

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24  
APRIL 2024**



<b>Title of Report</b>	<b>EXTERNAL AUDIT UPDATE</b>	
<b>Presented by</b>	Paul Stone Strategic Director of Resources	
<b>Background Papers</b>	<a href="#">Statement of Accounts 2021/22 and 2022/23 Update</a> – Council 22 February 2024	<b>Public Report:</b> Yes
<b>Financial Implications</b>	There are no direct financial implications resulting from this report.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	There are no direct legal implications resulting from this report.	
	<b>Signed off by the Deputy Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no direct staffing or corporate implications resulting from this report.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To provide Members with an update from the Council's External Auditors.	
<b>Recommendations</b>	<b>THAT THE COMMITTEE NOTES THE REPORT.</b>	

**1.0 BACKGROUND**

- 1.1 The report attached at Appendix A is an External Audit Update report provided by the Council's External Auditor's Mazars LLP.
- 1.2 The report provides an update on the audit of the 2021/22 financial statements.
- 1.3 A representative from Mazars is in attendance to present the report.

**2.0 DELAY IN STATEMENT OF ACCOUNTS**

- 2.1 In considering the Mazars report, it is helpful to provide context for the reasons for the delay in publishing and auditing the Council's Statement of Accounts 2021/22 and 2022/23.
- 2.2 The delay in the publication of local authority Statement of Accounts has become a recognised issue, with a significant backlog present across the local government sector. The complexity of accounting for property, plant, and equipment, alterations in audit standards, quality concerns flagged by audit regulators, and capacity limitations within audit firms are the primary contributors to these delays. The Government has acknowledged these challenges and is actively consulting on proposals to address and

clear the existing backlog. A critical measure proposed is the completion of all statements of accounts up to and including the financial year 2022/23 by the 'backstop date' of 30 September 2024.

- 2.3 The completion of the Council's Statement of Accounts for the fiscal year 2021/22 has experienced a delay. This postponement is primarily attributed to unresolved issues from the 2020/21 Accounts, which have arisen from inquiries made by the external auditor concerning property, plant, and equipment valuations. Furthermore, capacity within the finance team has significantly impacted the closedown process. As a small team, compounded by vacancies, this has often meant that prioritisation becomes a necessity, with essential tasks such as budget setting taking precedence.
- 2.4 At the Council meeting on 22 February 2024, the Finance Portfolio Holder, Councillor Rushton, provided a verbal update in support of the report being considered by Members. It stated that a new schedule had been agreed upon with the external auditors, Mazars, to finalise the Statements of Accounts for both 2021/22 and 2022/23. The target was to have both statements audited by the 30 September 2024. This included the sign-off of the Statement of Accounts 2021/22 at the Audit and Governance meeting scheduled for 10 April 2024.
- 2.5 However, since that time, Mazars has stated that they will be unable to complete the audit within the expected timeframe due to their current prioritisation of NHS audits. They would require further extension to finalise the audit work. Therefore, they will not be able to complete the Statement of Accounts for the financial years 2021/22 and 2022/23. Consequently, they must issue a disclaimer, noting their inability to complete the audit in time, by 30 September 2024. Despite this, Mazars will still provide an opinion on the value for money of the Council's financial activities.
- 2.6 The situation regarding the audit of the statement of accounts for the financial years 2021/22 and 2022/23 presents a unique challenge. Whilst the Council is disappointed that Mazars will not complete the audit, the Council is committed to publishing the Statement of Accounts for these years.

### **3.0 FUTURE AUDITS**

- 3.1 Looking ahead, in respect of the Statement of Accounts for the financial year 2023/24, the Council is committed to collaborating with its new external auditors, Azets. The Council will aim to ensure that the Statements are audited by the backstop date of 31 May 2025. Following this, the Council's ambition is to publish its accounts in a timely manner, adhering to the timeframes established in the Accounts and Audit Regulations.
- 3.2 It is essential to recognise the complexities involved in the auditing process and the various factors that can impact the timely completion of audits. In this context, while acknowledging the situation with Mazars, it is also important to focus on the constructive measures being taken to address the issue and the strategic planning implemented to prevent recurrence which includes, for example, plans to enhance the Council's financial systems to ensure that closedown processes are automated where it is appropriate to do so. The Council's resolve to work closely with Azets and its aspiration to expedite future audits are positive steps towards achieving this goal.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	A well-run Council.
Policy Considerations:	Not applicable
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon	Not applicable
Consultation/Community/Tenant Engagement:	Not applicable
Risks:	Not applicable
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