

CORPORATE AFFAIRS AND AUDIT COMMITTEE

Date: Thursday 9th June, 2022 Time: 3.30 pm Venue: Mandela Room
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AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Minutes - Corporate Affairs and Audit Committee - 28 April 2022 3 - 8
5. Exemption from Standing Orders Overview 2021/22 9 - 16
6. Statement of Accounts 2020/21 and Infrastructure Assets 17 - 22
7. Any other urgent items which in the opinion of the Chair, may be considered

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Wednesday 1 June 2022

MEMBERSHIP

Councillors B Hubbard (Chair), J Platt (Vice-Chair), T Higgins, C Hobson, T Mawston, D Rooney and C Wright

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Thursday 28 April 2022.

PRESENT: Councillors B Hubbard (Chair), J Platt (Vice-Chair), C Hobson, D Rooney and C Wright

ALSO IN ATTENDANCE: D Coupe (Executive Member for Adult Health and Public Protection and Digital inclusion), P Jeffrey (Internal Auditor) (Veritau) and M Thomas (Internal Auditor) (Veritau)

OFFICERS: C Benjamin, D Johnson, S Lightwing, A Pain, S Reynolds, Stuart, J Weston and I Wright

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors T Higgins and T Mawston

21/58 WELCOME AND EVACUATION PROCEDURE

The Chair welcomed all present and read out the Building Evacuation Procedure.

21/59 DECLARATIONS OF INTEREST

There were no declarations of interest received at this point in the meeting.

21/60 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE

The minutes of the Corporate Affairs meetings held on 31 March and 6 April 2022 were submitted and approved as a correct record.

The Monitoring Officer confirmed that in relation to Minute No 21/54, points 3 and 4 of the resolution had not yet been actioned.

21/61 DRAFT ANNUAL INTERNAL AUDIT WORK PROGRAMME FOR 2022/2023

A report of the Head of Internal Audit, Veritau, was presented to seek Members' approval for the planned programme of internal audit and counter fraud work to be undertaken in 2022/2023.

Appendix 1 to the submitted report set out proposed internal audit work for 2022/23. The planned work was based on an initial assessment of risk undertaken. The identification of risks included in the assessment had been informed in a number of ways. This included review of the organisational risk management processes, sector-wide risk information, understanding the Council's strategies and objectives, other known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in Council services and systems.

The proposed areas of coverage had been subject to consultation with the Corporate Affairs and Audit Committee and Directorate Management Teams.

In order to meet professional aims and objectives, good practice for internal audit required the adoption of flexible planning processes. This helped to ensure that internal audit work undertaken during the year was adapted on an ongoing basis to reflect changing and emerging risks within the Council.

Therefore, as in previous years, the programme was a high-level document with an allocation of days for key areas of assurance. The detailed audits to be included within these areas would be agreed with officers in the coming months. The programme was also flexible and would be updated as the Council's priorities or risks changed during the year. The Director of Finance reminded Committee Members that it was in their gift to suggest other areas that required audit throughout the year. It was confirmed that as yet, no priority order had been determined for the proposed audits.

Auditors would regularly discuss the scope and timings of work with officers and management to help ensure that assurance was provided in the right areas and at the right time. Further meetings would be held throughout the year to plan and confirm the scope and timings of audit work. Regular updates would be presented to the Corporate Affairs and Audit Committee on the coverage, scope and findings of Veritau's work.

The total days allocated to internal audit assurance in 2022/23 were 555.

Proposed areas of counter fraud work in 2022/23 were set out in Appendix 2 to the submitted report. No estimate of time was made for each area as this would depend on the levels of suspected fraud reported to the team. The priorities for the work programme were set annually in the Council's Counter Fraud Strategy Action Plan and annual Fraud Risk Assessment. The total days allocated to counter fraud work in 2022/23 were 150.

AGREED as follows that:

1. The report was received and noted.
2. The planned programme of internal audit and counter fraud work to be undertaken in 2022/2023 was approved.

21/62

ELECTIONS BILL

A report of the Returning Officer and Electoral Registration Officer was presented to inform the Corporate Affairs and Audit Committee of proposed changes to the electoral system that may be introduced as part of the Elections Bill that was currently being considered by Parliament. The report also identified possible implications for the voting public, candidates and electoral administrators.

