



Report to:	Governance and Audit Committee
Date:	11 January 2024
Subject:	External Audit Progress Report
Director:	Angela Taylor, Director of Finance and Commercial Services
Author:	Gary Dowson, Head of Finance

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 the audit was substantially complete, with the only outstanding work being consideration of the impact of the revised pension disclosures arising from the additional information from the triennial valuation.
- 2.2 Mazars have now addressed the revised pension position and the audit was completed on 30th November 2023 with an unqualified audit opinion issued.
- 2.3 The Committee considered the [audit closure report](#) from Mazars at its meeting in March 2023 following which it then approved the accounts with any final changes to be shared with the Committee once the final points were cleared. The adjustments to the pension disclosures have had no impact on the results for the year.

2.4 The final approved accounts are available at [statement-of-accounts-2021-22-signed.pdf \(westyorks-ca.gov.uk\)](#) and the update to the audit conclusion report from Mazars can be found at **Appendix 1**. The auditors will be in attendance and can provide any further verbal updates required.

2.5 Work will be undertaken shortly on the value for money opinion which is referenced in the Appendix.

2022/23 Audit of Accounts

2.6 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.

2.7 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 are likely to impact on 2022/23 accounts.

2.8 Following the November 2023 completion of the 2021/22 audit, the 2022/23 draft financial statements are being finalised and will be provided to members in advance of the January meeting of the Committee. Mazars are considering their approach to the 2022/23 audit and will be able to provide an update on audit timescales at the meeting.

Proposed Fee Scale for 2023/24 Audits

2.9 As previously reported, Public Sector Audit Appointments (PSAA) had confirmed a major re-set of total audit fees for 2023/24, being an increase of 151% on total fees for 2022/23, and in September 2023 entered into a statutory consultation of opted in bodies on that basis.

2.10 The consultation explained how PSAA proposed to calculate the audit fees which will make up the 2023/24 fee scale. The proposals involved managing the impact of a range of elements, including the additional fees now required for recurrent additional work, changes in local audit requirements (for example updated technical standards) and adjustments at individual bodies where local circumstances now require more audit work than previously. Consequently, the proposed scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the Financial Reporting Council (FRC). It is the intention that updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of ongoing fee variations.

2.11 Under the Local Audit (Appointing Person) Regulations, the 2023/24 fee scale must be published before 1 December 2023 and cannot be amended after that date. Any

subsequent changes in national requirements or local circumstances relating to the 2023/24 audits will therefore be the subject of fee variations.

- 2.12 The consultation ended in October 2023 to allow for consideration of the responses ahead of the 1st December 2023 statutory deadline.

Confirmed Fee for 2023/24 Audit

- 2.13 Having reflected on the consultation outcome, PSAA has decided to set the 2023/24 fee scale as proposed in the consultation. The summarised outcome of the consultation is included at **Appendix 3** for information.
- 2.14 The 2023/24 audit fee for the Combined Authority is £95,792, an increase of 151% on the 2022/23 fee of £38,164.
- 2.15 Whilst recognising the significant financial pressures on all types of local government bodies and understanding that any further cost pressure is unwelcome, PSAA has stated that the level of the 2023/24 fee scale is determined by both the audit work needed to deliver audits compliant with the requirements of the Code of Audit Practice, and market rates.
- 2.16 The Committee has previously considered the annual audit fee and has recognised the increasing complexity of audit work required. The scale of increase is however extremely challenging, coming at a time of immense financial pressure on the local government sector as well as at a time when it is unclear how and when the 2023/24 audit work will actually be undertaken. Paragraph 2.17 below sets out the continuing delay on resolving the backlog of local audits and highlights therefore the risk that the audit fee for the 2022/23 work will not necessarily deliver a full audit opinion. It is proposed that representations are made to PSAA about this situation.

Financial Reporting and Audit in Local Authorities

- 2.17 The previously reported cross system discussions on proposals to clear the backlog of local audit delays continue. There has been no conclusion regarding the timetable for audit work for 2023/24 and earlier years for which audit opinions are outstanding. An update will be brought to the next meeting of the Committee.

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 – Supplementary audit report from Mazars relating to 2021/22 audit work

Appendix 2 - 2022/23 draft accounts **TO FOLLOW**

Appendix 3 – Outcome of 2023/24 fee consultation