

Publication of Statement of Accounts 2022/23

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendations

That Members note the update on the publication of the 2022/23 accounts and the audit status of the Statements of Accounts for 2020/21 and 2021/22.

2) Summary

At the time of writing this report, the external auditors have yet to issue audit opinions on the Authority's Statements of Accounts for 2020/21 and 2021/22. At the last Audit Committee (28 February 2023) there were no issues raised by the auditors that suggested that audit opinions could not be issued.

On 5 April external audit raised with officers, a national issue regarding the results of the triennial valuation of the Pension Fund (31 March 2022) – that may require adjustment of the 2021/22 accounts – but would certainly delay any 2021/22 audit opinions nationally before auditors could determine their response.

The Accounts and Audit Regulations 2015, Regulation 15, requires an effective date of completion of upper tier local authority unaudited accounts by 31st May, so that such accounts can be made available for public inspection for 30 working days from the first working day of June (i.e. 1st June to 12th July)

As a response to the disruption caused by the COVID-19 pandemic, government extended the date by which local authorities should publish their draft accounts from 31st May to 31st July. 2022/23 is therefore the first year since the pandemic that the regulation date has been brought forward to 31st May, two months earlier than the past two years.

Devon County Council has not been able to complete all necessary processes in order to meet this earlier deadline and is instead, targeting completion of the draft Statement of Accounts by the end of June, one month later than the Regulations specify.

Consequently, as required by Regulation 15(1a), a notice has been added to the Authority's website setting out this position.

3) Closure of Accounts

Days before the end of the financial year the Department for Levelling Up, Housing and Communities (DLUHC) consulted on whether the 31 May deadline should remain for making accounts available for public inspection. Responses on our behalf by the Local Government Association, Society of County Treasurers, along with the 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.

Despite this response to their consultation, DLUHC has pressed ahead with re-introducing the 31 May date for the publication of 2022/23 accounts.

At the time of writing, it is becoming apparent through publicly available reports and industry sources that most Authorities have not been able to meet the regulation date of 31 May for 2022/23 accounts. As at 1 June, according to research by a local government expert only 30% of upper and lower tier authorities had published their accounts by 31 May.

The national position in respect of the timeliness of local government accounts is a matter of concern. A National Audit Office report on the Timeliness of local auditor reporting² dated 25 January 2023, stated that only 12 per cent of local authority audited accounts for 2021/22 were signed off by the extended November deadline, and at the end of 2022 over 600 audit opinions were outstanding, some of which being so for several years.

On 24 May, Rob Whiteman, Chief Executive of CIPFA, was reported¹ to state that “senior leaders in local government finance have told us [CIPFA] the 31 May deadline will not be achievable without considerable risk to their organisations and their professional standing”.

I am not prepared to take such risks with regards to the veracity of our financial statements. This is a view which is widely shared amongst my peers.

Furthermore, county councils, such as Devon County Council, are reliant on lower tier authorities to complete their accounting for council tax, business rates income, and specifically, pooling gain, before this Authority's accounts can be produced. Given the strain on local government accounting as described above, it has not been any surprise that any delays will impact on this Authority's closedown timetable.

4) Triennial Valuation of the Pension Fund and Delayed Audit Opinion

One particular issue has caused problems for the production of the 2022/23 Statement of Accounts is the issue that external audit brought to our attention early April – the delayed audit and timing of the triennial valuation of the Pension Fund.

Local Government Pension Funds are valued every three years to estimate future liabilities (payments to pensioners), asset values and other statistics to arrive at a funding level. The triennial valuation determines future employer contributions for the following three years.

The 2021/22 statement of accounts was produced in the summer of 2022 based on the latest triennial valuation (March 2019) and updated by the actuary for conditions at March 2022.

Local Government Pension Funds, including Devon were subject to the triennial valuation (March 2022). Because of the complicated nature and involved work, the actuaries do not release preliminary results until late autumn (i.e. November/December).

Before COVID, audit opinions would have been issued by end of September (end of July for 2018 and 2019) and the accounts closed before the results of the triennial review were available.

However, because the 2021/22 accounts have not been signed off by the auditors, the results of the triennial review 2022 are available. The auditors have indicated that this new valuation could mean that there is now subsequent information that would mean that our 2021/22 accounts would have to be amended. However, the external auditors said that they were not in a position to determine whether or not the Authority should adjust.

Although I would have liked to have waited for the auditors to deliberate and come to a conclusion whether our accounts needed to be amended I also have a responsibility to produce the Statement of Accounts for 2022/23. In April the Authority commissioned a revised actuarial report which concluded that the revised net liability on the Pension Fund at 31 March 2022 has reduced by £271 million (updated estimates for the same date).

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. I regret the complications that have been caused by the delayed audit opinions (affecting so many local authorities) but I cannot ignore the potential impact on the Authority's financial statements and 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.

5) Conclusion

As at 1 June, all information from Districts has been received allowing a final Outturn report to be ready for Cabinet at its meeting on 14 June.

It is expected that, in spite of the technical accounting challenges outlined in this report the Authority expects to publish its Statement of Accounts 2022/23 by the end of June (which would be almost a month earlier than last year).

Finally, I would like to put on record my thanks and appreciation to the Finance team who have done an incredible job servicing two audits simultaneously and also closing a third set of accounts.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972

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<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

¹ [Finance chiefs fear 'considerable risk' to their councils and reputation in face of reporting deadline | Public Finance](#)

² [Progress update: Timeliness of local auditor reporting on local government in England - National Audit Office \(NAO\) report](#)