On Monday 5 July 2021, the UK Government introduced the Elections Bill to the House of Commons. The bill introduced new legislation that proposed changes to the UK electoral system. The legislation, entitled the Elections Bill, contained measures that affected:

- Elections and the way we vote.
- Campaigning and the rules on campaign spending and funding.
- Parliamentary oversight of the Electoral Commission.

Changes in the Bill would apply to UK Parliamentary Elections, Police and Crime Commissioner Elections in England and Wales, and all Local Elections in England including Mayoral elections and the Tees Valley Mayor Elections.

The Bill sought to improve the security, accessibility and transparency of elections and campaigning. The changes will need to be well planned, with implementation phased, and properly funded, to ensure that electoral administrators, and others involved in running elections, can implement the measures as intended. The Bill was currently at committee stage in the House of Commons and was expected to receive Royal Assent in May 2022.

The changes proposed to the following areas were detailed in the submitted report:

- Voter Identification.
- Absent Vote Applications.
- Proxy Vote Applications.
- Changes to the rights of EU Citizens to vote.
- Voter Accessibility.
- Preventing Undue Influence.
- Overseas Voting.
- Changes to Mayoral and PCC Voting System.

One of the key implications for Local Authorities with small resources was the Voter Identification proposals. If a voter did not have identification they could apply for a voter card from Government in advance of an Election, or a temporary card from the Local Authority up until 5.00 pm on the evening prior to an election. This could potentially cause pressure on the current Electoral Team of four staff. It was highlighted that Middlesbrough had a large student population and some might use this as a way to get free identification, not solely as a means to vote, and this could apply to other residents as well.

Political parties and campaigners would be banned from handling postal votes. Constituents would have to return postal votes themselves rather than relying on the above groups to do that on their behalf. This measure was to improve security and prevent allegations of fraud and misuse of postal votes.

Another major change impacting on Middlesbrough would be a different voting system for the Mayor and Police and Crime Commissioner. Previously Supplementary Voting had been used for both types of election, however this would be changed to the First Past The Post system. Whilst this would make election planning and counting simpler for Officers, there would be implications for candidates and the likelihood of getting elected.

It had not yet been identified how Local Authorities would be funded to implement the new legislation. Whilst there had been some discussion regarding using the Government's Levelling Up Fund, this had not been confirmed.

From a planning perspective an Election Project Management Board was in place to consider the issues and would start to meet regular from May 2022 in advance of the next planned elections. Other implications that would be considered would be the impact on Polling Stations of voters waiting to have their Identification checked and additional training for Polling Station staff. Regional and National Groups would also be meeting and information and ideas would be fed back to Local Authorities to share ideas and ensure consistency.

It was suggested that as well as national campaigns, there needed to be local awareness raising to make sure people were registered to vote.

National and Regional Briefing materials had been prepared for Elected Members and once further guidance was issued, presentations to Councillors would be organised.

The Chair commented that the Mayor and Executive should be made aware of the potential need for additional funding to implement the changes.

AGREED that the information provided was received and noted.

21/63

UPDATE - COUNCIL'S DECISION MAKING PROCESS

A joint report of the Executive Member for Environment, Finance and Governance and Director of Legal and Governance Services was presented to provide Members with an update in relation to the Council's decision making process.

The Corporate Affairs and Audit Committee previously requested information in relation to:

- Details of current policies/guidance in place in respect of the Decision Making Process.
- Information on the number of member delegated decisions and their type (key/non key).
- Information on the number of officer delegated decisions taken.
- Information on the activities of the governance team (communications, training/ awareness raising).

Detailed information was provided in the submitted report in respect of each item.

Appendices A to D to the submitted report contained details of Officer and Executive Delegated Decisions, a list of training and briefing sessions and a list of decisions taken by the Gold Command Group during the period 1 January 2021 to 31 December 2021.

Members noted that there had been no Call-Ins of Executive Decisions during that period.

The Monitoring Officer confirmed that a number of joint training sessions, facilitated by the Local Government Association, had been held between the current Executive Members and the Leadership and Management Team.

AGREED that the information provided was received and noted.

ESTATES STRATEGY - ASSETS DISPOSAL UPDATE

A joint report of the Executive Member for Environment, Finance and Governance and Director of Finance was presented to provide Members with an update on the implementation of the Council's Estates Strategy, report on asset disposals during the financial year 2021/2022 and update standing Asset Disposal Policy.

