

Southend-on-Sea City Council

Report of Executive Director (Finance & Resources) To Audit Committee

On
21 March 2023

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Agenda
Item No.

Adoption of the Annual Governance Statement 2020/21 and Statement of Accounts 2020/21

A Part 1 Public Agenda Item

1 Purpose of Report

- 1.1 To present to Audit Committee the Annual Governance Statement for 2020/21 together with actions for 2021/22 and an update on progress made with the 2020/21 action plan.
- 1.2 To adopt the Statement of Accounts 2020/21.

2 Recommendation

- 2.1 **That the Annual Governance Statement for 2020/21, 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 2020/21.**
- 2.2 **That the Statement of Accounts for 2020/21 be adopted and approved for publication, subject to any final review and amendments required as a result of the remaining audit matters outstanding.**

3 Background

The Accounts and Audit (Amendment) Regulations 2021

- 3.1 In response to the ongoing disruption in the Local Authority audit market, the Government introduced new regulations for the finalisation and auditing of the 2020/21 and 2021/22 Accounts for all local authorities. These new regulations were designed to provide local authorities with additional time and flexibility to complete the publication and audit of accounts for those two financial years and came into force on 31 March 2021. For 2020/21 and 2021/22 the deadline for publication of unaudited accounts was moved from 31 May to 31 July and the deadline for publishing audited statements was pushed back from 31 July to 30 September.

- 3.2 Following consultation and engagement with our finance team and our independent auditors, the Authority decided to try to keep as far as possible to our original final accounts closure timetable for 2020/21. Clearly reporting on a financial year that has been so affected by the pandemic brought its own challenges for both our finance staff and Deloitte. Despite the additional work this has created and the unique operational circumstances, our unaudited Statement of Accounts were published on 22 July 2021. This was achieved by the dedication, expertise, and commitment of finance colleagues and with the support and co-operation of many other staff across the Authority.
- 3.3 The audit of the 2020/21 financial statements has taken longer than anticipated as, due to the full year effect of the pandemic, in a lot of areas the 2020/21 figures are very different to those published for 2019/20. In a normal year our auditors are able to form a view of the figures they would expect to see and if the published figures are within an acceptable range of this, they are able to limit their detailed testing work. For 2020/21 this was not possible, which led to the requirement for increased detailed testing in many areas in order to gain the necessary assurances. There was also the need for more disclosures in the accounts to explain the impact of COVID-19 on the Council's accounts. In addition to all those factors, in line with the audit market as a whole, our external auditors experienced issues with staff resourcing. They tried to recruit appropriately experienced new members of staff at a time when recruitment in the sector was particularly challenging and as a consequence, it took some time for this to take place.
- 3.4 This will be the first financial year for which the Council's audit has not been concluded by the statutory deadline. This should be put into context of the national picture. In March 2021 the National Audit Office published a report on the timeliness of local auditor reporting on Local Government in England. The report set out that for the 2018/19 financial year only 57% of auditors delivered opinions by the 31 July 19 deadline and for the 2019/20 financial year only 55% delivered opinions by the extended deadline of 30 November 2020. Our auditors concluded their audit of the 2018/19 accounts by 30 July 2019 and their audit of the 2019/20 accounts by 20 October 2020, thereby meeting the respective statutory deadlines in those two years.
- 3.5 In January 2023 the National Audit Office published its latest report on the timeliness of local auditor reporting on Local Government in England. The report sets out that for the 2020/21 financial year only 9% of Local Government bodies received audit opinions in time to publish audited accounts by the extended statutory deadline of 30 September 2021. It also reported that 35% of those Local Government bodies had not received audit opinions in time to publish 2020/21 audited accounts 12 months after the statutory deadline.
- 3.6 The Council has to comply with the statutory regulations as set by Government and has therefore, in accordance with Regulation 10 of the Accounts and Audit (England) Regulations 2015, it gave notice that the conclusion of the audit of the accounts for 2020/21 had been delayed. The following reasons were given :
- Audit assurance letters relating to 2020/21 from the auditors of the Essex Pension Fund have not yet been issued and the Council's auditors are therefore unable to conclude on this matter.

- The extra detailed testing work required in order to gain the necessary assurances given the full year effect of the COVID-19 pandemic on the figures and disclosures in the accounts.

Please note that, although these were the case at the time of publication of the notice, the audit assurance letters from the auditors of the Essex Pension Fund have been issued and the Council's auditors have now been able to conclude on that matter.

- 3.7 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 2020/21.

Annual Governance Statement (AGS)

- 3.8 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.
- 3.9 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.
- 3.10 The Authority has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.11 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.
- 3.12 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.
- 3.13 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 Chief Executive has the responsibility for overseeing the

implementation and monitoring of the Code of Governance, through a process which for 2020/21 included:

- Regular reports to the Corporate Management Team (CMT) and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements and
 - any corrective action necessary to resolve concerns identified.
- An annual review of the governance framework undertaken by the officer Good Governance Group;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements; and
- An annual review of 'The Local Code of Governance', with any significant amendments reported to the Audit Committee, endorsed by Cabinet and approved by Council.

3.14 After due consideration, Councillors are invited to adopt the Annual Governance Statement for the financial year 2020/21.

Statement of Accounts 2020/21

3.15 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 2020/21 financial year by the Accounts and Audit (Amendment) Regulations 2021.

3.16 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 City 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.

3.17 Before adopting the Statement of Accounts 2020/21, 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.

3.18 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, however they still have a couple of matters outstanding.

- 3.19 The auditors are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office has issued a revised approach to "Value for Money" work which adds a regime of narrative reporting to the auditors' work and leads to a new, publicly issued Annual Auditor's Report. Deloitte's Value for Money work will be reported to the Audit Committee in their Auditor's Annual Report for 2020/21, which is being finalised over the coming weeks. However, the auditors have to satisfy themselves that there are no significant value for money concerns before they issue their audit opinion on the accounts.
- 3.20 The Statement of Accounts 2020/21 is attached at Appendix 3. After due consideration, Councillors are invited to adopt them, subject to any final review and amendments required as a result of the remaining audit matters outstanding.

4 Next Steps

- 4.1 Following adoption and any final review and amendments required as a result of the remaining audit matters outstanding, the Statement of Accounts for 2020/21, 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 City Council Corporate Plan and the Southend 2050 Ambition

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 2021 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 2020/21 are adopted and published by 31 July 2021. As previously outlined these arrangements have been updated for the 2020/21 financial year by the Accounts and Audit (Amendment) Regulations 2021.

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 arrangements include 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 Strategy, Change and Governance Directorate.

7 Appendices

Appendix 1 Annual Governance Statement 2020/21

Appendix 2 Overview of the Statutory Statement of Accounts 2020/21

Annex 1 Southend-on-Sea Borough Council – 2020/21 Group Structure

Appendix 3 Statutory Statement of Accounts 2020/21