



REPORT TO:	Audit and Governance Committee
DATE:	28 th March 2022
SUBJECT:	Approval of Financial Statements 2020/21
PURPOSE:	To review and approve the audited Financial Statements 2020/21
KEY DECISION:	Y
PORTFOLIO HOLDER:	Councillor Jonathan Noble
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development
REPORT AUTHOR:	Ellie Stacey, Deputy Chief Finance Officer (Corporate) – PSPS Ltd
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

The audited Financial Statements 2020/21 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

It is recommended that Audit and Governance Committee:

- Approve the Financial Statements 2020/21 and Annual Governance Statement for publication (Appendix A) if no adjustments are required as a result of the ongoing audit by Mazars, and that the Chairman of the Committee and the Section 151 officer sign the letter of Representation (Appendix B).
- Approves that if non material adjustments to the Financial Statements 2020/21 are required as a result of the audit by Mazars then delegation is given to the Chairman of the Committee in conjunction with the Section 151 officer to sign the revised statements.

REASONS FOR RECOMMENDATIONS

The Financial Statements 2020/21 must be approved and published by the statutory deadline of 30 September 2021, or as soon as reasonably practicable after receipt of the auditors final findings (if later).

OTHER OPTIONS CONSIDERED

That the Committee does not approve the Financial Statements 2020/21.

1. BACKGROUND

- 1.1 The audit of the Financial Statements 2020/21 is still ongoing. At the time of writing this report, officers are completing amendments to the Financial Statements based on revised asset valuation data, detailed in paragraph 2.2 below. The Financial Statements will be amended if the figures are materially different; the latest version of the Financial Statements are attached at Appendix A.
- 1.2 The unaudited Financial Statements 2020/21 were presented to the Committee on 20 September 2021, and a further detailed training session was undertaken on 10 January 2022. The Committee were advised that the Accounts and Audit Regulations 2015 have been amended to extend the statutory deadline for approval of the Financial Statements to 30 September 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. Mazars 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 2020/21 and the Council's own accounting policies. The ISA260 Report from Mazars on this agenda provides an update on audit progress.

2. REPORT

- 2.1 This section of the reports updates the Committee on the progress of the audit, and asks members to give delegated authority for further amendments and approval of the Financial Statements to the Section 151 Officer and Chairman of the Audit and Governance Committee, following the completion of the audit if required. Once the Financial Statements have been approved, the Letter of Representation signed (Appendix B), and the auditor's opinion issued, the Financial Statements will be published on the Council's website.
- 2.2 The following changes were made to the draft Financial Statements considered by the Committee in September, to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21:
 - £1.2m reduction in the net pension liability as a result of a £1.2m increase in the closing fair value of pension fund assets, as per the revised report from the actuary.
 - Business Rates Levy to the Lincolnshire Business Rates Pool increased by £128k as a result of the review of the bad debt provision.
 - Additional £166k New Burdens Covid grant funding adjustment moved to reserves from the Balance Sheet, as it was originally misclassified as received under the agency arrangements.

- Adjustment to the value of the accrual within the accounts relating to the amount owing to Boston Borough Council regarding the Strategic Alliance at 31 March.
- Covid grant adjustment to remove £20.8m of both income and expenditure from the CIES where the Council was acting as an agent, passing the money on from Central Government. The net effect on the Comprehensive Income and Expenditure Statement total cost of services is nil.
- Adjustment between the Revaluation Reserve and Capital Adjustment Account of £10.2m including a Prior Period Adjustment of £9.1m (new note added into the Financial Statements), being the difference between historic cost and current cost depreciation, which should be posted between these two accounts at the end of each financial year. This is a technical accounting adjustment and has no impact on the taxpayer, or on other areas of the accounts.
- £5k adjustment between Comprehensive Income and Expenditure Statement and Movement in Reserves Statement for a revaluation adjustment which should have been expensed to the CIES.
- Increased value of Property Plant and Equipment, Investment Property and Surplus Assets on the Balance Sheet at year end due to revised valuations being obtained where floor area measurements are included in the calculations of asset valuations. These values will be confirmed when the adjustments are finalised.
- Presentational and disclosure adjustments around various notes including cash flow, officers remuneration, leases and defined benefit pension schemes.

2.3 Mazars also identified adjustments required to the bad debt provision and appeals provision relating to Business Rates in the Collection Fund totalling £116k. However, these have not been adjusted as they are considered immaterial.

2.4 Mazars identified four deficiencies in internal control in their audit completion report as a result of the above audit findings, as follows:

- Failure to maintain an appropriate asset register
- Production of draft accounts and working papers – improvements required
- Maintenance of property asset information
- Expected credit loss model approach to be adopted when considering the Council's debt impairment calculations.

Management responses have been provided to these recommendations and will be fully implemented as part of the 2021/22 accounts production process.

2.5 The Annual Governance Statement is required to be signed by the Leader of the Council and the 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 COUNCIL'S 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 provide 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.

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 2021/22.

5.8 STAKEHOLDER / CONSULTATION / TIMESCALES

5.8.1 None.

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.

6. ACRONYMS

6.1 CIPFA – Chartered Institute of Public Finance and Accountancy.

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A	Financial Statements 2020/21
APPENDIX B	Letter of Representation

BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
CIPFA Accounting Code of Practice 2020/21 and supporting Guidance Notes	CIPFA public guidance document

CHRONOLOGICAL HISTORY OF THIS REPORT

None.

REPORT APPROVAL

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Signed off by:	Christine Marshall, Deputy Chief Executive Corporate Development Christine.Marshall@sholland.gov.uk
Approved for publication:	Councillor Jonathan Noble, Portfolio Holder for Finance