

## AUDIT AND RISK COMMITTEE

27 June 2023

### STATEMENT OF ACCOUNTS 2021/22 & 2022/23

#### Report of the Strategic Director for Resources

Strategic Aim:	A modern and effective Council	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Portfolio Holder for Resources	
Contact Officer(s):	Kirsty Nutton, Strategic Director for Resources (s.151 Officer)	01572 758159 KNutton@rutland.gov.uk
	Andrew Merry, Head of Finance (ds.151)	01572 758 152 AMerry@Rutland.gov.uk
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Committee:

- 1) Notes the process for the draft 2022/23 Statement of Accounts and external audit
- 2) Notes the progress update on the 2021/22 Audit Accounts
- 3) Notes the timescales for the Annual Governance Statement

#### 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 following the delays in finalising the external audit.
- 1.2 It confirms the position of the Councils draft Statement of Accounts for 2022/23 and the next steps required to take this from a draft document to finalising.
- 1.3 It outlines the process for the Annual Governance Statement which forms part of the Statement of Accounts documents once considered and approved by this Committee.

## **2 BACKGROUND**

- 2.1 The production of timely Statement of Accounts, which is free from material error, is a key test of the robustness of the financial processes and underpins the financial standing of an organisation. The Council has achieved this through the publication of the draft Statement of Accounts by the statutory deadline for both years 2021/22 and 2022/23 which this report considers.
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the practices in the Code of Practice (the Code) and are followed in the preparation of the Statement of Accounts each year.
- 2.3 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. For Rutland County Council (RCC) this is completed by this Audit & Risk Committee.
- 2.4 In recent years, in acknowledgement of the exceptional circumstances brought about by the pandemic and the subsequent change in workloads for Council officers as part of the government's national response, the statutory deadlines were amended and additional time for both officers and auditors provided. However, the original deadlines as set out in legislation have reverted for Council officers in relation to the 2022/23 Accounts.
- 2.5 As a result of the action outline above, the 2022/23 Accounts must be signed and certified by 31 May 2023 by the Council's Section 151 Officer / Chief Finance Officer (Strategic Director for Resources), in accordance with the Accounts and Audit Regulations 2015. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly the financial position of the Council as at 31 March of each financial year.
- 2.6 The Council is no longer required to formally share the draft Statement of Accounts 2022/23 in advance of the results of the external audit. However, the Council considers it best practice for members to be able to review and comment on the draft accounts. As such it was shared with the Chair of this Committee and all Council members prior to the formal external audit.
- 2.7 The draft accounts were published on the Council's website in accordance with the statutory deadline. This draft will be subject to external audit by Grant Thornton (GT). It is particularly noteworthy that RCC was one of only 94 Councils (43 Upper Tier, 51 Districts) that published by the statutory deadline. This represents a national completion rate of 30%.
- 2.8 Once the audit is concluded, the Council's Section 151 officer must recertify the accounts and the Committee is required to approve the Accounts by no later than 30 September following, and in the knowledge of, the audit findings.
- 2.9 The current plan for the 2022/23 external audit is for a small team from GT to complete elements of their planning work, with the aim to select samples by the end of June. The formal and full audit is then scheduled to commence the beginning of October, to be complete by the end of the 2023 calendar year.

### **3 LOCAL EXTERNAL AUDIT DELAYS 2021/22**

3.1 As previously reported to this Committee, 23 March 2023, the Council has experienced delays with the 2021/22 audit with two national issues extending the period of delay:

- Infrastructure asset valuations – the Council has applied the resulting accounting guidance to its accounts and submitted this to the external auditors
- Pension Fund Liabilities – due to the delays the estimates used to value the funds assets and liabilities (net liabilities) can be updated for the actual results experienced in the Fund. This task however is outside the direct control of Rutland County Council as the fund is administered by Leicestershire County Council and requires the expertise of Actuaries. The Council have received the approach to be taken by the external auditors and has requested the relevant information from the Funds Actuaries. Agreement of timescales from the actuaries for the receipt of this information is required.

