

<b>Title of Report</b>	External Audit Status Report
<b>For Consideration By</b>	Audit Committee
<b>Meeting Date</b>	17 April 2024
<b>Classification</b>	Open
<b>Wards Affected</b>	All
<b>Group Director</b>	Jackie Moylan Group Director of Finance

## 1. **Introduction**

- 1.1 This report introduces the Council's external auditors' audit status report, covering:
- Completion of the 2021/22 audits, including the auditors' completion letter and reports.
  - Progress update on the 2022/23 audits.
  - Value for Money (VFM) commentary for both 2021/22 and 2022/23.
  - Update on the backstop proposals.

## 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 Status Report**

- 5.1 On 28 March 2024 our auditors issued unqualified audit opinions on the Council and Pension Fund accounts for the year ending 31 March 2022. See appendix 1-4 for the final audit completion letter and reports to management.
- 5.2 At the 31 January 2024 Audit Committee meeting, it was reported that there were outstanding issues regarding property, plant, and equipment valuations, as well as the completion of final review procedures. Work on property valuations was finished in February, but a capital adjustment was made by the Council to reclassify revenue expenditure as capital expenditure. Additional testing was required to ensure the appropriateness of this accounting treatment, which was completed in March. £164k of spend was identified that did not meet the criteria of capital expenditure, projected to be £1.4m when extrapolated. The Council adjusted the final accounts accordingly. The auditors are now doing their final review procedures for both the Council and Pension fund.
- 5.3 The auditors' commentary on the Council's Value for Money (VFM) arrangements can be found in section two of Appendix 5. In summary, our auditors have reviewed the Council's arrangements and are content that there are no significant weaknesses to report with regard to those arrangements.
- 5.4 DLHUC and NAO consultation on backstop arrangements are summarised in section three of Appendix 5. The consultation addresses the backlog of historical accounts and to effectively 'reset' the system, the proposal suggests enacting a specific date into law, referred to as the 'backstop date,' which is set for 30th September 2024. By this deadline, local councils would be required to publish audited accounts for all outstanding years up to and including 2022/23. In instances where local auditors are unable to complete all audit work before the backstop date, they will issue a modified or disclaimed opinion on outstanding accounts.
- 5.5 The final Audit fees for 2021/22 are £232k for the Council audit, and £28k for the Pension Fund audit.
- 5.6 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 Interim Group Director, Finance**

- 6.1 As set out above, the work to finalise the audit of the Council's 2022/23 Accounts is almost complete. Again it is disappointing that the audit opinion remains outstanding due to backlogs caused by national issues 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 2022/23 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2022/23 were presented to Audit Committee in September 2023, 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 & PF\_2021.22\_Mazars final audit completion letter
- Appendix 2 - LB Hackney\_2021.22\_Mazars Audit Report
- Appendix 3 - Hackney PF\_2021.22\_Mazars Audit Report
- Appendix 4 - Hackney PF\_2021.22\_Annual Report\_Mazars Audit Report
- Appendix 5 - LB Hackney\_Mazars Audit Status Report April 2024

### **Background documents**

None

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