 financial year, which is also covered on this agenda as a separate item. The backstop is the mechanism by which central government will enable local authorities and audit firms to catch up on the current audit backlog. This will be important in concluding the open audits for the Council for 2021/22 and 2022/23 financial years, plus allowing Forvis Mazars to plan an approach and timescales for their audit of the 2023/24 statement of accounts.

1. Purpose

1.1 The purpose of the report is for Forvis Mazars, the Council's External Auditor, to present their latest assessment of relevant matters to highlight to the Committee. This is a useful method of keeping Members aware of any issues on their audit of the accounts and that also may be affecting local authorities nationally from an external audit viewpoint.

2. Background and relevant information

2.1 Forvis Mazar's progress report as at August 2024 is attached at Appendix 1 and includes the following sections:

- Audit Progress 2023/24
- National Publications

2.2 The external auditor will present their report and any matters arising at the Committee meeting for Members to discuss.

2.3 From an officer perspective, the main item in the report relates to the local government audit backlog reset. The Committee is aware that there is a national backlog of local authority audits that are still outstanding from previous financial years. This position has arisen over several years as the audit of the financial statements has become more complex, local authorities' financial positions have become more fragile, and there have been problems with capacity on the required work within both local audit teams and local authority finance teams.

2.4 This national backlog position has resulted in the work required to establish an audit opinion on the draft Statement of Accounts for 2021/22 and 2022/23 being incomplete by the external auditor, Ernst and Young, and the accounts for these years remaining open with no signed audit opinion.

2.5 Forvis Mazars's progress report highlights that the Minister for local government has now considered the work done previously and has issued backstop dates for both older incomplete audits and for new financial years going forward. The backstop is the date in law by which time the audit needs to be complete, or a disclaimed or modified opinion issued. The dates proposed up to the 2027/28 financial year aim to allow the local audit system to catch up the backlog over a short timeframe and to move back to timely financial reporting and auditing processes across the sector.

2.6 The proposed backstop dates are as follows:

- Financial years up to and including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

2.7 Ernst & Young are working through what the 13 December 2024 means for them in terms of the work required to complete the audits, issuing the opinions on the two outstanding financial years, and then reporting their audit results reports to the Committee.

2.8 Similarly, Forvis Mazars are considering what is feasible in terms of a 2023/24 statement of accounts audit by 28 February 2025. This is in the light of this being the first year of their audit contract with the Council, the delayed audit opinions on 2021/22 & 2022/23, and the fact that the Council has not yet published its draft 2023/24 set of accounts. This is likely to be towards the end of August.

2.9 In terms of the national publications listed in Appendix 1, officers and auditors are happy to provide a set of key messages if any of these items are of particular interest to the Committee.

3. What decision(s) are being recommended

3.1 That the Committee:

- Note the contents of the audit progress report 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 Forvis 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 the 2023/24 audit process 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	Forvis Mazars – Audit Progress report (August 2024)
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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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