

Agenda item 9

Report title: The draft Statement of Accounts and draft Annual Governance Statement for 2019/20		AGS/72/20
Report to Audit, Governance and Standards Committee		
Report author: Nicole Wood, Executive Director, Finance and Technology and Paul Turner, Director Legal and Assurance		
Date of meeting: 6 July 2020	For: Information	
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Divisions affected: All Essex		

1. Purpose of report

- 1.1 The purpose of this report is to present a draft of the **Statement of Accounts** and the draft **Annual Governance Statement** for 2019/20 to the Committee for information (as appended), and to explain the Committee's role regarding approval and publication of these documents in September 2020.

2. Recommendations

- 2.1 The Committee notes the arrangements for approval and publication of the Council's **Statement of Accounts** for 2019/20.
- 2.2 The Committee reviews the draft **Annual Governance Statement** for 2019/20, as appended, and considers whether it wishes to make any comments on it or propose any changes.

3. Statement of Accounts

- 3.1 The process of closing the Accounts, and of producing the information required to enable the external auditor to give an unqualified opinion on the accounts, is both complex and time constrained.
- 3.2 The Council is statutorily 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 2019/20 (the Accounting Code), supported by International Financial Reporting Standards and statutory regulations.

3.3 The Council is also required by Regulation 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; and
- Publish its final, audited accounts by a specified date each year.

3.4 Statutory regulations usually require these activities to be undertaken in accordance with the following timetable:

- Produce the draft Statement of Accounts and present them for external audit by **31 May**;
- Make the draft accounts available for public inspection for a period of 30 working days, to include the first **10 working days** of **June**; and
- Publish final, audited, accounts by **31 July**.

However, in recognition of the significant pressure local authorities are under in responding to the COVID-19 pandemic, the Government indicated in March 2020 that it would extend the statutory deadlines for the 2019/20 financial year.

3.5 The Government initially indicated that it would extend the statutory deadlines as follows:

- The deadline for production of draft accounts was to be deferred from **31 May** to **30 June**;
- The period for public inspection of the accounts was to include the first **10 working days** of **July** (rather than the first 10 working days in **June**); and
- The deadline for publication of final, audited accounts, was to be deferred from **31 July** to **30 September**.

3.6 The Government subsequently resolved, in early April, to further extend the timetable, by deferring the date by which the draft accounts for 2019/20 must be produced to **31 August**, and the deadline for publication of final, audited accounts to **30 November**. The Government also confirmed that authorities could choose when to commence their period for public inspection of their accounts.

3.7 Alongside the Government's review of the statutory timetable for production and publication of the Accounts for 2019/20, CIPFA sought to update the 2019/20 Accounting Code in order to further ease the burden on local authorities as they respond to the COVID-19 pandemic. CIPFA's intention was to enable local authorities to produce a radically simplified version of their annual accounts for the 2019/20 financial year.

3.8 Unfortunately, the simplification proposed by CIPFA was not acceptable to regulators and auditors. Therefore, CIPFA confirmed, in early April, that local authorities would be required to prepare a full set of Accounts for the 2019/20 financial year.

- 3.9 Whilst the government and CIPFA proposals were motivated by a desire to ease the reporting burden on local authorities for the 2019/20 financial year, they also created uncertainty during the period when closure of accounts activity would usually be well underway.
- 3.10 Consequently, we quickly decided to aim to produce a full set of draft accounts for 2019/20 by **30 June**. This decision was not made lightly but recognised the need to draw a line under the 2019/20 financial year as soon as practically possible, so that finance staff could focus on financial management and financial planning activity intended to enable the Council to plan its financial recovery.
- 3.11 In line with this aspiration, the Executive Director for Finance and Technology Certified the draft (unaudited) Statement of Accounts for 2019/20 on **30 June**; and presented the draft accounts to the external auditor and commenced the 30 day period for the exercise of public rights on **1 July**. The draft Statement of Accounts is appended for review by the Committee.
- 3.12 The external auditor plans to report the results of the audit work to the Committee on **28 September 2020**, at which stage the Committee will be asked to approve the Statement of Accounts for publication. The Committee will be required to consider the external auditor's findings before authorising the accounts for issue.

4. Annual Governance Statement

- 4.1 The Regulations that apply to the Statement of Accounts also include a requirement to publish an Annual Governance Statement.
- 4.2 The regulations require authorities 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 on **28 September 2020**.

5. Policy context and Outcomes Framework

- 5.1 The Statement of Accounts for 2019/20 summarises the financial performance and financial position for the Council for the year ending 31st March 2020. As such, the Accounts provide a financial representation of activities during 2019/20 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 (Coronavirus) (Amendment) Regulations 2020. The Council is also required to produce an annual governance statement.

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 2019/20 (including the Annual Governance Statement)

10. List of Background Papers

- 10.1 None