

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

14th SEPTEMBER 2020

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

Matter for Decision

Wards Affected – All wards

Statement of Accounts 2019/20

Purpose of the Report

The purpose of this report is to consider and approve the 2019/20 Statement of Accounts, following the completion of the external audit.

Background

For 2019/20 Local authorities were originally required to complete and submit a set of accounts to audit by the 15th June, with a requirement to gain Audit Committee approval, following the conclusion of the audit process, by the 15th September at the latest. Member should note that due to the impact of Covid-19 these dates were subsequently amended to later dates in 2020.

As previously mentioned to members this Council's Finance team recognised that the deadline dates will move to the end of July, so has previously worked to close early in advance of the legislative dates. Our external auditor, Audit Wales, supported this approach and included this Council in the early closure scheme for local government accounts. However due to the impact of Covid-19 it was necessary to amend the final sign off date for the accounts to 15th September 2020, although still in line with legislation.

The Accounts and Audit (Wales) (Amendment) Regulations 2018 update the timescales for the Section 151 officer/Director of Finance and Corporate Services to sign and date the accounts, to certify that they present a true and fair view. The revised requirements are:

Year	Draft Statement of Accounts	Final audited Statement of Accounts
2019/20	15 th June 2020	15 th September 2020
2020/21	31 st May 2021	31 st July 2021

Closure of Accounts 2019/20

Neath Port Talbot's Statement of Accounts was submitted to the external auditor on the 29th May 2020 and they have now substantially completed their audit.

The final Statement of Accounts has been updated from the draft considered in June to reflect a number of amendments identified by Audit Wales during the course of their audit, details of which can be found in the Audit Wales ISA260 report.

For 2019/20 members should note that once again Audit Wales are issuing an unqualified audit opinion but have highlighted an emphasis of matter within their audit opinion. This has been necessary due to the Covid-19 pandemic which has led the pension fund property investment manager to disclose a material uncertainty as to the value of property asset investments included in the City and County of Swansea Pension Fund year-end valuation report.

Two other significant issues were identified during the audit only one of which required amendment to the accounts in the form of an additional disclosure. This is in relation to the McCloud/Sargeant pension requirements. Following the rejection of the UK Government appeal of July 2019, the UK Government published consultation proposals on a remedy to address the McCloud Issue during July 2020. The pension fund actuary, Aon Hewitt, confirmed that their pension fund information, projections and statements had already incorporated the major provisions of the remedy within the valuations they provided and which were included in the draft accounts, however there remains some uncertainty over the final outcome which will not be clarified until late 2020-21 and subsequently an additional disclosure note has been included in the accounts.

The other main issue related to asset valuations for 4 properties. Although subsequent satisfactory evidence was provided further procedural improvements will be enhanced during 2020/21. The Council's Finance team will work with Audit Wales and the Council's valuer to strengthen the current quality assurance arrangements.

Unadjusted Misstatements

Two unadjusted misstatements have been identified during the audit, both of which have not been adjusted as they are not considered to be material by the auditors and given the accounting entries required to amend the accounts. These relate to:

The Council's historic cost on property, plant and equipment records has been properly included in the Statement of Accounts but when this has been depreciated and valued in the accounts this has created an anomaly between 2 different unusable reserve balances meaning it did not fully comply with the Code of Practice on Local Government Authority Accounting. The Council's capital accounting team has been working to correct this position but currently there is a small difference to be reconciled. It is estimated that the revaluation reserve is overstated by £1.676m with a corresponding transfer of this amount needed to the capital adjustment account. I wish to thank Audit Wales for their support in undertaking this corrective and reconciliation work which as it falls below the de minimus levels will be corrected in 2020/21. It should be noted that there is no overall impact on the accounts as the adjustment will be between two unusable reserves.

A valuation on Harbour Court, a leased property which includes a step rent was undertaken in 2019-20. An equivalent rent was calculated by the valuer for the valuation process however the computer software utilised erroneously overwrote the equivalent rent input to the system. As part of the audit process Audit Wales have identified that no other similar issues had occurred but additional quality control checks will be looked at for next year.

Adjusted Misstatements

All other corrections identified as part of the audit of the draft accounts have been actioned in the final accounts and it should be noted that none of these has had an impact on the Council's reported net expenditure or usable reserves.

Members should note that the main changes to the Final Statement of Accounts relate to:

A disclosure error of £9.351m within note 5 to the accounts where the revaluation losses on property plant and equipment was incorrectly included in other service expenditure as opposed to depreciation, amortisation and impairment expenditure within the same note.

The separate disclosure of the service concession assets included within the Property plant and equipment totals within note 11 were omitted from the draft disclosure note.

An adjustment to the pensions reserve and the pension liability was required due to revised information being received from the scheme actuary, as a result of an under estimated rate in the original valuations. This resulted in £9.37m of actuarial gains being transacted through Comprehensive Income and Expenditure Statement to the pension reserve and pension liability account within the balance sheet.

Following the receipt of the certified Letter of Representation, after approval at this meeting, Audit Wales intend issuing an unqualified audit report.

Annual Governance Statement

Members will note the addendum to the Annual Governance Statement was approved by Cabinet in July 2020. The addendum was required to incorporate Covid-19 consequences on the Council's governance arrangements. These are included under a separate report to today's meeting.

Conclusions

Neath Port Talbot Council has closed its accounts and produced its Statement of Accounts within the originally prescribed statutory timeframe.

Audit Committee should note that the external auditor is once again able to issue an unqualified audit opinion.

Financial Impact

All financial impacts are contained within the body of the report.

Integrated Impact Assessment

There is no requirement for an integrated impact assessment in respect of this item.

Valleys Communities Impacts

There are no impacts in respect of this item.

Workforce impacts

There are no workforce impacts in respect of this item.

Legal Impacts

There are no legal impacts in respect of this item.

Risk Management

There are no risk management issues in respect of this item.

Consultation

There is no requirement under the Constitution for external consultation on this item.

Recommendations

It is recommended that:

- Members approve the Letter of Representation, included as Addendum 1;
- Members approve the final 2019/20 Statement of Accounts, as included in Addendum 2;
- The Chair of the Audit Committee be authorised to provide his electronic signature for the Letter of Representation and the Statement of Accounts.

Reason for proposed decisions

To ensure that the Council's Statement of Accounts is approved.

Implementation of Decision

The decision is proposed for immediate implementation.

Appendix/Addendum

Addendum 1 – Letter of Representation 2019/20

Addendum 2 – Statement of Accounts 2019/20

Background Papers

Closing working papers 2019/20

Officer Contact

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