

AUDIT AND RISK COMMITTEE

23 March 2023

2021/22 DELAY OF AUDITED STATEMENT OF ACCOUNTS

Report of the Strategic Director for Resources

Strategic Aim:	A modern and effective Council	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Kirsty Nutton, Strategic Director for Resources (s.151 Officer)	01572 758159 knutton@rutland.gov.uk
	Andrew Merry, Head of Finance	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Committee:

1. Notes the progress update on the 2021/22 Audited Accounts

1 PURPOSE OF THE REPORT

- 1.1 This report updates the committee on the latest position on the statutory Statement of Accounts (SoA) 2021/22, and an explanation as to why the Council has been unable to meet Regulation 10(2) of The Accounts and Audit Regulations 2015 which states that an authority should publish their audited accounts by November 2022.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 There have been a number of issues affecting the 2021/22 SoA both in terms of the production of the accounts and subsequent issues identified by the auditors. Most of the issues that have delayed the accounts are national ie impacting on all Council's to some degree which has resulted in only 8% of authorities achieving the statutory deadline.
- 2.2 As previously reported to this Committee, the Council has incurred delays in relation to the valuations for fixed assets, provided by its external, qualified valuers. This issue has largely been resolved with only minor queries remaining from the auditor

(at the time of writing).

2.3 Two issues that have/are affecting most councils nationally are:

- Infrastructure Assets Valuations – the Department for Levelling Up, Housing and Communities (DLUHC) issued a Statutory Instrument to resolve this technical accounting issue in January 2023. The Council has applied the resulting accounting guidance to its accounts and submitted this to the external auditors.
- Pension Fund Liabilities - the delays to the audit process have meant that the actual results of the 2022 Pension valuation are now available prior to the 2021/22 accounts signed off. This creates an issue for auditors in that the actual results compared to the previously used estimated results for the fund valuation potentially show a materially different position to that set out in the 2022 Pension reports issued to the pension fund bodies. As a result, the external auditors are likely to seek evidence from employers as to the effect that the position reported in the 31 March 2022 IAS19 report is not 'materially misstated' given the results of the actuarial valuation as at 31 March 2022.

Initial estimates are that this could be between 5-10% different which for the Council would be between c£2m-c£4m, above the Council's materiality allowance advised by external audit. This issue is not yet resolved and its difficult to provide a definitive timeline on this due to third party bodies being involved also ie Leicestershire County Council Pension Fund.

3 NEXT STEPS

3.1 The Council is continuing to work with the external auditors to explore all options to address the outstanding issues.

3.2 The Pension Liability issue also involves the Pension Fund Actuaries (Hymans), the information required to resolve the issue is not easily available and will be a complex process to undertake as this has never been required before. There will also be a cost on providing the reports which are likely to be higher than the costs of providing the initial report c£1,000.

3.3 The Council awaits the auditor's guidance on how best to proceed with regards to the possible Pension adjustment, and they are waiting for advice from the National Audit Office and CIPFA.

3.4 Once this information is obtained, and working alongside external audit, a more definitive timeline and agreed actions will be created on when the accounts will be presented to this Committee.

4 IMPACT ON THE 2022/23 ACCOUNTS

4.1 There are knock on impacts of not having an audited set of accounts for 2021/22. The main issue is that the 2022/23 accounts cannot be signed off by the auditor until the 2021/22 audit is complete.

4.2 However, the Council has planned to produce a draft set of accounts for 2022/23 by the 31 May 2023, in line with the current the statutory deadline. Noting that the main risk is that any changes to the 2021/22 accounts will result in additional work to

restate the 2022/23 accounts.

5 CONSULTATION

5.1 Under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the public have been able to view and comment on the accounts from the 1 July 2022 until 11 August 2022. At the time of writing the report there had been no requests to view or comment on the accounts to the Council.

6 ALTERNATIVE OPTIONS

6.1 None, the report is to note.

7 FINANCIAL IMPLICATIONS

7.1 The only possible financial implication is that the audit fee will increase due to additional work required by the auditor.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

8.1 Other than the statutory required to publish the signed audited accounts by the 30 November 2022, there are no further legal considerations.

9 DATA PROTECTION IMPLICATIONS

9.1 A Data Protection Impact Assessments (DPIA) has not been completed for the following because there are risks/issues to the rights and freedoms of natural persons.

10 EQUALITY IMPACT ASSESSMENT

10.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

11 COMMUNITY SAFETY IMPLICATIONS

11.1 There are no community safety implications.

12 HEALTH AND WELLBEING IMPLICATIONS

12.1 There are no health and wellbeing implications.

13 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

13.1 This report updates the committee on the status of the 2021/22 accounts.

14 BACKGROUND PAPERS

14.1 There are no background papers to the report.

15 APPENDICES

15.1 There are no appendices to the report.

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