



Financial Statements Audit 2020/21 – Audit Update Report (Council) & Audit Completion Report (Pension Fund)

AUDIT COMMITTEE MEETING DATE 2021/22 20th April 2022	CLASSIFICATION: Open If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED All	
GROUP DIRECTOR Ian Williams, Finance and Corporate Resources	

1. **GROUP DIRECTOR'S INTRODUCTION**

- 1.1 The Audit Update Report (Council) and the Audit Completion Report (the Pension Fund) from the Council's external auditors set out the position on the audit of the Council's and Pension Fund's financial statements.

2. **RECOMMENDATION**

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

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 Audit Completion Reports discharge the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

4.3 **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 AUDIT COMPLETION REPORT (ACR)**

- 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 for 2020/21 is in the final stages. The auditors have determined that the report attached at Appendix one on the Council's accounts is an Audit Update Report as there is still work to complete and internal review to be undertaken. An Initial Audit Completion Report, has however been issued in respect of the Pension Fund.
- 5.2 In both reports the auditor notes that to date they have not identified any issues which would result in them proposing to issue a modified audit opinion.

- 5.3 Audit Committee members will be aware that work has been delayed this year due to the Council's draft accounts being published late as a result of the additional work required following the cyber attack. The audit opinion will now be further delayed as a result of the national issue which has arisen in relation to infrastructure assets. The auditor states that they are unlikely to be in a position to issue an opinion until June as a result of this matter.
- 5.4 The auditors work in relation to the Council's value for money (VFM) arrangements also remains in progress and to date they have not identified any significant weaknesses in the arrangements that have required them to make a recommendation. It is anticipated that their commentary on our VFM arrangements will be provided in their annual report in June.
- 5.5 To date the Council has received no objections to the 2020/21 accounts. Work in relation to an objection to the 2016/17 accounts is now concluded and officers are working with respective auditors to enable final certification of the open years of account.
- 5.6 Audit fees currently stand at £174k for the Council audit, and £16k for Pension Fund audit, however the Council audit fee is anticipated to increase for the following;
- PPE & IP valuations
 - Impact of Covid -19
 - Group accounts
 - Increased regulatory requirements
 - Code changes to value for money
 - Revised auditing standard on accounting
 - Additional work to address significant risks, new enhanced risks and reduction in the level of performance materiality
- 5.7 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

6 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 6.1 The contents of the final Audit Completion Reports for both the Council's Accounts and the Pension Fund Accounts from the external auditor will be agreed with myself and the appropriate Officers.
- 6.2 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. The cyber attack on the Council in October 2020 presented significant challenges for the preparation of the 2020/21 statements and therefore more than ever it is pleasing to note that, subject to the finalisation of some audit work and the resolution of the issue regarding infrastructure assets, it is anticipated that the auditor will be able to issue an unmodified opinion in respect of both sets of accounts.

- 6.3. This is the third year that Mazars have audited the Councils account following the reprocurement 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. However, there is some concern that delays have been experienced towards the tail end of the audit process which has put back the issuing of the Audit Completion Report on the Council's accounts. It is accepted that this may in part be due to the risks associated with the cyber attack and Mazars and officers are working to ensure that we do not end up in a similar protracted process as was the case for the 2019/20 audit.
- 6.5. I would like to place on record my thanks to the auditors for the way they have worked with my Officers in the unique circumstances of the cyber attack.
- 6.6. 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 .

7. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 7.1 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.'
- 7.2 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.
- 7.3 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.
- 7.4 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 Audit Update Report (the Council)
- 2 Initial Audit Completion Report (the Pension Fund)

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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