



AUDIT COMMITTEE – 16TH NOVEMBER 2020

SUBJECT: FINANCIAL STATEMENTS FOR 2019/20

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with the External Auditor's Audit of Accounts Report.
- 1.2 To seek a recommendation from the Audit Committee that Council approves the 2019/20 Audited Financial Accounts at the Special Council meeting on the 24th November 2020.

2. SUMMARY

- 2.1 As a result of the Covid-19 pandemic the statutory deadline for completing the 2019/20 Draft Financial Accounts was changed by the Welsh Government from the 15th June 2020 to the 31st August 2020.
- 2.2 The Draft Financial Accounts were prepared and submitted to the External Auditor, Grant Thornton, on the 7th August 2020. This was later than the mutually agreed submission date of the 14th July 2020, with the delay being attributable to staff focussing on Covid-19 priorities and the new challenges presented through working remotely.
- 2.3 The 2019/20 Draft Financial Accounts have since been subject to External Audit review and this work has now been completed. The External Auditor's Audit of Accounts Report is attached at Appendix 1.
- 2.4 The revised statutory deadline for the approval of the 2019/20 Audited Financial Accounts is the 30th November 2020.

3. RECOMMENDATIONS

- 3.1 The Audit Committee is asked to: -
 - 3.1.1 Receive and comment upon the External Auditor's Audit of Accounts Report.
 - 3.1.2 Note the management responses to the Auditor's recommendations arising from the 2019/20 financial audit work.
 - 3.1.3 Recommend to Council that the 2019/20 Audited Financial Accounts attached at Appendix 2 are approved at its meeting on the 24th November 2020.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the 2019/20 Financial Accounts are approved and submitted to Audit Wales by the 30th November 2020 in accordance with statutory requirements.

5. THE REPORT

- 5.1 The External Auditor's Audit of Accounts Report states that it is the Auditor General's intention to issue an unqualified audit report on the 2019/20 Financial Accounts.
- 5.2 Appendix 3 of the Auditor's Report provides details of misstatements identified during the audit process which have subsequently been corrected by management. It is important to stress that these adjustments have no impact on the 2019/20 Provisional Outturn position reported to Cabinet on the 1st July 2020 or on cash or general fund balances.
- 5.3 There is one uncorrected misstatement which relates to an unidentified bad debt provision of £1.2 million. This amount is immaterial to the financial statements and officers have declined to correct this in-year. This is on the basis that a more detailed review of this balance will be undertaken in the 2020/21 financial year and adjustments will be then be actioned as appropriate.
- 5.4 Appendix 5 of the Auditor's Report provides details of the recommendations arising from the 2019/20 financial audit work along with the management responses.
- 5.5 The Head of Financial Services & Section 151 Officer will chair a Project Team that will ensure that all of the recommendations in the Auditor's Report will be addressed by the end of the 2020/21 financial year.

Conclusion

- 5.6 It is the Auditor General's intention to issue an unqualified audit report on the 2019/20 Financial Accounts.
- 5.7 The Auditor's Report provides details of misstatements identified during the audit process. There is one uncorrected misstatement which management will review during the 2020/21 financial year. All of the other misstatements have been corrected by management and are incorporated into the 2019/20 Financial Accounts attached at Appendix 2 of this report.
- 5.8 The Head of Financial Services & Section 151 Officer will chair a Project Team that will address the recommendations in the Auditor's Report.

6. ASSUMPTIONS

- 6.1 A range of accounting assumptions and estimates have been made in respect of the Financial Accounts in accordance with best accounting practice and guidance.

7. LINKS TO STRATEGY

- 7.1 The Financial Accounts deal with resources available to the Authority that influence the delivery of policies and strategies.
- 7.2 Effective financial planning and robust budget management support the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -
- A prosperous Wales.
 - A resilient Wales.

- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial planning and robust budget management are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications arising from this report.

10. FINANCIAL IMPLICATIONS

10.1 As identified throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 Accounts and Audit (Wales) Regulations 2014 (As Amended).

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Background Papers:

Working Papers for 2019/20 Financial Accounts

Appendices:

Appendix 1 Audit of Accounts Report – Caerphilly County Borough Council
Appendix 2 Financial Accounts for the Year Ended 31 March 2020.