

## Review of Draft Statement of Accounts 2020/21

<b>Report to:</b>	Audit and Scrutiny Committee Date of meeting: 23 July 2021
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<b>Purpose of Report:</b>	To present the draft Statement of Accounts for 2020/21 published on the Authority's website.
<b>Enclosures</b>	1) Draft Statement of Accounts 2020/21 2) Management Outturn Summary 2020/21 3) Reserve Balances Summary 2020/21 4) S106 Reserves Summary 2020/21
<b>Background Papers</b>	None
<b>Recommendation</b>	a) That Members note the contents of the report and the Draft Statement as enclosed.

### 1.0 Introduction

The 2020/21 draft Statement of Accounts, produced in accordance with International Financial Reporting Standards as interpreted by CIPFA and the Accounts and Audit (Wales) Regulations, has been published on the Authority's website. The statutory deadline for accounts approval would normally be 31 July 2021 but in recognition of the impact of Covid19, this has been deferred until the autumn, to allow authorities and Audit Wales additional time to complete the accounts and audit process. The authorised draft is presented here to the Committee to provide an opportunity to consider the document. Audit Wales are intending to carry out the accounts audit in September.

The audited statement will be approved by the authority in the autumn at a date to be confirmed on conclusion of the audit and then published in its final version.

#### **CIPFA Accounting Standards - impact on the presentation of the Authority's draft income and expenditure and balance sheet.**

The Accounting Standards are applied across all private and public sector bodies with the aim of increasing the comparability and consistency of accounts internationally and between sectors. The body which sets the standards for local authority accounting in the UK (The Chartered Institute of Public Finance and Accountancy, CIPFA) effectively prescribes the format in which

authorities must produce the accounts and, although National Park Authorities are much smaller bodies, they are required to follow the same format and timetable for production and audit. In some instances the Regulations require a different accounting treatment from that specified in the Standards and, where this is the case, adjustments have been made and explained in the Statement as required by CIPFA.

## **1.2 Statement of Accounts Approval Process**

The timeline for the production, audit, public inspection and approval by Members of the Accounting Statement is below

30/6/21: The draft Statement of Accounts was signed off by the Chief Financial Officer (Section 151 Officer). A copy was submitted to Wales Audit (WA). Draft Statement sent for translation before a copy can be placed on the Authority's website.

23/7/20 Original draft Statement presented to Audit and Scrutiny Committee.

tba: Members of the public are entitled to examine the accounts and supporting information on request. They can make an appointment to discuss any aspect of the Statement with the Auditor.

September: Wales Audit review content and presentation of the Accounts and identify any material changes which need to be made to the draft statement.

tba: Date on which Wales Audit will meet members of the public, if required, to discuss any aspect of the Statement of Accounts

Tba: Audit team meet the Finance Manager to discuss the outcome of the audit and any accounting adjustments required. The Finance Manager/S151 Officer makes any changes needed and these are reviewed by the Audit Team. This process normally takes 1-2 weeks.

Tba: The revised Statement is approved by the Auditor General for Wales

By

30/11/21: NPA receives and approves the final Statement, which has been re-signed by the Chief Financial Officer (Section 151 Officer). The approved Statement is then signed by the Chairman and published, with the Audit Opinion via the Authority's website. The response of the Chief Executive and Chair of Audit and Scrutiny to the letter from Wales Audit 'Audit enquiries to those charged with governance and management' will also be presented.

## **1.3 Main Feature of the Statement**

The Statement of Accounts comprises:

**The Narrative Report** – an introduction to the Statement and comparison of actual and budgeted performance during the year. The Report is not audited but must be included to provide the reader with some background information and analysis of financial performance in the year.

**The Statement of Responsibilities for the Statement of Accounts** – which sets out the role of Management and Members in the production of the Statement.

