

THE CITY AND COUNTY OF CARDIFF, COUNTY BOROUGH  
COUNCILS OF BRIDGEND, CAERPHILLY, MERTHYR TYDFIL,  
RHONDDA CYNON TAF AND THE VALE OF GLAMORGAN

<b>THE GLAMORGAN ARCHIVES JOINT COMMITTEE 11 March 2011</b>	<b>AGENDA ITEM NO. 7</b>
	<b>ANNUAL STATEMENT OF ACCOUNTS 2009/2010</b>

**Purpose of Report**

1. This report provides Members with the Glamorgan Archives Audited Statement of Accounts for 2009/10.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2010.

**RECOMMENDATIONS**

**The Joint Committee is requested to:**

- Ø **Approve the audited Statement of Accounts for the year ended 31 March 2010 - Appendix 1**
- Ø **Note the reports of the Wales Audit Office on the Statement of Accounts of for the year ended 31 March 2010 – Appendix 2**
- Ø **Note that the following documents will be formally signed at the conclusion of the meeting:**
  - **Statement of Accounts for Glamorgan Archives Joint Committee – Committee Chair and Chief Corporate Services and Section 151 Officer (Treasurer)**
  - **Statement of Internal Control (Within the accounts) – Committee Chair and Glamorgan Archivist**
  - **Letter of Representation for Glamorgan Archives Joint Committee - Committee Chair and Chief Corporate Services and Section 151 Officer (Treasurer)**
  - **Audit Certificate for Glamorgan Archives Joint Committee - Appointed Auditor, Wales Audit Office**

## **Background**

3. The Draft Statement of Accounts for 2009/10 was presented to Members at the Glamorgan Archives Joint Committee meeting on 25<sup>th</sup> June 2010 and were made available for public inspection in accordance with relevant statutory requirements.
4. The accounts have now been audited by the appointed auditors. The audited Glamorgan Archives Statement of Accounts for 2009/10 is included at Appendix 1.
5. During the initial audit, a number of amendments were deemed required in the accounts. The main changes reflect recognition in the Glamorgan Archives accounts of the assumptions used by constituent authorities in how they have paid for their share of the construction costs of the new Glamorgan Archives. This was a new area of accounting which required the committee and its auditors to verify appropriate accounting practice and hence has resulted in the delay of the audit until March. This has also resulted in a number of prior year amendments.
6. There is one uncorrected non-trivial misstatement due to this being close to the set de-minimis threshold for recognition as Capital Expenditure. All other relevant amendments have been made within the financial statements. Where adjustments relate to Capital Accounting they have no impact on the revenue outturn for 2009/10 or General Reserve previously reported to committee in June.
7. Attached is the auditor's report "Audit of Accounting Statements – Report to those charged with Governance", which is presented to Council in order to fulfil the requirement of the International Auditing Standard (ISA) 260 and in discharge of the External Auditor's duty (Appendix 2).
8. The audit does not seek to obtain absolute assurance that the financial statements present fairly the financial position, or assurance that they are accurate in every regard, but instead a concept of materiality is adopted. The report highlights that there were :-
  - No significant concerns about the qualitative aspects of the accounting practices and financial reporting.
  - No material weaknesses in internal control identified
  - No other matters which need to be reported as required by other auditing standards
  - No other audit matters of governance interest to report

## **Legal Implications**

9. Approval of the Statement of Accounts is a matter for the Committee under Clause 4(a) of the Joint Archives Agreement. The Committee only has power under Clause 5(a)(ii) to spend within the agreed budget within any given year and the Statement of Accounts confirms this has been achieved.

## **Financial Implications**

10. This report is presented to the Joint Committee in discharge of its duty to approve the audited accounts for 2009/10. The draft accounts were previously noted by Committee in June 2010. Whilst there have been a number of amendments, there is no impact on the revenue outturn or General Balance.

The following Appendices are attached:

Appendix 1 – Audited Statement of Accounts 2009/10.

Appendix 2 - Audit of Accounting Statements – Report to those Charged with Governance for Cardiff Council including Letter of Representation

# Appendix 1

## **Glamorgan Archives Statement of Accounts 2009/2010**

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## Explanatory Foreword

### 1. Introduction

Glamorgan Archives collects, preserves and makes accessible to the public, documents relating to the area it serves, and maintains the corporate memory of its constituent Local Authorities. It currently serves the largest population base of any record office in Wales (circa one million people). The service attracts approximately 10,000 visitors a year.

Glamorgan Archives has operated as a joint service since 1974. From 1<sup>st</sup> April 2009 The County Council of the City and County of Cardiff (Cardiff Council) became the Host Authority for the Joint Committee, taking over from Rhondda Cynon Taff County Borough Council.

Glamorgan Archives is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government Act 1994. The Member Authorities of the Joint Committee are Bridgend CBC, Caerphilly CBC, the City and County of Cardiff, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC, and the Vale of Glamorgan CBC, who appoint representatives to the Joint Committee.

The voting rights and population in respect of each Authority is:

Constituent Authority	Voting Rights	Population	
		No.'s	%
Bridgend	2	130,600	14
Cardiff	5	305,200	32
Merthyr Tydfil	1	59,700	6
Rhondda Cynon Taf	4	238,900	25
Caerphilly	2	104,300	11
Vale of Glamorgan	2	118,800	12
<b>Total</b>	<b>16</b>	<b>957,500</b>	<b>100</b>

The population numbers are based on the 2001 Population Census. The next Census is to take place on 27<sup>th</sup> March 2011 after which there may be a requirement to amend the voting rights allocation.

Up to six further members with an interest in archives and records may be co-opted by the Committee to make a contribution to the Committee's work. These members do not have voting rights.

Current co-opted members are:

**Murray McLaggan, MA JP**

Former Lord Lieutenant and chair of pre 1996 Glamorgan Archives Joint Committee. Represents private depositors.

**Mrs K Thomas**

HM Lord Lieutenant of Mid Glamorgan.

The new Glamorgan Archives Office in Leckwith was completed on 26<sup>th</sup> October 2009, 8 weeks ahead of schedule and was opened to the public on 16<sup>th</sup> February 2010. The building has been purpose built to house about 8 kilometres of records in the form of either paper, parchment, books, maps, plans, photographs, prints, films, videos or computer-generated records. These are an important and fascinating source of information for historical research.

With effect from 1<sup>st</sup> April 2009 Cardiff Council as the host authority, has been providing committee, legal, financial, personnel, payroll and procurement support.

