

# The Audit Findings Report Addendum for the Royal Borough of Kensington and Chelsea and Royal Borough of Kensington and Chelsea Pension Fund

**Year ended 31 March 2022**

March 2024



## Progress

The 2021-22 Audit Findings Report was presented to the Audit and Transparency Committee on 13 October 2022. At that time there were a few outstanding items that we were still working on. We have now completed our work on all outstanding areas.

The audit was delayed by two issues impacting on all large Local Authorities:

- 1) Infrastructure Assets - The Department for Levelling Up, Housing and Communities issued an update to the Local Authority Capital Finance and Accounting Regulations to remove the requirement to consider component derecognition for infrastructure assets i.e. the statutory override. The override did not become law until 25 December 2022.
- 2) Following the Triennial Valuation of the Pension Fund as at 31 March 2022 which was finalised in March 2023 additional information became available that required the Council to obtain revised IAS19 and IAS26 reports from the actuary and to update the Pension Liability balance in the financial statements.

The Council reacted promptly to these changes and amended their financial statements accordingly.

The financial statements remained open as the settlement of compensation claims relating to the Grenfell Fire tragedy has enabled the Council to estimate a provision in line with the financial reporting standard requirements. The Council had also made an application of up to £75m to the Department of Levelling Up, Housing and Communities for a capitalisation direction towards the settlement of the compensation claims and we were awaiting on this approval.

The Council has now made the relevant adjustments to the 2021-22 financial statements. We have now completed our work in these areas and are in a position to give an unqualified opinion on the Council's financial statements.

## Audit Adjustments

Since the Audit and Transparency Committee, the following adjustments to the Council's financial statements have been made which we are required to report to you.

Detail	CIES £'000	Balance Sheet £' 000
The adjustments to the Council's Balance Sheet and Consolidated Income and Expenditure Statement resulting from the accounting for the provision relating to the Grenfell fire tragedy.	Dr Grenfell settlement 72,706	Cr Provision 72,706
The adjustments opposite impact on the main statements show the creation of the provision and recognition of the payments due from the Council's insurer. The net reduction on reserves in 2021-22 is £41,228k. This balance will be restored in the following years following the application of the capitalisation direction. The Council has updated the relevant disclosure notes including the narrative report, subsequent events, provisions and contingent liability notes.	Cr Grenfell settlement 31,478	Dr Long term debtors 31,478
IAS19 pensions liability has been revised due to additional information becoming available from the 31 March 2022 actuarial triennial valuation. This has led to a decrease in the pensions asset (other long term assets) of £83,001k	Dr Remeasurement of the net defined benefit liability 83,001	Cr Other long term assets 83,001

## Disclosure Amendments

Since submitting the Audit Findings Report to the Audit Panel, we have identified the following additional disclosure misstatements in the Council's financial statements which we are required to report to you. The Council has agreed to adjust the accounts for each of these.

Disclosure / misclassification	Disclosure amendment	Adjustment agreed?
Disclosure	Due to historical reporting practices and unavailability of information, local authorities are unable to measure and disclose gross cost and accumulated depreciation accurately. This does not impact the balance sheet as this reports net book value. In accordance with the updated Code on Infrastructure Assets therefore, disclosure of gross cost and accumulated depreciation for infrastructure assets has been removed and is now shown separately in note 24 at net book value.	✓
Pension Fund Disclosure	The Actuarial Present Value of Promised Retirement Benefits (IAS26) has been revised due to additional information becoming available from the 31 March 2022 actuarial triennial valuation. This has led to an increase in the Actuarial Present Value of Promised Retirement Benefits net asset of £16m. This is a disclosure note and has no impact on the Pension Fund main statements.	✓



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