**The Comprehensive income and Expenditure Statement** - the income and expenditure during the financial year, accompanied by notes which explain the figures in greater detail as required by the CIPFA code of practice. This is supplemented by the **Expenditure and Funding Analysis** which explains the adjustments between the management and financial accounts on a departmental basis.

**The Balance Sheet** - the assets and liabilities, cash held and amounts set aside in reserves at the financial year-end. Notes are provided to give further details of specific balances where required by the CIPFA code of practice.

**The Statement of Movements in Reserves** – shows the total gains and losses to the Authority during the year, including the effect of actuarial gains and losses on the pension fund and valuation gains and losses on fixed assets. It distinguishes between usable reserves which represent cash funds held by the Authority and unusable reserves, which are created for accounting purposes only (an example being the negative Pensions Reserve, which balances to the Pensions Liability)

**The Cash Flow Statement** - expenditure and income for the financial year, excluding all amounts owed or receivable. Further explanation is provided in the notes to the statement.

**Notes to the Statements** – further details explaining, for example the purposes of reserves, changes in asset values and the basis used to calculate the Authority's pension fund liability as well as providing further information on other material elements of the Statement. The principles behind the methodologies used to produce the Statements are described in the **Accounting Policies** which constitute Note 1.

The format of the Statement of Accounts is as laid down by the CIPFA Code of Practice and there is very limited scope for simplification. There has been a joint drive to reduce the cost of audit both in terms of Authority staff time required to support the process and the financial cost of auditor time borne by the Authority. This has led to a simplified audit process and a more focused audit visit, as well as an increased materiality threshold (now set at 2% of gross expenditure), or approximately £120,000 below which individual errors or omissions are not reported to the Authority.

The Statements are produced in round £000's. This leads to some rounding differences in casting across the statements arising from the complexity of the presentation required and the interrelationships between the various statements and notes.

#### **1.4 Accounting differences between the Statement of Accounts and Management Reports**

An interim report on the 2020/21 financial outturn for management purposes was presented to the last meeting. For completeness, a management summary of the outturn and reserve

balances is provided in the enclosures with this report. The actual cost of running the Authority as represented in the management accounts is prepared on a different basis to that of the Comprehensive Income and Expenditure Statement as included in the Statement of Accounts. The most significant differences between management reports prepared for Members and the Comprehensive Income and Expenditure Statement are:

- **The treatment of the year's pension costs;** actual pension costs paid in the year are replaced by accounting entries based on an actuarial review of the Authority's share of future earnings and liabilities of the Powys Pension Fund. The pension cost figures for accounting purposes are also subject to very large fluctuations between years. Impacting both the Authority's accounting surplus and net assets/(liabilities).
- **The treatment of the Authority's net share of Powys Pension Fund assets and future obligations;** on the Balance Sheet, the largest single item is the net liability relating to the Pension Fund – this is a recurring item which is calculated by the funds actuary and balanced in the accounts by a notional negative reserve of the same amount. The substantial increase in the liability (the net difference between the long term asset values and long term liabilities of the pension fund is due to an increase in the present value of the Authority's obligations under the Pension Scheme.
- **Capital charges associated with the Authority's Property, Plant and Equipment** of some appear in the Statement but not in management accounts, as they are not chargeable to the taxpayer.
- **Expenditure and income.** Internal recharges from one department to another, eg for room hire or stock supplied are excluded from total income figures and instead reduce the expenditure of the department providing the service.
- **Unusable Reserves** are notional amounts built up on the Balance Sheet to balance revaluations of property plant and equipment, pension fund liabilities, etc. they do not represent actual funds and can be negative.

### **1.5 Conclusion**

The Statement of Accounts is one of the ways in which the Authority demonstrates good financial management and provides accountability for the way in which it has used the public funds entrusted to it. The audit process is designed to ensure that the public can have confidence in the quality of the Statement of Accounts and to minimize the risk that the financial position of the Authority has been materially miss-stated.

### **RECOMMENDATION:**

**That Members note the contents of the report and the Draft Statement as published**