

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Audited Statement of Accounts 2021/22

**Is this a Key Decision and has it been included on the Forward Plan?**

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

Under the Accounts and Audit Regulations 2015, local authorities were required to publish their unaudited accounts no later than 31 July 2022, for the financial year 2021/22, accompanied by a Narrative Report and draft Annual Governance Statement. The original deadline for the final publication of the Council's audited accounts was 30th September 2022 but the regulations have been revised to extend this to 30th November 2022.

The Council presented draft accounts to Audit Committee on the 28<sup>th</sup> July 2022 and published those accounts before the 31<sup>st</sup> July 2022 as per the deadline. Then presented the final unaudited accounts to Audit Committee on the 27<sup>th</sup> September 2022, in light of the delayed audit, the Council has therefore not missed the original or new deadlines. The audit of the Council's accounts is now nearing completion and Grant Thornton will present to Audit Committee their ISA 260 report along with any recommendations from the audit. At the point of this report production, Grant Thornton's ISA260 had not been shared with the Council but it is expected the ISA260 will be circulated prior to the meeting.

At this point Grant Thornton are not able to provide an unqualified opinion on the Statement of Accounts, however, they are not indicating any significant issues outside of the national issue with Infrastructure assets. This is due to a national issue with Local Authority approaches and accounting treatment for infrastructure assets. The issue was raised as part of other Local Authority 2020/21 accounts reviews and has since been progressed by CIPFA. Ultimately, in order to prevent significant qualified

audit opinions being issued across the board on Local Authority accounts, Government are consulting on a Statutory Override, that is due to be confirmed in December 2022. This override will allow LA's using the override to not make any prior period adjustments, or revisit opening balances until a workable future proof solution is in place.

At this point Grant Thornton are not able to confirm an unqualified opinion in respect of the Council's value for money arrangements.

## **Recommendations**

1. That Audit Committee, having taken due regard of the external audit findings, detailed within the ISA 260 report, formally approve the 2021/22 Statement of Accounts attached as Appendix 2 for publication as final and the 2021/22 Narrative Report attached as Appendix 3 for publication as final.
2. That Audit Committee note that the Council's Statement of Accounts will need to come back to Audit Committee following the outcome of the infrastructure statutory override, at which point Grant Thornton will be able to provide their opinion on the Council's accounts.

## **List of Appendices Included**

Appendix 1 – ISA 260 (to be circulated prior to meeting)

Appendix 2 – 2021/22 Audited Statement of Accounts (to be circulated prior to meeting)

Appendix 3 – 2021/22 Narrative Report

## **Background Papers**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 Accounts and Audit Regulations 2015

Audit Committee meeting – 27 September 2022

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

## **Council Approval Required**

No

## **Exempt from the Press and Public**

No

## **Closure of the Accounts 2021/22**

### **1. Background**

- 1.1 Under the Accounts and Audit Regulations 2015, local authorities were required to publish their unaudited accounts no later than 31 July 2022, for the financial year 2021/22, accompanied by a Narrative Report and draft Annual Governance Statement. The original deadline for the final publication of the Council's audited accounts was 30th September 2022 but the regulations have been revised to extend this to 30th November 2022
- 1.2 The Council presented draft accounts to Audit Committee on the 28th July 2022 and published those accounts before the 31st July 2022 as per the deadline. The Council then presented final unaudited accounts to Audit Committee on the 27th September 2022, in light of the delayed audit. The audit of the Council's accounts is now nearing completion and Grant Thornton will present to Audit Committee their ISA 260 report along with any recommendations from the audit. At the point of this report production, Grant Thornton's ISA260 had not been shared with the Council and it is expected the ISA260 will be circulated prior to the meeting.

### **2. Key Issues**

- 2.1 As Grant Thornton's audit report was not available at the time of writing this report, the Council isn't able to specify the main recommendations from the report or respond to any required changes to the Council's Statement of Accounts that may be requested by Grant Thornton. In addition, the Council isn't able to provide any indication of the external audit opinion with regards to the Statement of Accounts. However, through the work with Grant Thornton the Council is aware of the following issues that have been identified and changed in the Council's accounts.
- 2.2 Accounting for infrastructure assets in local government has not historically been considered to be an area of significant audit risk. However, due to significant historical information deficits, many authorities are unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation. This has led to delays to audit completion for many authorities, and the risk of widespread accounts qualifications.
- 2.3 The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.
- 2.4 Government is proposing to put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure

assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances.

