

G&A Subgroup and Accounts Update

Governance and Audit Committee

28 July 2021

Report Author	Chris Blundell (Director of Finance)
Portfolio Holder	Cllr David Saunders
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

The report recommends the establishment of a Governance and Audit Committee subgroup to undertake a detailed review of the 2020-21 accounts. This subgroup would assist committee members in exercising their responsibility for approving the accounts, by improving their understanding and oversight of the accounts.

The report also provides an update on the changes to the statutory audit deadlines and on the actual closure and audit of the 2020-21 accounts.

Recommendation(s):

1. The establishment of a subgroup to undertake a detailed review the of draft statements and report back to the committee be approved
2. The change in statutory deadlines and the progress towards producing the draft 2020-21 statements be noted

Corporate Implications

Financial and Value for Money

As detailed in the body of the report

Legal

The Accounts and Audit (England) Regulations 2015 and the Council's constitution place the responsibility for approval of the accounts with the Governance and Audit Committee.

Corporate

The establishment of a Governance and Audit subgroup to undertake a detailed review of the 2020-21 accounts would assist the Committee in exercising its responsibility for approving the accounts by improving their understanding and oversight of the accounts.

Equality Act 2010 & Public Sector Equality Duty

There are no equality implications arising from this report.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

1. Introduction and Background

- 1.1 The primary purpose of this report is the recommendation of the establishment of a Governance and Audit subgroup to undertake a detailed review of the 2020-21 accounts.
- 1.2 The report also provides an update on the changes to the statutory audit deadlines and on the actual closure and audit of the 2020-21 accounts.

2. Governance and Audit Sub-group

- 2.1 The Governance and Audit committee is responsible for the approval of the Council's annual statements of accounts, with the Chairperson required to sign the accounts as the seal of approval.
- 2.2 Local Government accounts are unquestionably complex and many commentators have stated that they are "impenetrable" to the lay reader. The majority of members will not have professional financial backgrounds and as such typically the committee primarily relies on the reports of officers and opinion of the external auditors in order to obtain sufficient assurance to approve the accounts.
- 2.3 To assist the committee in improving their understanding of the accounts and the assurance in the figures presented it is recommended that a subgroup is established with the remit of undertaking a detailed review of the 2021-22 accounts.
- 2.4 It is proposed that the subgroup consist of four nominated and named members, but more members may attend or participate at the subgroup meetings as per Council Procedure Rule 20.1. It is also proposed that the requirement political balance be waived for this subgroup. This will require a nem-con vote, which means that every member of the committee must vote for the proposal of setting up the subgroup for which political balance has been waived. If a member votes against or abstains, then proportionality has to remain.

- 2.5 It is anticipated that the subgroup will only need to meet once or twice and that each meeting would take approximately 2 hours. The terms of reference for the subgroup are set out at Annex 1.

3. Changes to Statutory Audit Deadlines for 2020-21

- 2.1 The Accounts and Audit (England) Regulations 2015 require the council (through this Committee) to approve and publish its annual statement of accounts by 31 July. Furthermore, local authorities are required to approve their draft accounts by 31st May, with draft accounts being made available for public inspection for 30 working days, inclusive of the first 10 working days of June.
- 2.2 However, a recent review conducted by Sir Tony Redmond into local authority auditing and financial reporting (Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting) published in September 2020 highlighted the following findings:
- The existing statutory audit deadline of 31 July is unrealistic.
 - There is an argument to suggest the deadline should be moved to 30 September to enable audit requirements to be fulfilled effectively.
- 2.3 Consequently, audit regulations have been amended to extend the deadline for publishing the audited accounts to 30 September for two years (2020-21 and 2021-22 accounting years), with further review thereafter.
- 2.4 The draft accounts also need to be published by 1st August, again representing an extension from the existing 31st May deadline.

3. Progress with Closure of Accounts

- 3.1 The closure of the accounts is progressing well, and officers expect that the draft statements of accounts will be published on Friday 30 July. The Council has produced a draft outturn report that is being presented to Cabinet for consideration on Thursday 29 July 2021.
- 3.2 A verbal update will be provided to the Committee by the Director of Finance as to how closure has progressed between the date of publication of this report and the meeting.

4.0 Options

- 4.1 The committee may decide:
1. **To establish the subgroup** - this would assist in exercising their responsibility for approving the accounts by improving their understanding and oversight.
 2. **Not establish the subgroup** - members could either continue with the existing arrangements, or recommend a different course of action.

Contact Officer: *Chris Blundell, Director of Finance*

Reporting to: *Tim Willis (Deputy Chief Executive (S151 Officer))*

Annex List

Annex 1: Terms of Reference

Corporate Consultation

Finance: *N/A*

Legal: *Estelle Culligan (Director of Law and Democracy)*