

Committee: **Audit Committee**
 Date of meeting: **2 March 2021**
 Portfolio Holder: **Cllr N Daniels, Leader / Executive Member
 Corporate Services**
 Report Subject: **Statement of Accounts 2019/2020**
 Report Submitted by: **Rhian Hayden, Chief Officer, Resources**
 Report Written by: **Tony Hagland, Chief Accountant – Corporate
 Services**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
Feb 2021	25/02/2021		02/03/2021					<i>Statutory Returns; Financial Governance</i>

1. Purpose of the Report

1.1 To present for approval the 2019/2020 Statement of Accounts.

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 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.

2.4 The Council’s draft Statement of Accounts were reported to Audit Committee on 29 September and since that time, a number of adjustments have been identified and these are being reported to Audit Committee before their approval.

- 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. The documents were made available from Monday 5 October until Friday 30 October 2020 inclusive. No requests for information or inspection were received during that period.
- 2.6 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 appointed 2 November 2020 as the date on or after which these rights could be exercised.
- 2.7 The External auditor (i.e. Audit Wales) has now finalised the detailed financial audit of the accounts and disclosure notes that comprise the overall Statement. Audit Wales has prepared its statutory Audit of Accounts Report (International Standards on Auditing or ISA 260 report) and this forms part of today's agenda.
- 2.8 The Authority anticipates receiving an unqualified (i.e. clear or satisfactory) signed audit opinion from the Appointed Auditor. At this stage, Audit Wales are unable to issue a certificate of completion of audit for 2019/2020, pending the certification of audits in respect of prior financial years.
- 2.9 Following this Audit Committee, if agreed, the Statement of Accounts will need to be signed by the Chief Officer Resources and the Chair of the Audit Committee (as the person presiding over the meeting).

3. **Options for Recommendation**

3.1 **Option 1 (preferred)**

On consideration of this report and the External Auditor's report, the Accounts **are approved** by the Audit Committee under the delegated authority of the Council.

3.2 **Option 2**

The Audit Committee considers and does not approve the Statement of Accounts.

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).

5. Implications Against Each Option

5.1 Financial

5.1.1 There are no significant financial implications arising directly out of the approval and publication of the Statement of Accounts.

5.2 Risk

5.2.1 Achievement of the statutory requirements in relation to the annual Accounts is important in demonstrating that the Authority has the appropriate governance arrangements in place to manage the reporting of its strategic financial affairs.

5.2.2 A clear audit opinion indicates that the Statement of Accounts presents a 'true and fair view' of the Council's financial position as at 31 March each year and that the accounting statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

5.2.3 The absence of an audit opinion exposes the Council to reputational damage as it implies that the Accounts do not present a true and fair view of the financial position and/or have not been properly prepared. It may also imply that the Authority does not have appropriate financial governance arrangements in place.

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

Unadjusted Misstatements

6.1.1 The Audit Wales *Audit of Accounts Report* highlights one unadjusted misstatement identified during the course of the audit. Details of this are as follows:

6.1.2 **Note 31 – Creditors (£0.288m)**

Of this, £0.200m relates to balances held in the Collections Account in respect of income collected in 2019/2020 to be applied to the appropriate accounts in the 2020/2021 financial year. The remaining £0.088m relates to balances on a number of holding accounts. These creditor balances have not been adjusted as they are not considered to be material and further investigation is required to ascertain the exact corrective entries in the ledger. Appropriate corrections will be in the 2020/2021 financial statements.

Adjusted Misstatements

6.1.3 Since the Draft Statement of Accounts was reported to Audit Committee, the audit of the Accounts has resulted in the correction of a number of misstatements. These are detailed in Appendix 3 of The Audit Wales *Audit of Accounts Report*, the most significant of which are:

6.1.4 **Note 40.3 - Financing Activities (£5.512m)**

The opening liabilities figure arising from Financing Activities within the cashflow was understated by £5.512m, as the figure did not match the final version of the 2018/2019 Statement of Accounts.

6.1.5 **Note 31 – Creditors (£0.822m)**

Creditors were overstated by £1.110m, of which £0.822m has been corrected, leaving an uncorrected balance of £0.288m (as per 6.1.2). The corrected misstatements were a result of accounting errors and retained balances where the review of the existence of liabilities had been limited and insufficiently evidenced. The correction of £0.822m resulted in a reduction in associated debtor balances of £0.194m with the remainder contributing to an increase in usable reserves.

6.1.6 **Note - 40.3 - Financing Activities (£0.185m)**

Repayments of amounts borrowed did not include £0.185m repaid during 2019/2020 in respect of Salix.

6.1.7 In addition, there have been a number of amendments to information included in the disclosure notes. In overall terms, these changes would not substantially alter the reader's interpretation and understanding of the Accounts compared to the Draft Accounts considered by Audit Committee in September 2020.

6.1.8 The summary of the changes is as follows:

	Draft Accounts	Final Accounts	Change
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Creditors	-13,854	-13,270	584
Current Provisions	-2,159	-2,057	102
Debtors	25,726	25,658	-68
Total	9,713	10,331	618
Council Fund	-6,347	-6,399	-52
Earmarked Reserves	-15,058	-15,624	-566
Total Usable Reserves	-21,405	-22,023	-618

6.1.9 Total usable reserves have increased by £0.618m.

6.2 Expected outcome for the public

6.2.1 Preparation, publication and approval 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 Statement of Accounts is presented to the Audit Committee for approval subsequent to consideration of the draft version.

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 The Statement of Accounts 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**

- 7.1 The Council continues to take into consideration the financial standing of the Authority as reported within the 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

Appendix – Statement of Accounts 2019/20