- 2.5 A long-term solution is required, but due to the complexity of the issue this will necessarily take time. The proposed override applies to all local authority accounts for which an audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25.
- 2.6 A material adjustment has been identified by the auditors in relation to the carrying value of plant, vehicles and equipment (PVE) assets held by the Council. Several items have been identified which are still on the Council's balance sheet but have been disposed of in prior years, these are largely lower value assets that have been fully depreciated so hold a net book value of £0 but have a gross book value remaining on the asset register that needs to be cleared. The total value of this adjustment is £17.758m. This change does not impact the Councils budget position or outturn position for 2021/22.
- 2.7 Four assets were identified as requiring a change in category, these were:
  - i. Land at Stockwell Avenue (£2.1m) has been transferred from Investment Property to Assets Held for Sale
  - ii. Former Herringthorpe Leisure centre (£1.93m) has been transferred from Investment Property to Surplus Asset
  - iii. Land at Ivanhoe Road (£610k) has been transferred from Investment Property to Surplus Asset
  - iv. Land at former Oaks Day Centre (£802k) has been reclassified as an Asset Held for Sale
- 2.8 There is currently a deficit balance on the Dedicated Schools Grant, which in accordance with Government policy, can be carried forward for the deficit to be addressed in future years. CIPFA issued guidance "CIPFA BULLETIN 09 - Closure of the 2020/21 Financial Statements" which stipulates that the DSG reserve should be transferred to an unusable reserve. The balance of this reserve was transferred to an unusable reserve during 2021/22. However, this change should have been reflected in the prior year (2020/21). The Statement of Accounts have been amended to show the reserve transfer in 2020/21. This change does not impact the Councils budget position or outturn position for 2021/22.
- 2.9 Impairment Oaks Day Centre building (£794k), this asset was identified as having been demolished and as such should have been impaired. Following identification this asset has now been impaired with the necessary accounting treatment updated within the accounts. This change does not impact the Councils budget position or financial monitoring outturn position for 2021/22.

- 2.10 There have been several amendments to the Financial Instruments note. These largely relate to the fair value calculation for non-PWLB loans and the Council's PFI contracts. Amendments to show revised estimates have been agreed with the Auditor. This change relates to the disclosure note only and does not impact the Council's budget position or outturn position for 2021/22.
- 2.11 The Council has fully engaged with the external audit and endeavoured to respond to issues as quickly and efficiently as possible. Though it should be noted that an audit taking place during September to November is far from ideal and at times this has impacted the Council's ability to respond as efficiently as would be preferred.

### **3. Options considered and recommended proposal**

- 3.1 There is no discretion on whether to comply with the Code of Practice on Local Authority Accounting or the Accounts and Audit Regulations 2015. The purpose of the recommendations is for Audit Committee to meet its responsibilities in relation to the closure of the accounts.

### **4. Consultation on proposal**

- 4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

### **5. Timetable and Accountability for Implementing this Decision**

- 5.1 The statutory deadline for publishing the audited financial statements was 30<sup>th</sup> September 2021. Grant Thornton were not able to conclude their audit by this point.

### **6. Financial and Procurement Advice and Implications**

- 6.1 There are no financial or procurement implications directly associated with this report, other than continuing to produce good quality financial statements and supporting working papers which meet Grant Thornton's expectations and will help to minimise the audit fee.

### **7. Legal Advice and Implications**

- 7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

### **8. Human Resources Advice and Implications**

- 8.1 There are no Human Resource implications arising from the report.

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

## **10. Equalities and Human Rights Advice and Implications**

10.1 There are no implications arising from this report to Equalities and Human Rights.

## **11. Implications for CO2 Emissions and Climate Change**

11.1 No direct implications.

## **12. Implications for Partners**

12.1 There are no other implications arising from this report to Partners.

## **13. Risks and Mitigation**

13.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

## **14. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

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