



AUDIT & GOVERNANCE COMMITTEE

Monday, 11 September 2023

Subject	Updated Audit Results Report 2020/21 and updated Statement of Accounts 2020/21
Report by	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money
Supporting Officer	Lorraine Rogers Acting Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsoffolk.gov.uk
Director	Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	This report is to be considered during the OPEN part of the Agenda.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified. This is done via an Audit Results Report and relates to the 2020/21 Statement of Accounts. A provisional Audit Results Report was presented to this committee in March 2022, however since then a material adjustment has been made to the 2020/21 Accounts in the form of a HRA Provision for Rents and Service charges. Therefore the updated Audit Results Report and 2020/21 Statement of accounts are being re-presented.

Options:

None to consider.

Recommendation/s:

That the Committee:

1. Notes the external auditors' findings within the updated Audit Results Report 2020/21 (Appendix A).
2. Notes the updated Statement of Accounts for 2020/21 (Appendix B).
3. Subject to no further material errors being found, approves delegation for final sign-off and publication of the 2020/21 audited statement of accounts to the Chairman of the Audit & Governance Committee, Councillor Owen Grey, and the Chief Finance Officer and S151 Officer, Lorraine Rogers.
4. Allows for the Auditor's Annual Report including the Value for Money commentary to be circulated to the Committee via email between formal meetings to enable EY to issue the audit certificate to conclude the audit.

Corporate Impact Assessment

Governance:

The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014.

ESC policies and strategies that directly apply to the proposal:

The Audit Results Report does not link directly to the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the priorities set out in the Strategic Plan.

Environmental:

No impact

Equalities and Diversity:

No impact

Financial:

External Audit ensures the Council is providing accurate and reliable financial information, which in turn informs future budgets and service provision. It also ensures value for money is achieved and increases transparency to local taxpayers.

Human Resources:

No impact

ICT:

No impact

Legal:

No impact

Risk:

If audits are not completed, there is a risk errors and misstatements are not identified and may impact future budgets and expenditure, and there is risk value for money may not be achieved.

External Consultees:	Ernst & Young LLP (EY)
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>

P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
The Audit Results Report does not link directly to the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the priorities set out in the Strategic Plan.			

Background and Justification for Recommendation

1 Background facts	
1.1	The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified. This report focuses on the Audit Results Report (ARR) for East Suffolk Council's Statement of Accounts 2020/21 which is included as Appendix A. The most up to date Statement of Accounts are also included in Appendix B.
1.2	In March 2022 a preliminary Audit Results Report was presented to this Committee recommending delegated final sign-off and publication of the 2020/21 audited statement of accounts to the Chairman of the Audit & Governance Committee, Councillor Geoff Lynch, and the Chief Finance Officer and S151 Officer, providing no material errors were identified.
1.3	Since this date the Council has identified an issue with rent and service charges being incorrectly charged to HRA tenants and has had to reflect this in its 2020/21 Statement of Accounts. The Council commissioned an external, independent review of the governance of the housing service, to ensure that the right governance arrangements are in place, which will prevent any such breaches of the social housing regulatory standards from occurring in the future. This report was completed in early 2023 and a final report issued in June 2023. This report was discussed at Audit and Governance Committee on 10th July 2023.

2 Current position

2.1	As previously reported to this committee, a forensic audit has been conducted on every tenancy since 2010 by external consultants, and this has provided details of amounts due to be refunded. The Council has updated the 2020/21 (and subsequent) Statement of Accounts to include a provision for repayment of the incorrect amounts charged to tenants. This includes a provision of £3.757m at the end of March 2021. As the first year of accounts for East Suffolk Council was 2019/20, no third balance sheet could be completed so the opening balances have been amended to reflect the refunds due relating to years prior to 2019/20. A break down of the years this relates to can be seen in the table below:															
2.2	<table border="1" data-bbox="300 566 1353 884"> <thead> <tr> <th data-bbox="300 566 571 683">Year £'000</th> <th data-bbox="579 566 874 683">Provision for Service Charge £'000</th> <th data-bbox="882 566 1353 683">Treatment in the accounts</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 689 571 763">Prior to 2019/20</td> <td data-bbox="579 689 874 763">2,944</td> <td data-bbox="882 689 1353 763">Adjusted opening balance for 2019-20</td> </tr> <tr> <td data-bbox="300 770 571 801">2019/20</td> <td data-bbox="579 770 874 801">413</td> <td data-bbox="882 770 1353 801">Prior period adjustment</td> </tr> <tr> <td data-bbox="300 808 571 840">2020/21</td> <td data-bbox="579 808 874 840">400</td> <td data-bbox="882 808 1353 840">In year adjustment</td> </tr> <tr> <td data-bbox="300 846 571 884">Total</td> <td data-bbox="579 846 874 884">3,757</td> <td data-bbox="882 846 1353 884"></td> </tr> </tbody> </table> <p data-bbox="300 927 1380 999">Appendix B shows the amended accounts for 2020/21 with these adjustments, see Note 20 Provisions.</p>	Year £'000	Provision for Service Charge £'000	Treatment in the accounts	Prior to 2019/20	2,944	Adjusted opening balance for 2019-20	2019/20	413	Prior period adjustment	2020/21	400	In year adjustment	Total	3,757	
Year £'000	Provision for Service Charge £'000	Treatment in the accounts														
Prior to 2019/20	2,944	Adjusted opening balance for 2019-20														
2019/20	413	Prior period adjustment														
2020/21	400	In year adjustment														
Total	3,757															
2.3	EY have audited a sample of tenancies and have reviewed the accounting treatment of the prior year adjustment and in year amendments and are satisfied with the provision made. Appendix A includes the updated Audit Results Report from EY.															

3 How to address current situation

3.1	EY are aiming to finalise their work on the 2020/21 accounts by the end of September 2023. It is proposed that, subject to no other material errors being found, this committee approves delegation for final sign-off and publication of the 2020/21 audited Statement of Accounts to the Chair of the Audit & Governance Committee, Councillor Owen Grey, and the Chief Finance Officer and S151 Officer, Lorraine Rogers. Once the Auditor's Annual Report including the Value for Money commentary is received in respect of these accounts, it will be circulated to Audit & Governance Committee Members via email. This will enable EY to issue the audit certificate to conclude the audit promptly once complete.
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4 Reason/s for recommendation

4.1	The Audit & Governance Committee is recommended to note the external auditors' findings within the Updated Audit Results Report 2020/21.
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Appendices

Appendices:

Appendix A	Updated Audit Results Report 2020/21
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Appendix B	Updated Statement of Accounts 2020/21
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Background Papers:

None
