

Committee: Audit Committee

Date of meeting: 29 September 2020

Report Subject: Draft Statement of Accounts 2019/2020

Report Submitted by: Rhian Hayden, Chief Officer, Resources

Report Written by: Tony Hagland, Senior Business Partner

Reporting Pathway							
Directorate Management Team	Corporate Leadership Team	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	23/09/20	29/09/20					Statutory Returns; Financial Governance

1. Purpose of the Report

- 1.1 To present for information the 2019/2020 Draft Statement of Accounts and the Authority's financial standing as at 31 March 2020 (subject to Audit).

2. Scope and Background

- 2.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 2.2 Section 25 of The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 specifies that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting ("the Code") represents proper practice in preparing local authority accounts in compliance with section 8(1) of the 2014 Regulations.
- 2.3 Section 10A of the amended 2014 Regulations require a provisional (i.e. pre-audit) Statement of Accounts to be fully prepared by 15 June and certified by the Chief Officer - Resources as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2020 and to publish its completed Statement of Accounts for the 2019/2020 financial year by the 15 September 2020.
- 2.4 During the initial stages of the Covid 19 pandemic, critical services were prioritised with staff being redeployed into those critical services to support the Council's response. As a result the completion of the Statement of Accounts was delayed with Wales Government recommending Welsh Authorities prepare their draft accounts by 31 August 2020 and publication of final audited accounts by 30 November 2020.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

- 2.5 Section 11 of the 2014 Regulations and Section 29 of the 2004 Act require that the Accounts and other documents are made available for public inspection for 20 working days.
- 2.6 The documents available for public inspection are specified by Section 30 of the 2004 Act and the security and control of this information is managed by senior staff within Accountancy during the period.
- 2.7 Section 31 of the 2004 Act provides for local electors to make objections to the External Auditor regarding any item of account that is contrary to law or any matter that could result in a report in the public interest. The auditor must appoint a date on or after which these rights can be exercised.
- 2.8 To this end, the Accounts, having been re-certified by the Chief Officer - Resources, will be re-presented to the Audit Committee for approval in November. Following approval, the Chair of the Audit Committee (as the person presiding over the meeting) is required to sign and date the Accounts.
- 2.9 Whilst the Authority would normally then anticipate receiving a signed audit opinion from the Auditor General for Wales the ongoing investigation into matters raised in respect of the 2016/2017 Accounts, and the absence of an opinion for that financial year and for 2017/2018 & 2018/19, would have a bearing on the ability to issue an opinion for 2019/2020.
- 2.10 However the Council is anticipating that Audit Wales will shortly be in a position to provide an Audit opinion on the Accounts for 2016/17, 2017/18 and 2018/19.
- 2.11 If the final statutory report presented by the Audit Wales were to contain any material qualification issues, the audited Statement of Accounts may also need to be reported to Council.

Options for Recommendation *To include Recommendation(s) / Endorsement by other groups, e.g. CMT/Committees/Other groups)*

- 3.1 The Audit Committee receives the Draft 2019/2020 Statement of Accounts for information, prior to the requirement to consider for approval in November.
4. **Evidence of how does this topic supports the achievement of the Council Priorities / Statutory Responsibilities / National Well-being Goals etc**
 - 4.1 **Statutory Responsibilities**

The Statement of Accounts is prepared in accordance with relevant statutory and regulatory provisions, accounting codes of practice and accounting standards. It details the financial transactions of the Authority for the 2019/2020 financial year and the value of assets, liabilities and reserves at the balance sheet date (31 March 2020).

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

5. Implications Against Each Option

5.1 Financial

- 5.1.1 Revenue Expenditure and Outturn (*Expenditure & Funding Analysis, page 43*) reports Net Outturn on Portfolios excluding School Spending, as included in Management Accounts, as £146.709m. This represents a provisional favourable variance of £0.568m compared to the revised budget for the year.
- 5.1.2 In addition to the Management Accounts position other accounting adjustments are required to comply with the Accounting Code. These adjustments result in an accounting surplus of £1.331m which after the transfer of £0.878m to earmarked reserves results in a net increase in the Council Fund General Reserve of £0.453m.
- 5.1.3 Capital Expenditure on schemes for the year amounted to £15.466m (*Property, Plant & Equipment note 24.5, page 74*).
- 5.1.4 Where required by the Accounting Code and IAS 37 (*Provisions, contingent liabilities and contingent assets*), specific sums have been provided in relation to known liabilities. Total provisions held at 31 March 2020 amounted to £4.193m (*Provisions, Contingent Liabilities and Contingent Assets Note, pages 84-87*), with the most significant provisions being in respect of Insurance (£3.400m) and Part 1 Land Compensation Claims (£0.352m).
- 5.1.5 The level of earmarked reserves has been determined in accordance with the agreed reserves protocol.
- 5.1.6 The level of usable reserves available to the Authority has increased by £1.517m in 2019/2020. A summary of the provisional strategic financial position of the Authority, is given below:

