

Blaby District Council Audit Progress Update

Overview

This brief paper seeks to update members of the Audit Committee on the progress of the audit of the 2020/21 Statement of Accounts.

2020/21 Financial Statements audit

As part of our reporting to the Committee in October 2022, our Audit Results Report explained that the audit was still ongoing and listed the key outstanding areas to complete. Since then, we have had additional resources and continue to work to close out certain areas of the audit..

We have been working to close the audit subject to some areas that have created challenges as set out below:

1. The triennial valuation of the IAS 19 position as at 31 March 2022 has been issued by the Actuary. We are required to consider any available information regarding significant estimates that becomes available subsequent to the year end. The IAS 19 disclosures are a significant estimate within your financial statements and are based on a roll-forward position from the prior triennial valuation as at 31 March 2019. As such, we need to consider whether there is any indication of a misstatement as a result of the triennial valuation for FY 20-21. Officers have obtained an updated IAS 19 report as at 31 March 2022, there is a material movement in net liability as per the updated report. We have compared the original IAS 19 report as at 31 March 2022 with revised IAS 19 report and identified the potential areas leading to the material movement. Management is currently in the process of obtaining remarks from actuary for those areas to assess if any change in updated IAS 19 report would impact liability as on 31 March 2021. We are currently waiting for response to our queries raised.
2. We mentioned in our Audit results report that 'Disclosure of an updated capital commitment note along with disclosure of prior period amendments and our internal consultation procedures' was outstanding. We have agreed on the updated disclosure numbers with the management for both CY and PY, however, we are waiting for the updated capital commitment note from management following which we will initiate our internal consultation procedures as prior year numbers are restated.
3. As per our audit procedures, we liaised with appointed auditor of Leicestershire County Council pension fund i.e., Grant Thornton, in order to define a programme of work that we would like them to perform and report results thereon over certain information on which Blaby District Council relies when preparing its financial statements. Accordingly, we sent our programme of work to Grant Thornton UK LLP for their response. Grant Thornton UK LLP, the auditor of the Leicestershire Pension fund, identified a material misclassification of investments (i.e., fair value of plan assets) disclosed in the pension fund report for FY 20-21 and FY 19-20. For Blaby District Council, this has resulted in the reclassification of the investments disclosed under pensions disclosure for FY 20-21 and FY 19-20. The reclassification will be to the "Investment Funds and Unit Trusts - Equities" figure - moving from "active market" column to "not in active market" column. Management has updated the disclosures along with disclosure of prior period amendments, since PY numbers are restated, we are in the process of initiating our internal consultation.

We have set out in the Appendix our progress against the main areas of the audit.

Your going concern assessment is required to cover a period of at least 12 months from the date of the opinion. We have held off performing our procedures over going concern until we have a clearer idea of when we will be able to complete the audit.

We are working with management with a view to try and close out the audit before the end of the calendar year, this will be subject to no matters arising that prevent this from being achievable.

The timing of the audits for 2021/22 and 2022/23 will be discussed with management over the coming weeks. We will also consider the impact of any further announcements by the Minister.

Appendix

Update on the most significant open areas of the audit as indicated in the Audit Results Report:

Audit area	Update
Disclosure of Capital commitments	Refer bullet point 2 above
Contingencies and compliance with laws and regulations	We have received the response from external solicitor to the external audit confirmation letter sent
Procedures on value for money	Risk assessment is complete, subject to review. We have not identified any risks of significant weakness in your arrangements in the work performed to date.
Whole of Government Accounts	The WGA group audit team have confirmed they do not require any further work or submissions from component auditors on WGA returns for 2020/21.
Review of final set of accounts	Not able to be completed until the end of the audit
Final quality review processes	In progress
Subsequent events procedures	Not able to be completed until the end of the audit
Management representation letter	Not able to be completed until the end of the audit