

Title of Report	External Audit Completion Report 2021/22
For Consideration By	Audit Committee
Meeting Date	21 June 2023
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Ian Williams, Finance and Corporate Resources

1. **Introduction**

- 1.1 The audit completion letter for the financial year 2020/21 and the audit completion report for 2021/22, both provided by the Council's external auditors, present a comprehensive overview of the audit status for the financial statements of the Council and Pension Fund.

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 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.

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 (see appendix 2 & 3 for the audit completion reports).

5. External auditor's Audit Completion letter 2020/21 & Report 2021/22

5.1 Our auditors have confirmed that all outstanding matters in relation to the 2020/21 Statement of Accounts, previously highlighted in our audit progress reports presented to the Audit Committee on 13 October 2022 and verbally updated on 18 January and 19 April 2023, have now been successfully resolved (further details are provided in Appendix 1). The auditors expect to issue the audit opinion by the time of the Audit Committee meeting scheduled for 21 June.

5.2 At the date of this report our 2021/22 audit is substantially complete. However, the auditors do not expect to be able to issue the audit opinion until late July 2023 due to the national pensions issue which we have previously reported to the Committee pertaining to the reporting of assets and liabilities related to the Pension Fund. Subject to the resolution of outstanding issues our auditors anticipate issuing an unqualified audit opinion on the statement of accounts (see appendix 2 & 3 for further details).

5.3 The auditors' work on the Value for Money (VFM) arrangements will not be fully concluded before issuing the audit opinion. However, since no significant weaknesses or risks have been identified, they currently have no matters to report in this regard. The auditors are committed to completing the VFM assessment by the end of July 2023 and will include the VFM commentary in the Auditor's Annual Report (see appendix 2 for further details).

5.4 The Council had one objection to the 2021/22 accounts made by a local elector concerning the Council's use of Penalty Charge Notices (PCNs) in the Mount Pleasant Lane area. After reviewing the objection to the accounts, our auditors recommended under section 27(6) of the LAAA that the Council consider two actions: (i) issuing an apology for the unlawful issuance of PCNs and (ii) establishing a voluntary scheme through which members of the public can claim a refund for PCNs issued for breaching the Mount Pleasant Lane road closure. The Council has since decided to refund all PCNs issued for this location during the period when the Springfield ETO contained the error.

5.5 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.

5.6 The total audit fee for 2020/21 is £229k for the Council and £22.7k for the Pension Fund. The Audit fees for 2021/22 currently stand at £174k for the Council audit, and £23k 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

5.7 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 We expect to present the audit opinion for the 2020/21 period during the upcoming Audit Committee meeting on 21 June. We are pleased to have resolved this matter and would like to emphasise that the delay is a result of a nationwide issue concerning infrastructure assets. This issue is impacting the completion of external audits across the country.

6.2 As set out above, the work to finalise the audit of the Council's 2021/22 Accounts is almost complete. Again it is disappointing that the audit opinion remains outstanding due to a national issue around pension funds' assets and liabilities, which is ostensibly a result of delays to the audit driven by the infrastructure asset issue and the much discussed resource issue in the external audit market.

6.3. 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, subject to the resolution to the pension fund.

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. Whilst not presented at this Committee, this includes their work to ensure our draft 2022/23 Statement of Accounts were published in accordance with the deadline of 31st May 2023.

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 financial 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

Appendix 1 - LB Hackney 2020-21 Mazars Audit Completion Letter

Appendix 2 - LB Hackney 2021-22 Mazars Audit Completion Report

Appendix 3 - LB Hackney Pension Fund 2021-22 Mazars Audit Completion Report

Background documents

None

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