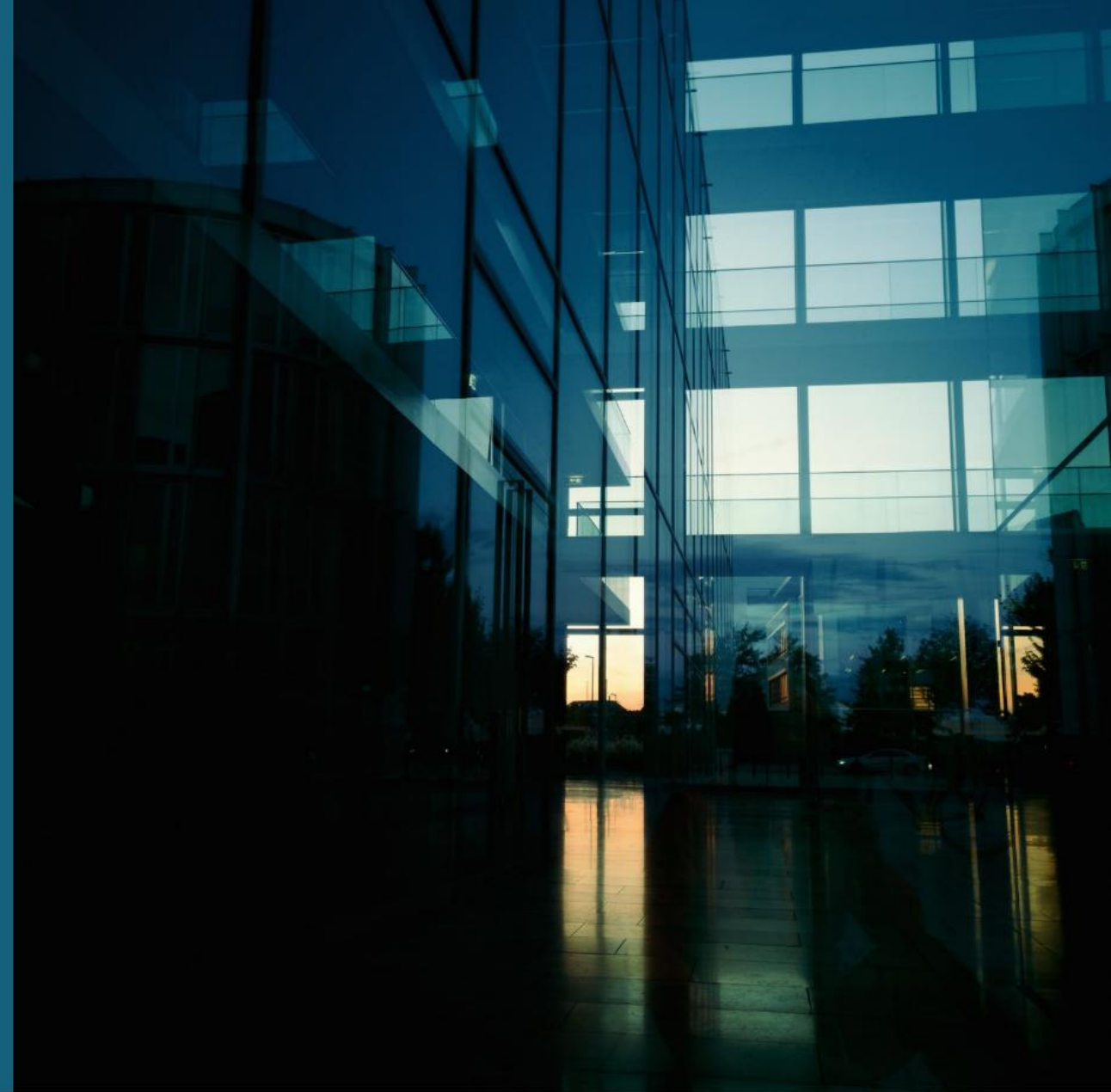


Auditor's Annual Report

Sunderland City Council - years ended
31 March 2022 and 31 March 2023

March 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01

Section 01:
Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Sunderland City Council ('the Council') for the year ended 31 March 2022 and 31 March 2023. In accordance with Section A of the National Audit Office's Supplementary Guidance Note 02, we are issuing a combined report covering the years ended 31 March 2022 and 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit reports for 2021/22 on 31 October 2023 and for 2022/23 on 16 February 2024. Our opinions on the financial statements were unqualified.



Value for money (VFM) arrangements

In our audit reports for 2021/22 and 2022/23, we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting.

Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

The National Audit Office (NAO), as group auditor, requires us to complete the Whole of Government Accounts (WGA) Assurance Statement in respect of its consolidation data.

We submitted this information to the NAO on 31 October 2023 in respect of 2021/22 and on 15 April 2024 for 2022/23.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council and Group's financial position as at 31 March 2022 and 31 March 2023 and of its financial performance for the years then ended.

Our audit reports, issued on 31 October 2023 and 16 February 2024, gave unqualified opinions on the financial statements for the years ended 31 March 2022 and 31 March 2023.