In accordance with the standing Asset Disposal Policy operated by the Council during the financial year 2021/2022, any proposed disposals or transactions with a value over £150,000 were considered and decided by Executive Committee. According to value, any proposed transactions below that threshold were decided by either the Director of Finance, or by the Valuation and Estates Manager. During the same period, the Director of Finance and the Valuation and Estates Manager had met on a monthly basis, in order to monitor the progress with and implementation of the Council's Estates Strategy.

The power to dispose of assets at an undervalue has not been utilised during the financial year 2021/2022. Should the Council take any decisions to dispose of its assets under these powers, it would be reported in subsequent disposal updates.

Asset disposals approved in the financial year 2021/2022 were provided at paragraph 11 of the submitted report and further detail in respect of the individual asset disposal transactions recorded as having legally completed and reached financial close was set out in Appendix 1.

The variance in value between a number of the Capital Receipts and Valuations set out within Paragraph 11 and Appendix 1 had been caused by a number of factors including: the strict financial approach adopted by the Council in respect to abnormal cost deductions being different to that adopted by Buyers, fluctuation in market values, the occurrence of unplanned windfall disposal opportunities and the accounting basis under which the Council classified surplus highway land within its Estate Portfolio.

In order to mitigate the financial and business planning implications of such variance, the Council adopted a structured cyclical approach to the revaluation of its assets in order to better understand, monitor and adjust the value of its Estate Portfolio.

In response to comments made by the Council's External Auditors in previous years, further work to satisfactorily embed the Asset Disposal Policy was carried out during the financial year 2021/22 in order to ensure compliance.

On 13 April 2021, Executive approved the release of 3% of the value of any asset disposed of above market value as a financial contribution to be made available for the benefit of the Ward in which the subject asset was based.

Policy was amended to reflect this change, and as a result a process was introduced which determined that once the 3% community benefit contribution was triggered, the respective Ward Councillors in which the subject asset was based, would be invited to submit their proposals to the Director of Finance and the Executive Member for Finance and Governance would then consider, and agree, the Ward expenditure.

Since inception, two disposals had triggered this process, namely the disposal of Middlesbrough Warehousing in North Ormesby and Nunthorpe Grange Farmhouse.

The Asset Disposal Policy was not explicit in regard to the works that the 3% contribution could be spent on within the designated Wards, however there was an assumption that this would be works that the local authority would progress/carry out. In the case of North Ormesby, the community benefit contribution assisted a third party organisation that provided significant community support.

Initially, the 3% community benefit contribution was intended to support the delivery of the following types of enhancements within local community areas, although this list was illustrative and not exhaustive:

- Enhanced physical environment – physical decoration, planters, resurfacing and play equipment.
- Expanded community facilities – additional street furniture, litter bins and dog waste

- bins.
- Improved security measures – additional lighting & security equipment.

It was suggested that further guidance should be developed in relation to how the 3% community benefit would operate and what checks and balances would be put in place.

Should the original intention to contribute to such local enhancements be progressed, the Asset Disposal Policy attached at Appendix 2 would need to be further amended to reflect this. Suggested wording for inclusion within the policy would be:

- In the eventuality that an asset achieved a price in excess of the projected market value, 3% of the capital receipt will be made available for local community use for the Ward in which the asset was located.
- The funding would be retained by the Finance Directorate, only direct local authority, or expenditure procured by the local authority in line with procurement rules would be spent within Wards and agreement for use will be determined by the Director of Finance in consultation with the Executive Member, Finance and Governance and Ward Member(s) in which asset was situated.

In the event of the expenditure being deemed a key decision then the expenditure would be determined by Executive in line with normal decision making procedures.

AGREED as follows that the:

1. Information provided was received and noted.
2. Continued implementation of the Council's Estates Strategy and progress with the disposal of assets during financial year 2021/2022 was noted.
3. Corporate Affairs and Audit Committee recommended to Executive that the Asset Disposal Policy was amended to ensure that the 3% community benefit contribution was directed to benefits whereby expenditure was limited to local authority direct or procured provision only.

21/65

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

The Chair noted that this was the last scheduled meeting of the Committee in the current Committee Year. The Statement of Accounts for 2020/2021 were not yet available for approval and it was anticipated that it would be June or July before they would be brought to Committee. The Chair thanked all present for their contributions to the Committee during the past year.

