

AUDIT AND GOVERNANCE COMMITTEE

4 November 2022

AUDITED STATEMENT OF ACCOUNTS 2021/2022

Report of the Assistant Director of Finance

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with the Letters of Assurance required by the external auditor as part of the Statement of Accounts process and to present the Letter of Representation for 2021/2022.
- 1.2 To receive the Audit Completion Report from the Council's external auditor, Mazars LLP, concerning the financial statements for 2021/2022, which provides their opinion on both the Council's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).
- 1.3 To provide an audited Statement of Accounts for 2021/2022, revised to take into account the auditor's findings, for approval by the Committee.

2.0 DESCRIPTION OF DECISION

- 2.1 Members are recommended to:
 - 2.1.1 Note the contents of the Letter of Assurance from those charged with governance (Appendix A) and the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix B);
 - 2.1.2 Note the contents of the Letter of Representation (Appendix C);
 - 2.1.3 Note the contents of the Audit Completion Report (Appendix D) provided by Mazars LLP;
 - 2.1.4 Approve the revised Audited Statement of Accounts for the financial year ended 31 March 2022 (Appendix E); and
 - 2.1.5 Agree that, should any amendments to the Statement of Accounts be required after the meeting of the Audit and Governance Committee, these be agreed by the Assistant Director of Finance in conjunction with the Chair. Members of the Audit and Governance Committee will be notified of any agreed changes.

3.0 BACKGROUND

- 3.1 The Accounts and Audit (Amendment) Regulations extended the statutory audit deadlines for local authorities to approve and publish their accounts for 2020/2021 and 2021/2022 financial years. This extension for 2021/2022 gave the Council to the end of July to publish draft accounts and to the end of November to publish audited accounts. The draft accounts were circulated and published online on the 18 July 2022, in line with the extended statutory deadline.
- 3.2 A Letter of Representation has to be prepared by the Section 151 Officer which sets out the principles used in preparing the accounts and provides the external auditor with the necessary assurances required by regulation.
- 3.3 Mazars LLP are required to report to Members on the Statement of Accounts and certain others matters to Members prior to an opinion being provided on the Council's accounts.
- 3.4 Mazars LLP has audited the financial statements of the Council in accordance with 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.
- 3.5 Once the Audit and Governance Committee has noted the contents of this report, Mazars LLP can then formally provide an opinion on the Statement of Accounts for the year ended 31 March 2022.
- 3.6 In line with auditing standards, Mazars LLP produces an Audit Completion Report, in which the auditor's opinion is that the financial statements present a true and fair view of the financial position of the Council as at 31 March 2022 and the Group's expenditure and income for the year then ended. The Audit Completion Report 2021/2022 is included at Appendix D on the agenda. The Audit Completion Report is in addition to the Annual Audit Letter which will be issued in due course.
- 3.7 The audited Statement of Accounts 2021/2022 is set out at Appendix E on the agenda for approval.

4.0 KEY MESSAGES

- 4.1 The full communication is included in the Audit Completion Report, and in summary concludes that:
 - Audit Opinion – At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Mazars anticipate issuing an unqualified opinion on the financial statements;

- Value for Money - The auditors anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- Whole of Government Accounts - The National Audit Office have not yet issued auditors with their group instructions in relation to the Whole of Government Accounts (WGA). The auditors will complete the required work to the government timetable as soon as possible once these details have been clarified; and
- Wider Powers - No objections or questions have been received by the auditors from local electors during the audit.

5.0 AMENDMENTS TO THE ACCOUNTS

5.1 The auditors have identified a small number of misstatements in the accounts which are detailed in section 6 of the auditor's Audit Completion Report at Appendix D. Audit work is on-going, but one area has been highlighted as resulting in material adjustments to the Accounts;

- Net Defined Benefit Liability (Pensions) – amendments are required as a result of an updated assets assessment recently provided by the Actuary which reported an improved fund position beyond that used in the draft accounts. The required amendments have been made in the revised Accounts at appendix E.

None of the misstatements impact on the outturn position reported to Cabinet in June 2022.

5.2 Some minor points and presentational changes have also been reflected in the revised accounts. These are also summarised in section 6 of the Audit Completion Report.

6.0 SIGNIFICANT ITEMS OF AUDIT WORK STILL TO BE FINALISED

6.1 A national audit issue in relation to infrastructure assets remains unresolved. The issue stems from a number of 2020/2021 audits elsewhere in the country being unable to be finalised due to the inability to assess the accuracy of primarily highways infrastructure assets. The Chartered Institute of Public Finance Accountant (CIPFA) have established a task and finish group to assist with identifying a resolution of this issue, which is now causing delays to local authority accounts audits across the country.

6.2 The main areas of audit work which are still being finalised are on the valuation of Property, Plant and Equipment and receipt of the required assurance from the T&W Pension Fund auditors on the 2021/2022 Pension Fund accounts.

6.3 The Letter of Representation at Appendix C sets out the principles used in preparing the accounts and provides the external auditor with the necessary assurances. Once the outstanding work has been completed, the final

misstatements will be added to the Letter of Representation and circulated to Members.

7.0 FORMAL OPINION

- 7.1 Mazars LLP aim to formally provide an opinion on the Statement of Accounts, on or before 30 November 2022, by which time the Council is required to publish its Audited Statement of Accounts for 2021/2022 and place the audited accounts on its web site appropriately signed by the Chair of this Committee and re-signed by the Section 151 Officer in line with reporting requirements set out in the Accounts and Audit (Amended) Regulations. If this is not possible due to delays in finalising the outstanding audit items, Committee Members will be notified, and the Council will issue the required notice to advise stakeholders of the delay.