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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH HOLLAND DISTRICT COUNCIL**

### **Disclaimer of opinion**

We were engaged to audit the financial statements of South Holland District Council ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 41 to the Authority financial statements and the related notes 1 to 4 to the Group financial statements including a summary of significant accounting policies,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 9,
- Collection Fund and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2021/22 financial statements and issued our audit opinion on 20 September 2023.

The Council did not publish their draft 2022/23 Statement of Accounts until the 18 July 2024, compared to the statutory publication deadline of July 2023, which is described below in the value for money section of our report.

This, combined with the backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements.

### **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)  
we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

**Report on the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

We report to you, if we are not satisfied that the Group and the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Group and the Authority's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2023.

**Significant weaknesses in arrangements**

**In relation to governance and improving economy, efficiency and effectiveness**

Our judgement on the nature of the weakness identified:

In the 2022/23 financial year the Authority was unable to publish its Statement of Accounts by the target dates required by the Accounts and Audit Regulations 2015. The unaudited statements were not published until 18 July 2024. In addition, the 2022/23 Revenue and Capital outturn position of the Council has not been finalised and taken to a relevant Committee (Cabinet) until July 2024. The delays were caused by issues identified in the performance of the financial services support provided by Public Sector Partnership Services Ltd to the Authority, which was due to staff vacancies and gap in financial skills and expertise. This had had an impact on the Authority's delivery of the financial reporting requirements.

Therefore, there is a weakness in proper arrangements for supporting the statutory financial reporting requirements of the Authority, effective processes and systems for accurate and timely management and financial information.

The evidence on which our view is based:

The Authority did not publish the draft statement of accounts by the target date of 31 May 2023 as set out in the Accounts and Audit Regulations 2015.

The impact on the Council:

Failure to improve the Authority's processes to report financial information timely will impact its ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

### The action the body needs to take to address the weakness:

The Authority needs to continue to re-assess role, responsibilities and resource requirement for financial reporting, including an assessment of the adequacy and capacity of the support arrangements provided by Public Sector Partnership Services Ltd for the financial reporting function to meet its objectives and the requirements of the Audit and Accounts Regulations.

The issue above is evidence of weaknesses in proper arrangements for ensuring the Authority has effective processes and systems in place to support its statutory financial reporting requirements.

### **Responsibility of the Chief Financial Officer**

As explained more fully in the '*Statement of Responsibilities*' set out on page 17, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Group and the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether South Holland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Holland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, South Holland District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of South Holland District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of South Holland District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

Date: 25<sup>th</sup> November 2024

**Mark Hodgson (Key Audit Partner)**  
Ernst & Young LLP (Local Auditor)  
Cambridge

### **Footnote:**

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Audit Completion Report for Those Charged with Governance dated 4 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.