

# Report

## Governance & Audit Committee

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### Part 1

Date: 28<sup>th</sup> July 2022

**Subject** Draft Statement of Accounts 2021/22

**Purpose** This report is to provide Governance & Audit Committee with a copy of the 2021/22 draft Statement of Accounts, in order for them to consider the accounts (Appendix 1) and note the content.

**Author** Head of Finance / Assistant Head of Finance / Chief Accountant

**Ward** All

**Summary** The Governance & Audit Committee is required to approve the final audited Statement of Accounts. This report provides a copy of the draft accounts, which have been signed by the Section 151 Officer (Head of Finance) and passed over to Audit Wales, who will undertake their audit of the accounts during the coming months. It is anticipated that a final, audited, set of accounts will be presented at the October meeting of the Governance & Audit Committee for committee approval.

**Proposal** To note the draft 2021/22 Statement of Accounts.

**Action by** Head of Finance / Assistant Head of Finance / Chief Accountant

**Timetable** Immediate

This report was prepared after consultation with:

- Audit Wales
- Head of Finance

**Signed**

## Background

Every council has a statutory duty, as per the Accounts and Audit (Wales) Regulations 2018, to produce an annual statement of accounts, which details the overall financial position of the Council as at 31<sup>st</sup> March for the year in question. The accounts are audited by Audit Wales before being considered for final sign off by the Section 151 Officer (Head of Finance) and a nominated committee. In the case of Newport City Council, the nominated committee is the Governance & Audit Committee and the chair is responsible for signing the accounts on behalf of the committee. Consideration of the final, audited, accounts will take place in the committee's meeting scheduled for October 2022. As part of that meeting, the committee will receive Audit Wales' ISA260 report, which will provide an overview of any issues identified, including those which have been rectified within the accounts, as well as their overall opinion on the accounts. This report will assist the committee in taking assurance that the accounts can be signed off.

Therefore, the purpose of this report is to provide the committee with a copy of the draft Statement of Accounts, which have been signed by the Head of Finance before being passed to the external auditor, who will undertake their audit of the accounts over the coming months. The committee, at this meeting, is required to consider and note the Statement of Accounts. It should be noted that the accounts will be placed on public display during August. A high-level overview of the key dates over the coming months is provided below, for information.

|  |  |
|--|--|
| Draft accounts signed by Head of Finance | 12 <sup>th</sup> July 2022                               |
| Public Inspection (20 working days)      | 8 <sup>th</sup> August to 5 <sup>th</sup> September 2022 |
| External audit                           | July 2022 to October 2022                                |
| Final accounts / ISA 260 Report          | 27 <sup>th</sup> October 2022                            |

This year's statement of accounts has been prepared, once again, against a challenging backdrop and set of circumstances. As reported in previous years, the COVID-19 pandemic has had an impact. Firstly, the proliferation of Welsh Government COVID-19 grants, as well as the Hardship Fund, has increased the volume of work associated with closing the financial ledger for the year. As a consequence, there was a delay in "locking down" the ledger for the year, with a knock-on impact in terms of the central accounts team commencing their work on the accounts themselves. In addition, the volume of grants has increased the level and complexity of reporting with the Statement of Accounts document itself.

In addition, the Council's Accountancy Service is also in the process of implementing a new finance system. Inevitably, this one-off task has consumed officer time during an already busy time of year, causing further delays in the finalisation of the draft accounts. The consequence is that the draft accounts were signed off by the Head of Finance in early July, which is later than had been initially aimed for.

The Statement of Accounts is a technical document and should be read in conjunction with other financial reports, such as the revenue and capital outturn reports, in order for the full context to be provided. However, the Narrative Section within the document does provide an overview of the financial performance for the year. In the case of 2021/22, it highlights the unusual nature of the year that has just passed, with the revenue underspend of £18m a particular exception to the norm. It also highlights a significant level of slippage within the Capital Programme, as well as a significant increase in the level of useable reserves, which have increased by £41m to a total of £149m.

Other key elements of the Statement of Accounts are the five key financial statements, the Annual Governance Statement, as well as a number of notes, which provide background to

the accounting policies followed and further detail behind the headline figures included in the key statements.

The draft Statement of Accounts form Appendix 1 to this report.

## Risks

| Risk  | Impact of Risk if it occurs* (H/M/L)                               | Probability of risk occurring (H/M/L) | What is the Council doing or what has it done to avoid the risk or reduce its effect  | Who is responsible for dealing with the risk?   |
|---|--|---------------------------------------|---|---|
| The external audit process identifies material misstatements within the accounts which result in a qualified audit opinion being given. | High – Medium (depending upon the nature of any issues identified) | Low                                   | The Council has ensured the necessary controls are in place to be able to produce an accurate Statement of Accounts. Officers will work closely with the external auditors during the period of audit and, wherever possible, will amend the accounts in line with their recommendations. | Head of Finance, Assistant Head of Finance, Chief Accountant and wider Accountancy section. |

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

The Council has a statutory duty (as set out in the Accounts and Audit (Wales) Regulations 2018) to produce an annual statement of accounts, which details the overall financial performance and financial position of the Council over the last two years.

## Options Available and considered

1. The Committee note the draft 2021/22 Statement of Accounts and the points outlined in this covering report.

## Preferred Option and Why

The Statement of Accounts are being presented to Governance & Audit Committee for information only. Therefore, there are no alternative options.

## Comments of Chief Financial Officer

The annual Statement of Accounts document is a key cornerstone of financial reporting for all local authorities. In completing the draft accounts, the Council has fulfilled its statutory obligations and the Head of Finance is satisfied that they represent a true and fair view of the Council's financial position as at 31<sup>st</sup> March 2022. This covering report highlights some challenges and issues experienced in producing the accounts, which impacted upon the timescales involved in producing the draft. The staff involved should be commended for the work undertaken, especially in light of the challenges faced.

## **Comments of Monitoring Officer**

There are no specific legal issues arising from the report. The Council is required to publish an Annual Statement of Accounts in accordance with the Accounts and Audit (Wales) Regulations 2018, which summarises the financial position of the authority at the end of each financial year. Governance & Audit Committee are the nominated committee with responsibility for internal sign-off of the Annual Statement of Accounts, as part of the Committee's statutory role in overseeing and scrutinising the Council's financial affairs. The Statement of Accounts are being presented at this stage in draft form for consideration, prior to their submission to Audit Wales for external audit. The final, audited Annual Statement of Accounts, will need to be formally signed-off by the Head of Finance as the Council's statutory section 151 officer, and the Governance & Audit Committee in October.

## **Comments of Head of People. Policy & Transformation**

The Statement of Accounts for 2021/22 provides an overview of the management of the Council's finances in the backdrop of a very challenging year. This report outlines the Council's responsibility to ensure its finances provide value for money and is spent in accordance with its statutory duties. The Well-being of Future Generations Act requires public bodies to sustainably deliver services for future generations. This report provides that overview of how the Council is meeting this requirement and ensuring it has the resources to deliver on its Well-being objectives. There are no HR issues.

## **Comments of Cabinet Member**

N/A

## **Local issues**

N/A

## **Scrutiny Committees**

N/A

## **Fairness and Equality Impact Assessment:**

- **Wellbeing of Future Generations (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

For this report, a full Fairness and Equality Impact Assessment has not been undertaken. This is because this covering report and associated documents are not seeking any strategic decisions or policy changes, with their purpose being to report historical financial information. The Wellbeing of Future Generations (Wales) Act 2015 forms an integral part of the financial management of the Council.

## **Consultation**

N/A

## **Background Papers**

N/A

Dated: 19<sup>th</sup> July 2022