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MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance Executive Member for Finance and Governance
Submitted to:	Corporate Affairs and Audit Committee
Date:	9 June 2022
Title:	Exemption from Standing Orders Overview 2021/22
Report for:	Information
Status:	Public
Strategic priority:	Quality of service
Key decision:	No
Why:	Report is for information only
Urgent:	No
Why:	

Executive summary

This report provides the Corporate Affairs and Audit Committee with an overview of the Standing Order Exemptions that have been received during 2021/22 following on from the Procurement Overview Report 2020/21.

The report covers details about the exemptions and why they have been approved and the type of services they have commissioned. In addition areas of development within the Commissioning & Procurement team in order to ensure that the exemption process is fit for purpose and sustainable.

Purpose

1. To present the Corporate Affairs and Audit Committee with an overview of activity on Exemptions from Standing Orders for 2021/22 and future work plans.

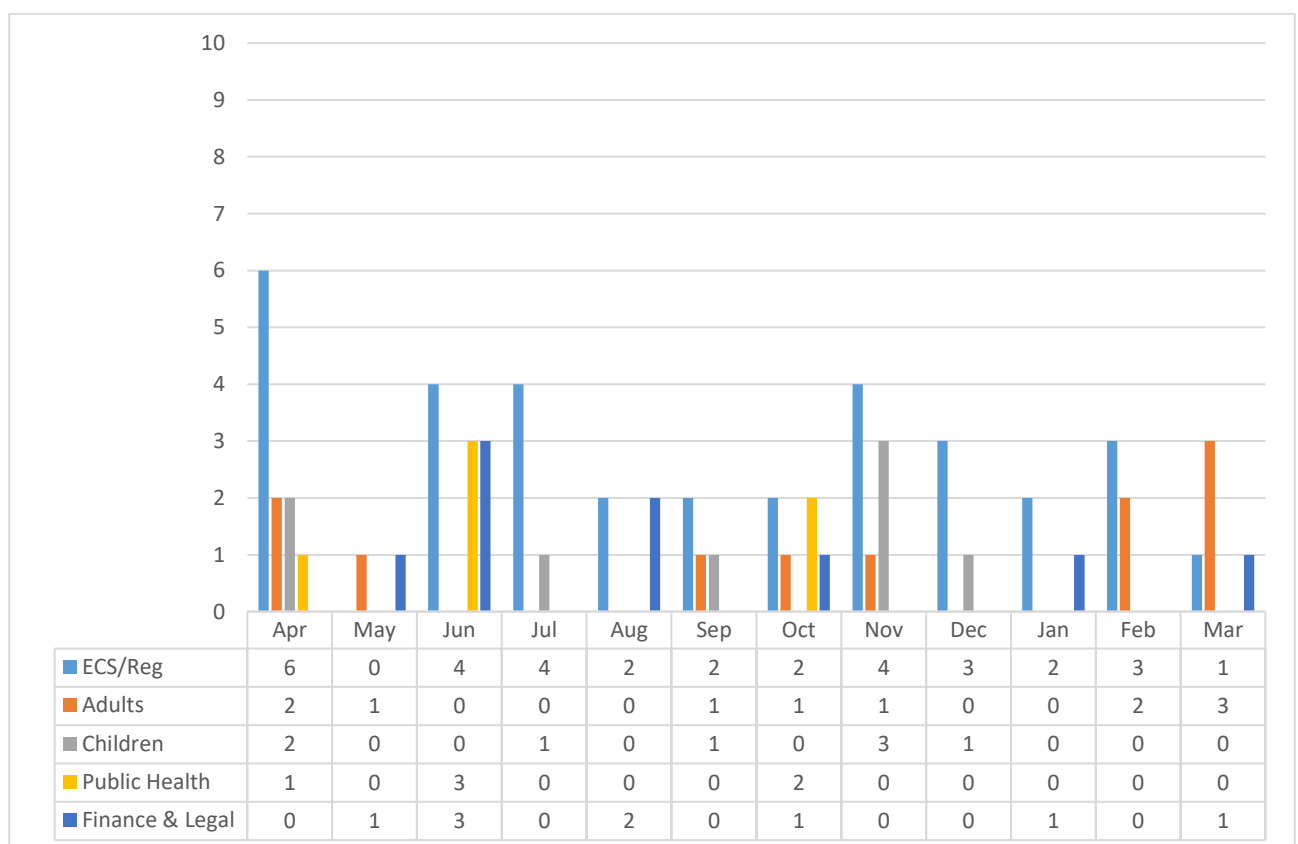
Background and relevant information

2. There are occasions where an Exemption from Standing Orders can be obtained through a fully transparent approval process and is detailed in the Contract Procedures Rules (CPR) which forms part of the Councils Constitution.
3. The reasons for an exemption as detailed in the CPR are:
 1. For works, supplies and services which are patented or of a proprietary or special character and for which it is not possible or desirable to obtain competitive prices
 2. Where for technical, commercial or artistic reasons or because of exclusive rights, it is not reasonable to advertise for tenders
 3. Where the contract is awarded under the terms of a strategic partnership arrangement approved by the Executive
