

## FINANCIAL STATEMENTS 2021/22

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Assistant Director of Corporate Resources (and S151 Officer)  
Rachel Jarvis, Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk) Tel: 01444 477244  
Wards Affected: N/A  
Key Decision: No  
Report to: Audit Committee  
18 September 2023

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### Purpose of Report

1. This report is to update Audit Committee on the Financial Statements for 2021/22. Ernst & Young LLP (EY) have now concluded their audit of the 2021/22 Accounts, and we are pleased to report they intend to provide an unqualified opinion.
2. This report therefore contains the Financial Statements relating to the 2021/22 financial year are now ready for final review and signing and comprise: -
  - (a) The Auditors Annual Report (Appendix A)
  - (b) The Audit Results Report to the Audit Committee (Appendix B)
  - (c) The Financial Accounts 2020/21 - Final (Appendix C)
  - (d) Letter of Representation - (Appendix D)

### Recommendations

3. **The Audit Committee is recommended to:**
    - i. **Agree the Auditors Annual Report having consideration of the Audit Results Report;**
    - ii. **Approve the Financial Statements and Letter of Representation for the year ending 31 March 2021**
    - iii. **Agree that the Chair signs the above on behalf of the Committee**
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### Background

4. The audit of the Statements for the financial year 2021/22 is now concluded and the outcome is presented at Appendix A and Appendix B.
5. The conclusion of this Audit has been delayed for three reasons. Firstly, as a result of investigations required due to an objection made to the accounts. This objection was not accepted for consideration.
6. Secondly, there are national issues in local public sector audits. These have been summarised in the recent reviews by the National Audit Office (NAO), the Public Accounts Committee, and the Redmond Review.

7. The delay to the audit then meant that the results of the pension fund triannual valuation were published before its conclusion. Potential issues were identified by EY in the valuation, for which an updated report was requested via WSCC which administers the Pension Fund. Further detail is provided below.
8. As is the picture nationally, the Whole of Government Accounts has not concluded, and the National Audit Office has reserved the right to request further procedures subject to the conclusion of the Whole of Government Accounts. It is unlikely that this will be requested specifically of Mid Sussex DC.

### **Auditors Audit Results Report and Findings**

9. This section provides an overview of the Audit Results Report in order to provide the Audit Committee with a broader context to facilitate their understanding.
10. Section 2 of the report provides an overview of the areas of audit focus. Of note are
  - a) Areas of significant risk
    - i. Valuation of investment property (adjusted) - There has been a need to update the valuations initially provided by the Councils' valuers on some investment properties that were understated by £229k. Looking forward Finance are working with Estates and the appointed external valuers to better align their practices, in particular the timing of the valuation to the same point in the financial year, to address these issues.
  - b) Other risks:
    - i. Valuation of Land and Buildings (adjusted) - An understatement of floor space of £224k occurred due to the use of out-of-date floor plans.
    - ii. Creditors balance error (adjusted); The error of £117k relates to a creditor balance for a specific contract. EY have required MSDC to correct this historic creditor error in 2021/22 by including only 12.5, 4-week periods, rather than the 13 periods used as standard. This will remove the reoccurring overstated creditor balance for the future.
    - iii. Net Pension Liability (adjusted) - The Pension Fund is administered by West Sussex County Council which appoints actuaries to provide annual pension liability information. Due to audit delays the timing of the most recent Pension triennial valuation results were issued prior to completion of our 2021/22 audit. EY became aware of some valuation issues and therefore asked us to commission an additional report from the actuary. The revised IAS19 for 2021/22 showed a reduction in our net liability by £2.969m. This was the result of changes in membership data, but also changes made by the actuary in respect of financial and demographic assumptions.
    - iv. Value recorded as a contingent liability (unadjusted) - The accounts disclosed a liability of £250k as contingent on further events. EY have concluded that the liability was a present liability from a past event and probable for payment therefore a specific provision should have been made. This is a difference of opinion of the disclosure required rather than having any bearing on the bottom line.

- v. Accounting for Covid Business Grants (adjusted) – This is an accounting adjustment, and the overall financial position remains unchanged, as the adjustment required relates to how the grants are presented in the accounts. During the pandemic, there were a high volume of new grants to support the public, often with complex accounting requirements. The treatment of which both local and national governments had to grapple with. In this instance, a significant number of authorities, a lot of whom took joint advice, made the same presentational error.

### **Financial Implications**

11. As laid out in Appendix B.

### **Risk Management Implications**

12. None

### **Equality and Customer Service Implications**

13. None

### **Other Material Implications**

14. None

### **Sustainability Implications**

15. None

### **Appendices**

- Appendix A – Auditors Annual Report
- Appendix B - Mid Sussex District Council Audit Results Report
- Appendix C – Draft Statement of Accounts 2021/22
- Appendix D – Draft Letter of Representation

### **Background Papers**

None