Qualitative aspects of the Council's accounting practices

Additional work has been carried out in 2021/22 in respect of the Council's accounting practices in relation to infrastructure assets, following issues highlighted nationally that have been relevant for all highway authorities. The Council undertook additional work to analyse their infrastructure assets in early 2023; we critically reviewed this area as part of our audit work.

In addition, due to the elapsed time of the 2021/22 audit work, additional work was required by the Council, as the pensions triennial valuation was completed, which required a further update to the 2021/22 statement of accounts.

Significant difficulties during the audit

There were no significant difficulties during the audit, over and above the national issues, impacting on most local government bodies, leading to delays i.e. the national infrastructure issue and the impact of the elapsed

time, leading to further amendments being required to the statement of accounts, when the pensions triennial valuation was completed.

Internal control recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. Our audit work did not identify any significant (high priority) recommendations in relation to internal controls.

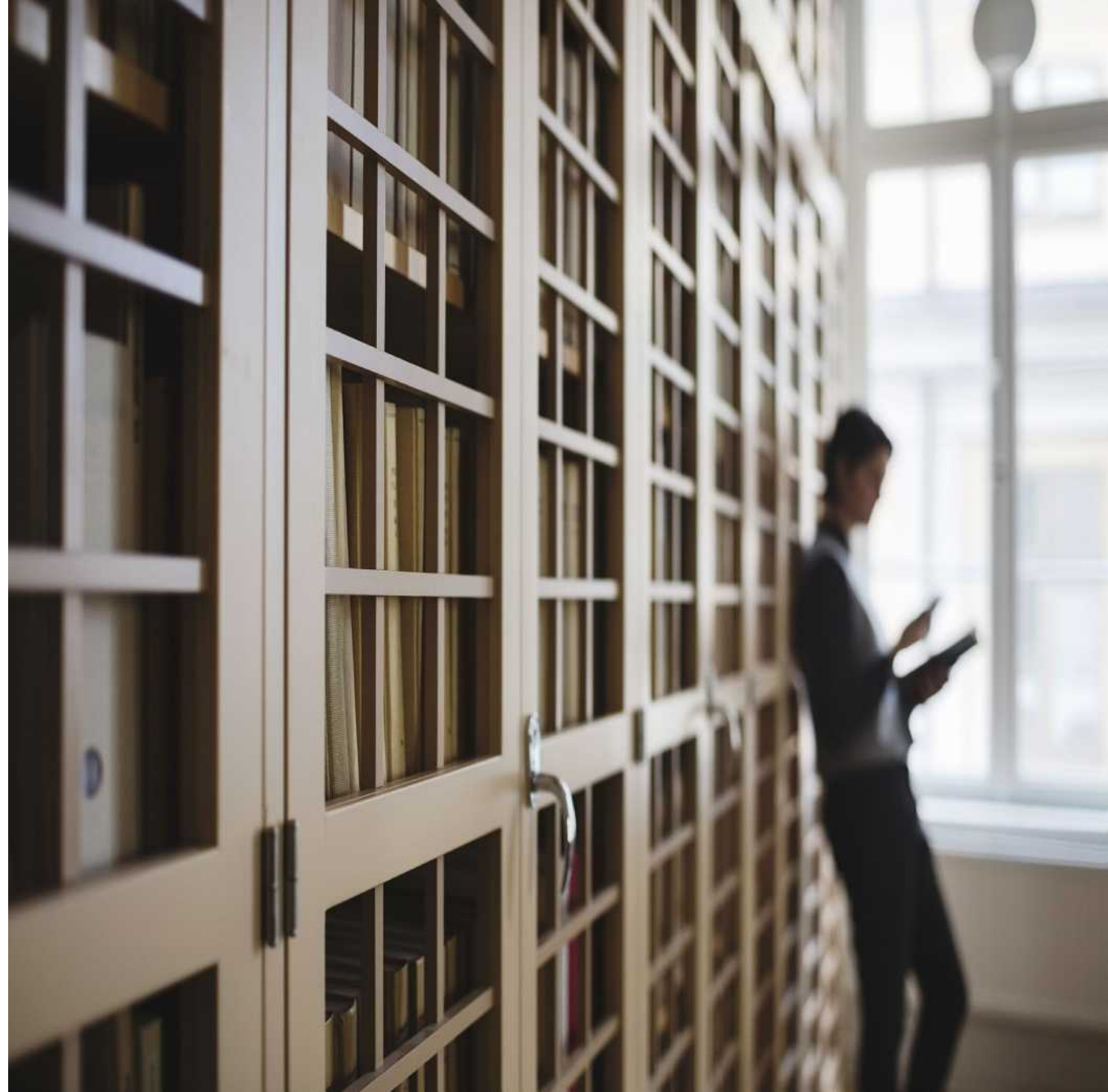
03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - how the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We did not identify a risk of significant weakness in the Council's arrangements for 2021/22 and 2022/23.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria.