 4. Social care services under the National Health Services and Community Care Act, 1990 or the Children Act, 1989 (contract value must be below £663,540)
 5. Where grant conditions require expenditure to be incurred within a financial year, and notification of a grant is received so late as to prevent compliance with contract standing order 11
 6. Where we are awaiting publication or confirmation of legislative changes that will directly impact future service delivery and the loss of the service would be detrimental to the delivery of the Council services
 7. Purchase is to be made by auction
 8. Where there is no market
4. During 2021/22 there were 71 exemption requests received and of those 67 were approved and 4 were not.
5. The 67 approved is an increase on previous years with 48 in 2020/21 and 60 in 2019/20, however, it is important to note that the significant decrease in 2020/21 figure was due to COVID.

6. The table below shows a summary of the departments that have submitted exemption requests:

Directorate	Number Received	Number Approved	Number Not Approved
Adults	11	11	0
Children's	8	8	0
ECS/Regeneration	36	33	3
Finance & Legal	10	9	1
Public Health	6	6	0

7. The graph below shows the months the requests were approved, as you can see the highest was in April but generally requests are approved throughout the financial year:



8. The 4 requests not approved were from ECS/Reg (3) and Finance (1) and the Commissioning & Procurement Team were able to work with these areas in order to support them and get contracts awarded through formal tendering routes.

9. The table below provides a summary of the reasons for the exemptions:

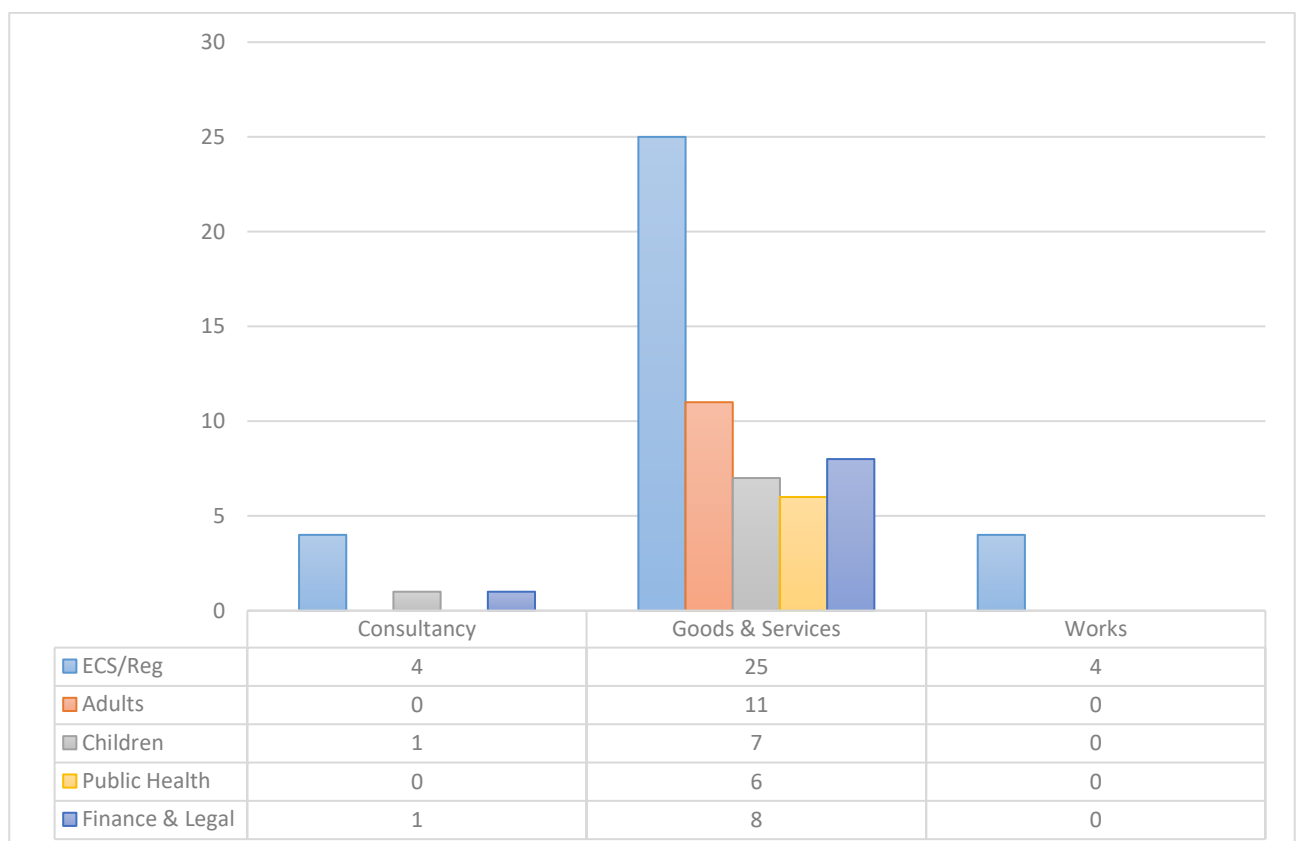
Exemption Reason	ECS/Regeneration	Adults	Children	Public Health	Finance	TOTAL
1	21	3	7	3	4	38
2	19	2	3	2	3	29
3	0	0	0	0	0	0
4	0	5	1	0	1	7
5	3	1	0	3	1	8
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	2	1	1	1	1	6

