

Agenda item 3

Report title: The draft Statement of Accounts and draft Annual Governance Statement for 2021/22		AGS/21/22
Report to Audit, Governance and Standards Committee		
Report author: Nicole Wood, Executive Director, Corporate Services and Paul Turner, Director Legal and Assurance		
Date of meeting: 25 July 2022	For: Information	
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Divisions affected: All Essex		

1. Everyone's Essex

- 1.1 This report presents the draft **Statement of Accounts** and **Annual Governance Statement** for the **2021/22** financial year to the Committee for information (as appended).

2. Recommendations

- 2.1 The Committee notes that, in line with statutory deadlines:
- The draft Statement of Accounts for 2021/22 will be published and released for external audit on or before **31 July 2022**.
 - The public inspection period will commence on **1 August 2022** and will run for a period of **30** working days.
- 2.2 The Committee notes that:
- The outcome of the recent CIPFA LASAAC consultation on proposed augmentations to the Accounting Code on accounting for infrastructure assets is still awaited.
 - It may be necessary to amend the draft Statement of Accounts for 2021/22 in the event that the eventual solution for infrastructure assets requires a different accounting treatment to that currently being applied by the Council.
- 2.3 The Committee reviews the draft **Annual Governance Statement** for 2021/22, as appended, and considers whether it wishes to make any comments on it or propose any changes.

3. Statement of Accounts

Background

- 3.1 The Council is required to compile its annual accounts in compliance with generally accepted accounting practice. This means preparing the accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Accounting Code), supported by International Financial Reporting Standards and statutory regulations.
- 3.2 The Council is also required to:
- Produce draft accounts, and present them for external audit, by a specified date each year.
 - Make the draft Statement of Accounts available for a period of 30 working days, during which time the public have the right to raise objections, inspect the accounts and question the Local Auditor.
 - Publish its final, audited accounts by a specified date each year.
- 3.3 Statutory regulations require these activities to be undertaken in accordance with the following timetable this year:
- Produce the draft Statement of Accounts and present them for external audit by **31 July 2022**.
 - Make the draft accounts available for public inspection for a period of 30 working days, commencing no later than on **1 August 2022**.
 - Publish final, audited, accounts by **30 November 2022**.
- 3.4 In line with these requirements, the Executive Director for Corporate Services will certify the draft (unaudited) Statement of Accounts for 2021/22, and present them for external audit, on **29 July**; and will commence the 30-day period for the exercise of public rights on **1 August**.
- 3.5 The draft Statement of Accounts for 2021/22, including the financial statements for the Council and Essex Pension Fund, is appended for information only. The Committee will not be required to approve these accounts until the external audit of these accounts has been concluded.

Accounting for infrastructure assets

- 3.6 The Committee will be aware of the national issue related to accounting for infrastructure assets that has led to widespread delays in local authority audits for 2020/21. They will also be aware that the Chartered Institute for Public Finance and Accountancy (CIPFA) and the CIPFA LASAAC Code Board (the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom) agreed to try to assist in the resolution of the issue.
- 3.7 As reported to the Committee on **27 June 2022 (AGS/14/22)**, CIPFA LASAAC recently consulted on proposed augmentations to the Accounting Code, that it

hoped would address external auditors' concerns regarding accounting for infrastructure assets.

- 3.8 It had been anticipated that the outcome of the CIPFA LASAAC consultation would be known this month. However, at the time of writing, the consultation outcome is still awaited.
- 3.9 Consequently, the draft Statement of Accounts for 2021/22 (as appended) have been prepared on the basis of the accounting policies that have been applied by the Council in previous years, including those related to Infrastructure Assets. In the event that the eventual solution for infrastructure assets requires adoption of accounting policies that differ from those that have been applied, the draft Statement of Accounts will be amended.

External audit

- 3.10 It is hoped that the external auditor will report the results of the audit of the 2021/22 Accounts to the Committee on **28 November 2022**, thereby enabling the Committee to formally approve the Statement of Accounts for 2021/22 for publication by **30 November 2022**. However, the external auditor has indicated that it may not be possible for them to undertake and complete the 2021/22 audit by then.

4. Annual Governance Statement

- 4.1 The Accounts and Audit Regulations 2015 also include a requirement to publish an Annual Governance Statement.
- 4.2 The regulations require the Council to carry out a review of the effectiveness of their systems of internal control to provide assurance that the Authority has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.
- 4.3 Part of the way we achieve this is by a Code of Corporate Governance which refers to a range of documents, policies and procedures that underpin our aim of achieving good governance. In this context 'governance' means the systems, processes, culture and values by which we direct and control our business.
- 4.4 ECC has committed to a set of seven core principles, developed by the Chartered Institute of Public Finance and Accountability (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their paper Delivering Good Governance in Local Government: Framework 2016. The contents of our Code of Corporate Governance meet the requirements of those seven key principles and key documents can be found on our website.
- 4.5 The draft Annual Governance Statement, which is published with the Statement of Accounts, is appended and the Committee are asked to give any comments they may have.

- 4.6 The Statement will be updated to reflect any changes requested or required by the Committee and to reflect any significant developments.
- 4.7 The Audit, Governance and Standards Committee will be asked to approve the final statement at the same meeting as it considers the Council's Statement of Accounts.

5. Policy context and Outcomes Framework

- 5.1 The Statement of Accounts for 2021/22 summarises the financial performance and financial position for the Council for the year ending 31 March 2022. As such, the Accounts provide a financial representation of activities during 2021/22 against the Organisation Strategy.

6. Financial Implications

- 6.1 There are no specific financial implications associated with this report.

7. Legal Implications

- 7.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as currently amended by the Accounts and Audit (Amendment) Regulations 2021. The Council is also required to produce an annual governance statement in accordance with the 2015 regulations.
- 7.2 The final governance statement must be approved before the final statement of accounts is published.

8. Staffing and other resource implications

- 8.1 There are no staffing implications associated with this report.

9. List of appendices

- 9.1 **Appendix A** – Draft Statement of Accounts for 2021/22 (including the Annual Governance Statement).

10. List of Background Papers

- 10.1 None