



**REPORT of  
INTERIM CHIEF FINANCE OFFICER**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
5 DECEMBER 2024**

**REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT OF FINANCIAL YEARS  
2021 / 22 AND 2022 / 23**

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to present Committee Members with the International Standards on Auditing (ISA) 260 Audit Report (**APPENDIX 1**) and the Annual Audit Report (**APPENDIX 2**) for financial years 2021 / 22 and 2022 / 23.
- 1.2 The key findings and recommendations from the reports will be presented by the External Auditor (Deloitte LLP), before issuing their opinion on the Statement of Accounts.
- 1.3 The Audit Plan Report (**APPENDIX 3**) is also included for review. This report is normally presented before the audit takes place. However, due to the constraints of the backstop dates issued by UK Government, the Audit Plan Report is being presented alongside the main audit reports.

**2. RECOMMENDATIONS**

- (i) That Members consider the ISA 260 Audit Report for 2021 / 22 and 2022 / 23 at **APPENDIX 1**. The ISA 260 report aims to ensure that auditors communicate significant findings from the audit to those responsible for governance, such as the board of directors or Audit Committee;
- (ii) That Members consider the Annual Audit Report for 2021 / 22 and 2022 / 23 at **APPENDIX 2**. This report evaluates how effectively an organisation uses its resources to achieve its objectives;
- (iii) That Members consider the Audit Plan Report for 2021 / 22 and 2022 / 23 at **APPENDIX 3**. This report sets out the plan for the upcoming audit.

**3. SUMMARY OF KEY ISSUES**

- 3.1 Local authorities are required by the Accounts and Audit (Amendment) Regulations 2024 to publish their financial statements and audit reports by a legislative 'backstop' date. This is 13 December 2024 for financial years up to 31 March 2023.
- 3.2 The introduction of the backstop has limited the Auditor's ability to complete its financial statement audit work, as detailed in the Auditor's Planning Report to the Committee dated 13 November 2024.

- 3.3 Due to the limited testing performed, the possible effect on the financial statements of undetected misstatements, if any, could be both material and pervasive.
- 3.4 Auditing standards require auditors to issue a 'disclaimer of opinion' in this situation. The disclaimer applies to the whole of the financial statements. It means that readers should not rely on the audit work when using the financial statements.
- 3.5 Even with a disclaimer of opinion, auditors are still required to report any known, material issues in the financial statements. The auditors have not identified any such matters to report.
- 3.6 ISA 260 requires auditors to communicate with those charged with governance:
- Significant difficulties, if any, encountered during the audit; and
  - Any other significant matters arising during the audit that, in their professional judgement, are relevant to Member's oversight of the financial reporting process.

The auditor's reporting in respect of the backstop fulfils this in respect of this significant matter.

- 3.7 The auditors do not have any matters to report that represent significant difficulties (given the legislative nature of the backstop).
- 3.8 The auditors have previously made several control recommendations based on their observations of these accounts. These recommendations highlight necessary improvements in the financial reporting process. Addressing these recommendations is essential to ensure timely financial reporting and audits in future periods.
- 3.9 The Terms of Reference of the Performance, Governance and Audit Committee include a requirement to review the external auditor's opinion on the Statement of Accounts of the Council.

## **4. CONCLUSION**

- 4.1 Detailed conclusions drawn from the audit work can be found in the report at **APPENDIX 1**.

## **5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2023 - 2027**

### **5.1 Smarter finances**

- 5.1.1 A key objective of the Council's Corporate Plan is to continue to have good governance arrangements in place. The external audit opinion is one of the main sources of assurance of the achievement of this objective for the Performance, Governance and Audit Committee.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None directly.

- (iii) **Impact on Risk (including Fraud implications)** – None directly.
- (iv) **Impact on Resources (financial)** – The final external audit fees for the 2020/21 audit are subject to final agreement with Deloitte LLP and review by Public Sector Audit Appointments and will be reported back to a future committee once finalised.
- (v) **Impact on Resources (human)** – None directly.

Background Papers: None.

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