3.2 The managers of RCC's external auditors are to attend this Committee and will be able to provide a verbal update and provide the Committee with further information and clarification where necessary.

### **4 NATIONAL EXTERNAL AUDIT DELAYS**

4.1 The Government's Public Accounts Committee have recognised the situation and in 2021 the Committee reported that the "system of local government audit in England was close to breaking point, reinforcing concerns about councils' ability to budget effectively. Subsequently, in October 2022, the Committee reported that the pandemic had exacerbated existing failures in the local audit market, with a minority of Local Government audits in England and Wales completed by the target dates in 2019-20 and 2020-21." The Committee has questioned senior officials at the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Business, Energy and Industrial Strategy (BEIS) and the Financial Reporting Council on the latest picture in local public audit, and progress implementing the findings of the 2019 Redmond Review.

4.2 In a similar vein the Committee for Levelling Up, Housing and Communities have an inquiry "Financial Reporting and Audit in Local Authorities is examining "a range of issues relating to the purpose, understanding and impact of financial reporting and audit in local authorities. It will scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority."

### **5 ANNUAL GOVERNANCE STATEMENT**

5.1 The production of the Annual Governance Statement (AGS) forms part of the closure of accounts process. It is not a financial exercise but represents a

corporate overview of the processes and procedures adopted by the Council to manage its affairs and meet the statutory requirements as set out in the Accounts and Audit Regulations 2015.

5.2 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

5.3 This report is in the process of being drafted for consideration at the next Committee meeting in September. This will be advance of the formal approval of the 2022/23 Statement of Accounts as outlined in 2.9. The AGS is signed by the Leader and the Chief Executive Officer following review by this Committee.

## **6 CONSULTATION**

6.1 Under the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015 the public are able to view and comment on the accounts between 1 June until 12 July 2023<sup>1</sup>.

## **7 ALTERNATIVE OPTIONS**

7.1 None this report is to note progress for 2021/22 external audit, and next steps for the draft 2022/23 Statement of Accounts.

## **8 FINANCIAL IMPLICATIONS**

8.1 There are no direct financial implications arising from this report, however due to the additional work being undertaken by the external auditors it is likely that a fee increase will be requested by the auditor. Any increase will be subject to consideration and agreement by Public Sector Audit Appointments (PSAA) who the Council has used as part of the national scheme that is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt in.

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<sup>1</sup> Link to the Pubic Notice for 2022/23 - [Statement of accounts | Rutland County Council](#)

## **9 LEGAL AND GOVERNANCE CONSIDERATIONS**

9.1 There are no legal implications arising from this report.

## **10 DATA PROTECTION IMPLICATIONS**

10.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no service, policy or organisational changes being proposed.

## **11 EQUALITY IMPACT ASSESSMENT**

11.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

## **12 COMMUNITY SAFETY IMPLICATIONS**

12.1 There are no community safety implications.

## **13 HEALTH AND WELLBEING IMPLICATIONS**

13.1 There are no health and wellbeing implications.

## **14 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

14.1 This report updates the Committee on the status of the 2021/22 and 2022/23 Statement of accounts.

## **15 BACKGROUND PAPERS**

15.1 The following are links to the relevant associated papers:

- [2021/22 Delay of the Audited Statement of Accounts, 23 March 2023, Item 7.](#)
- [Statement of Accounts, Rutland County Council website for previous years Statement of Accounts and draft documents relating to 2021/22 and 2022/23](#)
- ['Urgent consultation on temporary changes to the code to resolve infrastructure assets reporting issues', CIPFA website, 12 May 2022](#)
- [Timeliness of local auditor reporting, Public Accounts Committee, UK Parliament website](#)
- [Financial Reporting and Audit Local Authorities, Levelling Up, Housing and Communities Committee, UK Parliament website](#)

## **16 APPENDICES**

16.1 There are no appendices to this report, with links to the draft Statement of

Accounts, and Public Inspection Notice provided above.

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available upon request – Contact 01572 722577**