



<b>REPORT TO:</b>	Governance and Audit Committee
<b>DATE:</b>	Thursday, 16 March 2023
<b>SUBJECT:</b>	Approval of Financial Statements 2021/22
<b>PURPOSE:</b>	To seek approval for the Annual Governance Statement for inclusion with the Council's published Financial Statements, and approval of the Audited Financial Statements 2021/22.
<b>KEY DECISION:</b>	N/A
<b>PORTFOLIO HOLDER:</b>	Portfolio Holder for Finance, Commercialisation & Partnerships
<b>REPORT OF:</b>	Deputy Chief Executive – Corporate Development (S151)
<b>REPORT AUTHOR:</b>	Ellie Stacey – Deputy Chief Finance Officer (Corporate) (PSPS Ltd)
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	No

#### **SUMMARY**

The audited Financial Statements 2021/22 are required to be approved by the Committee and the S151 Officer prior to publishing on the Council's website, as per the Accounts and Audit Regulations.

#### **RECOMMENDATIONS**

##### **That the Governance and Audit Committee:**

- 1) Approve the Financial Statements 2021/22 (Appendix A).
- 2) Authorise the S151 Officer, in consultation with the chairman of the Committee, to approve any amendments, if required, after the Committee date and prior to the official signing of the Accounts.
- 3) Approve the Annual Governance Statement 2021/22.
- 4) Review the letter of representation to EY (Appendix B) and if it agrees, approve the S151 Officer and Chair to sign on its behalf.

## **REASONS FOR RECOMMENDATIONS**

To update the Committee on the progress for publishing the Financial Statements 2021/22.

To meet corporate governance best practice and statutory reporting requirements.

## **OTHER OPTIONS CONSIDERED**

To approve the audited Financial Statements and the Annual Governance Statement.

Not to approve the Financial Statements.

There is a statutory requirement for the Financial Statements to be approved and published by 30 November 2022, or as soon as reasonably practicable after receipt of the auditors final findings (if later).

## **1. BACKGROUND**

- 1.1 The draft 2021/22 Financial Statements were signed by the Section 151 Officer on 30 July 2022. The updated Financial Statements following the audit process was considered by the Committee at a training session on 9 March 2023.
- 1.2 The Accounts and Audit Regulations 2015 have been amended by the Accounts and Audit (Coronavirus) Amendments Regulation 2020 (SI 2021/263) to extend the statutory deadline for approval of the Financial Statements to 30 November 2022 for all local authorities. Nationally, audits of the Financial Statements have not been achieved by this date, and this is something that is being addressed by audit firms and CIPFA going forwards. EY have been working to establish the correctness of the accounts, in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Council's own accounting policies. The Audit Results Report from EY on this agenda provides an update on audit progress

## **2. REPORT**

- 2.1 The external audit of the Financial Statements for the year ended 31 March 2022 is almost complete, and the Statements are attached as Appendix A. At the time of writing this report, a few audit queries remain outstanding regarding supporting evidence. These are not expected to identify any issues. There is also a query outstanding regarding the HRA asset valuations, which we are discussing with the valuers and the auditors.
- 2.2 This report asks members to give delegated authority for further amendments, if required, and approval of the Financial Statements, to the Section 151 Officer and Chairman of the Committee, following the completion of the audit. Once the Financial Statements have been approved, and the Auditors Opinion issued, the Financial Statements will be published on the Council's website.