Usable Reserves	31 March 2019	Increase/ (Decrease)	31 March 2020
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Council Fund	5,894	453	6,347
Earmarked Reserves	6,831	878	7,709
Usable Capital Receipts	6,504	296	6,800
Capital Grants Unapplied	659	(110)	549
Total Usable Reserves	19,888	1,517	21,405

- 5.1.7 The Council has agreed to set a Council Fund target level of 4%. As at 31 March 2019, the Council Fund balance of £5.894m equated to 4.39%. As at 31 Fund balance of £6.347m equates to 4.69%.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

5.2 Risk

- 5.2.1 Achievement of the statutory requirements in relation to the annual Accounts is important in terms of demonstrating that the Authority has the appropriate governance arrangements in place to manage the reporting of its strategic financial affairs. Failure may result in reputational damage for the Council. A planned approach has ensured that statutory requirements have been met.

5.3 Legal

- 5.3.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

5.4 Personnel

- 5.4.1 There are no direct personnel/staffing implications arising out of this report.

6. Supporting Evidence

6.1 Performance Information and Data

- 6.1.1 The Draft Statement of Accounts for 2019/2020 has been prepared in accordance with the relevant statutes, regulations, accounting codes and standards. As a result of the Covid 19 pandemic, publication and certification deadlines specified in regulations have not been achieved, but this is in accordance with Welsh Government's clarification of expected timescales for preparation of the 2019/2020 accounts. Consequently, statutory notices have been prepared and published in compliance with Section 10(4) of the 2014 Regulations, outlining the reasons for the lack of certification and the intended course of action to be taken to resolve this situation.
- 6.1.2 The External Auditor (i.e. Audit Wales) has commenced a detailed financial audit of the individual disclosure notes and accounts that comprise the overall Statement and is expected to finalise the Audit of Financial Statements Report in November.
- 6.1.3 The period of public inspection has been advertised and will take place from Monday 5 October 2020 until Friday 30 October 2020 inclusive. The auditor has given notice that the date on or after which electors may exercise their rights to objections is Monday 2 November 2020.
- 6.1.4 If there are any matters to be reported to Members arising out of the above, then these will be reported separately. Any issues arising from the external audit of the Statement of Accounts or objections raised during the inspection

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

period will be presented to the Audit Committee in November as part of the Auditor's formal Audit of Financial Statements.

6.1.5 Section 22 of the 2004 Act requires the External Auditor to consider whether a report should be made in the public interest for any matter arising during the course of the audit, including from objections made following public inspection.

6.1.6 The Draft Statement of Accounts 2019/2020 was prepared by 21 September 2020, as agreed with Audit Wales.

6.2 **Expected outcome for the public**

6.2.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.3 **Involvement** (*consultation, engagement, participation*)

6.3.1 Not applicable.

6.4 **Thinking for the Long term** (*forward planning*)

6.4.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.5 **Preventative focus**

6.5.1 Not applicable.

6.6 **Collaboration / partnership working**

6.6.1 Not applicable.

6.7 **Integration(across service areas)**

6.7.1 Not applicable.

6.8 **EqIA**

6.8.1 An EQIA is not required as this report provides an actual outturn position in relation to the Authority's transactions and year-end balances for the financial year, on an objective basis in accordance with relevant accounting standards, codes, concepts, principles, guidance and legislation.

7. **Monitoring Arrangements** (*State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*)

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

Portfolio Holder:
Signed off by Chair:

- 7.1 The Council takes into consideration the financial standing of the Authority as reported within the attached Draft Statement of Accounts for 2019/2020 when monitoring budgets for 2020/2021, setting a Revenue Budget for 2021/2022 and in developing future medium term spending plans.

Background Documents /Electronic Links

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A