



<b>REPORT TO:</b>	Audit and Governance Committee
<b>DATE:</b>	13 <sup>th</sup> 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>	Councillor Jonathan Noble
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive Corporate Development
<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 Audit and Governance 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 Mazars (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, and considered by the Committee at a training session on 1 September 2022.
- 1.1 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. 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 2021/22 and the Council's own accounting policies. The Audit Completion Report from Mazars 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.
- 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 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:

- Elimination of internal service recharges in the Comprehensive Income and Expenditure Statement to ensure consistency with quarterly financial reporting and prior years accounts
- Reclassification of the capitalised gain on the pension fund as a result of BBC joining PSPS
- Reclassification of M&G property fund income distributions from capital receipts to revenue receipts, and transfer to earmarked reserves
- Minimum Revenue Provision set aside for the reduction in fair value of M&G property fund
- Presentational and disclosure adjustments around various notes including cash flow, creditors, grant income, capital expenditure and financing and external audit costs.

2.4 Mazars also identified adjustments required to the bad debt provision relating to Business Rates in the Collection Fund for which the impact on Boston's accounts would be £249k, and the revised pensions report which identified a reduction in the net pension liability of £387k. However, these have not been adjusted as they are considered immaterial.

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

- Production of draft accounts and working papers – improvements required
- Unreconciled council tax cash receipts outstanding at the year end has increased – to be reconciled and resolved regularly
- Management review of journals to be more robust
- Council tax, NNDR, housing benefits system parameters to be formally verified when they are amended annually.

Management responses have been provided to these recommendations and will be fully implemented as part of the 2022/23 accounts production process.

2.6 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. 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.

## 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: -	
Document title	Where the document can be viewed
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:	Christine Marshall, Deputy Chief Executive Corporate Development Christine.Marshall@sholland.gov.uk
Approved for publication:	Councillor Jonathan Noble, Portfolio Holder for Finance