

# Melton Borough Council

Audit progress report

13 November 2024



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# Introduction

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This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

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# Progress at November 2024

## Prior Year Financial Statements Audit

In respect of prior years our current understanding remains unchanged from our previous update to the committee on 24 September 2024. You are yet to receive an audit opinion for the following financial years;

- 2020/21
- 2021/22, and
- 2022/23

These remain the responsibility of the predecessor auditor, however we anticipate the backstop date of 13<sup>th</sup> December 2024 being applied to these audits. We provided further information on the backstop in our previous update to Committee.

## 2023/24 Financial Statements Audit

Our financial statements audit commenced on 21 October 2024 and runs through to the end of December 2024. We communicated our working paper requirements to the finance team back in July 2024 and your team responded to those requests prior to commencement of the audit. To date your team have also responded promptly to our audit queries and supplementary working paper requests.

On receipt of your draft financial statements, we have revisited materiality for the audit. At planning we set a materiality level of 1.6% of operating costs for the year resulting in £468k. As a result of an increase in costs reported in the draft 2023/24 financial statements materiality has increased to £511k. We are also obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has also been revised from £23,400 set at planning to £26,000.

As detailed in our update to the committee on 24 September 2024 our focus for the 2023/34 financial statement audit has been to prioritise completion of the risk assessment and planning activities and gain assurance on the 'in year' transactions.

Work on the risk assessment and evaluation of the control environment for 2023/24 is now complete. We have not identified any deficiencies in your systems.

Work is in progress across the following area;

- Audit of closing balances as at 31 March 2024,
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing,
- Testing of journals within 2023/24,
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance),
- Financial statements disclosure, and
- Work on the opening cash balance. This is well progressed; however, we await the third-party confirmation from HSBC which has been requested.

# Progress at 13 November 2024

## Sample Testing Update

Our significant risk sample areas (Land, buildings and council dwellings valuations and journals) are now with the finance team for them to provide the detailed evidence requested. As these are areas we consider are of greatest risk to the audit opinion, it is key that evidence is provided in a timely manner to ensure these areas stay on track.

For other areas of the audit we have requested transaction lists for all balances to enable sample selection. These have been provided in the required format by the finance team with the exception of debtors and creditors. The first listings provided including opening balances and in year transactions rather than the closing balance at 31.3.24. We have worked closely with the finance team to agree a way forward in these areas and obtain the information we require in the most efficient way. Appropriate breakdowns have now been provided and samples selected.

We are on track with this work and to date the finance staff have been prompt in providing appropriate evidence back to the audit team and answering any follow up queries.

We are currently in the process of evaluating the evidence received back so far and will report these findings in our Audit Findings Report.

## Findings to date

We have identified the following adjustments required to the draft statement of accounts presented for audit which have been discussed and agreed with the finance team :-

- Disclosure misclassification between long term and short term borrowing resulting in an overstatement of long term borrowing of £219k and a corresponding understatement in short term borrowing of £219k.

- The audit fee disclosed in the draft financial statements of £212k for external audit currently includes prior year accruals relating to the predecessor auditor. The disclosure needs to be amended to disclose the audit fee per our agreed audit plan of £140,751.

## Value for Money

We have made good progress and are looking to complete our detailed fieldwork by mid-November. To date we have not identified any significant weaknesses. We are on track to produce a draft Auditor Annual Report for consultation in early December, with a view to a final report being presented to this Committee on the 28 January 2025. This will be subject to the predecessor auditors completing their work in this area on outstanding years.

## Meetings

We have continued to meet quarterly with the Director for Corporate Services, and with other officers as needed.

# Audit Deliverables

Below is an update on the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	March 2024	Presented to the Audit and Standards Committee 26 March 2024
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	January 2025	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	January 2025	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	December 2024	Not yet due

\*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2024



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