

<b>Title:</b>	<b>The final Annual Governance Statement 2021/22 and adoption of the Statement of Accounts 2021/22</b>
<b>Meeting:</b>	Audit Committee
<b>Date:</b>	25 October 2023
<b>Classification:</b>	Part 1
<b>Key Decision:</b>	No
<b>Report Authors:</b>	Pete Bates, Interim Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability & Governance)
<b>Executive Councillor:</b>	Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

## **1 Executive Summary**

- 1.1 The Annual Governance Statement for 2021/22 was presented to Audit Committee on 20 July 2022 and approved, subject to any further views expressed by External Audit. This report is to recommend the final Annual Governance Statement for 2021/22 (which incorporates only minor changes requested by External Audit) to the Leader of the Council and Chief Executive for authorisation and signature.
- 1.2 This report is also to adopt the Statement of Accounts 2021/22.

## **2 Recommendation**

- 2.1 **That the Annual Governance Statement for 2021/22 be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2021/22.**
- 2.2 **That the Statement of Accounts for 2021/22 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 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 and came into force on 31 March 2021. For 2021/22 the deadline for publication of unaudited accounts was moved from 31 May 2022 to 31 July 2022 and the deadline for publishing audited statements was pushed back from 31 July 2022 to 30 September 2022.

#### **The Accounts and Audit (Amendment) Regulations 2022**

- 3.2 After only 9% of audited 2020/21 accounts were published by the 30 September 2021 deadline, the Department for Levelling Up, Housing and Communities made the decision to further extend the deadline for publication of audited 2021/22 statements from 30 September 2022 to 30 November 2022.
- 3.3 Southend-on-Sea City Council's unaudited Statement of Accounts for 2021/22 were published on 31 July 2022, thereby meeting the publication deadline. 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.

#### **Audit of the 2021/22 financial statements**

- 3.4 This needs to be viewed within the context of the delayed audit of the 2020/21 financial statements, which took longer than anticipated due to a number of factors, including:
- the need for increased detailed testing where figures were very different to the prior year, due to the full year effect of the pandemic.
  - the need for more disclosures in the accounts to explain the impact of COVID-19 on the Council's accounts.
  - the issues with staff resourcing experienced by our external auditors, in line with the audit market as a whole.

The Statement of Accounts for 2020/21 were adopted by Audit Committee on 21 March 2023, subject to any final review and amendments required as a result of the remaining audit matters that were outstanding. Deloitte's final report to the Audit Committee on the 2020/21 audit was accepted by Audit Committee on 26 April 2023. Deloitte signed the Statement of Accounts for 2020/21 on 27 April 2023.

- 3.5 The above delays had a knock-on effect on the audit of the Statement of Accounts for 2021/22. Whilst the 2020/21 audit was drawing to a conclusion, the 2021/22 audit was started, with a substantial amount of work being undertaken in the period from January to March 2023. There was then a pause from April to June 2023 whilst the Council's finance team completed the 2022/23 financial year closedown and the production and publication of the

unaudited Statement of Accounts for 2022/23, and the Deloitte team completed their 2022/23 NHS audits. Work on the 2021/22 audit resumed in July 2023.

- 3.6 This will be the second 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 2019 deadline and for the 2019/20 financial year only 45% 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.
- 3.7 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 for the 2021/22 financial year only 12% of Local Government bodies received audit opinions in time to publish audited accounts by the extended statutory deadline of 30 November 2022.
- 3.8 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 2021/22 had been delayed. The following reasons were given:
- The delayed conclusion of the audit of the 2020/21 Statement of Accounts.
  - Awaiting the resolution of a national issue regarding the reporting of infrastructure assets.

Although these were the case at the time of publication of the notice, the national issue regarding the reporting of infrastructure assets has now been resolved and the Council's auditors have been able to conclude on that matter. The audit of the 2020/21 Statement of Accounts has also been concluded.

- 3.9 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 2021/22.

### **Annual Governance Statement (AGS)**

- 3.10 The Annual Governance Statement for 2021/22 was presented to Audit Committee on 20 July 2022 and was approved, subject to any further views expressed by External Audit.

- 3.11 Following the external auditors' review, no substantive changes were made, and the final Annual Governance Statement incorporates only minor changes to the wording to reflect the passage of time.
- 3.12 Audit Committee is invited to recommend that the final Annual Governance Statement for the financial year 2021/22 is authorised and signed by the Leader of the Council and the Chief Executive.

### **Statement of Accounts 2021/22**

- 3.13 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 2021/22 financial year by the Accounts and Audit (Amendment) Regulations 2021 and the Accounts and Audit (Amendment) Regulations 2022.
- 3.14 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.
- 3.15 Before adopting the Statement of Accounts 2021/22, Members need to understand how the structure of the accounts works. Appendix 1 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.
- 3.16 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 few matters outstanding.
- 3.17 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 is reported in their Auditor's Annual Report for 2021/22 elsewhere on this agenda. The external auditors have to satisfy themselves that there are no significant value for money concerns before they issue their audit opinion on the accounts.
- 3.18 The Statement of Accounts 2021/22 is attached at Appendix 2. 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 2021/22, incorporating the Annual Governance Statement and the Audit opinion issued by Deloitte LLP will be formally published on the Council's website.

#### **5 Financial Implications**

- 5.1 All officers have been required to adopt robust financial management arrangements within their service areas.
- 5.2 The Statement of Accounts is required to present a true and fair view of the Council's financial position as at 31 March 2022 and also the income and expenditure for the financial year.

#### **6 Legal Implications**

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit Regulations 2015.
- 6.6 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 2021/22 are adopted and published by 31 July 2022. As previously outlined these arrangements

have been updated for the 2021/22 financial year by the Accounts and Audit (Amendment) Regulations 2022, to adoption and publication by 30 November 2022.

## **7 Carbon Impact**

7.1 None arising from this report.

## **8 Equalities**

8.1 There are no equalities implications arising from this report.

## **9 Consultation**

9.1 There are no consultation implications arising from this report.

## **10 Background Papers**

Detailed working papers held by the Finance and Resources Directorate and Strategy and Change Directorate.

## **11 Appendices**

**Appendix 1** Overview of the Statutory Statement of Accounts 2021/22

**Annex 1** Southend-on-Sea City Council – 2021/22 Group Structure

**Appendix 2** Statutory Statement of Accounts 2021/22