



Governance Scrutiny Group

Thursday, 23 February 2023

Audit Completion Report 2021/22

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. This report presents attached Audit Completion Report (Appendix A); Management Representation Letter (Appendix B) This document reports to those charged with Governance the key conclusions in the audit process for the 2021/22 financial year and also comments upon the Statement of Accounts and their quality.
- 1.2. There was a delay in issuing the Audit Completion Report, as with last year, there were particular issues linked to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts in addition to a national issue relating to the treatment of infrastructure assets both of which were completely outside the Council's and Mazars control.
- 1.3. Mazars have substantially completed the audit in respect of the financial statements for the year ended 31 March 2022. However significant matters remaining outstanding as outlined in section 2 of the Audit Completion Report. Mazars will provide an update in relation to the significant matters outstanding by a follow up letter to this group.
- 1.4. Mazars are also required to report their Value for Money conclusion within 90 days of the Audit Completion and therefore will be reported to this Group in June 2023 in their Auditor's Annual Report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the findings of Mazars Audit Completion Report (**Appendix A**)
- b) Approve the Management Representation Letter (**Appendix B**)
- c) Receive at a later date a follow up letter from Mazars in relation to the significant matters outstanding.

3. Reasons for Recommendation

- 3.1. To ensure that due regard has been given to issues and concerns raised by the Council's external auditors; and to demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015)

4. Supporting Information

- 4.1. The Audit Completion Report is attached at Appendix A, the Management Representation Letter at Appendix B.
- 4.2. It was reported last year that Value for Money (VFM) findings are now reported by exception where significant weaknesses are identified in VFM arrangements. Section 7 of the report refers to the Value for Money process and at the time of writing Mazars confirm they have not identified any significant weaknesses in arrangements. Work is ongoing and Mazars will provide commentary on the Council's VFM arrangements in their Annual Audit Letter to be presented to this group in June 2023.
- 4.3. The Audit Completion Report identifies an unadjusted misstatement as identified by Mazars during the audit. This relates to a cumulative £46m difference across the pension fund in the estimate asset values used by the Actuary to prepare the Council's IAS19 pension report. A new report has been obtained from the actuary and the variance for Rushcliffe is £0.471m or £0.8% of the net pension liability. Management have chosen not to amend the accounts on the grounds of this not being material (as defined by Mazars in the Audit Plan agreed by GSG in June 2022) which has been agreed with Mazars.
- 4.4. Section 6 (page 21) provides a summary of misstatements. There were a small number of minor disclosure amendments and 2 adjusted misstatements which also form the Internal Control Recommendations on page 19. Officers have noted these recommendations and will put controls in place.
- 4.5. The circumstances in which the audit is conducted continues to be challenging. The extension to the statutory deadline for signing off the Statement of Accounts remained at 30 November for the 2021/22 accounts. Unfortunately, this deadline was not met due to delays in the auditors gaining assurance from the Pension Fund Accounts (again for the third year) and a national issue with the assurances on infrastructure assets. This has subsequently resulted in a Prior Period Adjustment (PPA) requiring amendments to the asset category for some Infrastructure Assets in the 2020/21 balance sheet which has a knock-on effect on the 2021/22 balance sheet.
- 4.6. In addition, a further PPA was required in relation to the recognition of a deferred capital receipt in the 2020/21 accounts. It should be noted that the PPA is subjective and whilst the Council's Director of Finance and Corporate

Services does not agree with it being a PPA he is not prepared to risk the accounts being qualified. Irrespective of the above, no significant issues have arisen during the 2021/22 financial year.

- 4.7. Appendix B details the management representation letter. This letter confirms for the auditors that the Council is satisfied with the validity of the financial statements provided by the Authority to Mazars. If agreed, this letter will be signed at the conclusion of the meeting.

5. Risks and Uncertainties

- 5.1. There are no issues arising from this report.

6. Implications

6.1. Financial Implications

The fees for the audit of the Statement of Accounts are covered by existing budgets.

6.2. Legal Implications

There are no legal implications arising from the recommendations of this report.

6.3. Equalities Implications

There are no equalities implications connected to the recommendations of this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications connected to the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	The Council's financial statements and financial information impacts upon all Council Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the findings of Mazars Audit Completion Report (Appendix A)

- b) Approve the Management Representation Letter (Appendix B)
- c) Receive at a later date a follow up letter from Mazars in relation to the significant matters outstanding.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Statement of Accounts 2021/22
List of appendices:	Appendix A – Mazars Audit Completion Report 2021/22 Appendix B – The Management Representation Letter