

Committee Name and Date of Committee Meeting

Audit Committee – 09 January 2024

Report Title

Closure of the Accounts 2023/24

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)

Ian Bagshaw (Finance Manager – Financial Accounting)

Finance & Customer Services Directorate

01709 249938 ian.bagshaw@rotherham.gov.uk

Ward(s) Affected

Borough-Wide or Choose an item.

Choose an item.

Report Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the main changes to the local authority accounting framework in 2023/24, including their effect on the Council's accounting policies, and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

The report also reminds Members that the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts. This approval is covered in more detail elsewhere on the agenda and is the end of September for the current year.

Recommendations

1. Audit Committee is asked to note the key accounting issues and main changes to the accounts in 2023/24 listed in Appendix A;
2. Audit Committee is asked to note the Councils revised Accounting Policies attached at Appendix B.

List of Appendices Included

Appendix A Key accounting issues and changes to the accounts in 2023/24
Appendix B RMBC Accounting Policies

Background Papers

CIPFA Code of Practice on Local Authority Accounting 2023/24
Accounts and Audit Regulations 2015
The Accounts and Audit (Amendment) Regulations 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 2023/24

1. Background

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 The introduction of the faster closedown requirements from 2017/18 presented challenges and as part of meeting the challenges CIPFA encourage local authorities to focus on material items only in their financial reporting. Materiality for financial reporting purposes is fundamental. It determines the amount by which items or disclosures within the financial statements would need to be misstated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or misstatement would not influence such decisions or understanding. The Council's materiality level for 2023/24 hasn't yet been confirmed by Grant Thornton but for information the overall materiality for the 2022/23 accounts was £9.409 million, with differences of less than £470,000 being considered trivial.

2. Key Issues

Timetable

- 2.1 Although the historic decision to bring forward the timetable for publishing Local Authorities financial statements was a major challenge the Council successfully met the 2017/18 and 2018/19 timeframes in closing its accounts. However, members will be aware that due to the unprecedented circumstances due to COVID 19 the closure of accounts deadlines were extended in 2019/20, 2020/21 and 2021/22.
- 2.2 The Accounts and Audit (amendment) Regulations 2022 came into force on 22nd July 22 and extended the deadline for the publication of final audited accounts to 30th November for 2021/22 accounts and then 30th September for 2022/23 accounts and the following 5 years. The deadline for publishing unaudited accounts reverted back to the 31st May for the 2022/23 accounts. The Council met this deadline but due to capacity issues in the audit industry fully audited accounts were not signed off and published until December 2023. The Council

is confident that the closure deadlines can be met for 2023/24 accounts. Meeting the 30th September deadline for final audited accounts will depend on the available capacity of the Council's auditors.

Accounts and Audit Regulations 2015 – Local elector rights

- 2.3 The Local Audit and Accountability Act 2014 confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gives them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they think an item of account may be unlawful.
- 2.4 Under the Accounts and Audit Regulations 2015, local electors can only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts have been published.
- 2.5 As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published.
- 2.6 A further consideration is that in order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) will need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report is therefore being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

Local Authority Accounting Framework

- 2.7 The implementation of IFRS 16 within Local Authorities has now been confirmed as taking place in 2024/25. This disclosure will see the removal of operational leases, with lessees expected to recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. Although implementation of the standard will take place in 2024/25 there will be the need for an assessment of the impact of the new standard as part of the 2023/24 accounting process.
- 2.8 Major changes to service delivery that have taken place in 2023/24 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies.
- 2.9 The Council's Statement of Accounting Policies is attached as Appendix B. These policies are reviewed and updated where necessary.

2.10 There is a national issue with Local Authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on the Council's accounts. This override is in force until 31st March 2025. The council will utilise the override again for the 2023/24 accounts. The Council is working to assess the processes that need to be put in place to ensure the treatment of infrastructure assets is compliant when the statutory override expires.

3. Options considered and recommended proposal

3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2023/24 and to note the actions being taken by officers to ensure that they are being implemented.

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 Accounts and Audit (amendment) Regulations 2022 came into force on 22nd July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years. The deadline for the Council to produced and publish draft accounts reverted back to the 31st May for the 2022/23 and subsequent accounts as per the Accounts and Audit Regulations 2015.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

6.1 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.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

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 Partners

11.1 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.

12. Risks and Mitigation

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

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)