

ANNUAL ACCOUNTS 2022-23 UPDATE

1.0 INTRODUCTION

- 1.1 The Council's appointed external auditors for 2022-23 are Mazars. The previous external auditors were Audit Scotland who had been in place since 2011-12.
- 1.2 The audit of the accounts for 2023-24 has still to be completed by Mazars. Officers continue to express their dissatisfaction with this situation to both Mazars and to Audit Scotland and this situation is similar in the two other Scottish Councils being audited by Mazars. The lateness of the audit is in no way a reflection on the quality of the Council's accounts.

2. RECOMMENDATION

- 2.1 Council to consider and note the contents of this report.

3. DETAIL

- 3.1 The Council had Audit Scotland as their external auditor from financial year 2011-12 through to 2021-22. The Accounts Commission formally appoint auditors for Local Authorities and Mazars were appointed last year to undertake our audit from financial year 2022-23 for a period of five years. .
- 3.2 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 states that a local authority should aim to approve the annual accounts for signature by 30 September and to publish them by 30th October each year.
- 3.3 The audit of the accounts for 2022-23 has still to be completed by Mazars. Mazars initially sited difficulties in recruitment as the cause of the delay and resourcing seems to be an issue across the audit sector particularly public sector. Audit work would normally commence in July each year but this was delayed until late September/early October. The key audit partner from Mazars has also been absent during January and at the time of writing it is unclear whether he will be back in February.
- 3.4 A special Council meeting has now been in the diary twice, once for December and again for the end of January, however, both have had to be cancelled. If the audit partner does not return to work in February, Mazars will look to assign the audit to another senior officer within the firm. It is expected that the substantive work on the audit and the report will be completed by the end of February.

- 3.5. Throughout the audit there have only been minimal material issues raised by the auditors with the exception of the treatment of pensions which have now been adjusted to reflect the asset ceiling calculations as requested by Mazars (a situation affecting all Local Authorities). The lateness of the audit is in no way a reflection on the quality of the Council's draft accounts.
- 3.6 In addition to the audit of the Council's main financial statements there have also been delays with the following work undertaken by Mazars:
- Audit of Trust Funds. These are due to be submitted to the charity regulator OSCR by 31st December however Mazars did not start this audit until January. An extension request was made to OSCR who agreed to extend until 31st January however due to the audit partner being absent this deadline will also not be met and a further extension request has been submitted to OSCR.
 - Audit of Housing Benefit Subsidy claim. This is due to be submitted to the DWP by 31 January however Mazars did not start this work until mid January therefore this deadline will not be met.
 - Non-Domestic Rates audit. This is required by the Scottish Government and has not yet been started. Mazars have contacted the Scottish Government in relation to this but have not yet had a response.
- 3.7 I have advised both Mazars and Audit Scotland of our dissatisfaction with the audit process this year. I have also been in close communication with another two Local Authorities who are also being audited by Mazars and they are having the same issues. It is expected that after the Audit is complete that there will be a lessons learned debrief to mitigate an issue like this arising again in the future.

4. CONCLUSION

- 4.1 This report provides Council with an update on the progress with the 2022-23 audit of the financial statements.

5. IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial – Failure to comply with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. Failure to adhere to deadlines from OSCR, DWP and Scottish Government.
- 5.3 Legal – Not expected to be any legal issues.
- 5.4 HR – Staff working on the audit usually move from audit work to budget work, however, since the audit had been delayed further pressure has been placed upon staff.
- 5.5 Fairer Duty Scotland:
- 5.5.1 Equalities – protected characteristics – None

5.5.2 Socio-economic Duty – None

5.5.3 Islands – None

5.6 Climate Change – None

5.7 Risk – Risk that Accounts are not signed-off before commencement of the 2023-24 accounts.

5.8 Customer Service - None

5.9 The Rights of the Child (UNCRC) - None

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