



**Financial Statements Audit 2019/20 – Annual Governance Report (Council and Pension Fund)**

<b>AUDIT COMMITTEE MEETING DATE 2020/21</b>  14 September 2020	<b>CLASSIFICATION:</b>  Open  If exempt, the reason will be listed in the main body of this report.
<b>WARD(S) AFFECTED</b>  All	
<b>GROUP DIRECTOR</b>  Ian Williams, Finance and Corporate Resources	

## **1. CORPORATE DIRECTOR'S INTRODUCTION**

- 1.1 The Annual Governance Report (ISA260) from the Council's external auditors sets out the position on the audit of the Council's and Pension Fund's financial statements and the conclusion on the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources.

## **2. RECOMMENDATION**

- 2.1 The Audit Committee is recommended to note the contents of the report.

## **3. REASONS FOR DECISION**

- 3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's financial Statements and those of the authority's Pension Fund before they are able to issue audit opinions on those statements.

## **4. BACKGROUND**

- 4.1 The Annual Governance Report discharges the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

### **4.2 Policy Context**

### **4.3 Equality Impact Assessment**

For the purposes of this report, an Equality Impact Assessment is not applicable.

### **4.4 Sustainability**

Not applicable - This report contains no new impacts on the physical and social environment.

### **4.5 Consultations**

Not applicable

### **4.6 Risk Assessment**

Details of the auditor's assessment of risk associated with the audit of the accounts will be outlined in the ISA260 Report.

## **5. EXTERNAL AUDITOR'S ISA260 REPORT**

- 5.1 At the time of writing this report, work on the audits of both the Council's main accounts and the Pension Fund accounts is in the final stages and the auditor's ISA260 report is being finalised pending completion of the audit. The auditors will present the final report at the Audit Committee and a copy will be distributed to members of the Committee prior to the meeting.

- 5.2 The auditor expects to issue an unqualified audit opinion on the Council's accounts and the Pension Fund accounts; and a value for money conclusion well before the revised 30 November 2020 deadline (normally 31 July, but extended because of Covid19) by end September 2020.

- 5.3 To date the Council has received no objections to the 2019/20 accounts although work in relation to an objection to the 2016/17 accounts is still ongoing, and we have received requests to inspect documents in relation to certain aspects of the accounts in line with the public inspection regime.

- 5.4 Audit fees currently stand at £175,611 for the Council audit, and £16,168 for Pension Fund audit, however the Council audit fee is anticipated to increase, reflecting group accounts and additional work done on Property Plant and Equipment. The Council is in negotiations with the external auditor on the final fee.
- 5.5 The external auditors will present the ISA260 report at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

## **6 FRC REVIEW OF 2018/19 AUDIT WORK**

6.1 The FRC reviewed the Mazars 2018/19 financial statements audit and value for money work at the London Borough of Hackney. Their review concluded that significant improvements were required to the financial statements audit and that limited improvements were required to the value for money work.

6.2. Four specific areas were highlighted where the financial statements audit was deemed not to have been to the required standard in terms of the audit file evidence, as follows:

Valuation of Property, Plant and Equipment (PPE)  
Valuation of pension fund assets  
Capital grants  
Completeness of expenditure

6.3. Mazars have confirmed that this had no impact on their overall opinion on the authority's accounts and that they believe they have addressed these issues during the 2019/20 audit ensuring that sufficient evidence is documented on their own files.

6.4. It should be noted that the review was of Mazars audit work and not the Council's processes or supporting documentation.

## **7 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 7.1 The contents of the Annual Governance Report for both the Council's Accounts and the Pension Fund Accounts from the external auditor will be agreed with myself and the appropriate Officers.
- 7.2 As set out above, the work to finalise the audit of the Council's Accounts and the Pension Fund Accounts is at the time of writing near completion. It is pleasing to note that once again it is anticipated that the auditor will be able to issue unqualified opinions in respect of both sets of accounts. In addition, we also expect to receive an unqualified conclusion relating to Value for Money.
- 7.3 The good practice of ensuring the standards are being maintained has continued in 2019/20. This is particularly noteworthy when considered in the context of significant cuts in central government financing to local government and the resulting reductions that have been made across Finance & Corporate Resources, where the corporate responsibility for production of the Statement of Accounts lies.
- 7.4. This is the second year that Mazars have audited the Council's account following the procurement of external auditing services via the Public Sector Audit Appointments Ltd (PSAA). It is pleasing to note that a good working relationship has continued with the auditors and officers of the Council. As a result of this and the resulting co-operation between officers and external auditors, it is anticipated that the main audit

for both Pension Fund and Council's main statements will be complete by the end of September.

- 7.5. I would like to place on record my thanks to the auditors for the way they have worked with my Officers to ensure that the audit is completed within the required timeframes. I am pleased to note that we have continued to enjoy a very constructive relationship with the auditors throughout the year and would like to thank them for their work over this period.
- 7.6. I would also like to thank all those officers involved with the preparation of the Statement of Accounts for the hard work that they have undertaken to ensure that we can complete the audit both on time and without qualification.

## **8. COMMENTS OF THE DIRECTOR OF LEGAL**

- 8.1 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.'
- 8.2 The proper administration of the Council's affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.
- 8.3 The Council's Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.
- 8.4 Consideration of this report by the Audit Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

## **APPENDICES**

1 – Draft External Audit Report 2019/20 (to follow)

## **BACKGROUND PAPERS**

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

### **Description of document (or None)**

None

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