3. VFM arrangements – overall summary

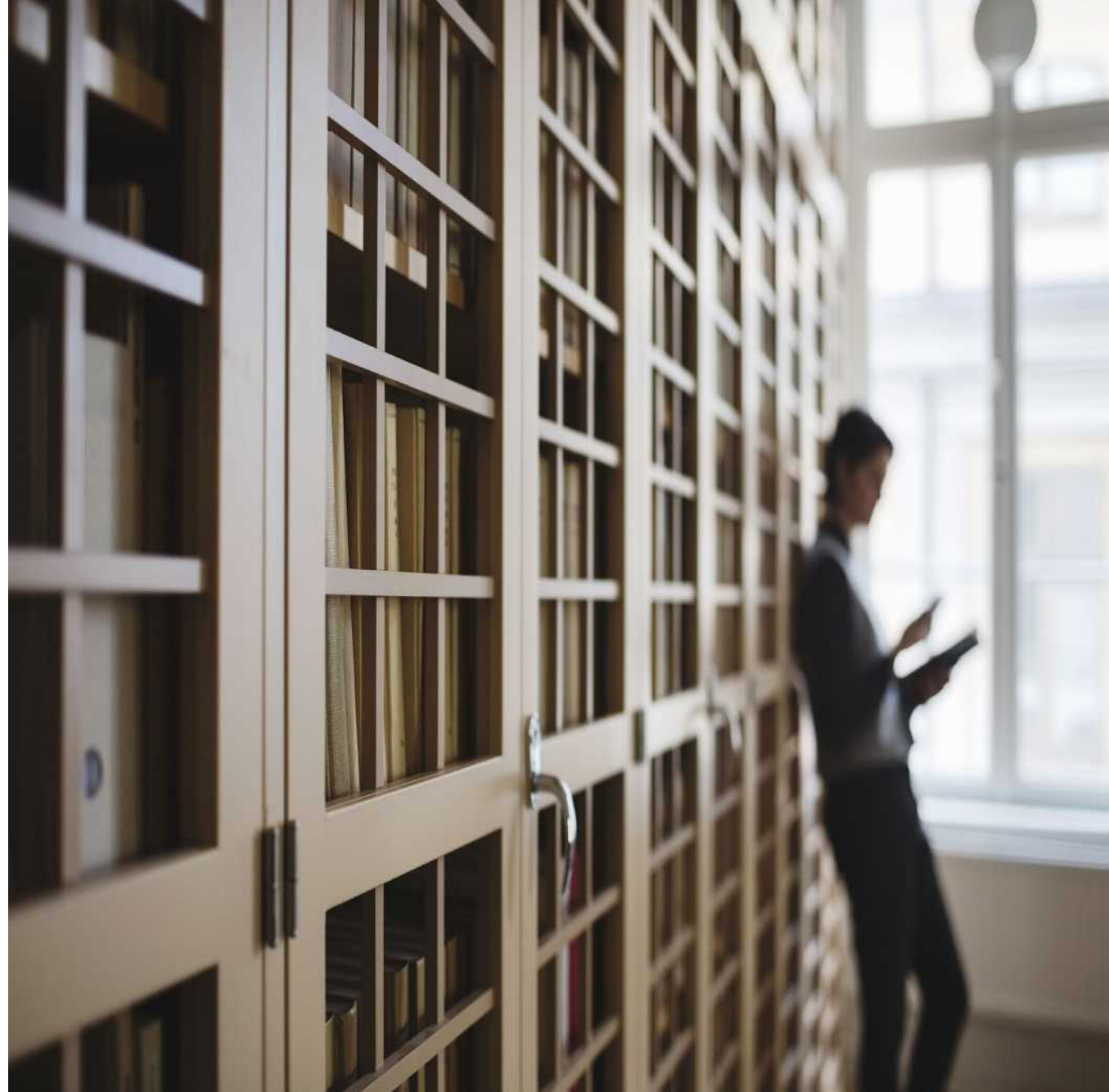
Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council's Medium-Term Financial Plan (MTFP) includes financial projections analysis and context that supports the City Plan 2019-2030. The City Plan sets out the vision for the City until 2030. The intentions of the vision are set out as part of a Dynamic, Healthy and Vibrant City. The City Plan sets out explicitly the Council's planned key actions and performance targets for the future.

The overarching aim of the Sunderland City Council Capital Strategy ("the Strategy") is to provide a framework within which the Council's capital investment is prioritised and delivered with an overall ambition that by 2030 Sunderland will be a connected, international city with opportunities for all.

Quarterly reports are presented to the Cabinet throughout the year, underpinned by budget monitoring within each portfolio and service and reporting to the Chief Officers' Group. The quarterly reports provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report.

The Council has a strong track record of delivering its budget over the last decade, despite the continued pressures of funding reductions and the need to identify and deliver expenditure reductions, reporting a surplus of £0.037 million for 2021/22 and £8.932m for 2022/23 (prior year £0.264 million for 2020/2021). Ongoing financial pressures are highlighted in the Council's quarterly reports and robust budget monitoring is crucial to its financial sustainability.

Our review of minutes and supporting papers has confirmed MTFP arrangements have remained in place in 2021/22 and 2022/23 and to date, including consideration of the latest MTFP covering 2024/25 to 2027/28.