## 2. Summary of Financial Performance for 2009/2010

The Income and Expenditure Account provides an analysis of the Glamorgan Archives costs.

Table 1 below gives a summary of the controllable budgets against actuals analysed by Chartered Institute of Public Finance and Accountancy (CIPFA) groupings.

**Table 1**

	<b>Budget</b> <b>£</b>	<b>Actual</b> <b>£</b>	<b>Variance</b> <b>£</b>
<b>Expenditure</b>			
Employees	576,729	523,975	(52,754)
Premises	315,644	302,847	(12,797)
Transport	5,647	4,383	(1,264)
Supplies & Services	33,878	152,727	118,849
Support Services	28,500	26,215	(2,285)
<b>Gross Expenditure</b>	<b>960,398</b>	<b>1,010,147</b>	<b>49,749</b>
<b>Income</b>	<b>(64,598)</b>	<b>(144,751)</b>	<b>(80,153)</b>
<b>Net Expenditure</b>	<b>895,800</b>	<b>865,396</b>	<b>(30,404)</b>

The reasons for the variances between budgeted and actual expenditure were:

Employee costs were lower than budgeted mainly because the budget was based on a revised establishment structure which did not take effect until the 1st April 2010. Further savings were achieved as the result of a lower than budgeted pay award and reduced employer superannuation contributions from staff not joining the pension scheme. These savings were partly offset by the cost of agency staff including a qualified Archivist who specialised in cataloguing into the database in preparation for planned service delivery at the new building.

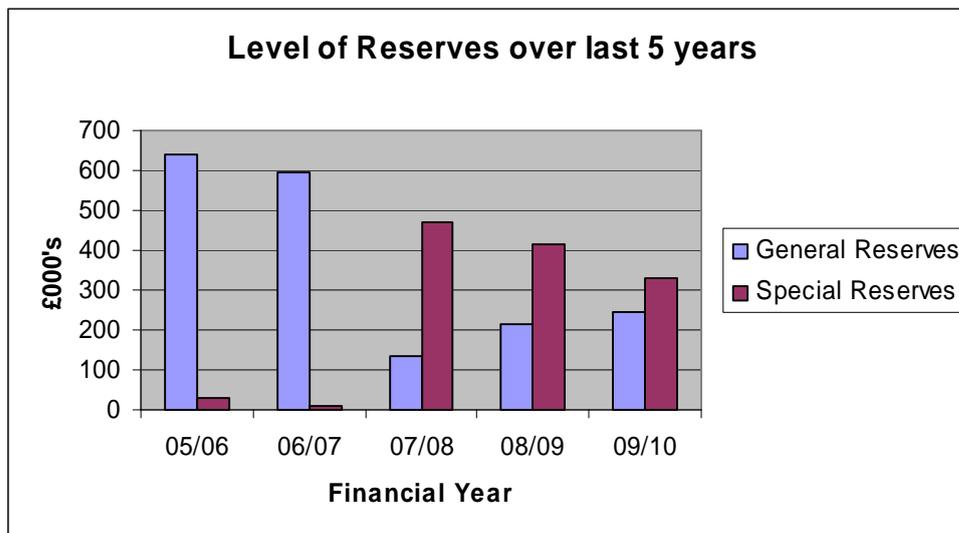
Overall a saving was achieved on premises costs despite the fact that the cost of utilities at the new premises were higher than originally forecast and that when the Service was based at Cathays Park there was a significant increase in rent payable.

Included in the actual costs for supplies and services is £97,458 of costs in respect of the build of the new Glamorgan Archives building. Additional costs were also incurred on equipment and materials and telephone costs for the link to the Cardiff Council network.

Income received was more than budgeted mainly as a direct result of a contribution of £97,458 from the New Build Reserve. Partly offsetting this income was the loss of income from searches in respect of post mortem cases. Income from the new build capital programme was also less due to a saving on chargeable employee costs.

Table 2 provides a summary of the Glamorgan Archives level of reserves over the past 5 years.

**Table 2**



The increase in The General Reserve between 2008/2009 and 2009/2010 reflects the transfer of the 2009/2010 surplus on the Income and Expenditure Account to this reserve.

Special reserves created prior to 2005/2006 were fully utilised for their intended purposes by the end of 2007/2008. In 2007/2008 an Earmarked Reserve was set up for the new Glamorgan Archives building. The decrease in this Reserve in 2009/2010 is the result of part funding costs in relation to the new build.

Details of the values of these reserves can be found in note 13 to the core financial statements.

The New Records Office building became operational during the year, paid for by the constituent authorities. This has resulted in a number of new accounting treatments in these accounts. These are primarily notional entries which are reversed out so that there is no impact on the net revenue position of the Glamorgan Records Office.

### **3. Introduction to Accounting Statements**

#### **Statement of Accounting Policies**

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

#### **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Joint Committee and the arrangements for the preparation of the Statement of Accounts. The Statement is to be signed by the Joint Committee Chair on behalf of the Committee.

#### **Certificate of the City & County Treasurer**

This is the certificate of the true and fair presentation of the accounts by the City & County Treasurer.

#### **Income and Expenditure Account**

This statement is prepared to record the day-to-day expenditure on an accruals basis on items such as salaries and wages, running costs of the service and income received in order to calculate the net operating expenditure of the Glamorgan Archives. The statement is based upon UK Generally Accepted Accounting Practice (UK GAAP)

#### **Statement of Movement on the General Reserve Balance**

This statement shows the movement of the General Reserve Balance and reconciles the surplus/deficit of the Income and Expenditure Account to the total movement of General Reserve Balance.

#### **Statement of Total Recognised Gains and Losses (STRGL)**

This statement brings together all the gains and losses of the Glamorgan Archives for the year and shows the aggregate increase/decrease in Net Worth.

#### **Balance Sheet**

This statement shows the Glamorgan Archives financial position as at 31<sup>st</sup> March 2010. It includes the fixed assets, current assets and liabilities of all activities of the Joint Committee together with the balances and reserves at its disposal.

#### **Cashflow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties.

## **Statement on Internal Control**

This statement sets out the framework within which the Glamorgan Archives Service manages and reviews internal control. It outlines the main components of the system including details of the other parties involved in ensuring that internal control is exercised.

## Statement of Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 'A statement of Recommended Practice' (the 2009 SORP) as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the statutory framework established by the Accounts and Audit (Wales) Regulations 2005 as amended.

### 1. Debtors and Creditors

The revenue transactions of the Joint Committee are recorded on an accruals basis. All known debts due to the Joint Committee as at 31<sup>st</sup> March 2010 are taken into account, as are all known liabilities for goods received or work carried out by this date. Where there was insufficient information available to provide actual figures, estimated amounts have been included although this element is not significant.

