

Report to Constitution Working Group



Date of meeting: 2 September 2021

Portfolio: Finance, Qualis Client and Economic Development

Subject: Constitution - Revisions and Amendments

**Epping Forest
District Council**

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Recommendation/Decision Required:

- (1) That the Constitution Working Group considers amending the Council Constitution to give the Audit and Governance Committee delegated authority for approving the Council's annual Statement of Accounts, with effect from the 2020/21 financial year.**

Executive Summary

Regulation 9(2) of the Accounts and Audit Regulations 2015 requires the Council to consider, either by way of a committee or – by the members meeting as a whole – the Statement of Accounts, and approve the Statement of Accounts, by a resolution of that committee or meeting.

The Council's legal responsibilities in respect of the Regulations are reflected within the Constitution. In particular, the Council's Terms of Reference (Article 4) requires full Council approval of the Council's Statement of Accounts under Section 1(c).

Council approval of the Statement of Accounts follows on from the detailed consideration given by the Audit and Governance Committee following the completion of the external audit. In forming its recommendation to full Council, the Committee takes account of the findings in the external auditor's report, which is presented alongside the audited Statement of Accounts.

Regulation 20 of the Accounts and Audit (Amendment) Regulations 2021 has now amended Regulation 10 of the 2015 Regulations and requires the Council to publish its 2020/21 Statement of Accounts and supporting documents (together with any external audit certificate or opinion) by 30th September 2021 (moving the deadline forward from the 30th November requirement for the 2019/20 Statement of Accounts).

The legislative timetable is currently very difficult for both the Finance team and the external auditors to achieve, partly due to the two-step process in place for approving the audited Statements required by the Constitution as currently drafted. Streamlining the process by delegating authority for approving the Statement of Accounts to the Audit and Governance Committee would therefore be potentially advantageous. Thus:

- ***2020/21 Statement of Accounts*** – the Council has faced major challenges in preparing its Statement of Accounts in both 2018/19 and 2019/20 following a sudden and substantial loss of senior Finance staff in 2019, with audit opinions being issued late in both years; the problem has been exacerbated by resourcing difficulties with the auditors. Although substantial improvements have been made by the Finance team over the last 18 months – due to the late running 2019/20 audit, and additional (Covid-related) accounting complexities – issuing the audit opinion for 2020/21 in accordance with the statutory deadline will, once again, prove challenging. A shortened approval process would ameliorate the pressure for the Finance team and the external auditors alike; and

- **2021/22 Statement of Accounts (and future Statements)** – it appears likely that the statutory timetable for publishing and auditing the Statement of Accounts will be tightened further in 2021/22 with the Council being required to publish its draft Statement of Accounts by 30th June 2022 at the latest, with the audit opinion deadline remaining at 30th September 2022. It appears unlikely that meeting this timetable will prove a major problem (given ongoing improvements) even with the current two-step process. However, substantial operational efficiencies can be gained by *exceeding* the legislative timetable; securing the benefits from an enhanced preparation and audit process for the Statement of Accounts for 2021/22 and beyond, is a key strategy embedded within the ongoing transformation process, in the Council's Finance function.

Delegating the approval of the Statement of Accounts to the Audit and Governance Committee (a practice common at many comparable councils) will not reduce the robustness of the scrutiny and approval process; the Committee is well resourced for, and is experienced in, this role. In contrast, the usual size of full Council's agenda, and its broader membership, is not always conducive to giving the Statements the degree of scrutiny they require.

Having considered the merits of potentially changing the current two-step approval process, full Council – at its meeting on 29th July 2021 – approved a recommendation that the Constitution Working Group should consider amending the Constitution, giving the Audit and Governance Committee delegated authority for approving the annual Statement of Accounts.

Resource Implications:

The recommendation in this report seeks to ensure that the Council's Constitution remains fit for purpose.

Legal and Governance Implications:

There are a range of Legal and Governance implications. Most notably:

- The Accounts and Audit Regulations 2015
- The Accounts and Audit (Amendment) Regulations 2021 (especially Regulation 2); and
- Article 4 (1c) of the Council Constitution.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendation in this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, Greener initiative, or any crime and disorder issues within the district.

Consultation Undertaken:

The subject matter of this report was considered by full Council on 29th July 2021.

Background Papers:

None

Risk Management:

The Constitution sets out procedures and rules for the operation of the Council's functions and responsibilities. This includes the scrutiny and approval of the annual Statement of Accounts in accordance with legislative requirements. It is an important control in the safeguarding of public funds and failure to comply with due legislative process, would represent a significant reputational risk.

Equality:

There are no equality implications arising from the recommendation in this report.