

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting:

Report of: **DIRECTOR FINANCE**

Title: **PUBLICATION OF THE 2022/23 STATEMENT OF ACCOUNTS**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To provide an update on the publication of the Council's 2022/23 Statement of Accounts and the audit status of the Statements of Accounts for 2020/21 and 2021/22.

2. Recommendations:

- 2.1 That the progress and barriers to publication of the Council's Statement of Accounts for 2022/23 and audit status of the Statement of Accounts for 2020/21 and 2021/22 be noted.

3. Reasons for the recommendation:

- 3.1 This committee is responsible for approving and adopting the Council's Statement of Accounts, income, expenditure and balance sheet or records of receipts and payments. This committee is also required to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

4. What are the resource implications including non financial resources

- 4.1 None

5. Section 151 Officer comments:

- 5.1 Because the 2021/22 accounts have not been signed off by the auditors, the results of the latest 2022 triennial valuation of the pension fund are available. The auditors have indicated that this new valuation could mean that there is now subsequent information that would mean our 2021/22 would have to be amended. The Authority commissioned a revised actuarial report which concluded that the Pension Fund liability at 31 March 2022 reduced by £24.065m. I have decided that I cannot ignore this revised report and I will use the revised actuarial report to adjust the 2021/22 Statement of Accounts and the opening balances for 2022/23. These changes have resulted in more work and delays to close the accounts. It is regrettable that the delayed audit opinion means that it has been necessary to make these changes, but it is my statutory responsibility to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority and its income and expenditure.

6. What are the legal aspects?

- 6.1 For the 2022/23 financial year, the Accounts and Audit Regulations 2015 require local authorities to publish unaudited financial statements by 31 May 2023, so that the accounts can be made available for public inspection for 30 working days from the first working day of June (i.e. 1 June to 12 July 2023).
- 6.2 For the reasons set out in the body of this report, the Council has not been able to complete all the necessary processes in order to meet this deadline and, as required by Regulation 15 (1a), a notice has been added to the Council's website to set out the position.

7. Monitoring Officer's comments:

Given that this report is a "progress update" report, the Monitoring Officer has no comment to make.

8. Report details:

8.1 Appointed Auditor

Having opted into the national procurement for auditors to local public bodies, Public Sector Audit Appointments Ltd (PSAA) appointed Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. The appointment is under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 2020/21 Audit

At the time of writing this report, the external auditors have yet to issue the formal certificate of completion of the Council's 2020/21 audit. However, the audit of the 2020/21 financial statements has concluded with an unqualified audit opinion.

8.3 2021/22 Audit

- 8.3.1 As previously reported to this committee, the audit of the Council's 2021/22 financial statements commenced later than planned, in the middle of October, due to Grant Thornton's commitment to a prior audit and delay in transitioning to Exeter's audit.
- 8.3.2 The timing of the start of the audit coincided with the finance team working hard to deal with a difficult budget setting process, which meant that it had to pause during January in order to allow officers time to finalise the 2023/24 budgets in time for Council approval in February.
- 8.3.3 The 2021/22 audit re-commenced in February and despite significant progress being made, it has been necessary to pause the audit again on 27 April, in order for Grant Thornton to divert resources to their NHS audits and for the finance team to focus on closing the 2022/23 accounts. The audit opinion therefore remains outstanding. It also meant that work could not commence on closing the 2022/23 accounts as planned in February, March and April due to supporting the delayed 2021/22 audit up to as late as 27 April.

8.4 Delay in publication of the 2022/23 Statement of Accounts

Statutory deadline

- 8.4.1 The deadline for when accounts must be made available for public inspection was 31 July for 2020/21 and 2021/22 to reflect the extraordinary pressures affecting the local audit market, including the lasting impact relating to the Covid-19 pandemic. The deadline for 2022/23 moved back to 31 May, a full two months earlier.
- 8.4.2 In February, the Department for Levelling Up, Housing and Communities (DLUCH) consulted on whether the 31 May deadline should remain in place for making accounts available for public inspection. In addition to our own response, responses on our behalf by the Local Government Association and Association of Local Authority Treasurers and others stated that the 31 May deadline is not realistic in the current environment and the national state of ongoing audit delays.
- 8.4.3 Despite the response to their consultation, DLUCH pressed ahead with re-introducing the 31 May date for publication of 2022/23 accounts.
- 8.4.4 On 24 May 2023, the Chartered Institute of Public Finance and Accountancy (CIPFA) CEO, Rob Whiteman reported that 'Some senior leaders in local government have told us the 31 May deadline will not be achievable without considerable risk to their organisations and their professional standing'.
- 8.4.5 The national position in respect of the timeliness of local government accounts is a matter of concern. On the 25 January 2023, the National Audit Office (NAO) again reported on the timeliness of local auditor reporting and found that since 2017-18 there has been a significant decline in the number of local government body accounts including audit opinion published by the deadlines set by government. The NAO first reported this in 2021, when 45% of accounts for 2019-20 were published by the deadlines, down from 97% in 2015-16. The NAO's latest, January update, reports that local auditors gave opinions on only 12% of local government bodies' 2021-22 financial statements by the statutory deadline of 30 November 2022.
- 8.4.5 As with many local authority finance teams, we are facing the challenge of producing accounts against the backdrop of significant and continuing audit delays.

Triennial Valuation of the Pension Fund

- 8.5.1 In addition to the pressures already described, a particular issue has arisen in respect of the pension fund, which has significantly delayed production of the 2022/23 Statement of Accounts.
- 8.5.2 Local Government Pension funds are valued every three years (triennial valuation) to estimate future liabilities (payments to pensioners), asset values and other factors to arrive at the level of employer contributions required for the following three years.
- 8.5.3 The 2021/22 statement of accounts were published in July 2022 and reflected the latest triennial valuation (March 2019) and updated by the actuary for conditions at March 2022.
- 8.5.4 The delay in finalising the audit of 2021/22 for many local authorities means that information from the March 2022 triennial valuation of the pension fund has become

available and that some auditors are requesting that the accounts are re-done using the more up-to-date information.

8.5.5 On 30 May, the National Audit Office (NAO) issued supplementary guidance to auditors and CIPFA issued supplementary guidance to accounts preparers. The shared view of both bodies was that there is no need for the accounts to be re-stated using the triennial valuations, unless the original valuation in the accounts contained material omissions such as not taking account of an existing large-scale restructuring redundancy programme.

8.5.6 Contrary to the view of the NAO and CIPFA, Grant Thornton's view is that new information is now available which needs to be considered before giving an opinion and are unable to follow the NAO guidance, as Grant Thornton believe it would be contrary to International Standards on Auditing (UK).

8.5.7 Because Exeter's audit has not been signed off by the auditors, we have had to instruct a revised actuarial report for 2021/22 and 2022/23, at additional cost, and will now need time to work through revising our accounts for both financial years.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The Statement of Accounts set out the financial position at the end of the 2022/23 and the transactions of the Council during 2022/23, both of which help underpin delivery of the Corporate Plan.

10. What risks are there and how can they be reduced?

10.1 Risk of audits for 2021/22 and 2022/23 not being concluded if we do not revise both sets of accounts in respect of the latest triennial valuations. Despite, NAO and CIPFA guidance, the Council are planning to re-state the accounts in order to mitigate this risk.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant

women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 Not applicable

Director Finance

Author: Deputy Chief Finance Officer

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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