

**Title of Report: Audit Completion Report Year Ended 31 March 2024 and Statement of Accounts 2023/24**

**Report of: Darren Collins, Strategic Director, Resources and Digital**

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### **Purpose of the Report**

1. This report requests that the Accounts Committee:
  - Note Forvis Mazars 2023/24 Audit Completion Report (Appendix 2) and update, including the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources.
  - Approve the issue of a Letter of Representation (Appendix 3), subject to confirmation of the final position on misstatements.
  - Approve the publication of the Council's 2023/24 Statement of Accounts (Appendix 4); and
  - Delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts 2023/24 for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Forvis Mazars.

### **Background**

2. The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2023/24 and the Council's external auditor, Forvis Mazars, have issued their report, subject to the completion of outstanding work.
3. The Audit Completion Report covers:
  - the Council's Statement of Accounts including significant findings, internal control recommendations, and a summary of adjusted and unadjusted misstatements;
  - The draft management representation letter, and the external auditor's draft audit opinion; and
  - the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The primary output of Forvis Mazars work on the Council's approach to Value for Money is the commentary on those arrangements that form part of the Annual Report. Forvis Mazars intend to issue the Annual Report no later than three months after the report on the financial statements is signed.

- Although Forvis Mazars have substantially completed their work, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts.
4. The external auditors report is attached at Appendix 2 and the Council's Statement of Accounts (subject to outstanding work) is attached at Appendix 4. An update position will be presented to the Committee by Forvis Mazars. A follow-up letter will be provided, prior to signing the auditor's report.
  5. In line with best practice, the Audit and Standards Committee has considered the Audit Completion Report prior to submission to this Committee. Any issues raised by the Audit and Standards Committee will be presented verbally or by separate addendum depending on the nature.

### **Proposal**

6. The proposal is for the Accounts Committee to note the contents of Forvis Mazars Audit Completion Report (and any additional updates provided to the Committee) including the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources , approve the issue of the Letter of Representation, subject to the final position on misstatements and outstanding work, by the Strategic Director, Resources and Digital on behalf of the Council, approve the Council's 2023/24 Statement of Accounts for publication (subject to outstanding work), and delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Forvis Mazars.

### **Recommendations**

7. The Accounts Committee is requested to:
  - note the contents of Forvis Mazars Audit Completion Report and any update reports, and the covering report;
  - approve the issue of the Letter of Representation by the Strategic Director, Resources and Digital on behalf of the Council, subject to confirmation of the final position on misstatements and outstanding work;
  - approve the Council's 2023/24 Statement of Accounts for publication (subject to outstanding work); and
  - Delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts 2023/24 for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Forvis Mazars.

for the following reason(s)

- I. to comply with legal requirements and the Council's Constitution.

### Policy Context

1. The proposals in this report will contribute to achieving the objectives of the Council Plan and the overarching Thrive agenda.

### Background

2. The annual audit of the Council's 2023/24 Statement of Accounts has now been substantially completed. Forvis Mazars is required to:
  - Issue a report to those charged with governance summarising its conclusions from their audit work;
  - Report to those charged with governance certain matters before giving its opinion on the financial statements; and
  - Issue a conclusion relating to the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
3. The report covers:
  - The Council's financial statements;
  - The draft management representation letter, and the external auditor's draft audit opinion; and
  - The Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources. The primary output of Forvis Mazars work on the Council's approach to Value for Money is the commentary on those arrangements that form part of the Annual Report. Forvis Mazars intend to issue the Annual Report no later than three months after the report on the financial statements is signed.

### Audit Completion Report

4. Forvis Mazars Audit Completion Report is included as Appendix 2. Subject to the outstanding issues, the key messages are as follows:
  - Audit Opinion – At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Forvis Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements. However, this is subject to the conclusion of matters in relation to pensions.
  - Identified misstatements – the auditor's work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report.
  - Value for Money – at the time of issuing the report, Forvis Mazars anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
  - Whole of Government Accounts (WGA) – the National Audit Office (NAO) have yet to issue instructions and until this is available Forvis Mazars are unable to commence work on the Council's WGA submission. Cycle 1 was submitted as per the Government requirements and Cycle 2 will be submitted once the audit is completed.

- Wider Powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No questions or objections have been received.
5. The report also includes a draft Letter of Representation to Forvis Mazars (attached as Appendix 3), to be approved by the Committee prior to being signed by the Strategic Director, Resources and Digital following the issue of the audit opinion. Once the outstanding work has been completed, a summary of the final misstatements will be added to the Letter of Representation and a final signed version will be circulated to Accounts Committee members.
  6. The 2023/24 Statement of Accounts is shown at Appendix 4. The Statement of Accounts is materially consistent with the 2023/24 revenue and capital outturn reports considered by Cabinet on 25 June 2024. Along with minor adjustments and presentational changes, the following significant findings and misstatements to the Statement submitted for audit on 31 May 2024 have been identified through the audit process. These are outlined in Forvis Mazars Audit Completion Report:
    - Significant Findings – section 4;
    - Internal Control Recommendations – section 5; and
    - Summary of misstatements (adjusted and unadjusted) – section 6.
  7. None of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Further testing is ongoing on the identified unadjusted misstatements with a view to assessing the impact on materiality. This may require further adjustments to the statement of accounts.
  8. The Council is required to publish its Audited Statement of Accounts for 2023/24 by 28 February 2025 and place them on the website appropriately signed by the Chair of the Accounts Committee and re-signed by the Strategic Director, Resources and Digital, in line with reporting requirements.

## **Consultation**

9. There has been no external consultation on this report.

## **Alternative Options**

10. There are no alternative options proposed; the Council is obliged by statute to publish its annual Statement of Accounts.

## **Implications of Recommended Option**

11. **Resources:**
  - a. **Financial Implications:** The Strategic Director, Resources and Digital confirms that the financial implications are as set out in this report and in the 2023/24 Statement of Accounts. There are no additional financial implications associated with the report.
  - b. **Human Resources Implication:** there are no human resources implications arising from this report.

- c. **Property Implications:** there are no property implications arising from this report.
- 12. **Risk Management Implications:** no additional risks have been identified in this report or in the completion of the 2023/24 Statement of Accounts.
- 13. **Equality and Diversity Implications:** there are no equality and diversity implications arising from this report.
- 14. **Crime and Disorder Implications:** there are no crime and disorder implications arising from this report.
- 15. **Health Implications:** there are no health implications arising from this report.
- 16. **Climate Emergency and Sustainability Implications:** there are no implications arising from this report.
- 17. **Human Rights Implications:** there are no human rights implications arising from this report.
- 18. **Area and Ward Implications:** there are no area and ward implications arising from this report.