

SUBJECT:	AUDITED STATEMENT OF ACCOUNTS 2019/20
MEETING:	Audit Committee
DATE:	15th October 2020
DIVISIONS/WARD AFFECTED:	All

1. PURPOSE:

- 1.1. The purpose of this report is to provide the audited annual accounts for the Authority for 2019/20, subsequent to the audit process undertaken by Audit Wales, for consideration by Audit Committee fulfilling the scrutiny function prior to endorsement or otherwise of the Statements to the October Council meeting.

2. RECOMMENDATIONS:

- 2.1. That the final audited Monmouthshire County Council Statement of Accounts for 2019/20 (Appendix 1), be reviewed in conjunction with the Audit Wales ISA260 Audit of Accounts report, and endorsed to full council.

3. KEY ISSUES

- 3.1. Under current legislation the draft statement of accounts, prior to audit, have to be produced each year by 15th June. Despite extraordinary circumstances the draft statement of accounts for 2019/20 were prepared and handed over for audit on the 15th June 2020. These were subsequently reviewed by the Audit Committee at its June meeting.
- 3.2. Council approval of the final audited accounts should follow the audit process and under current legislation this has to be completed by 15th September.
- 3.3. Despite the best efforts of the Authority and Audit Wales it was not possible to complete the audit process to meet the statutory deadline of 15th September. The outbreak of the COVID-19 pandemic has caused significant disruption both to the Authority and Audit Wales in being able to complete the necessary work to satisfy audit requirements to the required deadline.
- 3.4. As a result under Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014, the Authority was required to publish a notice highlighting the delayed conclusion of the audit which can be viewed at: <https://www.monmouthshire.gov.uk/app/uploads/2020/09/Audit-Wales-Delayed-Notice-of-Conclusion-of-Monmouthshire-CC-Audit-2019-20.doc>
- 3.5. The revised timetable is therefore:

15th October 2020	Review & endorsement by Audit committee
22nd October 2020	Approval by Council
26th October 2020	Sign off by Audit Wales

4. REASONS

- 4.1. To review and endorse the Authority's final audited statement accounts which incorporate all adjustments for "corrected misstatements" identified by Audit Wales and noted in their ISA260 Audit of Accounts report.
- 4.2. It is pleasing to note that the auditors intend to provide an **unqualified opinion** on the Accounts, and management would wish to acknowledge the strength of relationship between Council and Audit Wales, and the professional and helpful way that audit colleagues have conducted their activities despite unprecedented circumstances.
- 4.3. Of significant note, the ISA260 Audit of Accounts report raises the following recommendations, the council's response to which is included alongside to reassure Members of the ongoing steps being taken to ensure the quality of the accounts.

- **Investment properties had not been revalued by the Council before preparation of the draft accounts, as required by the CIPFA Code** – The Authority carries out revaluation of its investment property portfolio on a sample basis across the various asset classes and then extrapolates the movement in valuation over the remainder of the class. For 2019/20 the initial sample of assets was not comprehensive enough to allow the exercise to be completed in full. Given the onset of the COVID-19 pandemic and staff retirement at a key point in the closure process, the necessary management scrutiny of the revaluation process was not carried out.

For the 2020/21 closure process the intention is to agree the valuation considerations with the valuation team much earlier in the process and for a robust scrutiny process to be carried out to ensure compliance with code requirements.

- **The 2019-20 draft accounts contained a number of casting errors (which have been corrected) and rounding errors (which remain uncorrected)** - It is accepted that significant casting errors, like those identified within the reserves notes should be identified by the review process in place and corrected prior to the draft accounts being published. This will be fed back into the review process for the 2020/21 statement of accounts.

In relation to minor rounding errors, the Authority acknowledges the issue this causes auditors when making detailed cross reference within the accounts. However the added value to the intended reader of the accounts of correcting these rounding errors is considered extremely low. The Authority will endeavour to correct these rounding errors during the 2020/21 closure process but also accepts that due to the size and complicated nature of the accounts document and that over 20 separate officers provide the information contained within it, that getting to a faultless position will be extremely challenging.

- **Not all requested documentation, as per the agreed "audit deliverables schedule" was presented for audit at the time of handover of the draft accounts** – It is acknowledged that Audit Wales were not supplied with all of the agreed deliverables prior to the start of the audit process.

Following the onset of the COVID-19 pandemic the financial team has rightly been focussed on managing the financial consequences of the Authority's response to COVID-19 and the ongoing financial sustainability of the Authority. In doing so it was accepted that some areas of work would be significantly impacted and that certain deliverables would be delayed. Wherever possible officers attempted to ensure that the implications of delaying were low and accepted that supplying some of the audit deliverables throughout the audit process,

rather than up front, would be an acceptable compromise. It is anticipated that for the 2020/21 closure process that agreed timescales can be achieved.

6.4 The outbreak of the COVID-19 pandemic has significantly influenced the Statement of accounts process and the main impacts can be summarised as follows:

<p>Staff resources</p>	<p>The outbreak of the COVID-19 pandemic coincided with a key stage of the accounts closure process. Staff resources were naturally diverted to manage the Authority’s financial response and to manage the ongoing financial sustainability of the Authority. Despite this the statutory deadline for draft accounts was met.</p> <p>The impact has continued to be felt throughout the audit process and continued social distancing measures has meant that audit information and responses to queries have been provided electronically. Although this has proved efficient in many areas, where queries have involved detailed interrogation of data this has inevitably extended the process.</p>
<p>Additional estimation used in the calculation of provisions</p>	<p>The provision made for earned staff benefits not taken before year-end has been established using an average of the previous three year's samples of data due to the staff resourcing pressures brought about by the COVID-19 crisis.</p>
<p>Uncertainty in land and building valuations</p>	<p>When undertaking valuation of the Authority’s land & building portfolio the valuers have identified a ‘material valuation uncertainty’ arising from the COVID-19 pandemic. This means that less certainty – and a higher degree of caution should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommend that valuations are kept under frequent review.</p>
<p>Uncertainty in pension fund property assets</p>	<p>The Council is provided with data from the actuary of the Greater Gwent Pension Fund for inclusion in the accounts in line with International Accounting Standard 19.</p> <p>The auditors of the pension fund have identified estimation uncertainty regarding property assets held by the Pension Fund. The Local Government Pension Scheme property assets attributable to Monmouthshire County Council account for £8.139m or 2.5% of total assets held.</p>

5. OPTIONS APPRAISAL

5.1. Not applicable.

6. EVALUATION CRITERIA

7. Not applicable

8. RESOURCE IMPLICATIONS

- 8.1. As outlined in the respective Accounts to be found in the Appendices.

9. WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)

- 9.1. There are no implications directly arising from the recommendations and decisions highlighted in this report.

10. CONSULTEES

Strategic Leadership Team
Cabinet Members
Chief Officer - Resources
Head of Legal

11. BACKGROUND PAPERS

- 11.1. Appendix 1: Statement of Accounts 2019/20

12. AUTHORS:

- 12.1. Jonathan Davies – Finance Manager

13. CONTACT DETAILS

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