How the Council plans to bridge its funding gaps and identifies achievable savings

The overarching MTFP includes the identification of savings and efficiencies over the period of the next four years, after taking into account estimated funding. The latest plan sets out the headline messages of an estimated MTFS gap after agreed use of reserves of £50.1 million across the four-year period to 31 March 2028, incorporating savings proposals of £6.626 million in that period.

The annual budget savings cycle is a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to services and consider consultation outcomes.

Savings of approximately £6.27 million and £5.82million were built into the budget for 2021/22 and 2022/23 respectively, of which approximately 80% and 87% were achieved; in the context of the net budget, the savings not delivered were not a significant amount. For 2023/24 and 2024/25, savings of £13.38 million and £6.67 million respectively are planned.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As detailed in the MTFP, *"in seeking to minimise the impact on residents and the city, the Council will increasingly need to take a citywide approach with partners in health, education and the business sector together with our communities to collectively reshape services to enable the best response for the city. The Council's role will increasingly need to shift from delivering services to enabling individuals, communities and other organisations in the public, private and voluntary sectors to work together to address the needs of the city in new ways and to encourage people to be more self-supporting"*.

We confirmed the MTFP was based on reasonable assumptions available at the time of approving the Plan. The MTFP is regularly reviewed, including the main assumptions, and regularly reported including where changes in assumptions affect the forecast financial position.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How the Council ensures that its financial plan is consistent with other plans

The Council's MTFP sets out the financial context for the Council's resource allocation process and budget setting and it underpins decision-making and other plans.

The Council's City Plan is also part of the Council's Strategic Planning Framework. We confirmed that arrangements were in place for the development of the MTFP including linking the financial plan to the Council's corporate objectives to ensure priorities are delivered, and for scrutinising the MTFP with support from the Scrutiny Committee. We have confirmed a similar timetable was in place for setting the 2023/24 and 2024/25 budget.

In line with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFP planning and budget setting processes. This is designed to ensure investments are fully funded. A detailed Capital plan is included in the MTFP.

Annual reports of activity are produced, which inform Members as part of on-going decision-making. For example, the Health and Wellbeing Scrutiny Committee received the Annual Report of the Director of Public Health for 2021/22 in July 2022 and October 2023. This report, "*Same Boat, Different Storms*", focused on the pandemic and its impact on the wider determinants of health and health inequalities in Sunderland.

How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's s151 officer sets out his assessment of the adequacy of reserves and the robustness of budget estimates. Appropriate risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators and the robustness of inflationary estimates.

This risk assessment is underpinned by the review of reserves set out in the annual update of the Council's MTFP, which includes an estimate of projected earmarked reserves.

Earmarked reserves as at 31 March 2022 and 31 March 2023 were £200.3 million and £197.23 million respectively (including schools reserves and the general fund balance), compared to £190.7 million and

£154.63 million the prior year. Overall, earmarked reserves (including the general fund balance and school reserves) are currently projected to reduce to £66.030 million by 31 March 2027.

The Council also manages risks to its financial resilience by maintaining a general fund balance. The Council's policy for the level of this balance is set out in the MTFP annually, along with the Section 151 Officer's assessment. For 2021/22 onwards, the Council is continuing its policy of maintaining its general fund balance at £12.0 million.

In line with good practice, the Council prepares and takes a formal report to the Audit and Governance Committee on whether the 'going concern' assumption is appropriate; this report was taken to the July 2022 and July 2023 Committees for 2021/22 and 2022/23. In this report, the Council sets out that:

"it will be difficult to continue to deliver substantial savings without significant changes in the way we deliver services and therefore reserves have been maintained to assist transition and mitigate future risk. Reserve levels and use will be kept under review and reported to Cabinet".

The Council has an established MTFP process which is designed to reflect changes that affect the Council's financial plans. The latest MTFP, for example, has been updated to reflect the known pressures identified in the 2021/22 and 2022/23 financial years that include: pay increases; contract inflation and social care costs.

