

AGENDA ITEM:

**REPORT TO AUDIT &
GOVERNANCE COMMITTEE**

**REPORT OF DIRECTOR OF
FINANCE, DEVELOPMENT &
BUSINESS SERVICES**

25 JANUARY 2021

ANNUAL AUDIT LETTER 2019/2020

SUMMARY

To present to Members of the Committee, the Annual Audit Letter for 2019/2020.

REASONS FOR PRODUCING THIS REPORT

The external auditor, Mazars LLP, is required to present its findings following the completion of the annual audit of the Council's and Group accounts to the Council's Cabinet. The Annual Audit Letter will be presented to Cabinet on the 25th February 2021.

BACKGROUND

1. A formal stage in the annual audit process is the production of the "Annual Audit Letter". The Annual Audit Letter for 2019/2020 has now been received and is attached as an Appendix to this report.
2. The Annual Audit Letter summarises the auditor's findings from the 2019/2020 audit. In line with previous practice, a copy of the Annual Audit Letter will be sent to all Members of the Council. Mazars LLP are required to submit the Annual Audit Letter to Public Sector Audit Appointments Limited and it will appear on their website in due course.
3. Mazars LLP has issued an unqualified audit opinion on the Council's and Group financial statements for 2019/2020 and in their opinion they;
 - give a true and fair view of the Council and Group's financial position as at 31 March 2020 and of the Councils and Groups expenditure and income for the year then ended; and
 - have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.
4. Mazars LLP are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. Mazars LLP state that "In all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020".
5. The Code of Audit Practice requires Mazars to consider whether information published alongside the financial statements is consistent with those statements and their knowledge

and understanding of the Council. In their opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

6. The letter sets out a 'Forward Look' in which future financial and operational challenges, many of them national, are highlighted. It states that "The Council faces medium to long term uncertainty due to the impact of the COVID-19 pandemic, and how this will affect it in the longer term in terms of increased costs and lost revenue. In addition, the medium term position remains uncertain until a longer term spending review is announced, the outcome of the fair funding review is known, and the measures that will be taken in relation to the future operation of the business rates system take place. The Council is relatively well placed financially with reserves available in the short term, however reserves are temporary or transitional and are not a long term solution. Since the 2020 year end the Council has refreshed its medium term financial plan to respond to the COVID-19 pandemic, and we will consider this as part of our 2020/21 audit."
7. The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way Mazars LLP carry out their responsibilities as our auditors. On 1st April 2020 a new Code came in to force and will apply to their work from 2020/21 onwards. There are significant changes to the work on value for money arrangements, and the way Mazars report the outcomes of their work to the Council. From 2020/21 Mazars LLP are still required to satisfy themselves that the Council has made proper arrangements for securing the economy, efficiency and effectiveness in our use of resources, however unlike under the 2015 Audit Code, Mazars LLP will no longer report in the form of a conclusion on arrangements. Instead, where their work identifies significant weaknesses in arrangements, they are required to report those weaknesses to the Council, along with the actions that need to be taken to address those weaknesses.

Name of Contact Officer: Garry Cummings

Post Title: Director of Finance, Development and Business Services

Telephone No. 01642 527011

Email Address: garry.cummings@stockton.gov.uk