



AUDIT COMMITTEE

Date Written	9 th November 2020
Report Author	Steve Jones/Adele Lewis
Service Area	Finance
Committee Date	23 rd November 2020

To: Chair, Ladies and Gentlemen

Statement of Accounts 2019-20

1.0 SUMMARY OF THE REPORT

- 1.1 This report is to present the Final Audited Statement of Accounts for the 2019/20 financial year (refer to Appendix A).
- 1.2 The report details legislation governing the process for compilation of the Statement of Accounts for the 2019/20 financial year and a brief summary of revenue, capital and financial position as at the 31st March 2020.
- 1.3 The report also presents to Audit Committee the Annual Governance Statement for 2019/20 which is included within the Statement of Accounts.

2.0 RECOMMENDATIONS that

- 2.1 The Audited Statement of Accounts for 2019/20, being the financial year ended 31st March 2020, be considered and recommended to the Council of 25th November 2020 for approval.
- 2.2 The Annual Governance Statement for 2019/20 be considered and recommended to the Council of 25th November for approval.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Accounts and Audit (Wales) Regulations 2014 were amended in 2019 to bring forward the timetable for publishing the statement of accounts. The Regulations now

require the responsible financial officer, by the 15th June to sign and date an unaudited Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the end of 31st March 2020

- 3.2 The amended Accounts and Audit (Wales) Regulations now require final audited accounts to be reported to Council for approval prior to 15th September 2020, with best practice also recommending reporting to Audit Committee.
- 3.3 The Accounts and Audit (Wales) Regulations 2014 make provision for an authority having to delay preparing and publishing their annual financial accounts. By virtue of regulation 10(4) Welsh Government advised authorities to include a note on their website to say why they haven't prepared or published their accounts within existing deadlines. Notices for the delay in the preparation and publishing of accounts have been placed on the Authority's website, along with the unaudited Statement of Accounts.
- 3.4 Welsh Government also stated that 'it remains important for all bodies to prepare their annual accounts on a timely basis. To provide some certainty and a framework for completion of the annual accounts, we recommend Welsh authorities adopt a timetable for the 2019-20 accounts in line with the revised English requirements. This will require preparation and certification of draft accounts by 31 August 2020 and publication of final audited accounts by 30 November 2020 for all local government bodies in Wales. We would encourage councils to approve earlier wherever possible and engage with their auditors to help manage overall pressure on Audit Wales.' The Statement of Accounts 2019/20 were authorised by the Chief Finance Officer on the 28th July 2020.
- 3.5 In accompanying the Audited Statement of Accounts (refer to Appendix A) this report is an Executive Summary of the financial performance of the Council during the financial year ended 31st March 2020.
- 3.6 The Appointed Auditor, the Wales Audit Office is intending 'sign-off' of the accounts after Council approval on 25th November 2020.

4.0 INTERNATIONAL FINANCIAL REPORTING STANDARDS

4.1 The Statement of Accounts for 2019/20 is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS). The Statement of Accounts incorporates the following financial statements:

- Expenditure Funding Analysis
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow

5.0 JOINTLY CONTROLLED OPERATIONS

- 5.1 Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers' that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.
- 5.2 For the 2019/20 Statement of Accounts the Authority reflected its share, 46.60% of the transactions of the Llwydcoed Crematorium Joint Committee and 6.33% of the transaction of the Central South Consortium Joint Committee and 3.94% of the transactions for the Cardiff Capital Region City Deal Joint Committee into the Authority's Accounts on a line-by-line basis.

6.0 FINAL AUDITED STATEMENT OF ACCOUNTS

- 6.1 The Statement of Accounts has been audited over the last three months by the External Auditor, Wales Audit Office. The External Auditor is reporting the audit findings to this Audit Committee of 23rd November 2020 within the Audit of the Financial Statements Report agenda item. The audit identified no material amendments to either the provisionally reported revenue or capital outturn position.

7.0 FINANCIAL IMPLICATION(s)

- 7.1 Revenue Outturn:

The General Fund Revenue to outturn budget for 2019/20 is as follows:

Summary	Revised Budget 2019/20 £'000	Outturn £'000	Variance	
			£'000	%
<u>People and Performance</u>				
Social Services	32,859	32,483	-376	-1.14
Learning	47,413	47,337	-76	-0.16
Total	80,272	79,820	-452	-0.56
<u>Place and Transformation</u>				
Deputy Chief Executive Services	2,156	2,109	-47	-2.18
Community Regeneration	6,143	6,224	81	1.32
Neighbourhood Services	10,620	10,768	148	1.39
Corporate Services	1,540	1,449	-91	-5.91
Finance	1,249	1,185	-64	-5.12
Legal	1,478	1,415	-63	-4.26
Human Resources & Organisational Devt.	591	561	-30	-5.08
Total	23,777	23,711	-66	-0.28
<u>Corporate Costs</u>				
Corporate Management - Executive	1,394	1,345	-49	-3.52
Corporate Authority	18,201	17,218	-983	-5.40
Total	19,595	18,563	-1,032	-5.27
<u>Contributions / Recharges</u>				
Non General Fund Allocations	-16	0	16	-100.00
Discretionary Non Domestic Rate Relief	94	35	-59	-62.77
Collection Fund Surplus	-835	-992	-157	18.80
Corporate Vacancy Factor	383	0	-383	-100.00
Contribution from Budget Reserve	-1,295	-1,295	0	0.00
Contribution from Living Wage Reserve	-296	-296	0	0.00
Contribution from Corporate Investment Fund	-188	-188	0	0.00
Contribution from General Reserves	-483	-483	0	0.00
Centrally funded Teachers Pension	-715	-753	-38	5.31
Contribution from Llwydcoed Reserve	0	-720	-720	-100.00
Total	-3,351	-4,692	-1,341	40.02
Net Expenditure	120,293	117,402	-2,891	-2.40

7.1.1 For 2019/20 the Council is reporting a revenue surplus of £2.891 million. Consequently, the budgeted contributions from General Reserves of £483,000 and Budget Reserve of £1.295 million are no longer required and are retained within reserve balances. In addition, the remaining surplus of £1.113 million is transferred to the Budget Reserve and is available to support value for money investment opportunities.