**Please note sometimes exemptions can fall under multiple reasons and this is why it will total higher than the number of requests approved.*

10. As seen in the table above the main reasons exemptions are sought are:

- For works, supplies and services which are patented or of a proprietary or special character and for which it is not possible or desirable to obtain competitive prices
- Where for technical, commercial or artistic reasons or because of exclusive rights, it is not reasonable to advertise for tenders

11. The graph below shows the number of exemptions approved based on the high level category of spend and shows the highest use was for the purchase of goods and services:



12. The Commissioning & Procurement team allocate each exemption approved with a unique identifier (e.g. ASC001 – Adult Social Care) and keep a formal record of all exemptions for monitoring purposes.
13. The Commissioning & Procurement team has in place a formal process for reviewing and approving exemptions and following approval the team will also record the exemption on the Council's contract register and where appropriate publish a formal Contract Award Notice on Contracts Finder service.
14. The Service area is advised and supported where appropriate to put in place a formal contract and undertake any other requirements such as data protection or ICT validations.
15. The total contractual value of the 67 contracts awarded through exemption process was £6m which equates to 11% of the total contractual value awarded during 2021/22 which was £58m.
16. It is important to note that exemptions can only be applied for where the contract value will not exceed the Public Contract Regulations threshold, which is:

Goods & Services / Consultancy	Works	Light Touch
£213,477 (inc of VAT)	£5,336,937 (inc of VAT)	£633,540 (inc of VAT)

17. The Commissioning & Procurement team have been considering ways to improve our approach to procurement in order to support the Director of Finance's desire to minimise exemption requests and are currently piloting a 'Best Value Decision' process to evidence if this will work.
18. There are times when carrying out a full blown procurement may not be effective or able to be done in the given timescale and we have often found that services have done some work, e.g. obtaining quotes or evidencing a lack of market, which whilst not compliant with a full process does show transparency of evidence to support a decision to award.
19. The Procurement Team Leader has developed a template which provides the opportunity for us to evidence all of this and seek a decision to award. This form is validated by the Procurement Team before being formally signed off by the Head of Commissioning & Procurement.
20. It means we can be more responsive and proactive with service areas and make the process, especially for lower value contracts less bureaucratic and more user friendly.
21. The 'Best Value Decision' will be fully auditable and traceable which is in line with our governance arrangements.
22. The pilot will be reviewed after 6 months and we will work with Legal and Internal Audit on this and if successful the process will become a formal procurement route and all necessary guidance and policies will be updated.

What decision(s) are being recommended?

That the Corporate Affairs and Audit Committee:

- acknowledge the content of this report.

