

AUTHORITY REPORT: STATEMENT OF ACCOUNTS AND AUDIT RESULTS REPORT 2021/22**1. Confidential Report**

1.1 No.

Executive Summary

Purpose of Report – The report seeks approval, in accordance with the Accounts and Audit Regulations 2015, of the 2021/22 Statement of Accounts and invites Members to consider the external auditor’s Audit Results Report.

Position - The Statement of Accounts presents the financial position of the Authority for 2021/22, which is unchanged from the position presented to the Authority meeting on 1 July 2022. Each year the Authority’s Members approve the Statement of Accounts and consider the external auditor’s Audit Results Report. The audit is substantially complete and no unadjusted audit differences are reported. It is expected that the external auditors, EY, will give an unqualified opinion and certificate on the Statement of Accounts and will conclude that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Recommendation – Members are recommended to approve the 2021/22 Statement of Accounts and approve the letter of representations on behalf of the Authority. Members are also recommended to receive the Audit Results Report for 2021/22.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 place a requirement on the Authority for the draft Statement of Accounts to be prepared and signed by the Finance Director by 31 May and for the audited Statement of Accounts to be approved by the Authority’s Members and published by 31 July. For the financial year 2021/22, The Accounts and Audit (Amendment) Regulations 2022 extended the deadline for approval and publication of the accounts to 30 November 2022.
- 2.2 Under International Standard on Auditing (ISA 260), the auditors are required to communicate to ‘those charged with governance’, being the Authority’s Members, any misstatements and omissions in the accounts (other than those that are clearly trivial) that have been adjusted and those that have been advised to officers but not adjusted for. The ISA 260 Audit Results Report, attached at Appendix A, summarises the main audit findings and recommendations arising from the 2021/22 audit. It also reports on work undertaken relating to value for money, internal controls and risk of fraud. Detailed commentary on value for money will be reported within the Auditor’s Annual Report.
- 2.3 The Authority is required to make certain representations to the auditors in connection with their audit of the Statement of Accounts. The letter of representations sets out the responsibilities for the preparation of the financial statements and the basis of the representations made.

3. Current Position: 2021/22 Accounts

- 3.1 The 2021/22 draft Statement of Accounts was completed and presented to the 1 July Authority meeting for information. Members were advised that the external audit of the accounts was provisionally expected to commence on 28 August for completion by the end of September.
- 3.2 The 2021/22 financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3 It is the responsibility of the 'responsible financial officer' to sign and date the Statement of Accounts, and to certify that it presents a true and fair view of the financial position of the Authority at the end of the financial year. Members are also required to formally approve the audited financial statements.
- 3.4 The draft Statement of Accounts and Annual Governance Statement have been signed off by the Director of Finance and the Managing Director / Chair of the Authority respectively. Members are therefore asked to approve the Statement of Accounts 2021/22 at today's meeting.
- 3.5 The financial position as outlined in the Statement of Accounts is unchanged from that reported in the Final Financial Outturn Position and Contract Monitoring Review for the year 2021/22 presented to the Authority meeting on 1 July 2022.
- 3.6 There are no unadjusted audit differences reported. A small number of minor amendments to disclosures have been made as a result of the audit.
- 3.7 It is expected that the external auditors, EY, will give an unqualified opinion and certificate on the Statement of Accounts and will conclude that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. The Statement of Accounts is attached at Appendix B.
- 3.8 Under the 2020 Code of Audit Practice, the external auditors are required to issue their Auditor's Annual Report (AAR) by 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. Following the extension of the timetable for auditors to report on their work on value for money arrangements in respect of 2021/22, the auditors were unable to issue their AAR by 30 September 2022. A letter to that effect has been published on the Authority's website <https://eastlondonwaste.gov.uk/wp-content/uploads/ELWA-Code-required-Audit-Letter.pdf>. EY have confirmed that they expect to issue the AAR within three months of issuing the opinion on the financial statements.

4. Audit Fees

- 4.1 The Public Sector Audit Appointments (PSAA) published scale fee for the audit work in respect of the Code of Practice is £14,068 (£14,068 for 2020/21) and the cost of this is met from the ELWA revenue budget. The level of the fee is dependent on the timeliness and quality of the documentation provided for audit, the audit opinions being unqualified and the Authority's control environment being effective.
- 4.2 EY have advised that that the current scale fee of £14,068 does not reflect the changes in the audit market and increases in regulation since the most recent PSAA

tender exercise. EY are currently proposing additional fees for 2021/22 totalling £48,980 reflecting their assessment of the underlying level of additional risk at the Authority and changes in the scope of work as a result of the Code of Audit Practice 2020. Further additional fees may be proposed once the audit is fully completed. All fee variations are required to be agreed by PSAA and the Authority. The final agreed fees for 2021/22 will be reported to the Authority in due course.

- 4.3 The final audit fee for 2019/20 was £32,670 and for 2020/21 £51,048. PSAA are currently consulting on the audit fee scale for 2022/23.

5. Auditors' Attendance

- 5.1 The Statement of Accounts has been subject to audit by the Authority's external auditors, EY. EY are expected to issue an unqualified audit opinion on the financial statements of the Authority and on its arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 5.2 It is a requirement that, following the audit, the external auditors will provide a report to the Authority – the ISA260 Audit Results Report - which reports significant findings from the audit prior to giving the audit opinion. The auditors will attend the Authority meeting to present their report and answer questions.

6. Letter of Representation

- 6.1 Each year a letter of representations is required to be provided to the auditors in respect of the audit of the accounts. The letter sets out the responsibilities for the preparation of the Authority's financial statements and the basis of the representations made.

7. Conclusion

- 7.1 The audit of ELWA's accounts is largely complete. There is expected to be an unqualified audit opinion.

8. Relevant officer:

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk

9. Appendices attached:

- 9.1 Appendix A: Draft Audit Results Report 2021/22
- 9.2 Appendix B: Statement of Accounts 2021/22
- 9.3 Appendix C: Letter of Representations

10. Background papers:

01/07/22 – Final Financial Outturn Position and Contract Monitoring Review for the year 2021/22

01/07/22 – Indicative External Audit Plan 2021/22

11. Legal considerations:

- 11.1 The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Authority as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Authority's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.
- 11.2 Following approval, the Authority must publish no later than 30 November 2022 the statement of accounts, the Annual Governance Statement as approved and a narrative statement by the Authority on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

12. Financial considerations:

- 12.1 The Statement of Accounts sets out the Authority's financial position as at 31 March 2022 and its income and expenditure for the year then ended.

13. Performance management considerations:

- 13.1 The Statement of Accounts demonstrates how the Authority has managed its financial performance during 2021/22.

14. Risk management considerations:

- 14.1 None.

15. Equalities considerations:

- 15.1 None.

16. Follow-up reports:

- 16.1 None.

17. Websites and links for further information:

- 17.1 www.eastlondonwaste.gov.uk

18. Reviewed by Management Board:

- 18.1 14 November 2022.

19. Confidentiality:

- 19.1 Not applicable.