7.1.2 The most significant movements from budget to outturn were presented to the Audit Committee on 3rd August 2020 and were reported to Cabinet on 15th July 2020.

7.2 Capital Outturn

The Capital Outturn to Budget for 2019/20 is as follows:

Summary	Revised Budget £'000	Outturn 2019/20 £'000	Variance	
			£'000	%
Expenditure:				
21st Century Schools Programme	1,277	1,296	19	1.49
Education Other	2,968	2,900	-68	-2.29
Physical Regeneration Programme	6,889	6,038	-851	-12.35
Riverside	380	186	-194	-51.05
Engineering & Transport Infrastructure	1,885	1,848	-37	-1.96
Housing & Corporate	3,966	3,290	-676	-17.04
Leisure	50	51	1	2.00
Totals	17,415	15,609	-1,806	-10.37
Financed by:				
Borrowing	3,910	3,371	-539	-13.79
Capital Grants & Contributions	12,905	11,614	-1,291	-10.00
Own Resources	600	624	24	4.00
Totals	17,415	15,609	-1,806	-10.37

7.2.1 In 2019/20, the Authority spent £15.6 million on capital projects compared to the planned Capital Programme of £17.4 million. Although not all the planned capital funding was utilised, no funding is lost as the monies are carried over into the 2020/21 financial year.

7.2.2 The most significant movements from budget to outturn were presented to the Audit Committee on 3rd August 2020 and were reported to Cabinet on 15th July 2020.

7.3 Financial Position

7.3.1 At 31st March 2020 the Authority's general balances and reserves not earmarked for any specific purpose totals £4.700 million (31st March 2019 - £4.700 million), equating to 3.7% of the Council's Budgeted Net Revenue Expenditure for 2020/21, in compliance with the Council's Corporate Reserves Policy.

8.0 ANNUAL GOVERNANCE STATEMENT

8.1 The Accounts and Audit (Wales) Regulations 2014 as amended 2019 require that Council annually approve an Annual Governance Statement (AGS) for each financial year and that the AGS accompanies the audited Statement of Accounts.

- 8.2 The information that is taken into consideration when producing the Annual Governance Statement includes performance management information, work completed by the Internal Audit Service, work completed by the external auditors and other external inspection agencies, scrutiny work, risk management and the internal control framework including procedures, policies, codes of conduct and financial management controls as outlined in the CIPFA/SOLACE guidance.
- 8.3 The Internal Audit Service and key officers of the Council carried out a review based on CIPFA/SOLACE guidance to ensure that evidence was in place to support the production of the Annual Governance Statement, to identify gaps where that was not the case and the review the effectiveness of existing arrangements.
- 8.4 This work culminated in the production of a draft version Annual Governance Statement (AGS). The draft version of the AGS was reported to Audit Committee, and shared with the Corporate Management Team, External Audit, the Leader of the Council, the Chief Executive and the Chief Finance Officer. The feedback obtained from these consultations has been incorporated into the AGS where applicable and has resulted in the production of the final version of the AGS.
- 8.5 The final version of the AGS including the significant governance issues is presented to Audit Committee today as part of the Statement of Accounts to be considered and recommended to the Council of 25th November 2020 for approval.
- 8.6 It is important to recognise that the Annual Governance Statement covers all significant corporate systems, processes and controls spanning the whole range of the Council's activities.
- 8.7 The Annual Governance Statement should be approved at a meeting of the Full Council or delegated committee and signed by the Chief Executive (or equivalent) and the Leading Member (or equivalent) on behalf of the Authority.
- 8.8 The Annual Governance Statement is included within the Statement of Accounts and can be seen on pages 106 – 142 of the Statement of Accounts.

Annual Internal Audit Report 2019/20

- 8.9 The judgement for governance element and the Head of the Regional Internal Audit Service's overall judgement of 'unsatisfactory' presented within the Annual Internal Audit Report 2019/20, reflects the position of 2019/20 when considering the letters received from regulators and findings from the 'Rapid Assessment Report' produced by the Improvement and Assurance Board.
- 8.10 Following setting a balanced budget for 2019/2020, we took a proactive step and asked Welsh Government (WG) to support us in these challenging times. The Minister for Housing and Local Government appointed an Assurance and Improvement Board to carry out a rapid assessment exercise.
- 8.11 Since this position, the Council has developed a 'Recovery, Transformation and Improvement Plan' which has been agreed by the Improvement and Assurance Board. The issues raised as part of the Rapid Assessment have been addressed in

this document. The plan also includes findings from the Councils capacity exercise that was undertaken to inform the plan.

- 8.12 The 'Recovery, Transformation and Improvement Plan' is being delivered and regular updates being provided to the Improvement and Assurance Board. As a result, the Council believes these changes will address the unsatisfactory judgements relating to governance made in the Annual Internal Audit report 2019/20.

ELLIS COOPER
INTERIM CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Closure of Accounts Working papers	March 2020 to November 2020	Accountancy
Does the report contain any issue that may impact the Council's Constitution?		No