

A glowing green circle is centered in the distance of a dark, futuristic hallway. The hallway has a tiled floor and walls with vertical light beams that create a sense of depth and perspective. The overall atmosphere is mysterious and high-tech.

Deloitte.

External Audit
Briefing to
members

July 2023

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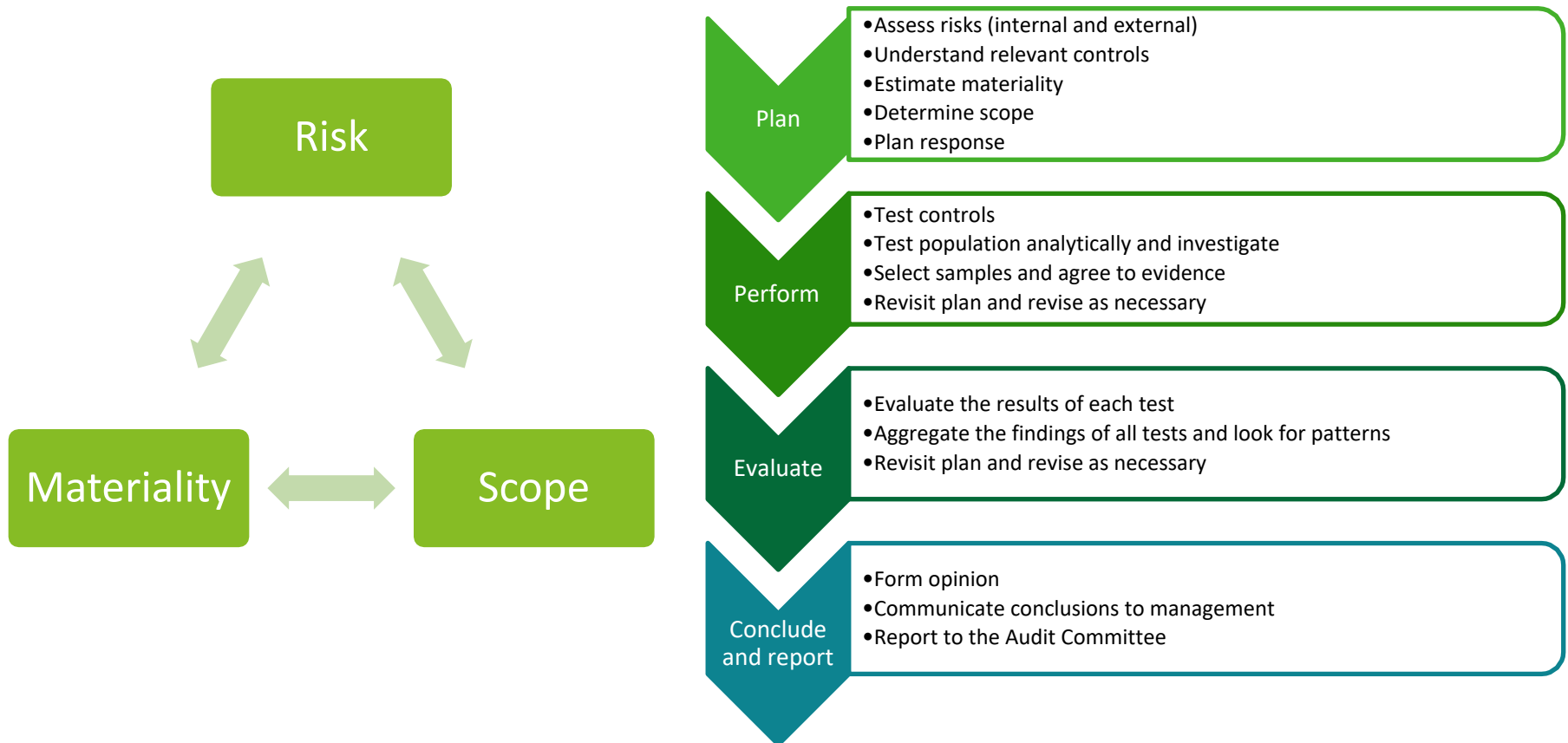
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Purpose of External Audit

