

**Committee Name and Date of Committee Meeting**

Audit Committee – 07 June 2023

**Report Title**

Publication of unaudited Statement of Accounts 2022/23

**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)**

Rob Mahon (Assistant Director, Financial Services), Owen Campbell (Head of Corporate Finance)

Finance & Customer Services Directorate

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

The Council's annual accounts are the principal means by which the Council is held publicly accountable to local and national stakeholders over the stewardship of its resources.

The report to Audit Committee in March 2023 highlighted the approach to be taken by the Council in ensuring that the draft unaudited Statement of Accounts would be published in accordance with the Accounts and Audit Regulations 2015.

The draft unaudited Statement of Accounts 2022/23 were published on the Council's website by the deadline of 31 May 2022. The intention was for the final audited accounts to be presented to Audit Committee at the end of September 2023 in line with the statutory deadline, however, Grant Thornton updated March Audit Committee that it was likely to be November for the completion of the audit of the account. A report on the Grant Thornton audit plan is on this meeting agenda.

## **Recommendations**

1. The Audit Committee is asked to receive the draft unaudited Statement of Accounts 2022/23.

## **List of Appendices Included**

Appendix 1 Narrative Report 2022/23

Appendix 2 Highlights Report setting out key matters reported in the 2022/23 accounts

Appendix 3 Unaudited Statement of Accounts 2022/23 (to be circulated after publication on 31<sup>st</sup> May 2023).

Appendix 4 Informing the Audit Risk assessment 2022/23

## **Background Papers**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23  
Accounts and Audit Regulations 2015

Audit Committee meeting – 14 March 2023

## **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 2022/23**

### **1. Background**

- 1.1 The Code of Practice on Local Authority Accounting 2022/23 together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.
- 1.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 31 May accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.
- 1.3 A timetable for the production of the Council's accounts was presented to Audit Committee in March 2023, indicating the Council's draft accounts would be published on 31 May 2023. The draft unaudited Statement of Accounts 2022/23 was published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 31 May 2023, in line with these timelines. The period for local electors to exercise their rights will commence on 1st June 2023 and cease on 12<sup>th</sup> July 2023.
- 1.4 Where appropriate, Grant Thornton will set out any material adjustments made to the accounts and any uncorrected differences of a non-trivial nature. Grant Thornton have indicated in their audit plan that the accounts materiality for planning purposes is £9.41m (£8.88m in 2021/22). Individual transactional level materiality will be set at £470k (£444k for 2021/22). Grant Thornton will revisit these materiality figures once 2022/23 draft accounts are published.
- 1.5 Audit Committee will be asked to formally approve the audited Statement of Accounts for publication having regard to Grant Thornton's findings and opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is now 30 September 2023.

### **2. Key Issues**

- 2.1 The Council's draft unaudited Statement of Accounts 2022/23 to be published on the Council's website are attached as Appendix 3. The accompanying Narrative Report is attached as Appendix 1. Appendix 4 shows the Council's response to enquiries from Grant Thornton about issues that inform their audit risk assessment. The areas covered include fraud, laws and regulations and accounting estimates.

- 2.2 The accounts have been produced in accordance with The CIPFA code of practice, there have been no new International Financial Reporting Standards (IFRS) to consider and include. The new standard for lease accounting, IFRS 16 was originally due to be implemented in 2021/22 but after consultation this has been delayed until 1<sup>st</sup> April 2024.

### **Pension Fund Estimates**

- 2.3 Although the Pension Fund is subject to regular triennial actuarial valuations, which are used to determine contribution rates for the 3 years covered by the triennial valuation, when preparing annual accounts, the Pension Fund and actuaries are required undertake a separate annual valuation of the Pension fund in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. This provides an indication of the liabilities and assets within the pensions fund for the past financial year.
- 2.4 The latest triennial valuation was as at March 2022, which was undertaken by the actuary Hyman Robinson LLP. This calculated the Council's assets and liabilities in detail, using individual membership data and actual cashflow data for the Council's share of the Fund. This formal valuation showed an improvement in the fund's position with the Council's share of the Fund deficit on the scheme reducing from £133 million at the previous actuarial valuation in 2019 to virtually fully funded.
- 2.5 The position as at the March 2022 Triennial Valuation was rolled forward for the IAS 19 annual exercise. The 2022/23 IAS 19 actuarial exercise identified a surplus on Rotherham's share Fund of £94.5m. That is, the actuaries assessed that the present value of the defined benefit obligations within the Fund were less than the fair value of plan assets held by the Fund. This compares with a deficit of £376m in the IAS 19 exercise for the 2021/22 accounts (which was based on the 2019 Triennial valuation).
- 2.6 The IAS 19 valuation is not used to determine either refunds of past contributions or the level of future contributions to the Fund (following the 2022 valuation although the fund is in surplus the Council's employers' contributions have been increased from 17.2% to 17.3% for the three financial years covered by the valuation) and, in accordance with the guidance within IAS19 on the application of an asset ceiling the surplus identified in the IAS19 exercise has been reduced to nil in the Council's Balance sheet.

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

- 3.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Regulations state that the Council's "responsible financial officer" is required to sign-off the draft unaudited Statement of Accounts by the

statutory date and confirm that they are satisfied it presents a true and fair view of the Council's financial position for the financial year.

#### **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 accounts being prepared.

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

- 5.1 The statutory deadline for publishing the draft unaudited Statement of Accounts for 2022/23 by 31 May will be met. The statutory deadline for publishing the audited financial statements for 2022/23 is 30 September 2023.

#### **Financial and Procurement Advice and Implications**

- 5.2 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

#### **6. Legal Advice and Implications**

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

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

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

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

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

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

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

#### **10. Implications for Partners**

- 10.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners or other directorates.

#### **11. Risks and Mitigation**

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

**12. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Assistant Director of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.
Assistant Director of Human Resources (if appropriate)	Lee Mann	Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

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