

## Report of the Deputy Chief Executive

**AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS**1. Purpose of report

To provide an update on progress with the audit of the Statement of Accounts 2021/22.

2. Recommendation

**The Committee is asked to NOTE the update on progress with the audit of accounts 2021/22, including the Audit Progress Report received from the external auditors.**

**The Committee is also asked to RESOLVE:**

**(i) to adopt the anticipated Statutory Instrument in order to apply the statutory override relating to the accounting treatment of infrastructure assets and then to change the Council's Accounting Policies accordingly to reflect this; and**

**(ii) that delegation be given to the Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any subsequent changes required to the Statement of Accounts 2021/22.**

3. Detail

In May 2022, this Committee received Mazars' Audit Strategy Memorandum – year ending 31 March 2022 setting out their approach to the audit of the 2021/22 accounts, highlighting the significant audit risks and areas of key judgements.

The draft Statement of Accounts 2021/22 were approved and presented to the external auditors for review on 20 July 2022, ahead of the revised statutory deadline of 31 July 2022 required by the Accounts and Audit (Amendment) Regulations 2022. The public inspection period commenced on 1 August 2022 and ended on 14 September 2022 with details placed on the Council's website.

Mazars' subsequently commenced their review of the Council's draft 2021/22 accounts remotely. This work has involved scrutinising working papers and other supporting documentation and liaising with officers and associated third parties. Mazars' work focused upon the following significant risks being the management override of controls; net defined benefit liability valuation; and the valuation of land, building and council dwellings.

Mazars have almost concluded their work on the accounts, although the auditors are not yet in a position to present their Audit Completion Report. Instead, an Audit Progress Report is provided with this agenda and Mazars will

be available virtually at the meeting to present this update and respond to any enquiries.

In terms of context, the majority of the other Nottinghamshire district councils were not anticipating to have their respective audits completed by 30 November 2022 due to a variety of issues. The outstanding matters for this Council include:

- Mazars waiting on the outcome of the of the Nottinghamshire Pension Fund audit at the time of writing, with their external auditors (Grant Thornton) having not yet confirmed their final opinion on the Pension Fund's 2021/22 accounts.
- An issue regarding the accounting treatment of 'infrastructure assets' that is being considered nationally. As previously noted by Committee, CIPFA highlighted differences in local authorities' application of the requirements of the Code of Practice on Local Authority Accounting for infrastructure assets. CIPFA is reviewing this area and was expected to clarify its expectations, which may include a change to the Code. Audit firms had agreed to defer issuing any further audit opinions until this had been resolved. CIPFA has not yet agreed its accounting solution to this issue under the Code so, in order to unlock the situation, the Government has consulted on an optional temporary statutory override to allow Council's audits to be completed. The indicative date for the statutory override is 25 December 2022 and with the Council having a material amount of infrastructure assets on its Balance Sheet (including historical environmental improvement works), this has delayed the audit.
- Final internal enquiries to consider with officers, including matters relating to Property, Plant and Equipment (PPE) valuations on the Balance Sheet.

Mazars has not indicated any significant weaknesses in the Council's arrangements from its audit testing to date that would require it to make a significant recommendation. The aim remains to achieve a clean and unqualified audit opinion on the 2021/22 accounts.

Mazars are looking to complete their audit testing at the earliest opportunity, including consideration of any matters arising from the audit of the Pension Fund. In terms of the infrastructure assets issue, it is recommended to adopt the anticipated Statutory Instrument to apply the statutory override and then change the Council's Accounting Policy accordingly to reflect this. It is therefore proposed that delegation be given to the Deputy Chief Executive and Section 151 Officer, along with the Chair of this Committee, to approve any amendments required to the financial statements as a result of this change.

Once the audit is concluded, Members will receive the Audit Completion Report for the year ending 31 March 2022 from Mazars and be asked to approve the final Statement of Accounts 2021/22 and the letter of representation in accordance with the regulations. In order to achieve this, it may be appropriate

to arrange an extraordinary meeting of this Committee before the next scheduled meeting in March.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications arising from this report.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation, the Accounts and Audit Regulations (2015) and the Accounts and Audit (Amendment) Regulations 2022, sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

There were no Unison comments in relation to this report.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

10. Background Papers

Nil.