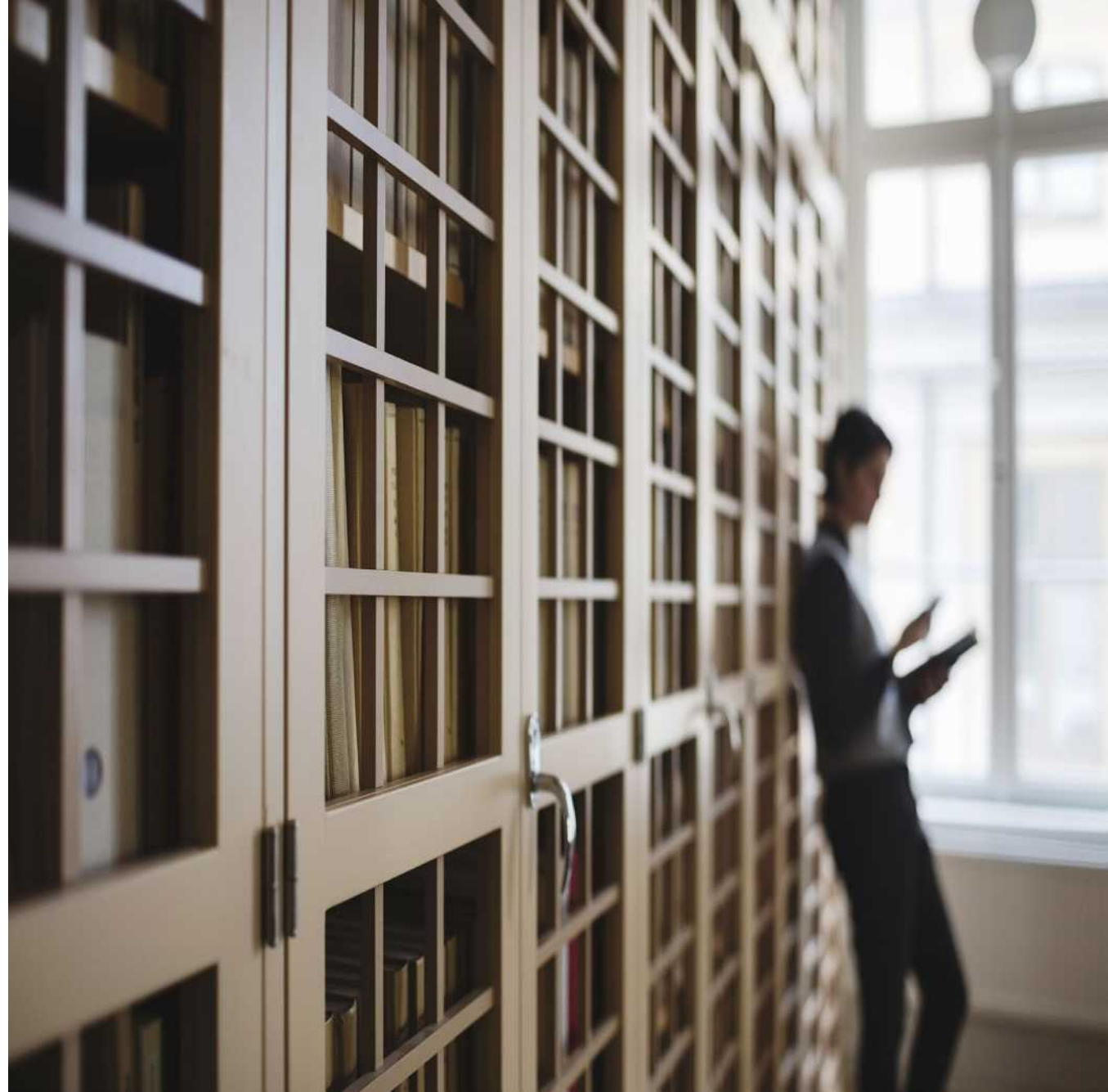
The budget is monitored on a regular basis ahead of quarterly reporting to the Cabinet. We have reviewed budget monitoring reports presented during the year and noted that they reflect in-year changes.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has an established risk management framework, with regular reviews and reporting to Audit and Governance Committee. We confirmed that the Audit and Governance Committee receives regular risk management updates and seeks assurance on the adequacy of the Council's risk management framework and associated control environment.

The Council has adopted a Code of Corporate Governance. The Council's Annual Governance Statements set out how the Council has complied with this Code during each year. We considered the Council's Annual Governance Statements for 2021/22 and 2022/23 and identified no matters indicating a significant weakness in arrangements.

A risk and assurance map is presented regularly to the Audit and Governance Committee, setting out strategic and corporate risks, along with sources of assurance, both internal and external. There is appropriate challenge by Committee Members of this summary, which provides a useful overview of the many sources of evidence and various assurance activities.

We confirmed the Audit and Governance Committee received regular updates on the Internal Audit Plan. Internal Audit reports highlight weaknesses and include recommendations when required to strengthen processes or procedures. The reports are regularly reported to the Audit and Governance Committee which holds management to account where weaknesses are identified. We confirmed the Audit and Governance Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Audit and Governance Committee challenges management if recommendations are not implemented within the agreed timeframe.

The Head of Internal Audit provides an independent annual opinion on the adequacy and effectiveness of the system of internal control. These were reported to the Audit and Governance Committee in April 2022 and April

2023, as part of the annual review of the draft Annual Governance Statements.

Internal Audit undertook counter fraud work during each year; this was reported to the Audit and Governance Committee in April 2022 and April 2023 and did not highlight any significant issues.

How the Council approaches and carries out its annual budget setting process

The Council adopted and followed project timetables for setting financial plans. The arrangements have been in place for several years and have supported the successful delivery of spending priorities. The latest Medium Term Financial Plan, covering the period 2024/25 to 2027/28, was initially presented to the Cabinet in December 2023. This is at a high level and illustrates the regular monitoring and refinement of the MTFP after Member input.

Financial Procedure Rules provide the overall high-level framework for managing the Council's financial affairs, from setting the budget to the security and control of assets.