### 2. Stock

Stock has been valued at the lower of cost and net realisable value and relates mainly to publications, maps and posters.

### 3. Value Added Tax

The Income and Expenditure Account has been prepared exclusive of Value Added Tax in accordance with Statement of Standard Accounting Practice (SSAP 5). The Committee is not separately registered for VAT and therefore the net value of VAT incurred is recoverable from HM Revenue & Customs under the umbrella of Cardiff Council's VAT registration.

### 4. Fixed Assets

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts. A de-minimis policy for recording assets in the asset register is £10,000 for Plant and Equipment.

Operational land & buildings are included in the balance sheet at depreciated replacement cost.

Vehicles, plant, furniture & equipment have been valued on the basis of historic cost, depreciated over its useful life.

Archived records held by the Service have been deemed as community assets as they meet the criteria set by CIPFA. Community assets are usually valued in the balance sheet at historic cost. However, the records acquired by the Joint Committee are mainly of an archival value therefore no entry has been made in the Statement of Accounts. Some of these records are owned by the Joint Committee and some are held on behalf of other people or organisations.

Assets under construction are valued at historic cost.

Land and buildings were valued when they became operational and will be re-valued at least every 5 years.

An increase in value arising out of the periodic revaluations is credited to the Revaluation Reserve, or exceptionally to the Income and Expenditure Account to reverse any impairment loss previously charged.

A decrease in value resulting from the clear consumption of economic benefits, such as physical damage to the asset, is charged directly to the Income and Expenditure Account. Where accumulated revaluation gains are held in the Revaluation Reserve for the asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

A decrease in value due to a general fall in prices is written off against any revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

## **5. Depreciation**

Operational buildings have been depreciated on a straight-line basis over the estimated life of the asset. It has been assumed that the new Glamorgan Archives building has a useful life of 40 years.

Vehicles, plant, furniture & equipment have been depreciated on a straight-line basis over the useful life of the asset, which in this instance is between 7 and 15 years.

## **6. Income**

Income is credited to the year of account for which it relates regardless of when that income is actually received.

## **7. Retirement Benefits**

Financial Reporting Standard (FRS) 17 "Retirement Benefits" requires that the accounts reflect the cost of retirement benefits in the period the Local Authority (or Joint Committee) is committed to paying them and not simply in the period the benefits are paid.

The joint committee does not have the legal power to directly employ staff. Staff involved in joint committee activities are therefore employed by a constituent authority. Each constituent authority participates in a defined benefit pension scheme. The joint committee meets the cost of the actual pension contributions and accounts for them in the income and expenditure account. Pension costs are therefore accounted for as if contributions had been made to a defined pension scheme because it is not possible to determine the underlying assets and liabilities in the schemes relating to the staff involved in joint committee activities on a reasonable and consistent basis. Therefore, no liability for future payments of benefits is recognised in the Balance Sheet.

## **8. Allocation of Central Departmental Support**

An element of central departmental support of Cardiff Council is allocated to the Service on a basis of the estimated time spent by staff on Glamorgan Archives work or on proportional use of internal systems. Charges will be reviewed annually.

## **9. Government Grants**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account on the Balance Sheet. Amounts are released to the Income and Expenditure Account over the useful life of the asset to offset the depreciation on the asset to which it relates.

## **10. Earmarked Reserves**

In 2007/2008 an Earmarked Reserve was set up for the new Glamorgan Archives building. Since this date the reserve has been used to part fund costs in relation to the new build. With the completion of the new build there is no further call upon this reserve. The Joint Committee approved on 25<sup>th</sup> June 2010 the transfer the balance of this reserve to the general reserve in 2010/2011.

## **11. Disclosure and funding of the New GRO**

The GRO accounts reflect assumptions as to how each authority has paid for its share of the construction costs of the GRO within their own accounts. In some cases these may be arbitrary allocations, however it is deemed proper accounting practice to make this split to show the statutory requirements discharged by constituent authorities. Once set, these assumptions will not change.

## **12. Borrowing and Prudent Minimum Revenue Provision**

The accounts show a figure for borrowing. It should be noted that this reflects the funding of the GRO by constituent authorities and that the Joint committee itself does not have the power to borrow. The repayment terms (Prudent Minimum Revenue Provision) are assumed to be 4% of the principal outstanding on a straight line basis i.e. 25 years, with a full year's repayment in year of completion of the GRO Building.

The rate of interest assumed on the loan is 5.3% and this is fixed until repayment.

Given that these are only notional entries within these accounts, there is no loan agreement held by the GRO. It has been agreed with our external auditors that there is no need for the Joint Archives Committee to comply with the CIPFA Code of Treasury Management in the Public Services or approve a Prudent Debt Repayment Policy at the start of the year.

## **Statement of Responsibilities for the Statement of Accounts**

### **The Joint Committee's responsibilities**

The Joint Committee is required:

- To make arrangements for the proper administration of its financial affairs, and to secure that an appropriate officer is appointed to undertake the administration of those affairs. In 2009/2010 this officer was Christine Salter, Chief Corporate Services & Section 151 Officer of Cardiff Council.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Chair**  
**Glamorgan Archives Joint Committee**

## **The Chief Corporate Services & Section 151 Officer Responsibilities**

The Chief Corporate Services & Section 151 Officer is responsible for the preparation of the statement of accounts. In terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, the Statement of Accounts is required to present a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2010.

### **In preparing the Statement of Accounts, the Chief Corporate Services & Section 151 Officer has:**

- Selected suitable accounting policies, and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

### **The Chief Corporate Services & Section 151 Officer has also throughout the financial year:**

- Maintained proper accounting records that were kept up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Certificate of Chief Corporate Services & Section 151 Officer as Treasurer of the Joint Committee**

I certify that the foregoing Statement of Accounts presents a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2010 and its income and expenditure for the year then ended.

