

Report to:	National Park Authority Date of meeting: 26 November 2021
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Purpose of Report:	To present the audited Statement of Accounts for 2020/21 for approval, together with the report of the Auditor General for Wales on the financial audit.
Enclosures	1) Audited Statement of Accounts 2020/21 including the approved Annual Governance Statement for 2020/21. 2) Report of the Auditor General for Wales 3) Letter of Representation from S151 Officer and Chair of the Authority 4) The Authority's response to the Auditor General's letter to those charged with governance.
Background Papers	None
Recommendation	a) That the Authority's Statement of Accounts for the financial year 2020/21 is approved and signed by the Chair and S151 Officer b) That the Auditor General's Report is received.

Approval of the Authority's Statement of Accounts 2020/21

1.0 Introduction

The 2020/21 draft Statement of Accounts, produced in accordance with International Financial Reporting Standards as interpreted by the UK Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit (Wales) Regulations, was presented to the Audit and Scrutiny Committee on 23 July. In a normal year, the statutory deadline for accounts approval and certification by the Auditor General would have been 31 July, but in recognition of

the impact of Covid19, this has been deferred until the 30 November, to allow authorities and Wales Audit additional time to complete the accounts and audit process.

As a result of the Audit, a number of changes and corrections have been made to the statement. These are set out in Appendix 3 to Enclosure 2. An unqualified opinion has been issued by the Auditor General. A number of recommendations have been made by Audit Wales in Appendix 4 of Enclosure 2. The findings of the report will be presented by a representative of Audit Wales at the meeting.

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, 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.

Statement of Accounts Approval Process

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

- 30/06/21 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.
- 23/7/21 Draft Statement presented to Audit and Scrutiny Committee for review and discussion.
- 26/7/21 Members of the public are entitled to examine the accounts and supporting information on request. (A copy of the draft Statement is published on the website) Individuals can make an appointment to discuss any aspect of the Statement with the Auditor.
- Throughout this period, Wales Audit review content and presentation of the Accounts and identify any changes which need to be made to the draft statement. They review all supporting information and test transactions and balances. This work was carried out remotely in 2021 due to the requirements of social distancing.
- 23/8/21 Date on which the Auditor General will meet members of the public, if required, to discuss any aspect of the Statement of Accounts. No requests for a meeting were received.

- Oct 21 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.
- 26/11/21 the Authority receives and approves the final Statement, which has been re-signed by the Chief Financial Officer (Section 151 Officer). A representative of the Auditor General for Wales will attend the meeting and present the audit report. A copy of the letter of representation from the S151 Officer and the Chair of the Authority to the Auditor General will also be provided. A signed copy of the approved Statement and the letter of representation is then passed to the Auditor General for his certificate.
- TBC: The Statement of Accounts is published, with the Audit Certificate on the Authority's website as soon as possible after approval and translation.

1.2 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 approved **Annual Governance Statement** is appended to the Statement of Accounts and these are published together.

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.

1.3 Accounting differences between the Statement of Accounts and Management Reports

The format and content of the financial outturn presented to Audit and Scrutiny Committee differs substantially from the Statement. The accounting adjustments which are made to the management outturn information in order to produce the main accounting statements are summarised below:-

- **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.

1.4 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:

- a) That the Authority's Statement of Accounts for the financial year 2020/21 is approved and signed by the Chair and S151 Officer.

- b) That the Auditor General's Report is received.