

## Report of the Deputy Chief Executive

**AUDIT OF ACCOUNTS 2021/22 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 2021/22 and to receive the Audit Completion Report from the Council's external auditors following their work on these accounts.

2. Recommendation

**The Committee is asked to receive the Audit Completion Report for the year ended 31 March 2022 and RESOLVE that:**

**(i) the updated Statement of Accounts 2021/22 and letter of representation as circulated be approved; and**

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

3. Detail

Further to earlier updates, the Council's appointed external auditors, Mazars, have almost concluded their work on the Statement of Accounts 2021/22. Mazars has published its Audit Completion Report, which is circulated with this agenda. It is pleasing to report that Mazars anticipate issuing an unqualified audit opinion on the 2021/22 accounts. A number of changes have been made to the draft accounts which includes figures relating to pensions and property valuations. A brief summary is set out in the appendix.

The auditors are yet to complete their work in respect of the Value for Money conclusion for the year ended 31 March 2022. 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 updated Statement of Accounts for 2021/22 including the amendments agreed with Mazars thus far, is circulated with this agenda. It is proposed that any further amendments to the accounts be delegated to the Deputy Chief Executive to resolve, in conjunction with the Chair of this Committee.

In accordance with the 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 virtually available at the meeting to introduce the Audit Completion Report and respond to any enquiries.

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

## APPENDIX

**AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS**

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 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:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of land, building and council dwellings.

Mazars have almost concluded their work on the accounts and have produced their Audit Completion Report. The auditors have stated that, at the time of preparing the report, there are no significant matters outstanding or significant matters remaining outstanding as outlined in section 2. It is pleasing to note that Mazars is anticipating issuing an unqualified opinion, without modification, on the financial statements.

Section 2 of the report details the status of the audit. There were delays in completing audit work on the pension figures from the Nottinghamshire Pension Fund. Mazars report that this audit work is complete, but not without challenges arising from delays and errors caused by third party assurance letters. On 24 November 2022, Mazars was informed that there were significant errors in the assurance report provided by the auditor of the Pension Fund and a replacement would be issued. This replacement was sent on 1 December 2022, and only then was Mazars able to perform the necessary audit work on the findings. Management chose to obtain an updated IAS19 valuation report from the Actuary and a difference in the net liability of around £766k was noted. Although this was below the materiality threshold, appropriate adjustments were made to the accounts and Mazars is satisfied that this balance is fairly stated.

Members will also recall the delay caused by the issue regarding the accounting treatment of 'infrastructure assets'. 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 is 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, however CIPFA has not yet agreed its accounting solution to this issue under the Code.

A temporary solution was put in place via a statutory override with guidance released in January 2023. Mazars asked the Council to review its fixed asset register for infrastructure assets and to ensure suitable records were in place to support the balance, including compliance with relevant accounting standards. Following this review, the Council opted to apply the statutory override, which in effect requires a change in accounting policy and change in the disclosures to the financial statements. These have now been reflected in the revised accounts.

Section 4 of the report details the significant findings from Mazars' work. The audit observations and conclusions have resulted in three internal control recommendations relating to evidence for Property, Plant and Equipment (PPE) valuations; secondary review of journals posted; and related party declarations by Members. The audit recommendations were agreed in full, with further details including the management responses being set out in section 5.

The auditors identified a small number of misstatements in the draft 2021/22 accounts. Full details are set out in section 6 and the most significant of these have been adjusted for accordingly. There was one misstatement that was not considered to be material and for which no adjustment has been made.

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 (i.e. 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 2022. At the time of preparing its report, Mazars do not anticipate any significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.

The meeting of Cabinet on 19 July 2022 considered a report summarising capital and revenue spending in 2021/22 and some detail as to the more significant factors which accounted for any variances. The net spending totals on capital and revenue for the General Fund remains unchanged from those summarised at that meeting. One change in the accounts, totalling £55k, relating to housing rents and garage income has resulted in a positive movement in the year-end position for the Housing Revenue Account (HRA).