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Christine Salter**  
**Chief Corporate Services & Section 151 Officer**

## Income and Expenditure Account for the year ended 31<sup>st</sup> March 2010

2008/2009 £		2009/2010 £	Note
	<b>Continuing Operations</b>		
	<b>Expenditure</b>		
466,782	Staff costs	523,975	2
243,903	Premises	302,847	
3,526	Transport	4,383	
45,472	Supplies and Services	152,727	
34,966	Central Departmental Support	26,215	
1,928	Capital Charges	420,864	8
<b>796,577</b>		<b>1,431,011</b>	
	<b>Income</b>		
(899,524)	Contributions from Local Authorities	(1,421,725)	3
(45,580)	Fees and Charges	(45,873)	
<b>(945,104)</b>		<b>(1,467,598)</b>	
<b>(148,527)</b>	<b>Net Cost Of Services</b>	<b>(36,587)</b>	
(22,399)	Interest and Investment Income	(1,420)	6
94,383	Interest Payable	252,176	
<b>(76,543)</b>	<b>Net Operating Expenditure</b>	<b>214,169</b>	
<b>(76,543)</b>	<b>(Surplus)/Deficit for the year</b>	<b>214,169</b>	

## Statement of Movement on the General Reserve Balance for the year ended 31<sup>st</sup> March 2010

2008/2009 £		2009/2010 £	Note
(76,543)	(Surplus)/Deficit for the Year on the Income and Expenditure Account	214,169	
	<b>Amounts Included in the Income and Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the General Reserve Balance</b>		
(2,595)	Depreciation and Impairment of Fixed Assets	(421,531)	8
667	Government Grants Deferred Amortisation Matching Depreciation and Impairment	667	12
	<b>Amounts not Included in the Income and Expenditure Account but Required to be Included by Statute when Determining the Movement on the General Reserve Balance for the Year</b>		
	Prudent MRP (Borrowing Repayment)	273,749	
54,656	Capital Expenditure Charged to the General Reserve Balance	(11,306)	
	<b>Transfers to/(from) the General Reserve Balance that are Required to be Taken into Account when Determining the Movement on General Reserve Balance</b>		
(54,656)	Net Transfer to/(from) Earmarked Reserves	(86,152)	
<b>(78,471)</b>	<b>General Reserve (Surplus)/Deficit</b>	<b>(30,404)</b>	
(134,161)	General Reserve Balance Brought Forward	(212,632)	15.1
<b>(212,632)</b>	<b>General Reserve Balance Carried Forward</b>	<b>(243,036)</b>	15.1

### Statement of Total Recognised Gains and Losses for 2009/2010

<b>2008/2009</b>		<b>2009/2010</b>
<b>As restated</b>		
<b>£</b>		<b>£</b>
(76,543)	(Surplus)/Deficit on the Income and Expenditure Account for the Year	214,169
(1,326,697)	Any Other Gains and Losses Required to be Included in the STRGL	(171,502)
<b>(1,403,240)</b>	<b>Total Recognised (Gains)/Losses for the Year</b>	<b>42,667</b>

**Balance Sheet as at 31<sup>st</sup> March 2010**

<b>31/03/2009</b>		<b>31/03/2010</b>	<b>Note</b>
<b>As restated</b>			
<b>£</b>		<b>£</b>	
	<b>Tangible Fixed Assets</b>		
	Operational Assets		
776	Land & Buildings	8,257,156	
4,777,500	Assets Under Construction	0	
28,546	Vehicles, Plant, Furniture & Equipment	185,195	
<b>4,806,822</b>		<b>8,442,351</b>	9
	<b>Current Assets</b>		
22,648	Stock	21,151	
0	Debtors & Prepayments	12,759	10
650,816	Cash	596,111	4
<b>673,464</b>		<b>630,021</b>	
	<b>Current Liabilities</b>		
(47,362)	Creditors	(58,891)	11
<b>626,102</b>	<b>Net Current Assets</b>	<b>571,130</b>	
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>9,013,481</b>	
(7,332)	Government Grants - Deferred	(6,665)	12
(2,946,090)	Borrowing	(6,569,982)	14
<b>2,479,502</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>2,436,834</b>	
	<b>Represented By:</b>		
	<b>Capital Reserves:</b>		
(1,852,623)	Capital Adjustment Account	(1,865,704)	15.2
	<b>Revenue Reserves:</b>		
(212,632)	General Reserves	(243,036)	15.1
	<b>Earmarked Reserves:</b>		
(414,246)	New Building	(328,094)	15.3
<b>(2,479,501)</b>	<b>NET WORTH</b>	<b>(2,436,834)</b>	

### Cashflow Statement for the Year Ended 31<sup>st</sup> March 2010

2008/2009 £		2009/2010 £
	<b>Revenue Activities</b>	
	Cash Outflow	
(466,782)	Cash Paid to and on Behalf of Employees	(516,097)
(334,668)	Other Operating Cash Payments	(578,859)
	Cash Inflows	
45,602	Cash Received for Goods & Services	143,331
805,141	Other Operating Cash Receipts	895,800
<b>49,293</b>		<b>(55,825)</b>
	<b>Returns on Investment and Servicing of Finance</b>	
	Cash Inflows	
22,399	Interest Received	1,420
	<b>Capital Activities</b>	
	Cash Outflows	
(54,656)	Purchase of Fixed Assets	0
<b>17,036</b>	<b>Net Cash Inflow/(Outflow)</b>	<b>(54,405)</b>
	<b>Analysis of Changes in Cash and Cash Equivalents</b>	
633,480	Balance as at 1 <sup>st</sup> April 2009	650,516
17,036	Net Cash Inflow/(Outflow)	(54,405)
<b>650,516</b>	<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>596,111</b>

Cardiff Council administers all cash transactions, as the Glamorgan Archives does not operate its own bank account.

## Notes to the Statement of Accounts

### 1.0 Prior Period Adjustments

The 2008/2009 balance sheet has been restated.

Debtors and cash have been restated reflecting the fact that monies held at the year end by constituent authorities on behalf of the committee should be treated as cash in the accounts and not as a debtor.

Creditors have been restated to exclude assets held on behalf of third parties.

Fixed assets have been increased by £54,656 to reflect construction costs on the new building not previously recognised.

In line with recommended accounting practice, the Capital Adjustment Account has been disaggregated with any borrowing undertaken by Constituent authorities to pay for their share of the new building construction shown separately as a notional amount on the GRO Balance sheet.

Interest on the loan balance has been reflected as notional expenditure, matched by a notional contribution from relevant authorities.

### 2.0 Officers' Emoluments

Under the Accounts and Audit (Wales) Regulations 2005 as amended, Local Authorities and Joint Committees must disclose in their accounts the number of staff whose remuneration exceeded £60,000 (listed in ranges, in multiples of £5,000). For the purpose of this disclosure, remuneration includes gross pay, employer's National Insurance contributions, redundancy payments etc., but excludes employer's Pension Contributions.

No individual member of staff received remuneration in the year above £60,000.

