

Report of the Deputy Chief Executive

AUDIT OF ACCOUNTS 2021/22 UPDATE

1. Purpose of report

To note a delay in the conclusion of the audit of the Council's Statement of Accounts for 2021/22.

2. Recommendation

The Committee is asked to NOTE the latest position in respect of the audit of the Statement of Accounts 2021/22.

3. Detail

Further to earlier updates, the Council's appointed external auditors, Mazars, had almost concluded their work on the Statement of Accounts 2021/22 such that it was able to present its Audit Completion Report to this Committee on 13 March 2023. Members were pleased to note that Mazars anticipated issuing an unqualified audit opinion on the 2021/22 accounts.

As a result, Members duly resolved that the updated Statement of Accounts 2021/22 and letter of representation as circulated be approved; and delegation be given to the Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any further changes required to the Statement of Accounts 2021/22.

Whilst the audit was effectively concluded shortly afterwards, officers have since been frustrated by a further delay relating to an external issue outside of the Council's control. This involved the Local Government Pension Scheme and the basis of valuation included in the Council's accounts as covered by the International Accounting Standard (IAS 19) on 'Employee Benefits'. The extended duration of the audit means that the basis of valuation used in the accounts may need to be updated following the outcome of the 2022 triennial valuation exercise. If updated valuation data is obtained and included in the accounts, Mazars will need additional assurance over any updated information.

As such, the Mazars' technical team have put a pause on the signing of 2021/22 accounts until the issue is resolved. Further commentary has been provided by the auditors in the appendix.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications arising from this report.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation, the Accounts and Audit Regulations (2015) and the Accounts and Audit (Amendment) Regulations 2022, sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

There were no Unison comments in relation to this report.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

10. Background Papers

Nil.

APPENDIX

AUDIT OF ACCOUNTS 2021/22 – UPDATE FROM MAZARS**Local Government Pension Scheme and Valuation Basis**Accounting Issue

The Council's financial statements for the year ending 31 March 2022 includes a pension material liability based on an IAS 19 valuation report. A roll-forward methodology is applied where the actuary bases the IAS 19 valuation reports on data taken at the triennial valuation rolled-forward for changes in key data, asset values and actuarial assumptions. As such, the IAS 19 valuation reports for employers as at 31 March 2022 are based on membership data obtained for the 2019 triennial valuation, rolled-forward for significant movements.

Each Local Government Pension Fund undertakes a triennial valuation exercise and is under a statutory duty to publish the valuation report by 31 March 2023 in respect of the 2022 valuation. The 2022 triennial valuation is based on information as at 31 March 2022 with one of the key data inputs being membership data as at that date.

The Code of Practice on Local Authority Accounting (the 'Code') provision in respect of accounting estimates and events after the reporting period are in line with IAS 8 and IAS 10 respectively.

Because the 2022 triennial valuation is based on information as at 31 March 2022 that can have a material impact on the actuarial valuation as at the reporting date for all relevant local authorities, the actual data as at 31 March 2022 may be more accurate than rolling forward the 2019 valuation data. It is therefore an accounting issue for the Council to resolve.

Audit implications

Mazars need to understand if the estimate remains reasonable and materially correct:

- 1) Mazars must consider the accounting estimate in line with the requirements of ISA (UK) 540 Auditing Accounting Estimates and Related Disclosures which requires the auditor, amongst other things, to assess whether the method selected is appropriate in the context of the applicable financial reporting framework; the data used in making the estimate is appropriate in the context of the applicable financial reporting framework and is relevant and reliable; and when making an overall evaluation based on the procedures performed, the estimate are reasonable in the context of the applicable financial reporting framework.

If an updated IAS 19 report is obtained, Mazars will need additional assurance over any updated information.

- 2) In order to obtain assurance over the data used in the triennial review, employer auditors request work to be undertaken over its completeness and accuracy by the auditor of the Fund. This work is usually done in July following the publication of the triennial report. So for the 2022 report this work would be carried out in July 2023 in a normal year.

Current Position

Mazars' technical team have put a pause on the signing of 2021/22 accounts until the issue is resolved. A working group has been set up involving the National Audit Office (NAO), the Chartered Institute of Public, Finance and Accountancy (CIPFA) and all audit suppliers. The issue has also been taken to the Financial Reporting Council (FRC) too.