

AUDIT COMMITTEE

Monday, 24 February 2025

PRESENT – Councillors Henderson (Chair), Baker, Durham, Keir, McGill and Beckett

OFFICERS IN ATTENDANCE – Brett Nielsen (Assistant Director Resources), Judith Murray (Finance Manager) Campbell Dearden (Forvis Mazars), Gavin Barker (Forvis Mazars) and Olivia Hugill (Democratic Officer)

A36 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A37 ANNUAL STATEMENT OF ACCOUNTS 2023/24

The Executive Director of Resources & Governance submitted a report (previously circulated) to present a report by the Council's external auditors, Forvis Mazars on the audit for the year ended 31 March 2024.

It was reported that; In accordance with the Accounts and Audit (Amendment) Regulations 2022, all Local Authorities were required to produce the draft annual Statement of Accounts by 31 May 2024 and an audited set published by 30 September 2024. As it had been previously outlined to this Committee, the Accounts and Audit (Amendment) Regulations 2024 introduced a series of backstop dates up to 2027/28.

The report explained that the backstop for the 2023/24 accounts was the 28 February 2025 and that this audit has been undertaken by our new auditors Forvis Mazars. It also explained that due to the length of time between this backstop date and the date of sign off for the disclaimer of opinion of the 2022/23 accounts from our previous auditors Ernst and Young LLP (EY) that it was not reasonable to assume that a full audit would be possible.

The report also detailed that Forvis Mazars had determined that there was insufficient time to complete their full audit procedures and obtain sufficient appropriate evidence to provide an opinion on the 2023/24 accounts. This meant that they therefore intend to issue a disclaimer of opinion on the Council's financial statements. The report also explained that Darlington were not alone to receive a disclaimer of opinion and that this was a national issue resulting from the introduction of backstop dates to clear the audit backlog and rebuild assurance.

Forvis Mazars were also required to report to management and the Audit Committee any significant deficiencies in internal control identified during their audit. In regard to this Forvis Mazars had not identified any significant deficiencies in internal control.

Discussion opened around the statement of accounts for 2023/24, Members wanted to understand what percentage of the audit had been completed and whether the backlog would stop now after this set of accounts.

Conversation ensued around the value for money and whether the reduction in this year's fee could be carried over to next year. Members also questioned whether there was any indication from the Government to help with the increased fees.

Members wanted clarification around whether there were any material changes from the draft report presented at the last committee and if any risks or concerns would be reported at this meeting.

The committee explained that they look forward to the first full audit and appreciated the current work completed so far by Forvis Mazars.

RESOLVED -

- a) The Auditor's Strategy and Completion Report for the year ended 31 March 2024 be noted.
- b) Members noted and approved the Letter of Representation in Appendix A of the Audit Strategy and Completion Report.
- c) The Auditor's Annual Report for the year ended 31 March 2024 be noted.
- d) The Audit Committee noted (and subsequently approve when the audit is complete) the attached IFRS compliant Statement of Accounts at **Annex 2** for the 2023/24 financial year.

A38 ANNUAL GOVERNANCE STATEMENT

The Chief Executive submitted a report (previously circulated) seeking approval of the Council's draft Annual Governance Statement (AGS) (also previously circulated).

It was reported that most local authorities financial statements for 2023/24 remain unaudited, as a result of delays in the external audit process. Publication of the AGS follows the same timetable.

The Accounts and Audit Regulations 2015 (and subsequent amendment regulations 2020, 2021, 2022, and 2022)) require local authorities to prepare, approve and publish, each year an AGS. These regulations also determine the timetable for approval and publication and the Council must publish its draft AGS no later than 31 May 2024 and its final audited version no later than 28 February 2025..

It was also reported that as a consequence of the aforementioned delays the draft unaudited AGS was published on 24 June 2024.

The Council has updated paragraph 142 in the final 2023/24 AGS to reflect, the Council's external auditors Forvis Mazars are expected to give a disclaimed rather than an unqualified opinion on the Council's 2023/24 accounts by the target date of 28 February 2025 rather than the 31 May 2025.

The report explained that the external auditors suggested that the Council update

paragraph 143 in the final draft 2023/24 AGS, to reflect the revised approach to auditing the Council's arrangements for ensuring the economy, efficiency and effectiveness in its use of resources. Also detailed was a further suggestion from the external auditors, the Council has updated paragraph 98 to reflect the conclusions of the Internal Audit Annual Report for 2023/24. This has been included in the final draft AGS.

The committee was notified that paragraph 4 of the AGS had been updated for the final version to take account of the final regulations. This paragraph now reads "This Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Amendment) Regulations 2024, in relation to the publication of an AGS".

RESOLVED – That the draft Annual Governance Statement for 2023/24, as appended to the submitted report, be approved.