Rationale for the recommended decision(s)

23. This report is for information only.

Other potential decision(s) and why these have not been recommended

24. This section is not applicable as this report is for information only.

Impact(s) of the recommended decision(s)***Legal***

25. There are no impacts as a result of this report.

Strategic priorities and risks

26. There are no impacts as a result of this report.

Human Rights, Equality and Data Protection

27. There are no impacts as a result of this report.

Financial

28. There are no impacts as a result of this report.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline

Appendices

1	
2	
3	

Background papers

Body	Report title	Date

Contact: Claire Walker

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MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance
Submitted to:	Corporate Affairs and Audit Committee
Date:	9 June 2022
Title:	Statement of Accounts 2020/21 & Infrastructure Assets
Report for:	Information
Status:	Public
Strategic priority:	All
Key decision:	Not applicable
Why:	Report is for information only
Urgent:	No

Executive summary

This report advises Corporate Affairs and Audit Committee of the current infrastructure assets (Highways) accounting issue, which has delayed the audit opinion on the Council's financial statements & statement of accounts for 2020/21.

It outlines more details on why this is an important issue for both the Chartered Institute of Public Finance & Accountancy (CIPFA) and external auditors nationally, and a proposed temporary solution for any ongoing local authority audits for 2020/21, which CIPFA is currently consulting on.

Based on information available at present, a timeline is set out for when Members may expect to approve the Audited Statement of Accounts. This should be before the draft accounts are presented to Committee for the 2021/22 financial year on 21st July.

Purpose

1. This report advises Corporate Affairs and Audit Committee of the current position on the external audit of the statement of accounts for 2020/21. It also gives some more details on the infrastructure accounting issue that is delaying audits being approved nationally for Members information.

Background and relevant information

2. On 31st March 2022, the Committee received a report outlining the progress on the audit of the statement of accounts for 2020/21. This explained that the approval process for the audited accounts consists of a joint audit opinion – one on the financial statements and one on the council's arrangements for achieving value for money. Both of these need to be complete before the external auditors can sign-off the accounts. Members will recall that the statutory date for publishing the audited accounts for the financial year was 30 September 2021 but that only 9% of local authorities in England had achieved this date for a variety of reasons.
3. The report highlighted three main areas where work was still outstanding to achieve this at the end of March. These were as follows:
 - Some final amendments were required on the financial statements and notes to the accounts as a result of the audit. These needed review and ratification by Ernst & Young (EY) once made by the Council's finance team;
 - The review of the arrangements for achieving value for money had identified a major issue in relation to the Council's approach to Governance. Additional work has been required by EY to assess the risks associated with this;
 - A technical accounting issue had been identified as part of a local government audit for 2020/21 relating to highways infrastructure assets. This could potentially result in material errors being included in local authority accounts. CIPFA agreed to consider this issue further in the context of on-going audits for 2020/21 and in the interim external auditors stopped issuing audit opinions on these sets of accounts until this had been resolved.
4. At the end of May, the first two items are progressing well and are close to completion.
5. The rest of this report considers the technical accounting issue on highways infrastructure assets; what is involved, why is it important, what is being done to resolve this issue and when are the audited accounts for 2020/21 likely to be approved by the Committee.

Infrastructure Assets

6. Accounting for infrastructure in local government has not historically been an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns raised by a local government auditor that some authorities are not applying component accounting requirements appropriately have recently come to light, via audit network discussions convened by the National Audit Office. The underlying issues appear to be more prevalent than anticipated and this is now an area of focus for all local audit firms

7. Infrastructure assets are one of the few categories of property, plant and equipment measured at historical cost rather than at an asset measurement described as 'current value'. The valuation process for these assets at current value was deemed to be too costly when reviewed around 5 years ago by CIPFA, and therefore infrastructure assets continue to be held in local authority balance sheets at depreciated historical cost.
8. Normal custom and practice for (highways) infrastructure assets is that derecognition (or removal of these assets from the accounts) does not affect asset balances included in the accounts because the assets are expected to have been fully used up before the replacement expenditure takes place. This though does require that assets are properly depreciated in line with the requirements of the Accounting Code.
9. This issue arises in part because of limitations on historical information relating to when the highways assets were first recorded on local authority balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets, which are being replaced.
10. CIPFA has offered to assist resolution by providing additional guidance and by pursuing whether any augmentations to the Accounting Code would assist with the situation. The CIPFA LASAAC Local Authority Accounting Code Board (CIPFA LASAAC) has agreed to consider such proposals.
11. In terms of Middlesbrough's accounts for 2020/21, the net book value of infrastructure assets in the Balance Sheet was £134.6m and this balance mainly consists of highways assets. Given the Council's materiality level for this audit was £5m and with the issue set out above, the probability of a material error being included is relatively high.

