

AUDIT AND GOVERNANCE COMMITTEE

23 SEPTEMBER 2022

STATUTORY ACCOUNTS AND PENSION FUND 2021/22 – EXTERNAL AUDIT UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the update on Infrastructure Assets, and the impact on the 2021/22 Audit and Accounts timetable be noted.**

Background

2. In July 2022, the Committee noted the 2021/22 draft Final Accounts pack, and were advised on the timetable for the publication of the audited accounts.
3. The Committee also noted the key issue affecting all local authorities regarding the accounting treatment and disclosure of infrastructure assets within the Financial Statements. The net book value of infrastructure assets in Worcestershire is £418.7m as at 31 March 2022, per the draft financial statements.
4. In addition, the Committee noted the CIPFA consultation on implementing temporary proposals relating to infrastructure assets, and that the Council would continue to work with external auditors on this technical issue and consider developments and formal guidance as it is issued.

Update on Infrastructure Assets

5. The CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) has recently approved an update to the Accounting Code that will remove the requirement to report gross cost and accumulated depreciation. The Code Update is still subject to formal consideration by the Government's Financial Reporting Advisory Board, but it is anticipated that the update to the Code will be available during mid to late September. This should remove the auditors' concerns about reporting of gross book values and accumulated depreciation.
6. CIPFA has confirmed that it is now working with the Government and devolved administrations on a time limited statutory prescription (override) related to component derecognition. Whilst the Government's decision on this is still awaited, it is hoped that this will address auditors' concerns about the efficacy of net book values for infrastructure assets.
7. The remaining issue would then be the requirement to demonstrate the effectiveness of depreciation policies for infrastructure assets.

8. If approved by the Financial Reporting Advisory Board, the statutory override will allow auditors (notwithstanding any other issues that arise from audit) to sign off accounts without qualifications. However, the anticipated update to the Code is still some weeks away.

9. An additional Audit and Governance Committee has been scheduled for 4 November to receive the External Audit Findings Report. This allows for publication of the audited statements by the 30 November statutory deadline as shown in Table 1 below.

Table 1: Accounts Process (revised)

Area	Council Plan (original)	Council Plan (revised)	Statutory Deadline
Publication of Draft Accounts	4 July 2022	4 July 2022	31 July 2022
Public Inspection Period	4 July to 12 August 2022	4 July to 12 August 2022	Commence on or before 1 August 2022
Publication of Audited Accounts	23 September 2022	4 November 2022	30 November 2022

External Audit Progress

10. Representatives of Grant Thornton, the Council's external auditor will be attending the meeting to give a verbal update.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.