

## **AUDIT & ACCOUNTS COMMITTEE**

**1 DECEMBER 2021**

### **EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT**

#### **1.0 Purpose of Report**

1.1 To present the External Auditors Annual Audit Completion Report, this is attached at Appendix 1.

#### **2.0 Background Information**

2.1 The external auditor issues an Annual Audit Completion Report (ACR) in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor's proposed opinion on the Statement of Accounts.

2.2 While the accounts have been substantially audited, final confirmation of an unqualified opinion cannot be concluded until all audited areas are finalised. The remaining elements of audit work are to support the valuation of the Council's PPE, testing the inputs and judgements made by the Council's valuation expert.

#### **3.0 Statement of Accounts**

3.1 The Council's Statement of Accounts for 2020/21 were considered at this Committee on the 29<sup>th</sup> September 2021.

3.2 Since that date, further audit work has been undertaken based on the outstanding work identified within the ACR presented to the Committee on that date. Further to this an additional section to the accounts has been added into *Note 4 – Assumptions made about the future and other major sources of estimation uncertainty*. The additional text refers to the Covid-19 pandemic and the impact of this on the valuation placed on retail and specific trading assets such as car parks. The valuations that were undertaken during the year that are in scope of the above definition represent £3.5m of the Council's overall £387.2m total of PPE. These assets are therefore reported as being subject to material valuation uncertainty. The impact of this, is that less certainty can be placed upon the valuation of these assets than would normally be the case. The additional text that has been included is:

*"The Covid-19 pandemic has impacted on global financial markets and market activity is being impacted in many sectors. Whilst property markets are mostly functioning again, retail and specific trading related assets/sectors such as Car Parks continue to be faced with an unprecedented set of circumstances caused by Covid-19.*

*Our valuer informs us in their valuation report that there is an absence of relevant/sufficient market evidence for the external valuers to base their judgement and that these are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and CPGA 10 for the RICS Valuation – Global Standards. The year-end valuations for these assets, which represent £3.5m of the Council's £387.2m total Plant, Property and Equipment balance, therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case".*

- 3.3 Further to this, the ACR makes reference to this and in relation to the audit opinion which is anticipated to include an Emphasis of Matter paragraph. The wording for this is included within Appendix B of the ACR. A similar paragraph was included within the audit opinion for the 2019/20 statement of accounts.
- 3.4 The report confirms that the external auditor anticipates issuing an unqualified opinion, without modification, of the 2020/21 Statement of Accounts.
- 3.5 The reports tabled at the committee on the 29<sup>th</sup> September 2021 approved the Annual Governance Statement and the Statement of Accounts and gave delegated authority to the S151 Officer and the Chairman to sign a revised set of accounts if required, and as such, no further recommendations are necessary from this report.
- 3.6 Once all the audited areas are finalised a supplementary letter and report will be presented to the next committee detailing any further amendments.

**4.0 RECOMMENDATIONS that:-**

- (a) **the Committee receives the updated External Auditors Annual Audit Completion Report for 2020/21;**
- (b) **the Committee notes the adjustments to the financial statements set out in the Audit Completion Report.**

Background Papers

Nil

For further information please contact Nick Wilson, Business Manager - Financial Services on extension 5317.

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