



## Council

### **Report title: Statement of Accounts 2021/22 and Annual Report 2021/22**

**Date:** 18 January 2023

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director of Corporate Resources

### **Outline and recommendations**

The purpose of this report is to:

- Recommend delegation to the Section 151 Officer, in consultation with the Chair of the Audit Panel, to agree any changes to the agreed audit adjustments and the final Statement of Accounts for publication, alongside the Auditor's Annual Report.
- Approve the draft Statement of Accounts and Pension Fund Accounts 2021/22 and the agreed audit adjustments.
- Note the Audit Findings Report 2021/22 and addendum from Grant Thornton following the external audit of the Council's Statement of Accounts and Pension Fund Accounts.
- Note the Management Representation Letters.
- Note the Auditor's Annual Report (VFM) 2021/22 from Grant Thornton.

## **1. Summary**

- 1.1. The purpose of this report is to present to members of Council the 2021/22 Audit Findings Report and addendum from Grant Thornton LLP.
- 1.2. The report also provides members with the management representation letters and 2021/22 Auditor's Annual (Value for Money) report.
- 1.3. Audit Panel have considered these reports at the meeting of 06 December 2022. This excluded the addendum which details the progress made since and was agreed through delegation.
- 1.4. As at date of dispatch, the external audit is substantially complete and it is anticipated that the audit report opinion will be unmodified and so free from material misstatement.

## 2. Recommendations

- 2.1. Council is recommended to note the contents of the report and:
- i. Approve delegation to the Section 151 Officer, in consultation with the Chair of the Audit Panel, to agree:
    - any changes to agreed audit adjustments included within the addendum
    - the final Statement of Accounts 2021/22 for publication
    - any changes to the Auditor's Annual Report (VFM) 2021/22
  - ii. Approve the agreed audit adjustments to the draft Statement of Accounts 2021/22, included within the Audit Findings Report 2021/22 and addendum.
  - iii. Note the management representation letters
  - iv. Note the Auditor's Annual Report (VFM) 2021/22

## 3. Policy Context

- 3.1. The report is consistent with the Council's policy framework, supporting the priorities set out in the Corporate Strategy 2022-26. It contributes towards all Council priorities through effective management of finance.

## 4. 2021/22 Statement of Accounts and Pension Fund Accounts

- 4.1. Following the Redmond Review into oversight of local audit and the transparency of local authority financial reporting published in 2020, the Council is taking steps to enhance its governance arrangements in line with the recommendations of best practise. This includes presentation of the annual audit report to a Full Council meeting, which will provide an important opportunity for potential risks or concerns to be escalated in a timely way. The Statement of Accounts are largely complete, with the exception of a number of small presentational adjustments that should not materially alter the substance of the Accounts, as such they are being presented to Council to avoid further delay to publication.
- 4.2. The statutory deadline for publishing the audited accounts 2021/22 is 30 November 2022. Due to a national issue relating to the recognition of infrastructure assets by the Department for Levelling Up, Housing and Communities (DLUHC) and carrying out the final elements of the audit work, this deadline could not be met. A notification of delay of publication has been published on the Council's website in line with regulations.
- 4.3. The Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2022 and addendum lists the agreed audit adjustments to be made to the draft Accounts before publication of the final audited versions. This includes adjustments in relation to Council Tax, Non Domestic Rates, Section 31 grants, Assets under Construction and pension fund transfers. There are also amendments to be made on the narrative elements of the accounts. There is no impact on the Council's 2021/22 outturn position.
- 4.4. The Audit Findings Report 2021/22 also includes an action plan. This consists of five recommendations for the Council as a result of issues identified during the course of the 2021/22 audit. These are accepted by management and so will be added to the action tracker for progress with their implementation to be reported on as part of the Audit Panel standing agenda item.

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- 4.5. The draft Statement of Accounts and Pension Fund Accounts are included in Appendices A and B. These include the group accounts, which consolidate Lewisham Homes Ltd and Catford Regeneration Partnership Ltd (CRPL) and the Annual Governance Statement. The Audit Findings Report 2021/22 and addendum are included in Appendices C and D.
- 4.6. The last elements of the audit work are being finalised. This includes responses to queries around school bank reconciliations, asset valuations, level 3 pension investments and group reporting procedures. We are also awaiting publication of CIPFA Bulletin 12 for guidance on the Infrastructure Asset code change and a Grant Thornton Director review. Any additional audit adjustments will be agreed for incorporation by the Section 151 Officer, in consultation with the Chair of the Audit Panel.
- 4.7. The final Statement of Accounts 2021/22 are due to be amended to incorporate the agreed audit adjustments. The draft Statement of Accounts and the current list of agreed audit adjustments provides a true and fair aggregation of the expected final Statement of Accounts. These will be published on the Council's website following review by external audit and agreement by the Section 151 Officer, in consultation with the Chair of the Audit Panel.
- 4.8. The anticipated audit opinion is that the accounts give a true and fair view of the financial position of the group, Authority and Pension Fund during 2021/22 and have been properly prepared.

