

GOVERNANCE COMMITTEE MEETING: 29 NOVEMBER 2021

SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2020/2021

REPORT OF THE FINANCE DIRECTOR

1. BACKGROUND

- 1.1 The Authority's Statement of Accounts 2020/2021 (subject to audit) were produced by the revised statutory deadline of 31st July 2021 in compliance with the government's Accounts and Audit Regulations 2015 as amended by the requirements of the Accounts and Audit (Amendment) Regulations 2021, and were presented to this Committee on 28th July 2021 to allow members the opportunity to both digest and challenge any areas of the accounts, they so wished. In accordance with the revised regulations the Statement of Accounts and the required supporting papers were also lodged on the Authority's website on 31st July 2021 to inform the public of their rights to inspect and challenge the published Statement of Accounts 2020/2021 subject to audit.
- 1.2 Members will be aware that Mazars LLP (our external auditors) are required to report on the final accounts and report certain matters to Members prior to an audit opinion being provided on the Authority's accounts.
- 1.3 Mazars LLP have audited the financial statements of the Authority under the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office, and International Standards on Auditing (ISA) issued by the Auditing Practices Board.
- 1.4 Once Governance Committee has approved the Letter of Representation (**item i**), noted the contents of the External Auditors 'Audit Completion Report' (**item ii**), and approved the amended Statement of Accounts (**item iii**), Mazars LLP can then formally provide an opinion on the Statement of Accounts for the year ended 31st March 2021. All of these items will be sent out to members separately but in advance of the meeting, as the audit work is almost but not quite completed at the point of writing this report.

2 PURPOSE OF THE REPORT

- 2.1 To present the Letter of Representation for 2020/2021, and to receive the Audit Completion Report from Mazars LLP concerning the financial statements for 2020/2021. This also provides their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money).
- 2.2 To present an audited Statement of Accounts for 2020/2021, which has been revised to take into account the auditor's findings, for approval by members of this Committee. A complete list of the amendments is to be included as **Appendix A** to this report for information.

3 STATEMENT OF ACCOUNTS 2020/2021

- 3.1 A **Letter of Representation** which sets out the principles used in preparing the accounts and provides the external auditor with the necessary assurances required by the accounts and audit regulations has to be prepared by the Finance Officer (this will be shown as **Item i** to this report and will be sent out separately).
- 3.2 In line with Auditing standards, Mazars LLP produces an **Audit Completion Report** (this will be **Item ii** and will be sent out separately), in which the external auditor's opinion is given on whether the financial statements give a true and fair view of the financial position of the Authority as at 31st March 2021 and on its income and expenditure for the year then ended. The auditors will also be in attendance at the meeting in order to present their Audit Completion Report directly to members of the Committee.
- 3.3 This communication from the auditors is in addition to the Annual Audit Letter, which will continue to be presented to the full Authority and to the Governance Committee annually.
- 3.4 The amended Statement of Accounts reflects all of the changes identified during the audit process and Mazars LLP is to formally provide their opinion on the audited Statement of Accounts before the end of November 2021 although this fails to comply with the revised statutory timescales in place for the 2020/2021 accounts of 30th September 2021 because of extenuating circumstances and excessive workloads. The key messages expected from the audit are set out in Section 4 of this report for information.
- 3.5 Following the audit, the amended Statement of Accounts 2020/2021 will be set out in **Item iii** (which will be sent out separately once the audit work has been completed) and will include a number of changes identified from the audit, which will be detailed at **Appendix A**, (which is also to be sent out separately once finalised).

4 KEY MESSAGES

- 4.1 The full and detailed communication will be included in the Audit Completion Report (Item ii), which will be sent out separately in advance of the meeting. Having discussed the audit of the accounts with the external auditors it has been indicated at the time of writing this report that although work is still ongoing that it will be positive and in summary will show:
- the external auditors propose to issue an unqualified audit opinion on the financial statements;
 - the external auditors have not identified any material weaknesses in the accounting and internal control systems; and,
 - the external auditors will also provide commentary on their findings on whether the Authority had proper arrangements in place to achieve value for money for the year ended 31st March 2021 and this will be done by exception under the new reporting arrangements. This will be based on three key criteria set out below and will be detailed in their Audit Completion Report:
 1. Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
 2. Governance – how the Authority ensures that it makes informed decisions and properly manages its risks;
 3. Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- 4.2 On the basis of the amendments agreed with the external auditors, Mazars LLP will formally provide an opinion on the amended Statement of Accounts by 30th November 2021. The Authority is also required to publish its Audited Statement of Accounts for 2020/2021 on its web site preferably before the statutory deadline of 30th September 2021 appropriately signed by the Chair of this Committee and re-certified by the Finance Officer in line with the reporting requirements set out in the Accounts and Audit Regulations 2015 as amended by the requirements of the Accounts and Audit (Amendment) Regulations 2021. The auditors indicated that they would not meet the statutory timescales in advance of the audit due to other workloads and a backlog of external audit work from 2020/21 and agreed a revised more achievable timescale of 30th November 2021. This was conveyed to the public in a separate Notification included on the Authority's website on 30th September 2021.

5. RECOMMENDATIONS

5.1 Members are requested to:

- a) Approve the Letter of Representation (Item i),
- b) Note the contents of the External Auditor's Audit Completion Report (Item ii),
- c) Approve the amended Audited Statement of Accounts for the Financial Year ended 31st March 2021 (Item iii).