

Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)
to

Audit Committee

on

12 August 2020

Report prepared by: Pete Bates
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Agenda
Item No.

Adoption of the Annual Governance Statement 2019/20 and Statement of Accounts 2019/20

A Part 1 Public Agenda Item

1 Purpose of Report

- 1.1 To present to Audit Committee the Annual Governance Statement for 2019/20 together with actions for 2020/21 and an update on progress made with the 2019/20 action plan.
- 1.2 To adopt the Statement of Accounts 2019/20.

2 Recommendation

- 2.1 That the Annual Governance Statement for 2019/20, subject to any further views expressed by External Audit, be approved and that it is recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2019/20.
- 2.2 That the Statement of Accounts for 2019/20 be adopted and approved for publication.

3 Background

The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020

- 3.1 In response to the unprecedented impact caused by Covid-19, the Government introduced new regulations for the finalisation and auditing of the 2019/20 Accounts for all local authorities. These new regulations have been designed to provide local authorities with additional time and flexibility to complete the publication and audit of accounts for the 2019/20 financial year only and came into force on 30 April 2020. The deadline for publication of unaudited accounts was moved from 31 May 2020 to 31 August 2020 and the deadline for publishing audited statements was pushed back from 31 July 2020 to 30 November 2020.

- 3.2 Following consultation and engagement with our accountancy team and our independent auditors, the Authority decided to try to keep broadly to our original final accounts closure timetable for 2019/20. Clearly operating remotely in these unprecedented times has brought its own challenges for both our accountancy staff and Deloitte. Despite the distraction of many additional demands and the unique operational circumstances, our unaudited Statement of Accounts were published on 24 June 2020. This was achieved by the dedication, expertise, and commitment of accountancy colleagues and with the support and co-operation of many other staff across the Authority.
- 3.3 This Audit Committee meeting is the next key stage in the process of meeting our statutory requirements and for Councillors to be satisfied with the arrangements that have been made and to receive assurance over the accuracy and appropriate reporting of the Authority's financial statements for 2019/20.

Annual Governance Statement (AGS)

- 3.4 The responsibility for ensuring that there is a sound system of internal control rests with the Authority. It is required to report on this annually via its Governance Statement which is published within the Authority's Statement of Accounts each year.
- 3.5 To achieve this, the Authority seeks regular assurance that its systems of internal control are functioning effectively. It also ensures that the system of internal control is effective in managing significant risks in the way that it would expect.
- 3.6 The Authority has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.7 The Annual Governance Statement is attached at Appendix 1. Although it has also already been incorporated into the Statement of Accounts in preparation for publication, should the wording need revising based on the deliberations by the Audit Committee, the Statement of Accounts will be updated accordingly.
- 3.8 In appraising the Annual Governance Statement members of Audit Committee should consider:
- 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 effectively.
 - 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.

- 3.9 The Council has approved and adopted an updated Local Code of Governance (the Code) in December 2019, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. 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'. 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 updated good practice.
- 3.10 After due consideration, Councillors are invited to adopt the Annual Governance Statement.

Statement of Accounts 2019/20

- 3.11 The Accounts and Audit Regulations 2015 require that an Authority's Annual Statement of Accounts be formally adopted by the end of July, having been previously submitted to External Audit by the Chief Finance Officer by the end of May. As previously outlined these arrangements have been updated for the 2019/20 financial year only by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- 3.12 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, the 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.
- 3.13 Before adopting the Statement of Accounts 2019/20, 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. This appendix therefore serves as an aid to support and ensure robust scrutiny of the Accounts prior to their adoption.
- 3.14 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. Councillors will note that the external auditor is anticipating issuing an unqualified opinion on the financial statements. The auditors are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and provide a value for money conclusion.
- 3.15 The Statement of Accounts 2019/20 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 for 2019/20, 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 and appropriate 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 effective 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 view of the Council's financial position as at 31 March 2020 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 2019/20 are adopted and published by 31 July 2020. As previously outlined these arrangements have been updated for the 2019/20 financial year only by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

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 is no value for money implications arising directly from this report, although the audit of the accounts includes an independent 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 the Finance and Resources Directorate and Transformation Directorate.

7 Appendices

Appendix 1 Annual Governance Statement 2019/20

Appendix 2 Overview of the Statutory Statement of Accounts 2019/20

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

Appendix 3 Statutory Statement of Accounts 2019/20