

Part A

Report to: Audit Committee

Date of meeting: Thursday, 28 July 2022

Report author: Head of Finance

Title: Statement of Accounts and Annual Governance Statement 2021/22

1.0 Summary

1.1 This report sets out the latest position for the finalisation and audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

1.2 The report also seeks approval for the Annual Governance Statement 2021/22.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The Council's Statement of Accounts are not approved and audited within the statutory timeframe	Failure to comply with statutory timeline impacts on audit opinion	Proactive liaison with the external audit team	Tolerate	4
Changes to accounting policies are not properly reflected in the Statement of Accounts	Material mis-statement or qualification	Review accounting policies annually. Maintain awareness of future changes	Treat	4

Changes to accounting policies have an impact on the revenue budget or capital programme.	Impact on reserves, especially where not identified at budget setting.	Maintain awareness of future changes	Tolerate	6
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3.0 Recommendations

3.1 To approve the Annual Governance Statement 2021/22

3.2 To note that the Director of Finance will authorise for issue a Draft Statement of Accounts 2021/22 for public inspection by 31 July 2022

Further information:

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Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 Statement of Accounts 2019/20

4.1.1 At the March Committee meetings members agreed to delegate the signing of the 2019/20 accounts to the Chair of the Committee and Director of Finance following receipt of the External Auditor's Audit Result Report. Unfortunately, almost immediately after the meeting the National Audit Office (NAO) identified a national issue in relation to the valuation of Infrastructure assets on local authority balance sheets and a moratorium was placed on the signing of local authority accounts. This has caused a delay in the signing of all local authority accounts where the gross book value of infrastructure assets is a material value.

4.1.2 Under the Code of Practice for Local Authority Accounting, Infrastructure assets are held on the balance sheet at historic cost and do not require valuations. The NAO found that there was a risk that assets or components of assets were not being written out when replacements were made resulting in an overstatement of both gross book value and accumulated depreciation.

4.1.3 Since March, Officers have been working with External Audit to provide sufficient evidence to provide assurance that the valuation for Infrastructure assets is robust.

This work has included reviewing the additions and disposals of Infrastructure assets back to the entries in the 2010/11 accounts when the Code of Practice introduced International Financial Reporting Standards (IFRS) into local government accounting. It is expected that a further update on progress with finalising this issue can be given at the meeting.

4.2 Statement of Accounts 2020/21

4.2.1 The draft Statement of Accounts for 2020/21 were published by 31 July 2021 in line with statutory timetable for public inspection. These accounts have now updated to reflect the final balances agreed in the 2019/20 accounts and, where relevant, to follow through agreed changes to accounting treatment or presentation of notes. A revised set of accounts has been provided to the External Auditors for consideration. This latest version will also be published on the Council's website by 31 July so that the prior year comparators in the draft 2021/22 accounts can be referenced back (see section 4.3 below).

4.2.2 The audit of the 2020/21 accounts began on 4 July 2022. The audit is expected to take six to eight weeks and it is anticipated that the draft audit results report will be presented to the September committee with delegated authority sought to make any final amendments to the accounts. The External Auditor's 2020/21 Audit Plan is elsewhere on the agenda and sets out the key areas of focus for the 2020/21 audit.

4.3 Statement of Accounts 2021/22

4.3.1 The Accounts and Audit Regulations 2015 set out the statutory timetable for the publication of the Council's unaudited accounts and completion of the external audit. The amended regulations require that draft accounts are published by 31 July 2022 to enable the period of public inspection to commence no later than 1 August 2022.

4.3.2 The Draft Statement of Accounts for 2021/22 will be authorised for issue by the Director of Finance by 31 July 2022. A link to the draft accounts will be provided to members of the committee.

4.3.3 The Department for Levelling Up, Communities and Housing (DLUCH) has recognised that it will take time for audit firms and local authorities to catch up and the statutory deadline for the publication of audited accounts for 2021/22 has been extended to 30 November 2022.

4.3.4 It is anticipated that the audit of the 2021/22 will commence in January 2023. Estimated completion is therefore February 2023. This is outside of the statutory timeframe, however, this will bring the Council's accounts and audit back within the statutory framework for 2022/23.

4.4 Annual Governance Statement 2021/22

- 4.4.1 Local authorities are required to prepare an Annual Governance Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.
- 4.4.2 The AGS must be published alongside the Statement of Accounts for the period of Public Inspection.
- 4.4.3 The AGS is approved by the Chief Executive and the Leader of the Council. The Audit Committee has the responsibility of reviewing the Council's AGS each year and considering whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 4.4.4 The AGS follows the principles and best practice advocated by CIPFA (The Chartered Institute of Public Finance and Accounting), the body which advises on good governance.
- 4.4.5 The AGS for 2021/22 is published at Appendix 3. It includes an outline of the Council's governance framework, a review of the effectiveness of the arrangements, and a conclusion in relation to the effectiveness.
- 4.4.6 Based on the information set out in the AGS, the following conclusion is included:

"It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective."

4.5 Financial Management Code of Practice

- 4.5.1 The CIPFA Financial Management Code of Practice (FM Code) was published in November 2019. It sets out the 'gold standard' for financial management arrangements in local government. The FM Code does not have statutory status but brings together best practice and statutory guidance including the Prudential Code for Capital Finance in Local Authorities. Local authorities were expected to comply with the FM Code from 2021/22.

4.5.2 The Redmond Review into the effectiveness of Local Government audit suggested that government could consider giving the FM Code statutory status and bringing compliance with code into the remit of the external audit regime. This remains under consideration by DLUCH. In the meantime, CIPFA have mandated local authorities to disclose compliance with the FM Code in the AGS and identify any outstanding areas for improvement or change.

4.5.3 To meet this requirement, a self-assessment against the FM Code for 2021/22 has been completed and is included as Appendix 2 to the AGS. All areas covered by the FM Code are rated green with the exception of the assessment against external reporting requirements in relation to the completion of the annual Statement of Accounts. This is rated amber in recognition that the delay in completing the audit of the accounts for 2019/20 and 2020/21 has impacted on the timeliness of external reporting. As set out in this report, there is a clear plan in place with the Council's external auditors to bring this back on track by April 2023.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no direct financial implications arising from this report.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that the Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement, prepared to fulfil this requirement, should form part of the Council's Statement of Accounts.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities or human rights implications.

5.4 **Staffing**

5.4.1 There are no staffing implications arising from this report.

5.5 **Accommodation**

5.5.1 There are no accommodation implications arising from this report.

5.6 **Community Safety/Crime and Disorder**

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

Background Papers

None

Appendices

Appendix 1 - Annual Governance Statement 2021/22