

Title of Report	External Audit Completion Report 2021/22
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Jackie Moylan Group Director of Finance

1. **Introduction**

- 1.1 The audit progress report for the financial year 2021/22, provided by the Council's external auditors, presents 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 Progress 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 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 1)

5. External Audit Progress Report 2021/22

- 5.1 As of the date of this report, our audit for the financial year 2021/22 is substantially complete. However, it's important to note the delay in issuing the audit opinion is primarily attributable to a nationwide pensions issue, as previously communicated to the Committee, specifically concerning the reporting of assets and liabilities related to the Pension Fund.
- 5.2 The revised draft Council accounts have incorporated updated IAS19 disclosures based on actuarial reports utilising data from 2022. These are materially different to the estimated values that were included within the initial draft financial statements. Auditors cannot place any reliance on the new triennial valuation until the Pension Fund auditor (Mazars) has carried out audit procedures on the membership data that supports the valuation. This is in progress and expected to be completed by end of the month along with the audit final review procedures.
- 5.3 The auditors are currently completing work in respect of the Council's Value for Money (VFM) arrangements for the year ended 31 March 2022. At the time of preparing this report, they have not identified any significant weaknesses in arrangements that require them to make a recommendation, however they will continue to undertake work on the Council's arrangements.
- 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 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 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 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.

6.4 I want to express my gratitude to the auditors for their collaborative efforts with my team. 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 Acting 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 2021-22 Mazars Progress Report

Background documents

None

Report Author	Mizanur Rahman Chief Accountant mizanur.rahman@hackney.gov.uk 020 8356 4347
Comments for the Group Director of Finance prepared by	Jackie Moylan Group Director Finance jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys Acting Director of Legal, Democratic & Electoral Services louise.humphreys@hackney.gov.uk 020 8356 4817