We have reviewed the budget setting arrangements and have not identified any matters that indicate a significant weakness in arrangements. Overall, the Council is aware of the financial pressures it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the Council ensures effective processes and systems are in place to ensure budgetary control

We noted that regular reporting of the financial position took place throughout the 2021/22 and 2022/23 financial years. Quarterly forecasts of outturn reports were presented to the Chief Officers' Group, Cabinet and Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The positions reported at quarter three and year end did not indicate a weakness in the Council's monitoring and reporting arrangements.

As well as financial performance data, the Cabinet received quarterly performance management reports which presented an overview of progress towards achieving the key objectives of the City Plan and highlighted key messages to inform strategic priorities and work programmes.

Our audit of the financial statements for each year did not identify any matters to indicate a significant weakness in the accuracy of the information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

Membership of the Audit and Governance Committee includes Councillors and independent co-opted members. We have attended all meetings held in the year and post year end and found meetings to be effective and well represented. The Terms of Reference of the Audit and Governance Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegation. The website also includes details on how decisions are made in the Council.

Scrutiny meetings provide an opportunity to challenge decisions. A Scrutiny Coordinating Committee is in place to oversee and coordinate the work and our work identified no matters that indicate a significant weakness in arrangements.

Contract Procedure Rules are in place and require procurement decisions to comply with standard principles. Contract registers are published and available on the Council website.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by councillors, independent members and co-opted members. The Committee receives updates on compliance with the Code of Conduct including details of any complaints managed in the year.

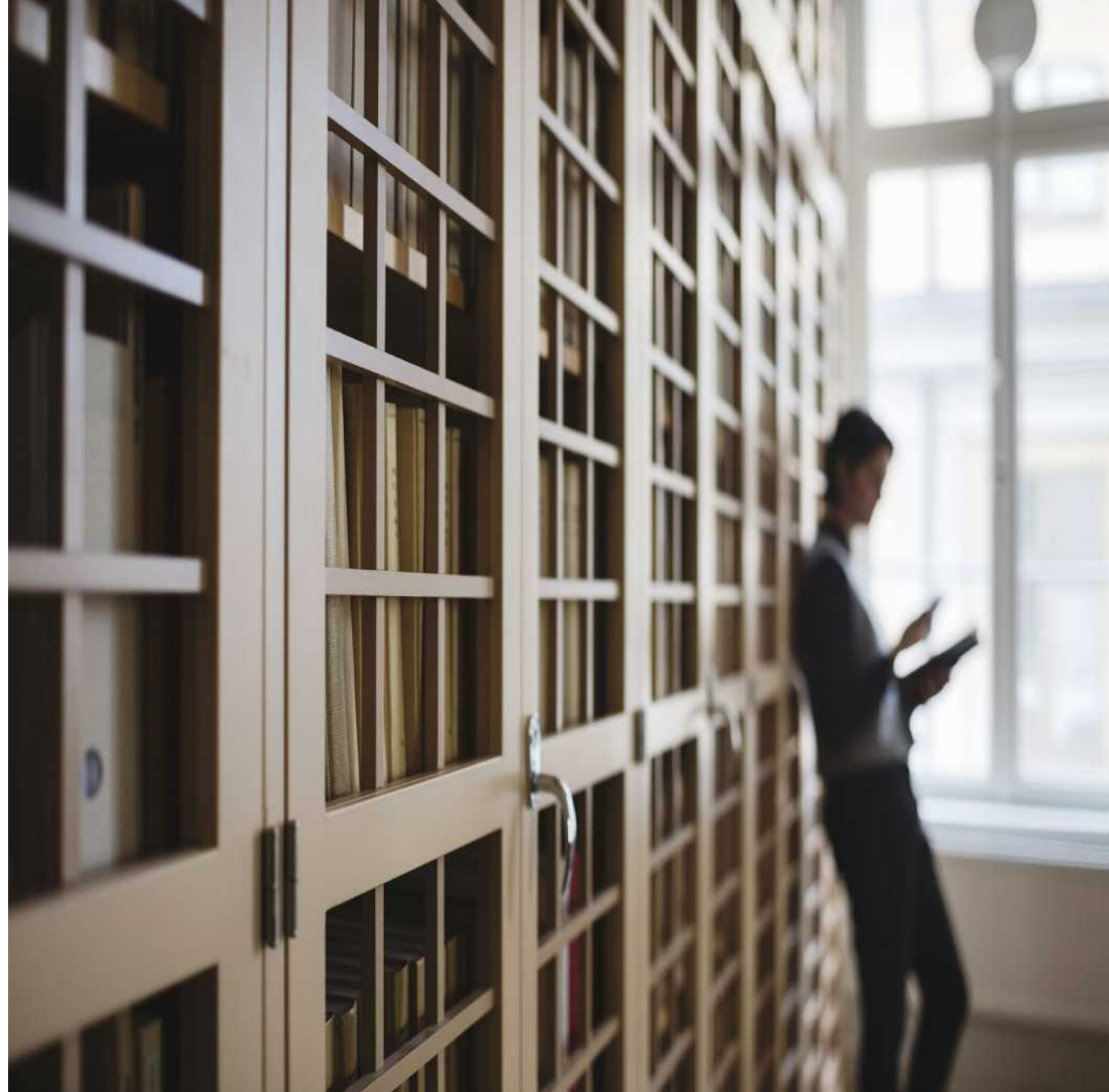
There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The annual Treasury Management Strategy was approved ahead of the 2021/22 and 2022/23 financial years and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a weakness in arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

As detailed in the previous sections we confirmed there was regular financial reporting during each year. Reporting includes consideration of human resource implications and equality impact assessments. The Cabinet also receive regular updates on delivery of the Medium Term Financial Plan (MTFP) savings.