- 2.3 A small number of presentational adjustments were made to the draft Financial Statements to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. Amended simplified disclosures have also been made in relation to Infrastructure assets in the Property, Plant and Equipment note, as a result of a national issue, which are not deemed material for the Council.
- 2.4 The following changes were made to the draft Financial Statements, to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22:
- An adjustment is required to be made to the pension liability following the revised report that was received, which contained updated asset values. This has resulted in a reduction of the net pension liability of £0.498m, and this adjustment will be made prior to the final approval and publishing of the Financial Statements.
  - The Council's gain in fair value for Welland Homes and South Holland Homes totalling £0.878m has been reclassified from the surplus or deficit on the provision of services, to other comprehensive income and expenditure within the Comprehensive Income and Expenditure Statement, in line with the requirements of the Code of Practice.
  - The General Fund line in the Group Accounts has increased due to the reclassification of the Welland Homes and South Holland Homes revaluation reserve from the Group Revaluation Reserve to the Group General Fund, totalling £1.832m.
- 2.5 One audit difference remains unadjusted. The Council's share of PSPS' net pension liability has been estimated to be overstated by £94k, due to PSPS' accounts and audit process being concluded before the revised pension report was received.

### **Annual Governance Statement**

- 2.6 The Annual Governance Statement is required to be signed by the Leader of the Council and Chief Executive. This Committee is requested to approve the final statement to allow it to be published with the Financial Statements.

## **3. CONCLUSION**

- 3.1 The external audit is drawing to a conclusion and the Financial Statements are therefore being presented to the Committee for review and approval.

## **4. EXPECTED BENEFITS TO THE PARTNERSHIP**

- 4.1 Strengthened governance arrangements.

## **5. IMPLICATIONS**

### **5.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP**

- 5.1.1 None.

### **5.2 CORPORATE PRIORITIES**

- 5.2.1 None.

### **5.3 STAFFING**

- 5.3.1 None.

## **5.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS**

5.4.1 The Accounts and Audit Regulations 2015 and the (Coronavirus) Amendments Regulation 2020 (SI 2021/263) define these arrangements.

## **5.5 DATA PROTECTION**

5.5.1 None.

## **5.6 FINANCIAL**

5.6.1 There are no financial implications as a result of this report. The audit of the Financial Statements provides external validation that the stewardship of public funds has been undertaken effectively, and that the statutory reporting requirements laid out in the accounting code of practice have been followed.

5.6.2 The Financial Statements presented in Appendix A are currently being subject to a final verification by the external auditors. Amendments may arise in this process and an approved final version will be submitted to the chair of the Committee for signature.

## **5.7 RISK MANAGEMENT**

5.7.1 The Council's risk management arrangements are reflected in the Annual Governance Statement.

5.7.2 The audit process has identified some areas where improvements are necessary, and these will be implemented for the production of the Financial Statements 2022/23.

## **5.8 STAKEHOLDER / CONSULTATION / TIMESCALES**

5.8.1 Although the Council has not published the accounts by 30 November deadline, this was due to the timescales of the external auditors planned work. These audited Financial Statements are being presented to the Committee at the earliest opportunity.

## **5.9 REPUTATION**

5.9.1 None.

## **5.10 CONTRACTS**

5.10.1 None.

## **5.11 CRIME AND DISORDER**

5.11.1 None.

## **5.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

5.12.1 None.

## **5.13 HEALTH AND WELL BEING**

5.13.1 None.

## **5.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

5.14.1 None.

## 5.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

None.

## 6. ACRONYMS

6.1 CIPFA – Chartered Institute of Public Finance and Accountancy.

<b>APPENDICES</b>	
Appendices are listed below and attached to the back of the report: -	
APPENDIX A	Financial Statements 2021/22
APPENDIX B	Letter of Representation

<b>BACKGROUND PAPERS</b>	
Background papers used in the production of this report are listed below: -	
<b>Document title</b>	<b>Where the document can be viewed</b>
CIPFA Accounting Code of Practice 2021/22 and supporting Guidance Notes	CIPFA public guidance document

<b>CHRONOLOGICAL HISTORY OF THIS REPORT</b>
None.

<b>REPORT APPROVAL</b>	
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Signed off by:	Deputy Chief Executive - Corporate Development (S151) Christine.Marshall@sholland.gov.uk
Approved for publication:	Portfolio Holder for Finance, Commercialisation & Partnerships