## **5. Management Representation Letters**

- 5.1. Management Representation Letters for the Statement of Accounts and Pension Fund Accounts 2021/22 are included in Appendices E and F.
- 5.2. These set out assurances to confirm the Council's view that relevant accounting standards have been complied with and gives further assurances that Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Accounts.

## **6. Auditor's Annual Report 2021/22**

- 6.1. The Annual Report for 2021/22 covers the Value for Money (VFM) work required as part of the overall audit which was conducted by the auditors alongside completion of the Council's Statement of Accounts, Pension Fund Accounts and Annual Governance Statement audit. This is included in Appendix G.
- 6.2. The Annual Report for 2021/22 also includes an action plan. This consists of seven recommendations for the Council following their review of the Council's arrangements for securing economy, efficiency and effectiveness. These are accepted by management and so will be added to the action tracker for progress with their implementation to be reported on as part of the Audit Panel standing agenda item.
- 6.3. Any additional adjustments will be agreed for incorporation by the Section 151 Officer, in consultation with the Chair of the Audit Panel.

## **7. Financial implications**

- 7.1. The proposed cost for the external audit of the Council's Statement of Accounts 2021/22 is £253k and £38k for the Pension Fund. The Council also pays £47k for non-audit fees relating to grant claims and certificates.

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## **8. Legal implications**

- 8.1. Sections 26 and 27 of the Local Audit and Accountability Act 2014 gives electors the right to object, inspect, question and make copies of the unaudited accounts and related documents for 30 working days and a notice is placed on the Council's website to publicise this. The public inspection period for 2021/22 took place between 1<sup>st</sup> August and 9<sup>th</sup> September 2022 for the Council's accounts and to 4<sup>th</sup> October for the Pension Fund accounts. A small number of enquiries were made and these were satisfactorily responded to.
- 8.2. The Department for Levelling Up, Housing and Communities published on 16 December 2021, measures to support the timely completion of local government audits. This included extending the deadline for preparing draft accounts to 31 July 2022 and publishing audited accounts to 30 November 2022 for 2021/22 accounts.
- 8.3. Notice was given pursuant to Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, that the audited statement of accounts for 2021/22 had not been published by 30 November 2022 via publication on the Council's website. This explained that this was due to the:
- i. national issue relating to recognition of infrastructure assets
  - ii. final elements of audit work ongoing but nearing completion
- 8.4. The Accounts and Audit (England) Regulations 2015 (as amended for the Accounts and Audit (Amendment) Regulations 2021) require authorities to:
- i. consider, either by way of a committee or by the members meeting as a whole, the statement of accounts
  - ii. approve the statement of accounts by a resolution of that committee or meeting
  - iii. ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given
  - iv. publish the statement of accounts together with any auditor opinion, the annual governance statement and the narrative statement on the authority's website
- 8.5 Paragraph 4.6 outlines the remaining elements outstanding before publication of the final audited Statement of Accounts. By agreeing to the recommendations of this report, members will put in place appropriate authority and arrangements to ensure these legal implications are complied with.

## **9. Equalities implications**

- 9.1. There are no equalities implications directly arising from this report.

## **10. Climate change and environmental implications**

- 10.1. There are no climate change and environmental implications directly arising from this report.

## **11. Crime and disorder implications**

- 11.1. There are no crime and disorder implications directly arising from this report.

## **12. Health and wellbeing implications**

- 12.1. There are no health and wellbeing implications directly arising from this report.

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### **13. Report authors and contact**

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### **14. Appendices**

- 14.1. Appendix A – Draft LB Lewisham Statement of Accounts 2021-22
- 14.2. Appendix B – Draft LB Lewisham Pension Fund Accounts 2021-22
- 14.3. Appendix C – Audit Findings Report 2021/22
- 14.4. Appendix D – Audit Findings Report Addendum 2021/22
- 14.5. Appendix E – LB Lewisham Group Management Representation Letter 2021-22
- 14.6. Appendix F – LB Lewisham Pension Fund Management Representation Letter 2021-22
- 14.7. Appendix G - Auditor's Annual Report on London Borough of Lewisham Council 2021/22

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