The total staff costs for the year were £523,975 analysed as follows:

	£
Pay	394,414
Pension costs	68,310
National Insurance	28,110
Agency Staff	24,720
Redundancy Payment	4,980
Indirect employee costs	3,442
<b>Total staff costs</b>	<b>523,975</b>

The staff participate in the Cardiff & Vale of Glamorgan Pension Fund, which is part of the Local Government Pension Scheme (LGPS).

### 3.0 Contributions Received

The joint agreement provides for contributions towards estimated expenditure for each year to be notified in advance to each authority, and to be made in two equal instalments.

Contribution rates have been agreed in proportion to the relevant populations of each Authority as per the 2001 Census and were calculated as follows for 2009/2010.

In addition, the table shows notional contributions of Interest and Debt Repayment based on the funding used by each authority to pay for its share of the new Glamorgan Records Office building.

Authority	Population	%	Cash Contribution based on population % £	Notional Contribution based on Debt Funding £	Total Contribution £
Bridgend	130,600	14	125,412	93,935	219,347
Cardiff	305,200	32	286,656	89,290	375,946
Merthyr Tydfil	59,700	6	53,748	20,772	74,520
Rhondda Cynon Taf	238,900	25	223,950	167,740	391,690
Caerphilly	104,300	11	98,538	73,805	172,343
Vale of Glamorgan	118,800	12	107,496	80,383	187,879
	<b>957,500</b>	<b>100</b>	<b>895,800</b>	<b>525,925</b>	<b>1,421,725</b>

### 4.0 Related Party Transactions

In accordance with Financial Reporting Standard 8 (FRS 8), there is a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

The Glamorgan Archives Service is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee currently has 18 members in total, of which 16 are elected members, with voting rights.

During 2009/2010, Glamorgan Archives was charged £26,215 by Cardiff Council in respect of Central Departmental Support.

As a result of the Host authority transfer from Rhondda-Cynon-Taff County Borough Council (RCT) to Cardiff Council on the 1st April 2009 the cash held by RCT as of this date was transferred to Cardiff Council. The cash, held as a debtor on the balance sheet at the end of 2008/2009, forms part of the cash

balance for the year end 2009/2010. The total cash balance of £596,111 is held by Cardiff Council.

## 5.0 Audit Fees

The Income & Expenditure Account includes an accrual of £2,197 in respect of the anticipated cost of external audit services to be carried out by the appointed Auditor with respect to the 2009/2010 accounts.

## 6.0 Interest Receivable and Payable

Interest is receivable on the balance invested by Cardiff Council on behalf of the Glamorgan Archives. During 2009/2010 interest was earned on the decreasing balance of the Earmarked Reserve for the new build. The average rate of interest for the year was only 0.32% in line with the 7 day LIBID (London Interbank Bid) rate.

Interest is payable, notionally, on the borrowing undertaken by constituent authorities to pay for their share of the Glamorgan Records Office. The notional contributions received by constituent authorities are increased to match the interest expense of 5.3%, hence there is no net revenue impact.

## 7.0 Leases

The following table shows expenditure in respect of operating leases for 2009/2010 and commitments through to 2011/2012.

	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Land & Buildings (Glamorgan Building)	150,000	0	0
Vehicles	5,692	3,238	1,079
Plant & Equipment	2,258	4,103	4,103

## 8.0 Capital Charges

	<b>2008/2009</b>	<b>2009/2010</b>
Depreciation	2,595	226,636
Impairment	0	194,895
Government Grants Deferred	(667)	(667)
	<b>1,928</b>	<b>420,864</b>

Depreciation has been charged on operational land & buildings (£197,500) and vehicles, plant, furniture & equipment (£29,136). Depreciation has been charged on a straight-line basis over the estimated useful life of the asset which, in the case of the new building, is 40 years. The release of the Deferred Grant partially offsets the depreciation charge.

The impairment charge relates to land (£15,000) and the new building (£179,895). This charge brings the asset values in line with their valuations as at 31<sup>st</sup> March 2010 as recognised in the balance sheet.

## 9.0 Movements in Fixed Assets

	<b>AUC</b>	<b>Land &amp; Property</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Gross Book Value</b>	4,777,500	776	38,926	4,817,202
Accumulated Depreciation	0	0	(10,380)	(10,380)
<b>Net Book Value at 1<sup>st</sup> April 2009</b>	<b>4,777,500</b>	<b>776</b>	<b>28,546</b>	<b>4,806,822</b>
Reclassification	(4,777,500)	4,777,500	0	0
Additions	0	3,872,052	185,784	4,057,836
Impairment	0	(194,895)	0	(194,895)
Other revaluation	0	(777)	0	(777)
Depreciation	0	(197,500)	(29,135)	(226,635)
<b>Net Book Value at 31<sup>st</sup> March 2010</b>	<b>0</b>	<b>8,257,156</b>	<b>185,195</b>	<b>8,442,351</b>

## 10.0 Debtors & Prepayments

Debtors and Prepayments in the Balance Sheet consist of:

	<b>2008/2009</b>	<b>2009/2010</b>
	<b>£</b>	<b>£</b>
Debtors	0	9,140
Prepayments	0	3,619
	<b>0</b>	<b>12,759</b>

The debtor's value of £9,140 represents National Non Domestic Rates refunds due from Cardiff Council in respect of formerly occupied premises at the Maltings and Cathays Park.

## 11.0 Creditors

Creditors in the Balance Sheet consist of:

	2008/2009 £	2009/2010 £
Audit Fees	1,900	4,097
Cardiff Council	0	24,646
Other Creditors	45,462	30,148
	<b>47,362</b>	<b>58,891</b>

## 12.0 Government Grants - Deferred

The account recognises any grants and contributions that have been applied to finance capital expenditure. For assets that are depreciated, an annual contribution to revenue is made from the account, over the useful economic life of the asset, to offset an element of the depreciation charged.

	£
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>(7,332)</b>
Grants Received in Year	0
Grants Written Down in Year	667
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>(6,665)</b>

## 13.0 Capital Expenditure and Financing

	2008/2009 £	2009/2010 £
<b>Expenditure</b>		
Land and Property	3,723,602	3,872,052
Plant and Equipment	0	185,784
<b>Total</b>	<b>3,723,602</b>	<b>4,057,836</b>
<b>Sources of Finance</b>		
Borrowing	2,330,554	3,897,641
Capital Receipts	1,393,048	116,845
Revenue and Reserves	0	43,350
<b>Total</b>	<b>3,723,602</b>	<b>4,057,836</b>

## 14.0 Borrowing

Borrowing is included in the GRO Balance sheet to reflect the method of funding used by some constituent authorities to contribute to the New GRO Building. These are notional entries only and the Joint Committee does not have any borrowing powers of their own.

