

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

26 JANUARY 2023

REPORT OF THE CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

STATEMENT OF ACCOUNTS 2021-22

1. Purpose of report

- 1.1 The purpose of this report is to present to the Governance and Audit Committee the audited Statement of Accounts for 2021-22, which is now due to be certified by our external auditors, Audit Wales, and the associated Letter of Representation of the Council.
- 1.2 Audit Wales will update the Committee on their main findings from the audit, summarise the audit work carried out in respect of the 2021-22 financial year, and present their Audit of Accounts Report, which requires the appointed auditor to report these key findings to those charged with governance.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
 - **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.
- 2.2 The Council's financial performance is an important element in determining the extent to which the corporate well-being objectives can be delivered.

3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended in 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts 2021-22 was signed by the responsible financial officer on 18 July 2022 and presented to the Governance and Audit Committee on 28 July 2022 for noting. During the intervening period the external audit has taken place, resulting in a number of amendments being made to the financial statements, including those noted below.
 - Consolidation of Bridgend County Borough Council's share of Cardiff Capital Region City Deal income and expenditure and balance sheet. This has required a number

of amendments to the Comprehensive Income and Expenditure Statement (CIES), Balance Sheet, Movement in Reserves (MIRS), Cash Flow and associated notes.

- Restatement of pension liability figures to reflect a revised Pensions Actuary Report received after the date of submission of the draft accounts to Audit Wales to reflect a £11.5 million reduction of the pension's liability.
- Comprehensive Income and Expenditure Statement – adjustments to net off internal income and expenditure for both current and previous years. This has a net nil effect on the Net Cost of Services but is required to remove an overstatement of both the Council's income and an equal and opposite adjustment to expenditure.
- Balance Sheet – to adjust for an overstatement of expenditure reserves of £1.734 million for Schools with an associated impact on expenditure in the CIES and schools' balances carried forward.
- Amendment to reflect the receipt of grant income from Welsh Government for the discretionary element of the Cost of Living grant which had originally been treated as a creditor due to the expenditure not being incurred until 2022-23, and reflected as a grant earmarked reserve.
- In addition, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2022 SI 1254 (W.255) provides a statutory amendment in relation to infrastructure assets, that where an authority replaces a component of an infrastructure asset, it must either determine that the replaced component has a value of nil and therefore there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component, or it must account for the carrying amount in accordance with the accounting practice in the Code of Practice on Local Authority Accounting. On 11 January 2023 CIPFA provided an update to the Code and Specifications for Future Codes for Infrastructure assets via its Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution. This provides a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets from 1 April 2021 to 31 March 2025. Infrastructure assets have historically been recorded at cost, depreciated, but when replaced often the original assets have not been accounted for as disposed. This has resulted in overstatement of both the gross accumulated costs of the assets and accumulated depreciation. Whilst the net impact of these results in the same net book value (as any assets that should have been disposed of are likely to be held at a nil net book value), the opening cost and accumulated depreciation balances are likely to be equally overstated. These will be reviewed over the forthcoming period to consider any necessary amendments for the Statement of Accounts 2022-23.
- Restatements on the face of the MIRS and Balance sheet to separately disclose the Council's share of Cardiff Capital Region City Deal figures.

None of these adjustments had an impact on the Council Fund.

3.3 A number of notes were amended that did not affect the financial position of the Council, which are detailed within the Auditor's Report. They include:

- Pensions note of scheme assets across categories as a result of liability restatement.

- Note 11 – Grants, to separately disclose Cardiff Capital Region City Deal grant share.
- Note 15 – Officers’ remuneration to amend a salary banding error and revised role title.
- Note 21c – netting down cost and accumulated depreciation of infrastructure expenditure and adding a narrative disclosure for Capital Grants Unapplied.
- Note 32 - Additional disclosures in respect of Prior Period Adjustments in relation to pensions, consolidation of the Council’s share of Cardiff Capital Region City Deal and netting off of internal income and expenditure as noted above.
- A number of other notes were amended to reflect the inclusion of Cardiff Capital Region City Deal figures.

3.4 The amended audited Statement of Accounts 2021-22 is attached at **Appendix A**. The detail of all the amendments are contained within the Auditor’s Audit of Accounts Report at **Appendix B**.

3.5 The audited Statement of Accounts 2021-22 is required to be signed by the Chief Financial Officer and the Chair of the Governance and Audit Committee as presenting a ‘true and fair view’ of the financial position of the Council as at 31 March 2022.

4. Current situation/proposal

4.1 Audit Wales have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 27 January 2023, subject to Governance and Audit Committee approval of the accounts.

4.2 The Council Fund at 31 March 2022, as presented to the Governance and Audit Committee in July 2022, has not changed.

4.3 In line with the International Standard on Auditing (ISA) 260, the external auditor is required to communicate relevant matters relating to the audit of the financial statements to those ‘charged with governance’. These matters are incorporated into the Audit of Accounts Report at **Appendix B**. The Appendix also contains the full list of all adjustments made to the accounts as a result of the audit, as described in paragraphs 3.2 and 3.3.

4.4 A final Letter of Representation from the Council is required by the Appointed Auditor to complete the process and enable the accounts to be approved. This is included as **Appendix C** and is required to be signed by the Chair of the Governance and Audit Committee and Section 151 Officer.

5. Effect upon policy framework and procedure rules

5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer, approved by the relevant committee, and published by 31 July following the end of the financial year to which it relates. Where it is not possible to publish by this date, the Council is required to issue a notice setting out why it was not possible. The Council issued a notice 27 July 2022 confirming that the audit of the accounts had not been completed in accordance with Regulation 10(2) of

the Accounts and Audit (Wales) Regulations 2014 (as amended). The accounts will be published as soon after approval as possible.

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 These are reflected in the body of the report.

9. Recommendations

9.1 It is recommended that the Committee:

- approves the audited Statement of Accounts 2021-22 as amended (**Appendix A**);
- notes the appointed auditors' Audit of Accounts Report (**Appendix B**);
- notes and agrees that the final Letter of Representation to Audit Wales be signed by the Chair of the Committee and Section 151 Officer (**Appendix C**).

Carys Lord
Chief Officer – Finance, Performance and Change
January 2023

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Background Documents: None