

Title of Report	Financial Statements Audit 2020/21 – Draft Audit Completion Report (Council) & Final Audit Completion Report (Pension Fund)
For Consideration By	Audit Committee
Meeting Date	20th October 2022
Classification	Open
Wards Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. **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**

Policy context

- 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.

Equality impact assessment

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

Sustainability

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

Consultations

- 4.5 Not applicable

Risk assessment

- 4.6 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 Council's main accounts for 2020/21 are in the final stages. The auditors have issued a Draft Audit Completion Report for the year ended 31 March 2021 (see attached Appendix One). The auditor's conclusion and reporting still remains subject to the resolution of a national issue relating to the accounting of infrastructure assets.
- 5.2 A final Audit Completion Report, has however been issued in respect of the Pension Fund.
- 5.3 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. The auditors would like to draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of the Hackney Pension Fund pooled property investments. As disclosed in Note 4 to the financial statements, the Pension Fund valuers included a 'material valuation uncertainty' declaration in their reports because of the Covid-19 pandemic. The auditor's opinion is not modified in respect of this matter and this has been reflected in the Draft version of the Statement of Accounts 2020/21 (see attached Appendix Three)
- 5.4 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 this matter has been resolved and the auditors have undertaken any associated procedures with the Council, then the auditors will issue a final Audit Completion Report.
- 5.5 The auditors work in relation to the Council's value for money (VFM) arrangements also remains in progress and the auditors anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the

Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 (See Appendix 1). It is anticipated that their commentary on our VFM arrangements will be provided by the end of the year.

- 5.6 To date the Council has received no objections to the 2020/21 accounts.
- 5.7 The auditor's have not yet to receive instructions from the National Audit Office in respect of the Authority's Whole of Government Accounts (WGA) submission and therefore are unable to commence work in this area until such instructions have been received.
- 5.8 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
- 5.9 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 is near completion. A final Audit Completion Report has been issued in respect of the Pension Fund. 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 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. 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 ensure 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 Draft Hackney 2020-21 Audit Completion Report
- 2 Final 2020-21 Audit Completion Report Hackney Pension Fund
- 3 Draft 2020/21 LBH Statement of Accounts

Background documents

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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