	£
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>(2,946,090)</b>
New Expenditure paid by Borrowing	(3,897,641)
Repayment in year	273,749
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>(6,569,982)</b>

**15.0 Movement on Reserves**

	<b>Balance B/Fwd</b>	<b>(Gains)/ Losses for the Year</b>	<b>Balance C/Fwd</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Reserve	(212,632)	(30,404)	(243,036)
Capital Adjustment Account	(1,852,623)	(13,081)	(1,865,704)
Earmarked Reserve (New Building)	(414,246)	86,152	(328,094)
<b>Total</b>	<b>(2,479,501)</b>	<b>42,667</b>	<b>(2,436,834)</b>

**15.1 General Reserve**

The amount of £243,036 represents accumulated surpluses on the revenue account and comprises of the balance brought forward from the previous financial year of £212,632 and the revenue surplus for 2009/2010 of £30,404. These reserves are available for general use by Glamorgan Archives in future years. They are accumulated working balances and are not ring fenced for any particular activity.

**15.2 Capital Adjustment Account**

The Capital Adjustment Account represents the difference between the cost of fixed assets used by the Joint Committee and the capital financing set-aside to pay for them.

	<b>£</b>
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>(1,852,623)</b>
Release of Deferred Government Grant	(667)
New building	(160,197)
Prudent MRP (Borrowing Repayment)	(273,749)
Impairment	194,896
Depreciation	226,636
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>(1,865,704)</b>

**15.3 Earmarked Reserve**

A balance of £414,246 was brought forward to part finance the build of the new building which was completed in October 2009. This reserve was used partly in 2009/2010 to the value of £86,152.

The transfers to/ (from) the earmarked reserve are detailed below:

	£
Balance Brought Forward	(414,246)
Utilised to finance new build costs	97,458
Contribution from revenue	(11,306)
<b>Balance as at 31st March 2010</b>	<b>(328,094)</b>

## 16.0 Reconciliation of Income and Expenditure Account to Cashflow

2008/2009 £		2009/2010 £
(76,543)	Income and Expenditure Account (Surplus)/Deficit	214,169
(2,595)	Depreciation and Impairment	(421,531)
0	Prudent MRP (Borrowing Repayment)	273,749
667	Government Grants Deferred	667
9,238	(Increase)/Decrease in Creditors	(11,529)
(689)	Increase/(Decrease) in Debtors & Prepayments	12,759
(1,770)	Increase/(Decrease) in Stocks	(1,498)
0	Non cash adjustments	(12,381)
22,399	Financing Items	1,420
<b>(49,293)</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>55,825</b>

## 17.0 Insurance

The Glamorgan Archives building and its contents are currently insured under Cardiff Council's 'block' property insurance policy. Cover is for 'standard' perils of Fire, Storm, Flood, Theft etc. Quotations for artwork/restoration type covers are currently being sought, together with an overall package written specifically for Glamorgan Archives.

The unique and potentially irreplaceable material deposited with the Service has meant that the current insurance arrangements do not fully cover all deposits should a disaster or theft occur. This position has arisen due to difficulties in placing a value on deposits upon which an insurance policy can be based.

From consultation with similar service providers, the above scenario is one that is prevalent across the industry. A review is on going by the Authority (in tandem with its Insurance Broker) to investigate possible means of providing further insurance provision for the relevant archived deposits.

## 18.0 Job Evaluation

Glamorgan Archives employees will transfer onto Cardiff Council employee terms and conditions by September 2010. Cardiff Council, in line with other Welsh Councils, is undergoing a Pay and Grading Review as part of the Single Status Agreement and 2004 National Pay Award Agreement. Job Evaluation is the key to establishing a fair and transparent grading structure throughout the Council. The full costs of implementing the resultant pay and grading structure will not be known until the exercise is completed which is anticipated to be during 2010/2011.

### **19.0 Assets held on behalf of a Third Party**

Glamorgan Archives administer the Women's Archive of Wales.

Movements on monies held on behalf of Women's Archive of Wales are detailed below:

	<b>2008/2009</b> £	<b>2009/2010</b> £
Balance Brought Forward	47,066	42,960
Amount of Grant Received	74,800	0
Amount of Grant Utilised	(78,906)	(38,540)
Funding of creditor reserves	0	(2,447)
<b>Remaining Balance as at 31<sup>st</sup> March 2010</b>	<b>42,960</b>	<b>1,973</b>

These balances are held as creditors in the Joint Committee Balance Sheet.

## **Statement on Internal Control: Glamorgan Archives Joint Committee**

### **Scope of Responsibility**

Glamorgan Archives was established in 1939 to serve the former County of Glamorgan. It has operated as a joint service since 1974 when it continued to provide archive services to the newly created Mid, South and West Glamorgan. West Glamorgan County Council withdrew from the joint agreement in 1992 and thus in 1996, on Local Government re-organisation, the served area became Mid & South Glamorgan.

Glamorgan Archives is now a partnership between Bridgend CBC, Caerphilly CBC (for the former Rhymney Valley DC), the City and County of Cardiff, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC, and the Vale of Glamorgan Council. These Authorities appoint representatives to the Joint Committee, pro rata to population, each of which have voting rights. The most recent Joint Archives Agreement was formally signed by the six Local Authority partners in April 2006 and covers a period of 25 years from the date of occupation of the new Glamorgan Archives building in Leckwith.

The partnership aims to provide an Archive Service to collect, preserve and make accessible documents relating to the area it serves, and which will ultimately maintain the corporate memory of its constituent Local Authorities.

Cardiff Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The aim is, therefore, to provide reasonable, rather than absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Glamorgan Archives' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control set out in this Statement has been in place for the year ending 31<sup>st</sup> March 2010 and continues to operate at the current time.

### **The Internal Control Environment**

The Joint Committee's key objectives are laid out in its Partnership Agreement which details how the six Authorities will work together to deliver the Glamorgan Archives Service. This includes an agreement on the financial commitments of the

Councils, including making available sufficient internal funds to cover their share of the Service, as well as the liabilities of each Council.