Core Duties	The numbers	Forms an opinion on whether the financial statements give a true and fair view of the financial position of the Authority and its expenditure and income for the period in question
	Preparation, presentation and the accompanying narrative	Forms an opinion on whether the Statement of Accounts have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction
	Value for Money	Plans and undertakes work to satisfy themselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In carrying out this work, the auditor is not required to satisfy themselves as to whether or not the audited body has actually achieved value for money during the reporting period.
Other Powers and duties		Considers whether to issue a public interest report concerning any matter that comes to the auditor's attention during the course of the audit, which they judge should be considered by the audited body or brought to public attention (Schedule 7 of the Act)
		Gives electors the opportunity to raise questions about a local authority's accounts, and consider and decide upon objections received from electors in relation to the accounts (sections 26 and 27 of the Act)
		Considers whether the authority should consider formally, and respond to in public, recommendations made in an audit report (Schedule 7 of the Act)
		Considers whether to issue an advisory notice or to apply to the court for a declaration that an item of account is unlawful (sections 28 and 29 of the Act)
		if they have reason to believe that unlawful expenditure has been or is about to be incurred by an authority apply for judicial review with respect to a decision of an authority or a failure of an authority to act, which it is reasonable to believe would have an effect on the accounts of that authority (section 31 of the Act).

The External Audit

Forms an opinion on whether the financial statements give a true and fair view of the financial position of the Authority and its expenditure and income for the period in question



Value for Money

Plans and undertakes work to satisfy themselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

	Financial How is the Council performing financially?	Quality and Operational How is the Council performing operationally and in service delivery?	Controls and systems Does the Council have adequate processes?	Future of the Council Is the Council's strategy appropriate and sustainable?
Business processes and Board oversight	Is reliable reporting and data being produced through the year, at each level within the Council, and appropriately reviewed and followed up?			
	Is the Statement of Accounts, taken as a whole, fair, balanced and understandable?		Are the Council's processes operating effectively?	Are the Council's plans realistic and achievable?
	Is the Council meeting its legal and regulatory obligations, and are appropriate plans in place to maintain compliance?			
	Has the Council delivered on its financial plans?	Are priorities selected appropriate for the Council?	Does the Council have efficient systems and processes?	Are appropriate actions in place to deliver the Council's plans?
	Is the Council generating sufficient surplus for reinvestment?	Are performance metrics accurate and complete?	Are risks around legacy systems etc appropriately mitigated?	What are the risks to achievement of the Council's plans and are appropriate mitigations in place?
Internal audit assurance	Is there a generally sound system of internal control on key financial and management processes?			
Local Counter Fraud	Has the Council suffered losses due to fraud?		Does the Council have appropriate arrangements in place to mitigate fraud risks?	
External Audit assurance on reported performance	Do the financial statements give a true and fair view?		Is the Annual Governance Statement misleading or inconsistent with information we are aware of from our audit? *	Is there significant uncertainty over the going concern assumption?
	Have the financial statements and remuneration report been properly prepared?			
	Is the Narrative Report consistent with the financial statements? *		Has the Council made proper arrangements for securing economy, efficiency and effectiveness in the use of resources?	

*The scope of external audit in this area is negative assurance

What might I say

There are broadly five categories of opinion I can give:

- Unmodified:** Also known as unqualified or, sometimes, “clean”. This means that I concluded that the Statement of Accounts was free from material error
- Emphasis of Matter:** Occasionally referred to as “the Auditor’s Highlighter Pen”. Stops short of saying that the Statement of Accounts contains a material error however draws the reader’s attention to things that are particularly important
- Modified “except for”:** Also known as a qualified opinion. This is used where I conclude that there is material error somewhere in the accounts. The intention is to say, “things are free from material error except for.....”, could be a disagreement or a limitation of scope.
- Modified “adverse”:** Also a “qualified” opinion however much broader than the specifically focussed “except for” version.
- Disclaimed Opinion:** Effectively no opinion

When things go wrong

Other Powers and duties	Considers whether to issue a public interest report concerning any matter that comes to the auditor's attention during the course of the audit, which they judge should be considered by the audited body or brought to public attention (Schedule 7 of the Act)
	Gives electors the opportunity to raise questions about a local authority's accounts, and consider and decide upon objections received from electors in relation to the accounts (sections 26 and 27 of the Act)
	Considers whether the audited body should consider formally, and respond to in public, recommendations made in an audit report (Schedule 7 of the Act)
	Considers whether to issue an advisory notice or to apply to the court for a declaration that an item of account is unlawful (sections 28 and 29 of the Act)
	if they have reason to believe that unlawful expenditure has been or is about to be incurred by an audited body apply for judicial review with respect to a decision of an audited body or a failure of an audited body to act, which it is reasonable to believe would have an effect on the accounts of that body (section 31 of the Act).

Questions?





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