



Report to:	Governance and Audit Committee
Date:	7 March 2024
Subject:	External Audit Progress Report
Director:	Angela Taylor, Director of Finance and Commercial Services
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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

2. Information

2021/22 Audit of Accounts

- 2.1 It was previously reported that Mazars completed the audit on 30 November 2023 with an unqualified audit opinion issued.
- 2.2 Mazars are developing their plans for undertaking the work to provide the value for money opinion which is required to formally complete the 2021/22 audit work. It is expected that the vfm work will be concluded by the end of March and the conclusions will be shared with the Committee Members upon receipt and formally tabled at the next meeting of the Committee which is expected to be in the summer. The final report that formally concludes all the audit work for the year in due course will also include any revision to the audit fee which arises as a result of the additional work that the auditors were directed to undertake.

2022/23 Audit of Accounts

- 2.3 The Committee is aware, from previous reports, that the delay to the conclusion of the 2021/22 audits has had an impact on auditor resource allocation to undertake the audit of the 2022/23 accounts.
- 2.4 It was also previously reported that, in line with a significant number of other local government organisations, the Combined Authority has focussed on responding to the need to re-consider the 2021/22 accounts and ensure accuracy and attention to detail for the 2022/23 accounts, particularly given the likely timescales to start the audit work and that any changes to 2021/22 accounts were likely to impact on 2022/23 accounts.
- 2.5 Following the November 2023 completion of the 2021/22 audit, the 2022/23 draft financial statements have been finalised and issued and are available at [What we spend and how we spend it - West Yorkshire Combined Authority \(westyorks-ca.gov.uk\)](https://www.westyorks-ca.gov.uk/what-we-spend-and-how-we-spend-it). Mazars will be considering with management their approach to the 2022/23 audit, mindful of the current consultation underway, more details of which are set out below.

Confirmed Fee Scale for 2023/24 Audits

- 2.6 As previously reported, Public Sector Audit Appointments (PSAA) has confirmed a major re-set of total audit fees for 2023/24, with the 2023/24 audit fee for the Combined Authority being set at £95,792, an increase of 151% on the 2022/23 fee of £38,164.
- 2.7 It was agreed by Committee members that representations be made to PSAA about this situation via their proposed consultation, with an update to be brought to the next meeting of the Committee or to Committee Members upon the launch of the consultation if earlier.

Financial Reporting and Audit in Local Authorities

- 2.8 On 8 February 2024 both the Department for Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO) launched joint 4 week consultations on proposals with the aim of restoring timely, high-quality financial reporting and audit.
- 2.9 The DLUHC consultation seeks views on changes aimed at addressing the local audit backlog including introducing backstop dates for the publication of audited accounts, specifically:
- 2.9.1 Clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- 2.9.2 Recovering from this in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- 2.9.3 Introducing reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

- 2.10 Full details of the DLUHC consultation can be found at **Appendix 1**.
- 2.11 The NAO consultation seeks views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements with particular focus on:
- 2.11.1 Status of the Code, application and general principles.
 - 2.11.2 Audit of the financial statements.
 - 2.11.3 The auditor's work on value-for-money arrangements.
 - 2.11.4 Reporting the results of the auditor's work.
 - 2.11.5 The auditor's additional powers and duties and Smaller Authority Assurance Engagements.
- 2.12 Full details of the NAO consultation can be found at **Appendix 2**.
- 2.13 The deadline for responses to both consultations is **7 March 2024** and is required to be provided via an online survey with a range of set questions to be considered. It is proposed that officers complete the online surveys indicating support for a proposal that seeks to end the backlog, including some of the technical accounting simplifications that will reduce the workload on both sides. The response also needs to reflect a level of concern at the lack of clarity of how a reduced amount of audit work affects the agreed audit fee, although PSAA Ltd have indicated that this will be possible.
- 3. Tackling the Climate Emergency Implications**
- 3.1 There are no climate emergency implications directly arising from this report.
- 4. Inclusive Growth Implications**
- 4.1 There are no inclusive growth implications directly arising from this report.
- 5. Equality and Diversity Implications**
- 5.1 There are no equality and diversity implications directly arising from this report.
- 6. Financial Implications**
- 6.1 The increase in audit fees for the 2023/24 audit work will have to be reflected in future budgets.
- 7. Legal Implications**
- 7.1 There are no legal implications directly arising from this report.
- 8. Staffing Implications**
- 8.1 There are no staffing implications directly arising from this report.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 To note the position with regard to external audit work.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – DLUHC Audit Backstop consultation

Appendix 2 – NAO Changes to the Code of Audit Practice consultation