

## Report of the Deputy Chief Executive

**AUDIT OF ACCOUNTS 2020/21 AND ASSOCIATED MATTERS**1. Purpose of report

To approve the letter of representation and the process for the approval of the Statement of Accounts for 2020/21 and to receive the Audit Completion Report from the Council's external auditors following their work on these accounts.

2. Background

In March 2021, this Committee received Mazars' Audit Strategy Memorandum – year ending 31 March 2021 setting out their approach to the audit of the 2020/21 accounts, highlighting significant audit risks and areas of key judgements. Mazars have almost concluded their work on the accounts and produced their Audit Completion Report which is circulated separately with this agenda. A brief summary is set out in the appendix. Mazars anticipate issuing an unqualified audit opinion on the 2020/21 accounts. An issue has occurred with regards to the Property, Plant and Equipment valuation which is considered in the appendix. This is a material error and the financial statements will be amended as a result.

The auditors are yet to complete their work in respect of the Value for Money conclusion for the year ended 31 March 2021. At the time of preparing their report, Mazars has not identified any significant weaknesses in the Council's arrangements that require it to make a recommendation.

The Statement of Accounts for 2020/21 including amendments agreed with Mazars thus far is circulated separately with this agenda. Officers will guide Members through the more important aspects of the document at the meeting. It is proposed that any further amendments to the Statement of Accounts be delegated to the Deputy Chief Executive to resolve with the Chair of this Committee.

In accordance with regulations, the Council's letter of representation in respect of the 2021/22 accounts has to be approved by the Committee charged with governance. The draft letter is circulated separately with this agenda. A representative from Mazars will be present at the meeting to introduce their report and answer any questions that Members may have.

**Recommendation**

**The Committee is asked to receive the Audit Completion Report for the year ending 31 March 2021 and RESOLVE that:**

- (i) the Statement of Accounts 2020/21 and the letter of representation as circulated with this agenda be approved; and**
- (ii) delegation be given to the Deputy Chief Executive and Section 151 Officer along with the Chair of this Committee to approve any further changes required to the Statement of Accounts 2020/21.**

Background papers – Nil

**APPENDIX****AUDIT OF ACCOUNTS 2020/21 AND ASSOCIATED MATTERS**

As reported previously to the Committee, the Accounts and Audit Regulations (2015) set out the timescales for the production of the Council's accounts, including the dates of the public inspection period. Following the coronavirus outbreak and in response to the pressures this placed on finance teams and external auditors in the production of the 2020/21 accounts, the Accounts and Audit (Amendment) Regulations 2021 were approved on 9 March 2021 and came into effect on 31 March 2021. The most significant changes were as follows:

- The draft 2020/21 accounts had to be approved and presented to the external auditors for review by 31 July 2021 at the latest (instead of 31 May 2021) though they could be approved earlier if possible.
- The requirement for the public inspection period to include the first 10 working days of June was removed. Instead, the public inspection period had to commence on or before the first working day of August 2021.
- The publication date for the final audited 2020/21 accounts moved from 31 July 2021 to 30 September 2021.

The Council's Accounts Closedown Timetable 2020/21 was revised in response to these changes. The draft 2020/21 accounts were approved and presented to the external auditors for review on 30 June 2021, one month ahead of the revised statutory deadline of 31 July 2021. The public inspection period commenced on 1 July 2021 and ended on 11 August 2021 with details placed in advance on the Council's website.

Mazars' commenced their review of the Council's draft 2020/21 accounts remotely on 26 July 2021. This involved scrutinising working papers and other supporting documentation and liaising as necessary with the officers and associated third parties.

Mazars' work focused upon the following significant risks:

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of property, plant and equipment; and
- Covid-19 grants recognition.

Mazars have almost concluded their work on the accounts and produced their Audit Completion Report.

Section 2 of the Audit Completion Report details the status of the audit. The external auditors of the Nottinghamshire Pension Fund (Grant Thornton) have recently confirmed their final opinion on the Pension Fund's 2020/21 accounts. Mazars advised the Council of a matter brought to their attention whereby the Pension Fund auditors identified a 0.23% difference (increased) between the estimated 2020/21

Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited. As disclosed at note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets as at 31 March 2021 was £113,615. The extrapolated 0.23% difference is around £260k. Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences, which represent a £260k increase in both Total Net Assets and Total Reserves.

A late issue has also occurred with regards to the Property, Plant and Equipment valuation in the Balance Sheet. Mazars has reported that during the course of the audit, it raised a number of queries with the Council's valuer and did not receive a timely response. The valuer since left the Council. A new valuer (the Interim Estates Manager) is in post and has been helpful in resolving these outstanding queries. Whilst responding to the auditors queries, the new valuer identified an error whereby one asset was missed from the valuation schedule. The financial statements will need to be adjusted for this, which will impact the Balance Sheet, but not the General Fund.

Section 4 of the Audit Completion Report details the findings from Mazars' work. The draft financial statements, on advice of the valuer included a 'material valuation uncertainty' clause over its valuations. Mazars challenged the valuer on whether this complied with RICS professional guidance because Mazars was not satisfied that the declaration was soundly based. The declaration was subsequently removed by the valuer.

The internal control recommendations from Mazars are set out in section 5 along with the responses from Council officers. The recommendations were agreed in full.

The external auditors identified a small number of misstatements in the draft 2020/21 accounts. Full details are set out in section 6 and the most significant of these will be adjusted for accordingly. There were also a number of misstatements that are not considered to be material and for which no adjustment has been made. Again, these are set out in section 6.

Section 7 sets out progress made with Mazars' conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). The auditors are yet to complete their work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, Mazars has not identified any significant weaknesses in arrangements that require it to make a recommendation, however Mazars continue to undertake work on the Council's arrangements

The Finance and Resources Committee on 8 July 2021 considered a report summarising capital and revenue spending in 2020/21 and some detail as to the more significant factors which accounted for any variances. The net spending totals on capital and revenue for both the General Fund and Housing Revenue Account have remained unchanged from those summarised at that meeting.