In order to effectively deliver its priorities, the following components are in place to make up the overall Internal Control Framework:

- The Facilitation of Policy and Decision Making
- Establishing and Monitoring of Objectives
- Performance Management and the Reporting of Performance Management
- Compliance with Established Policies, Procedures, Laws and Regulations
- Identifying, Assessing and Managing the Risks to the Services objectives
- The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised
- The Financial Management of the Archives Service

### **The Facilitation of Policy and Decision Making**

The Glamorgan Archives Joint Committee has decision-making powers as stipulated in the Joint Agreement. Committee membership of the Glamorgan Archives joint committee comprises of nominated Members of the authorities participating in the joint arrangement together with other co-opted members. Voting rights are only assigned to Local Authority Members. This framework provides an assurance that all decisions taken comply with relevant policies, procedures, laws and regulations.

Glamorgan Archives Joint Committee shall:

- Provide, maintain, administer and develop the Service.
- Appoint a duly qualified Archivist to manage the Service.
- Provide and administer accommodation, offices and buildings as are necessary for the purpose of providing the Service.
- Have delegated powers and duties in connection with the care, preservation, maintenance and management of archived records.
- Approve an annual business plan.
- Approve a draft annual budget for submission to each Partner Authority.
- Only approve spending within the agreed annual budget.

The Glamorgan Archives Joint Committee does not:

- Have the power to set an annual budget.
- Have the power to borrow money.

### **Establishing and Monitoring of the Committee's objectives**

Each year the Glamorgan Archivist prepares a business plan which includes key aims and objectives. Where available it includes a target completion date and also identifies the Project Leader and Manager for each key objective.

## **Performance Management and the Reporting of Performance Management**

Performance against this plan is monitored at a local level and is regularly reported to the Joint Committee. This will enable Members to track progress against the key aims and objectives, monitor performance against targets and recommend remedial action where required.

## **Compliance with Established Policies, Procedures, Laws and Regulations**

Glamorgan Archives Service is managed and administered by the Joint Archives Committee under powers conferred by the Local Government (Records) Act 1962. This Act empowers all Local Authorities in Wales to make records in their possession available for study and to contribute towards the expenses of persons looking after local records.

The Local Government Act 1972 Section 224 permits those Councils to discharge these functions through Joint Committees.

Since April 2009 Cardiff Council's policies and procedures have been adopted.

The Local Government (Wales) Act 1994 Section 60 states that councils can buy local records or accept them by way of gift or loan.

## **Identifying, Assessing and Managing the Risks to the Services' objectives**

Until the current financial year the risk to service delivery has been identified as failure to provide appropriate accommodation. In recent years the risk register has concentrated on the provision of such accommodation and the risks associated with its procurement and the management of the building programme. Now that this has been achieved the risks to service delivery are identified and managed through the annual plan while a more detailed register is being developed for managing the new building.

## **The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised**

Cardiff Council, as host Authority, is responsible for ensuring that the operational budget is managed by the Archives Service. Advice is available on ways of obtaining greater value for money which is key to meeting the challenges of improving the Service within the resources available.

Cardiff Council procurement can offer support in ensuring that all procurement activities operate within the context of value for money, efficiency and continuous improvement.

## **The Financial Management of the Glamorgan Archives Service**

The system of financial management is based on a framework of regular management information, Financial Procedure Rules and a system of delegation and accountability. The Glamorgan Archives budget is managed within this

framework. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues.

The Financial Procedure Rules are those of Cardiff Council as host Authority and these can be found on the Council's intranet site. Not all the rules apply to the Archives Service as many are specific to the role of the Council. The key controls for financial management are to ensure that it is promoted and reviewed for compliance.

Financial Management includes:

- Forecasting & monitoring budgets on a periodic basis with regular financial reports
- Setting targets to measure financial and other performance
- Clearly defined expenditure guidelines
- Maximisation of external income

Responsibility for management and financial information reporting rests with Cardiff Council and the Glamorgan Archivist.

### **Review of the Effectiveness of the System of Internal Control**

Any review of the effectiveness of the system of internal control is in the main informed by external and internal audits.

#### **External Audit**

The Wales Audit Office undertakes the external audit requirements of the Glamorgan Archives Service. Reports are prepared, in relation to audit, under the relevant enabling legislation and the responsibilities detailed in the Code of Audit Practice, and in the context of the 'Statement of Responsibilities', issued by the Auditor General for Wales.

#### **Internal Audit**

Cardiff Council operates an independent internal audit function whose role is to review internal control arrangements. This function operates under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

During 2009/2010 no internal audit work was undertaken to provide an independent opinion on the adequacy and effectiveness of internal control within the Glamorgan Archives Service. It is likely this will be arranged with the Audit and Risk Manager of Cardiff Council for such audits to commence from 2010/11.

### **Significant Internal Control Issues**

To the best of our knowledge, the System of Internal Control, as summarised above, operated effectively throughout 2009/2010 and continues to operate effectively at the current time. No internal control issues were identified during 2009/2010.

**Monitoring**

No significant issues were identified throughout the year however, should any significant issues have arisen processes would have been in place to manage and monitor these.

**Statement of Internal Control 2009/2010**

The Chief Corporate Services & Section 151 Officer to the Glamorgan Archives Joint Committee and the members of the Joint Committee are content that the process followed has been robust and has ensured the engagement of the Archives Services' partnering Authorities.

A review of the effectiveness will be developed and undertaken during 2010/2011 to maintain continuous improvement in the system of internal control.

On the basis of this process we certify that we approve the Statement on Internal Control for 2009/2010.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Chair  
Glamorgan Archives Joint Committee**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Susan Edwards  
Glamorgan Archivist**

## **Independent Auditor's Report to the Members of Glamorgan Archives Joint Committee**

I have audited the accounting statements and related notes of the Glamorgan Archives Joint Committee for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004.

The Glamorgan Archives Joint Committee's accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Reserve, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Glamorgan Archives Joint Committee in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of the Responsibilities* prepared by the Auditor General for Wales.

### **Respective responsibilities of the responsible financial officer and the independent auditor**

The responsible financial officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 of the financial position of the Glamorgan Archives Joint Committee and its income and expenditure for the year.

I review whether the Statement on Internal Control reflects compliance with 'the statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

**Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the accounting statements and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

**Opinion on the accounting statements of the Glamorgan Archives Joint Committee**

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Glamorgan Archives Joint Committee as at 31 March 2010 and its income and expenditure for the year then ended.

**Certificate of completion**

I certify that I have completed the audit of the accounts of the Glamorgan Archives Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Date: March 2011



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Audit 2009-10

September 2010

Author: Anthony Barrett (Appointed Auditor)

# Audit of Accounting Statements – Report to those charged with Governance

## **Glamorgan Archives Joint Committee**

This document is a draft version pending the completion of audit work, the receipt of amended Statement of Accounts and a Letter of representation from the Archives Committee.