Task & Finish Group & temporary solution

12. Due to the audit concerns raised, CIPFA convened an urgent task and finish group to consider the issue and the impact on 2020/21 audits. This group met three times between late March and late April 2022 to discuss a way forward. There was an acknowledgement from this group that a temporary solution was needed to address audits that were still open and a longer-term solution that would need subsequent discussion for future years. The group's work would focus on the former and CIPFA LASAAC would consider the latter in due course.
13. Following the advice of the Task and Finish Group, CIPFA LASAAC has proposed a temporary solution, with changes to the Code for the reporting, including proposals to:
 - confirm the accounting consequences of derecognition, i.e. that the effect on the carrying amount is nil (on the presumption that replaced parts are fully depreciated)
 - temporarily adapt the code to remove the reporting requirements for gross historical cost and accumulated depreciation
 - provide extra guidance on how depreciation may be applied for infrastructure assets
14. The temporary solution is under consultation at present with local authorities and other stakeholders. The consultation period is for four weeks in total and closes on the 14th June. Following that CIPFA will evaluate responses, clarify its stance on the position

formally and then look for approval from the Financial Reporting Advisory Board. Once this is agreed, the relevant changes to the current Accounting Code of Practice can be made and the issue can move forward.

15. It is expected that local authorities will be required to confirm their position on the accounting consequences of derecognition, i.e. have all highways assets been fully depreciated before replacement and to make appropriate adjustments to the current property, plant and equipment note in the accounts to remove the gross carrying values and accumulated depreciation. These changes will have no impact on the figures in the financial statements previously presented via the last report on 31st March 2022 but are important to comply with the CIPFA recommendations. Auditors will then need to consider whether they need to do any further testing around this assumption on derecognition and associated depreciation balances within the Council's asset register.
16. As the FRAB approval is not due until 28th June and then CIPFA need to confirm their advice to local authorities and external auditors, the earliest the audited accounts may be available for approval is mid-July. Given that the Council's draft accounts for 2021/22 are expected to be presented to the Committee on 21st July, it is felt beneficial that the audited accounts should be considered via a special committee meeting before this. The benefit of this is that comparative figures in the new year draft accounts will have an audited and agreed starting point, plus this would also spread the workload burden on the accounts over two separate meetings. Members' comments on the order and timing of these meetings can be discussed further at the meeting.

What decision(s) are being recommended?

That the Corporate Affairs and Audit Committee note the contents of the above report and the timescales for submitting the 2020/21 audited statement of accounts for approval.

Rationale for the recommended decision(s)

17. Not Applicable.

Other potential decision(s) and why these have not been recommended

18. Not applicable

Impact(s) of the recommended decision(s)

Legal

19. The external audit of the Statement of Accounts is a legal requirement under the Accounts & Audit Regulations 2015. Under the amended coronavirus regulations for 2021, the audit process should be complete by 30th September 2021. However, under the Act there are provisions for continuation of the audit where it is not complete. There is currently a notice on the Council's website that indicates that the audit is not yet complete and under which statutory provision this can occur. The aim being to finalise the audit and publish the audited accounts as soon as possible afterwards.

Strategic priorities and risks

20. As the Statement of Accounts covers all financial transactions of the Council, it encompasses all strategic priorities and risks.

21. The main risks associated with the late completion of the external audit and publication of the accounts are:

- Reputational (i.e. how this is seen by other external bodies and the public in terms of the Council not being able to publish these on time); and
- The impact that this has on the capacity of the internal finance team to plan and deliver the next set of accounts as at 31st March 2022.

Human Rights, Equality and Data Protection

22. There are no relevant considerations in these areas in respect of this report.

Financial

23. Although the Statement of Accounts is the main method of external financial reporting to the public and other stakeholders by the Council, there are no specific financial implications of the content of this report or the external audit not yet being complete.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Not applicable		

Appendices

Not Applicable

Background papers

Body	Report title	Date
Corporate Affairs & Audit Committee	Draft Statement of Accounts – 2020/21	5 th August 2021
Corporate Affairs & Audit Committee	2020/21 EY Planning Report	5 th August 2021
Corporate Affairs & Audit Committee	Statement of Accounts (Financial Element)	31 st March 2022

Contact: Justin Weston – Head of Finance & investments
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