

# Southend-on-Sea Borough Council

Report of Strategic Director (Finance & Resources)

to

**Audit Committee**

on

**24 July 2019**

Report prepared by: Ian Ambrose  
Head of Corporate Finance

Agenda  
Item No.

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**Adoption of the Annual Governance Statement 2018/19 and Statement of Accounts 2018/19**

***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

To present to Audit Committee the Annual Governance Statement for 2018/19 together with actions for 2019/20 and an update on progress made with the 2018/19 action plan

To adopt the Statement of Accounts 2018/19

## **2 Recommendation**

2.1 That the Annual Governance Statement for 2018/19, subject to any further views expressed by External Audit, be approved and recommend it to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2018/19

2.2 That the Statement of Accounts 2018/19 be adopted and approved for publication.

## **3 Background**

### **Annual Governance Statement**

3.1 The responsibility for ensuring that there is a sound system of internal control rests with the Council. It is required to report on this annually via its Governance Statement which is published within the Council's Statement of Accounts.

3.2 In order to do this, the Council should seek regular assurance that its systems of internal control are functioning effectively. It should also ensure that the system of internal control is effective in managing significant risks in the way that it would expect.

- 3.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.4 The Annual Governance Statement is attached at Appendix 1. Although it has also already been incorporated in the Statement of Accounts in preparation for publication, should the wording need revising as a result of adoption, the Statement of Accounts will be updated accordingly.
- 3.5 In appraising the Annual Governance Statement members of Audit Committee should take into account:
- That the Audit Committee has acted in accordance with its terms of reference, that members attendance was regular and that training and development of members was undertaken to enable them to fulfil their role.
  - That the statement reflects the evidence seen by members during the course of their duties and that it reflects their experience in undertaking other roles as Councillors, including as members of Scrutiny Committees.
- 3.6 The Council's Good Governance (officer) Group has undertaken a review of the Council's governance processes against the CIPFA / Solace seven core 'principles of good governance' outlined in their 'Delivering Good governance in local government framework 2016' to help inform the AGS. The Good Governance Group will continue to review and update this self-assessment as part of the evidence considered by the group to highlight areas of governance for potential further focus and/or good practice.
- 3.7 After due consideration, Councillors are invited to adopt the Annual Governance Statement.

### **Statement of Accounts**

- 3.8 The Accounts and Audit Regulations 2015 require that an Authority's Annual Statement of Accounts be formally adopted by the end of September, having been previously submitted to External Audit by the Chief Finance Officer by the end of June.
- 3.9 Adoption of the Accounts can only be undertaken by the Council as a whole, or a Council Committee to which the function has been delegated. At Southend-on-Sea Borough Council, the Audit Committee has the delegated power to adopt the Accounts. In adopting the accounts, Audit Committee need to satisfy themselves that the process of drawing up the accounts is robust, and that all relevant guidance and standards have been satisfactorily followed: It is not the role of Audit Committee to pass comment on the financial outturn of the Authority per se, rather to ensure it is accurately reported.
- 3.10 Before adopting the Statement of Accounts 2018/19, Members need to understand how the structure of the accounts works. Appendix 2 guides Councillors through the various statements and the accompanying notes, drawing attention to any significant variances or changes year on year. The appendix therefore serves as an aid to robust scrutiny of the Accounts prior to their adoption.

- 3.11 Councillors will also be mindful of the findings of the Council's external auditors Deloitte LLP regarding the Accounts, as contained within their report elsewhere on this agenda. In particular Councillors will note that the auditor is anticipating issuing an unqualified opinion on the financial statements and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money) conclusion.
- 3.12 The Statement of Accounts is attached at Appendix 3. After due consideration, Councillors are invited to adopt them.

#### **4 Next Steps**

- 4.1 Following adoption, the Statement of Accounts, incorporating the Annual Governance Statement and the Audit opinion issued by Deloitte LLP will be formally published on the Council's website.

#### **5 Corporate Implications**

- 5.1 Contribution to the Southend 2050 Road Map

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities.

The accuracy, format and content of the Statement of Accounts are key determinants in maintaining the Council's reputation for financial probity and financial stewardship

- 5.2 Financial Implications

All officers have been required to adopt robust financial management arrangements within their service areas.

The Statement of Accounts is required to present a true and fair picture of the Council's financial position at 31 March 2019 and also the income and expenditure for the financial year.

- 5.3 Legal Implications

The Accounts and Audit Regulations 2015:

- Section 6(1)(a) require an authority, each financial year, to conduct a review of the effectiveness of the system of internal control
- Section 6(1)(b) requires it to prepare an Annual Governance Statement.

Section 6(2) requires the:

- findings of the review to be considered by a committee or by members of the authority meeting as a whole
- annual governance statement to be approved by a committee or by members of the authority meeting as a whole.

Section 6(4) requires that the annual governance statement must be:

- approved in advance of the authority approving the statement of accounts
- prepared in accordance with proper practices in relation to accounts.

Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework. This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.

Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit Regulations 2015.

The Statement of Accounts is a statutory document required by the Accounts and Audit Regulations 2015 issued by the Secretary of State. Those regulations require that the audited Statement of Accounts 2018/19 are adopted and published by 31 July 2019.

#### 5.4 People Implications

There are no people implications arising from this report

#### 5.5 Property Implications

There are no property implications arising from this report

#### 5.6 Consultation

There are no consultation implications arising from this report

#### 5.7 Equalities Impact Assessment

There are no equalities implications arising from this report

#### 5.8 Risk Assessment

There are no risk implications arising from this report

#### 5.9 Value for Money

There are no value for money implications arising directly from this report, although the audit of the accounts includes a value for money assessment

#### 5.10 Community Safety Implications

There are no community safety implications arising from this report

#### 5.11 Environmental Impact

There are no environmental implications arising from this report

## **6 Background Papers**

Detailed working papers held by Finance and Resources and Transformation

## **7 Appendices**

**Appendix 1** Annual Governance Statement 2018/19

**Appendix 2** Overview of the Statutory Statement of Accounts 2018/19

**Annex 1** Southend-on-Sea Borough Council – Group Structure

**Appendix 3** Statutory Statement of Accounts 2018/19