

<b>SUBJECT:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2020/21 - MONMOUTHSHIRE COUNTY COUNCIL</b>
<b>MEETING:</b>	<b>Council</b>
<b>DATE:</b>	<b>4<sup>th</sup> November 2021</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

**1. PURPOSE:**

- 1.1. The purpose of this report is to provide the audited Statement of annual accounts for the Authority for 2020/21 for final approval, subsequent to the audit process undertaken by Audit Wales and review and endorsement by the November Governance & Audit Committee.

**2. RECOMMENDATIONS:**

- 2.1. That the final audited Monmouthshire County Council Statement of Accounts for 2020/21 (Appendix 1) are approved by Council.

**3. KEY ISSUES**

**Draft statement of accounts**

- 3.1. Under current legislation the draft statement of accounts, prior to audit, have to be produced each year by 31<sup>st</sup> May following the financial year they relate to. During the 2020/21 closure process the finance section faced considerable disruption as a result of the continuing impact of the Covid-19 pandemic with staff resources being limited and the primary focus rightly being directed to ensuring the ongoing financial sustainability of the Council. Consequently, and utilising the flexibility permitted by Welsh Government regulation, the draft statement of accounts were not prepared until 21<sup>st</sup> July and were subsequently reviewed by Governance & Audit Committee at its meeting on 29<sup>th</sup> July 2021.

**Final audited statement of accounts**

- 3.2. Council approval of the final audited accounts should follow the audit process and under current legislation this has to be completed by 31<sup>st</sup> July following the financial year they relate to.
- 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. 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 was made on 30<sup>th</sup> July 2021 and can be viewed at:

3.5. The revised timetable is therefore:

<b>3<sup>rd</sup> November 2021</b>	Review & endorsement by G&AC
<b>4<sup>th</sup> November 2021</b>	Approval by Council
<b>5<sup>th</sup> November 2021</b>	Sign off by Audit Wales

#### 4. REASONS

- 4.1. To review and endorse the Authority's final audited Statement of accounts which incorporate all adjustments for "corrected misstatements" which have been identified by Audit Wales and as noted in Appendix 3 of their ISA260 Audit of Accounts report.
- 4.2. It is pleasing to note that the auditors intend to provide an **unqualified audit opinion** on the Accounts, and management would wish to acknowledge the continuing strength of relationship between Council and Audit Wales, and the professional and constructive approach in which audit colleagues have conducted their activities despite the difficult circumstances.
- 4.3. Of significant note, the ISA260 Audit of Accounts report raises the following issues and recommendations, the council's management response to which is included alongside to reassure Members of the ongoing steps being taken to ensure the quality of the accounts.

#### **Uncorrected misstatements**

- ***Overstatement of year-end creditors (£973,000) - where services were incorrectly accrued for in the 2020/21 accounts, despite not being delivered to the Council until 2021/22***

**Management comment:** The 2020/21 financial year-end process corresponded with many unbudgeted grants being notified and received during a short period in March 2021. As a result, finance teams were managing many conflicting demands on staff resources and consequently they were required to use greater estimation and judgement in carrying out many year-end calculations. This included basing their calculations on the information provided to them by budget holders and external suppliers who in many instances were under similar pressure given the ongoing COVID-19 pandemic impact. As a result, assurances received by the finance teams of the timings of goods/services received proved to be inaccurate upon further investigation.

For future closure periods, where material accruals are being calculated finance teams will look to obtain additional evidence to support the information put forward by budget holders and external suppliers.

- ***Overstatement of 2020/21 income (£191,000). Revenue due relating to prior periods had been incorrectly recorded as revenue in 2020/21, as opposed to offsetting a debtor that had been established in a prior accounting period.***

**Management comment:** It is fully accepted that despite staff turnover in the financial management of this area, that the established systems and procedures in place should have proved adequate to maintain the robust and accurate recording of income. A review of the procedures in place for recording of this rental income stream, along with a review of the sections business continuity arrangements will be carried out fully prior to the next closure period as to ensure that this remains an isolated error.

## **Recommendations**

- ***Our cut-off testing identified an item of capital expenditure (£102,000) that was not accrued for in the 2020/21 accounts, despite the works involved being delivered within the financial year. We recommend that the Council review it's close-down procedures and looks to ensure adequate central finance support for the Children and Young people service area to identify future capital accruals.***

**Management comment:** Recommendation agreed. Finance resources were severely restricted during the closure period and in prioritising higher risk areas it is fully accepted that the central finance support provided to the CYP directorate fell short in this lower risk area. Closure procedures will be reviewed with a view to ensuring adequate central finance support is planned for future closure periods.

### **5. OPTIONS APPRAISAL**

- 5.1. Not applicable.

### **6. EVALUATION CRITERIA**

7. Not applicable

### **8. RESOURCE IMPLICATIONS**

- 8.1. As outlined in the respective Statement of accounts to be found in the Appendices.

### **9. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, 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  
Deputy Chief Executive, Chief Officer - Resources

### **11. BACKGROUND PAPERS**

- 11.1. Appendix 1: Audited Statement of Accounts 2020/21  
Audit Wales ISA260 Audit of Accounts report

### **12. AUTHORS:**

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