

Title of Report	Audit 2020/21 and 2021/22 Progress Report
For Consideration By	Audit Committee
Meeting Date	18 January 2023
Classification	Open
Wards Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. **Introduction**

- 1.1 The Audit progress report from the Council's external auditors sets out the position on the audit of the Council's (including value for money commentary) and Pension Fund's financial statements for the years 2020/21 & 2021/22.

2. **Recommendation**

- 2.1 The Audit Committee is recommended to note the contents of the reports, including the value for money commentary.

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 can issue audit opinions on those statements.

4. **Background**

Policy context

- 4.1 The Audit Completion Reports (ACR) 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. The draft ACR in respect of the Council's Financial Statement 2020/21 was presented to the Audit Committee in October along with the Final ACR for the Pension Fund. The ACRs for the Council's Financial Statements and those of the Pension Fund for 2021/22 are

anticipated in the coming weeks and will be reported to the April 2023 Audit Committee.

Equality impact assessment

- 4.3 For 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 Progress Report

- 5.1 The Council's accounts for 2020/21 are subject to the resolution of a national issue relating to the accounting of infrastructure assets. The Government issued a Statutory Instrument (SI) late in 2022 which came into effect on the 25 December 2022 (see item 2 in Section 03 of appendix 1). The Council is awaiting a national guidance note from CIPFA to enable it to respond to the SI appropriately. The auditors will discuss the outcome of the Council's review of requirements, and any associated accounting adjustments or revised disclosures, and perform associated audit procedures as soon as we are able. This should enable the Council to approve the final version of the 2020/21 accounts and for auditors to issue their audit opinion. It should also enable us to certify the completion of the prior year audits 2018/19 and 2019/20.
- 5.2 In respect of the Council's accounts for 2021/22, the auditors have completed their interim audit work and followed up on points arising from the review completed to date. They have progressed their audit procedures on the Council and Pension Fund draft accounts and continue to follow up on outstanding points to allow their completion (see appendix 1, section 1).
- 5.3 The auditors have completed their risk assessment in respect of the Council's Value for Money 2020/21 arrangements and have drafted commentary on the arrangements. This is included in appendix 1 (section 2). The auditors have not identified any significant weaknesses in the arrangements subject to review.
- 5.4 The auditors have completed their risk assessment in respect of 2021/22 and to date, they have not identified any risks of significant weakness in VFM arrangements. However, the auditor's consideration of arrangements in respect of 2021/22 will continue and they will discuss the timing of their reporting with management in due course.

- 5.5 The Council has had one objection to the 2021/22 accounts made by a local elector. The auditors are completing their procedures in response to the objection and will report to the Audit Committee the outcome in due course.
- 5.6 The auditors have 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.
- 5.7 Audit fees currently stand at £174k for the Council audit, and £19k for the 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 estimates
 - Additional work to address enhanced risks
- 5.8 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 As noted above we continue to wait for further guidance from CIPFA in relation to the infrastructure issue. Once received this will be reviewed and proposed actions and disclosures discussed with our external auditors, Mazars. This should enable the auditors to issue their opinion in respect of the 2020/21 audit. Whilst it is extremely disappointing that this matter remains outstanding so far after the year end, it is emphasised that this is a national issue which is preventing the finalisation of external audits across the country. It is, however, pleasing to receive the value for money commentary for 2020/21 and that the auditors have not identified any significant weaknesses in the arrangements which were subject to review.
- 6.2 As set out above, the work to finalise the audit of the Council's 2021/22 Accounts is well underway. We anticipate that the auditors will be issuing draft Audit Completion Reports for the Councils Financial Statements and those of the Pension Fund in the coming weeks. Again it is disappointing that the audit opinion remains outstanding due to the national issues around infrastructure assets and also the much discussed resource issue in the external audit market.
- 6.3. This is the fourth year that Mazars have audited the Councils 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. Whilst we are not as far advanced in terms of the audit for 2021/22 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2021/22 were presented to Audit Committee in October 2022, Mazars and officers are working hard to

conclude the process in the coming weeks, subject to the guidance on infrastructure assets.

6.4 I would like to place on record my thanks to the auditors for the way they have continue to work with my Officers

6.5 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 LB Hackney January 2023 Progress Report

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 are required.

Description of document (or None)

None

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