The Council has a performance management framework which is designed to report against a basket of indicators. Quarterly reports are considered by the Chief Officers' Group, Cabinet and various scrutiny committees. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement. This is underpinned by performance management within each service grouping, with a large number of services accessing demand, delivery, Service Level Agreement and performance information.

There is regular treasury management performance reporting which uses benchmarking and treasury management indicators to assess performance.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

Alongside the performance framework, the Council considers the output from regulators to evaluation performance and identify areas for improvement. The output from such regulators feeds into the Council's overall risk and assurance map, which is reported regularly to the Audit and Governance Committee.

- **Children's Services:** the last inspection of June 2021 resulted in the re-grading of the Council's Children's Services as outstanding, which was a tremendous achievement. We note the independent review of Together for Children's governance arrangements undertaken in 2022, which concluded that Board arrangements were strong and highlighted some recommendations to practices to support continuous improvement.

- **SEND (Special Educational Needs and Disabilities):** The Council had an inspection of SEND services by Ofsted/CQC in September 2021. This highlighted two areas for recommendations and required the Council and local Clinical Commissioning Group (at that time) to submit a joint response to the 'Written Statement of Action'. The two areas being joint commissioning and the support for children and young people at times of transition across all services and age ranges. The joint response to the 'Written Statement of Action' was accepted by the Regulators in early January 2022.
- **Joint Area Child Protection Inspection:** following this inspection, a report was issued in January 2023 which set out that "Sunderland Safeguarding Children Partnership (LSP) arrangements are well established and effective. Leaders have an accurate understanding of the needs of vulnerable children in their local area". The report highlighted some areas for improvement.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has arrangements in place for the consistent management of partnerships with guidance and supporting documents for all Council employees to use when involved with partnerships and supporting arrangements have been in place throughout the year.

Contractual arrangements with the Council's subsidiary companies set out targets around use of resources and improved outcomes, with the subsidiaries performance also being included in quarterly monitoring reports. There is appropriate scrutiny of business plans e.g. the Siglion business plan. Contracts with Together for Children and Sunderland Care and Support are reported to Cabinet and scrutinised.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

From 1 July 2022, responsibility for commissioning healthcare services transferred from the former Sunderland Clinical Commissioning Group (CCG) to the **North East and North Cumbria Integrated Care System (ICS)**.

As part of the ICS, Sunderland Integrated Care Board (ICB) manages the budget and provision of health services in Sunderland. The Health and Wellbeing Scrutiny Committee have received a number of updates from Sunderland ICB looking at the development and continuity of place-based arrangements, developing integrated care partnerships and the strategic aims of the ICB.

The Council has **five Area Committees** made up of elected Members, which work closely with Council officers, service delivery partners and members from the area Voluntary and Community Sector Network (VCSN) to ensure strong and consistent links are made between local and city-wide priorities. An annual report is produced setting out the work of the Area Committees.

2021/22 has seen the implementation of the **Voluntary Sector Alliance (VSA)** which has been developed with key partners across the City. The aim of the VSA is to facilitate key partners' engagement with the sector through one recognised route, and for other local commissioners and national funding organisations to communicate through one stream lined and formally recognised route. In January 2022, the Council published its first Annual Data Report since the adoption Sunderland Low Carbon Action Plan in January 2021, which covered the period April 2020 – March 2021, and will continue to publish this on an annual basis.

Another key partnership within the City is the **2030 Shadow Board** – reflecting the ambition to be carbon neutral by 2030. The 2030 Shadow Board's purpose is to work collectively to drive forward Sunderland's ambitions and commitment to tackling climate change and the 2030 Shadow Board has shaped the development of the Sunderland Low Carbon Framework. An Action Plan was prepared to align to the

Sunderland Low Carbon Framework. The initial Action Plan (published in January 2021) established how the Council would reduce its carbon impact and meet the strategic objectives in the Framework. The Council's Action Plan was then updated in July 2022.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 October 2023 for 2021/22 and on 15 April 2024 for 2022/23.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in April 2022 and September 2023 for the years ended 31 March 2022 and 31 March 2023 respectively. For the 2021/22 and 2022/23 financial years, our fees are as follows, noting that additional fees are subject to review and approval by Public Sector Audit Appointments Limited (PSAA):

Note 1 – recurrent fee variations from 2020/21 were built into the fee by PSAA for 2022/23, either fully or in part.

