



**AGENDA ITEM 13**

**External Audit Plan 2020/21**

**AUDIT COMMITTEE MEETING DATE  
2021/22**

**5th January 2022**

**CLASSIFICATION:**

**Open**

**WARD(S) AFFECTED**

**All Wards**

**Ian Williams, Group Director Finance and Corporate Resources**

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

- 1.1. This report introduces the 2020/21 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts.
- 1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. Memorandums have been agreed with relevant officers of the Council.
- 1.3 These documents are presented significantly later than in the normal cycle, this is due to the additional work required to conclude the 2019/20 audit due to the cyber attack and the delay in preparing the draft statements for 2020/21 again as a result of the cyber attack.

## **2. RECOMMENDATION(S)**

### **2.1 The Audit Committee is recommended to:**

**Consider and note the contents of the attached reports from Mazars, the Council's external auditor.**

## **3. REASONS FOR DECISION**

- 3.1 The Audit Committee is "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2020/21 Statement of Accounts for both the Council and Pension Fund.

## **4. BACKGROUND**

### **4.1 Policy Context**

The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

## **4.2 Equality Impact Assessment**

This report does not require an equality impact assessment.

## **4.3. Sustainability**

Not Applicable .

## **4.4 Consultations**

Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

## **4.5 Risk Assessment**

As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

## **4.6 Audit Strategy Memorandums 2020/21**

4.6.1 Mazars have identified seven significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood of potential financial misstatement. Four of these are the same as for the audit of the 2019/20 accounts and are in respect of the management override of controls, revenue recognition, the valuation of property, plant and equipment and the pensions defined benefit liability valuation. A further three significant risks have been added this year and these relate to the additional estimates required in respect of the Collection Fund, Housing Benefit Expenditure and the Housing Revenue Account as a result of the cyber attack where systems are not yet fully up to date. Details of these risks and the audit approach to these are set out in section 4 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.6.2 Two other areas of management judgement and enhanced risk identified are grant accounting and bank reconciliations. The former relates to the significant Covid-related grants received in 2020/21 and the terms and conditions under which they were made; the latter is an area where there was an audit recommendation in 2019/20 where further follow up work needs to be undertaken.

4.6.3 Details of these risks and the audit approach to these are set out in section 4 of the

Audit Strategy Memorandum, attached at appendix 1 of this report.

- 4.6.4 In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of investments where at least one input that has an impact on the valuation is not based on observable market data. Further details and the auditors' approach to these risks are set out in section 4 of the Pension Fund Memorandum at appendix 2.
- 4.6.5 Section 5 of the Audit Strategy Memorandum sets out the requirements of the external auditor in relation to the Council's value for money arrangements under the new Code of Audit Practice. It is noted that the auditors have yet to commence their planning and risk assessment work in relation to this requirement and will report the results of our planning and risk assessment work to the next Audit Committee.
- 4.6.6 At the time of writing this report, work has already commenced in relation to the 2020/21 audit, and the expectation is that this will run through from January to March with a conclusion in April 2022.

## **5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 5.1 As set out in the Audit Strategy Memorandum (section 6 , Appendix one), the base fee to be charged in respect of the annual audit of accounts is expected to be £174,266, representing no change from the previous year.
- 5.2 However, there are a number of additional fees quoted in respect of Group Accounts, increased regulatory requirements, changes to the Code in respect of VFM and revised auditing standards in respect of accounting estimates. The fee for this additional work is quoted in the range of £23,400 to £53,000 At the upper end of the scale this is an additional 30% compared to the base fee. We also note there are a number of areas 'TBC'. We will be working with Mazars to determine expectations and understand criteria in terms of where the final fee for the audit will sit. It is noted that the fees quoted are based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact the final fee charged.
- 5.2 In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £16,170, again the same as in the previous year. There is an additional £4,716 in relation to audit work required on the triennial valuation and further work to be confirmed.

5.3 Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are yet to be estimated in full.

5.4 The costs outlined will need to be contained within existing budgets.

## **6. COMMENTS OF THE DIRECTOR, LEGAL**

6.1 The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.

6.2 The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).

6.3 The Audit Strategy Memorandum proposals accord with the required arrangements

## **APPENDICES**

Appendix 1 - Audit Strategy Memorandum – LB Hackney

Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund

## **BACKGROUND PAPERS**

None

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