

Title:	The final Annual Governance Statement 2022/23 and adoption of the Statement of Accounts 2022/23
Meeting:	Audit Committee
Date:	24 April 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability & Governance)
Executive Councillor:	Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

1 Executive Summary

- 1.1 The Annual Governance Statement for 2022/23 was presented to Audit Committee on 19 July 2023 and approved, subject to any further views expressed by External Audit. This report is to recommend the final Annual Governance Statement for 2022/23 (which incorporates only minor changes) to the Leader of the Council and Chief Executive for authorisation and signature.
- 1.2 This report also recommends the adoption of the Statement of Accounts 2022/23.

2 Recommendation

- 2.1 **That the Annual Governance Statement for 2022/23 be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2022/23.**
- 2.2 **That the Statement of Accounts for 2022/23 be adopted and approved for publication, subject to any final review and amendments required as a result of the remaining external audit matters outstanding.**

3 Background

The Accounts and Audit (Amendment) Regulations 2022

- 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 accounts for all local authorities. These new regulations were designed to provide local authorities with additional time and flexibility to complete the audit of accounts. For 2022/23 the deadline for publication of unaudited accounts reverted to 31 May 2023 and the deadline for publishing audited statements was set to 30 September 2023.
- 3.2 Southend-on-Sea City Council's unaudited Statement of Accounts for 2022/23 were published on 31 May 2023, 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 2022/23 financial statements

- 3.3 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.

- 3.4 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 then resumed in July 2023. The Statement of Accounts for 2021/22 were adopted by Audit Committee on 25 October 2023, subject to any final review and amendments required as a result of the remaining audit matters that were outstanding. Deloitte's signed the Statement of Accounts for 2021/22 on 19 December 2023 and their final annual report on the 2021/22 audit was received and accepted by Audit Committee on 10 January 2024.

- 3.5 This will be the third 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.
- 3.6 In February 2024 Public Sector Audit Appointments published its latest update on the number of audits outstanding. It showed that, as at 31 December 2023, for the 2022/23 financial year only 10% of Local Government bodies had received audit opinions. Once the Council's 2022/23 Statement of Accounts are adopted, signed and published, we will have caught up with the backlog of unaudited accounts in time for the closedown and publication of the 2023/24 Statement of Accounts and their subsequent audit with our newly appointed external auditors KPMG.
- 3.7 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 2022/23 had been delayed. The following reason was given:
- The delayed conclusion of the audit of the 2021/22 Statement of Accounts.

Although this was the case at the time of publication of the notice, the audit of the 2021/22 Statement of Accounts has since been concluded.

- 3.8 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 2022/23.

Annual Governance Statement (AGS)

- 3.9 The Annual Governance Statement for 2022/23 was presented to Audit Committee on 19 July 2023 and was approved, subject to any further views expressed by External Audit.
- 3.10 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.
- 3.11 Audit Committee is invited to recommend that the final Annual Governance Statement for the financial year 2022/23 is authorised and signed by the Leader of the Council and the Chief Executive.

Statement of Accounts 2022/23

- 3.12 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. These arrangements have been updated for the 2022/23 financial year by the Accounts and Audit (Amendment) Regulations 2022.
- 3.13 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.
- 3.14 Before adopting the Statement of Accounts 2022/23, 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.
- 3.15 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.
- 3.16 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 publicly issued Annual Auditor's Report. Deloitte's Value for Money work is reported in their Auditor's Annual Report for 2022/23 which will be presented at the next meeting of Audit Committee. The external auditors have to satisfy themselves that there are no significant value for money concerns before they formally issue their audit opinion on the accounts.
- 3.17 The Statement of Accounts 2022/23 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 2022/23, incorporating the Annual Governance Statement and the signed 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 2023 and also the income and expenditure for that 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 2022/23 are adopted and published by 31 July 2023. As previously outlined these arrangements have been updated for the 2022/23 financial year by the Accounts and Audit (Amendment) Regulations 2022, to adoption and publication by 30 September 2023.

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 2022/23

Annex 1 Southend-on-Sea City Council – 2022/23 Group Structure

Appendix 2 Statutory Statement of Accounts 2022/23

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	16/04/2024
Monitoring Officer	Susan Zeiss	16/04/2024
Executive Director	Joe Chesterton	16/04/2024
Relevant Cabinet Member	Councillor Cox	16/04/2024