Area of work	2020/21 fees	2021/22 fees	2022/23 fees
Fee in respect of our work under the Code of Audit Practice	£104,546	£104,546	£123,539
Recurrent scope changes: additional fees in respect of complex group consolidation adjustments	£5,227	£6,430	Note 1
Recurrent scope changes: additional fees in respect of property, plant and equipment valuations due to increased regulatory requirements	£15,912	£4,967	Note 1
Recurrent scope changes: additional fees in respect of pensions due to increased regulatory requirements	£10,041	£10,178	Note 1
In-year scope change: additional testing as a result of the implementation of new auditing standards: 2022/23 – ISA 315 (revised) additional risk assessment procedures. 2020/21 - ISA 540 (revised) auditing accounting estimates and related disclosures; ISA 570 (revised) going concern. Range set by PSAA for a metropolitan borough council being up to £4,300.	£1,500	n/a	£3,917
<i>Non-recurrent: additional work in respect of infrastructure in 2021/22 (national issue)</i>	<i>n/a</i>	<i>£10,261</i>	<i>-</i>
<i>Non-recurrent: revised pensions report (over and above the typical revised pensions report obtained during the audit – i.e. additional work to a typical year) and calculation of the asset ceiling in 2022/23</i>	<i>£2,091</i>	<i>£5,604</i>	<i>£5,131</i>
Value for money: implementation of the new approach on VFM arising from the change to the Code of Audit Practice. Range set by PSAA for a metropolitan borough council being £10,000 - £19,000.	£15,682	£12,712	£12,712
Total	£154,999	£154,698	£145,299

4. Other reporting responsibilities and our fees

Fees for other work

We carried out the following work for the Council in the years ended 31 March 2022 and 2023:

Area of work	2020/21 fees	2021/22 fees	2022/23 fees
Teachers' Pensions return	£4,205	£4,500	£4,500
Housing Benefits Subsidy return	£10,600	£10,850	£11,000



Appendix

A. Further information on our audit of the financial statements

Significant risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
Management override of controls	Procedures included critical review of accounting estimates, accounting policies and testing journals.	Sufficient, appropriate assurance obtained.	Sufficient, appropriate assurance obtained.
Net defined pensions liability	Testing included critical review of the Actuary's assumptions and obtaining assurance from the Pension Fund auditor.	The Council obtained a revised pensions report for 2022/23, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Sufficient, appropriate assurance obtained.	The Council obtained a revised pensions report for 2021/22, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Due to the elapsed time of the audit, further material amendments were necessary as the triennial pension fund valuation was completed, providing further information on the pensions estimates. Sufficient, appropriate assurance obtained.
Property, Plant and Equipment (PPE) valuations	Critical review of the Valuer's report and valuations.	We critically reviewed valuations; as part of our substantive testing, we identified a small number of errors. Sufficient, appropriate assurance obtained.	We critically reviewed valuations as part of our substantive testing. Additional work was carried out in respect of the national infrastructure issue, applying to all highways authorities. Amendments were made to the Council's infrastructure assets and we raised an associated medium-priority internal control recommendation. Sufficient, appropriate assurance obtained.

Enhanced risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
Accounting for PFI arrangements	Critical review of the accounting for the Council's Private Finance Initiative (PFI) arrangements.	Not applicable – as not assessed as an enhanced risk in 2022/23.	Sufficient, appropriate assurance obtained.

A. Further information on our audit of the financial statements

The summary of adjusted and unadjusted misstatements for 2022/23 and 2021/22 is set out below, including misstatements reported in our 'follow-up letter'.

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	(£'000)
2022/23					
A	Unadjusted misstatements – 2022/23	3,506	-650	-1,575	-1,281
B	Unadjusted misstatements – prior year	0	0	0	0
	Unadjusted misstatements – current and prior year: 2022/23	3,506	-650	-1,575	-1,281
2021/22					
C	Adjusted misstatements – 2022/23	-9,450	0	0	9,450
A	Unadjusted misstatements – 2021/22	1,032	6,371	0	-7,403
B	Unadjusted misstatements – prior year	1,610	0	-1,610	0
	Unadjusted misstatements – current and prior year: 2021/22	2,642	6,371	-1,610	-7,403
C	Adjusted misstatements – 2021/22 (Note 1)	0	74,180	0	74,180

Note 1: being the sum of amendments to the net pensions liability, because of two revised Actuary reports.

A. Further information on our audit of the financial statements

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to [the Board and the Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues – 2022/23	Number of issues – 2021/22
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0	0
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	1	0
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	2	0

Summary of internal control recommendations

Priority ranking	Recommendation – 2022/23	Recommendation – 2021/22
1 (high)	• None	• None
2 (medium)	• Infrastructure: review of asset register and useful economic lives	• None
3 (low)	• Loans: evidencing approvals for new loans • Access to journals posting	• None

We also followed-up prior year recommendations as part of each year's audit; details can be found in our Audit Completion Report, taken to the Council's Audit and Governance Committee in November 2022 and November 2023 respectively.

For 2022/23, we reported that two prior year low priority internal control recommendations remained open as of November 2023, being:

- carrying out user access review of SAP, the Council's general ledger; and
- reviewing the password complexity configuration within SAP.

Cameron Waddell, Partner (audit year 2021/22) Mark Kirkham, Partner (audit year 2022/23)

cameron.waddell@mazars.co.uk
mark.kirkham@mazars.co.uk

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

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