It is my intention to issue an unqualified Auditor's Report on the accounting statements.

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### **Status of this report**

This document has been prepared for the internal use of the Glamorgan Archives as part of work performed in accordance with statutory functions, the Code of Audit and Inspection Practice and the 'Statement of Responsibilities' issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, the appointed auditor) is a relevant third party.

Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

## Summary

1. Glamorgan Archives Joint Committee (the Committee) is responsible for the preparation of accounting statements and related notes that present a true and fair view of its financial position as at 31 March 2010 and its income and expenditure for the year then ended.
2. As the Appointed Auditor I am required to issue an audit report which includes an opinion on whether the accounting statements give a true and fair view of the state of affairs of the Committee.
3. The Committee submitted a Statement of Accounts to me in July 2010 and I have now substantially completed the audit of the accounting statements and related notes.
4. I do not seek to obtain absolute assurance that the accounting statements and related notes present a true and fair view of the financial position of the Committee, or assurance that they are accurate in every regard, but instead adopt a concept of materiality. Therefore in planning and conducting the audit of the accounts, I seek to identify material errors in the accounting statements and related notes, i.e. those which might be misleading to a reader. Whether an item is judged to be material is not only affected by quantitative issues but can also be influenced by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
5. Now that the audit is substantially complete, this report details the matters arising from it. These matters must be communicated to those charged with governance, in accordance with International Standard on Auditing (ISA) 260, prior to giving an opinion on the accounting statements and related notes.
6. ISA 260 requires auditors to report to those charged with governance the following matters before they give an opinion on the accounting statements:
  - relationships that may bear on the auditor's independence;
  - audit planning information; and
  - findings from the audit, including the auditor's views on the qualitative aspects of the entity's accounting and reporting.
7. I and my audit team are all independent of the Committee and its officers. I am not aware of any potential conflicts of interest which I need to bring to your attention.
8. In order to issue the audit report and opinion on the Statement of Accounts, I must ensure that all the audit risks associated with the Statement of Accounts are identified and addressed. An assessment of the risks has been undertaken and it is against this assessment that I have undertaken my programme of audit work.

- 
9. My findings from the audit are:
- I have no significant concerns about the qualitative aspects of your accounting practices and financial reporting;
  - there is one uncorrected misstatement;
  - I do not expect to modify the standard auditor's report;
  - I did not identify any material weaknesses in your internal controls;
  - there are no other matters that I am required by other ISAs to report to you; and
  - there are no other significant audit matters of governance interest to report.
10. It is my intention to issue an unmodified auditor's report on the accounting statements and related notes once the Committee has provided me a revised Statement of Accounts along with the Letter of Representation as set out at Appendix 1.

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### **I have no significant concerns about the qualitative aspects of your accounting practices and financial reporting**

11. In the course of the audit I consider qualitative aspects of the financial reporting process. I evaluate the information provided by the accounting statements to determine if it is relevant, reliable, comparable, material and easy to understand.
12. **No issues to report.**

### **There is one uncorrected misstatement**

13. I report to you all uncorrected misstatements.
14. **No material misstatements were identified during the audit.**
15. **Various non material misstatements were identified during the course of the audit. With one exception, management have agreed to amend all such misstatements**
16. A summary of the amendments to the Statement of Accounts is shown for information in Appendix 2.
17. I set out, at Appendix 3, the uncorrected non-material misstatement. This does not impact on my audit opinion.

### **I do not expect to modify the standard auditor's report**

18. I report any proposed modifications to the standard auditor's report to ensure that you are aware of the reasons for the modifications and have the opportunity to provide any further information and explanations in respect of the matter(s) giving rise to the modification. The report comments on whether:
  - the accounting statements and related notes give a true and fair view of the financial position of the Committee as at 31 March 2010 and its income and expenditure for the year then ended; and
  - the Statement on Internal Control is compliant with applicable guidance and consistent with our knowledge and understanding of the Committee's arrangements.
19. **On the basis of our audit work, no matters have been identified that would require any modification to the standard audit opinion.**

### **I did not identify any material weaknesses in your internal controls**

20. A material weakness in internal control is defined by ISA 260 as 'a deficiency in design or operation which could adversely affect the entity's ability to record,

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process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements’.

21. I do not, however, normally report information to you concerning a material weakness you know about and have taken appropriate action to correct, unless the weakness is symptomatic of broader weaknesses in the overall control environment and there is a risk that other material weaknesses may occur.
22. You should be aware that I do not provide a comprehensive statement of all weaknesses that may exist in the internal controls, or of all improvements that may be made, but have addressed only those matters that have come to my attention as a result of the audit procedures performed.
23. **I did not identify any material weaknesses in your internal controls.**

### **There are no other matters which I am required by other ISAs to report to you**

24. Other auditing standards require us to communicate with you in other specific circumstances including where:
  - I suspect or detect fraud, even if the potential effect is not material to my audit of the accounting statements, unless I am prohibited from doing so under money laundering regulations; and
  - the Committee’s accounting statements and related notes and other information in the Statement of Accounts are inconsistent.
25. **There are no other matters which I am required by other ISAs to report to you.**

### **There are no other significant audit matters of governance interest to report**

26. I am also required to report to you any other significant audit matters of governance interest to allow you to take appropriate action.
27. **There are no other significant audit matters of governance interest to report.**

## Appendix 1

## Final Letter of Representation

*(To be printed on Glamorgan Archives Joint Committee Letterhead)*

Anthony Barrett  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

Dear Anthony

### Representations regarding the 2009-10 Statement of Accounts

This letter is provided in connection with the audit of the accounting statements and related notes of the Glamorgan Archives Joint Committee (the Committee) for the year ended 31 March 2010 for the purpose of expressing an opinion as to whether they give a true and fair view of the financial position of the Committee as at 31 March 2010 and its income and expenditure for the year then ended in accordance with the Accounts and Audit (Wales) Regulations 2005 (as amended) and the Code of Practice on Local Authority Accounting in the United Kingdom - a Statement of Recommended Practice 2009 (the SORP).

#### Overall representations

All the transactions undertaken by the Committee have been properly reflected and recorded in the accounting records.

The Committee has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The accounting statements and related notes are free of material misstatements, including omissions.

All books of account and supporting documentation and all minutes of meetings of the Committee have been made available to you.

The Committee has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the accounting statements and related notes.

The effect of the uncorrected misstatement identified during the audit is immaterial to the accounting statements taken as a whole.

## Assets

### General

All assets included in the balance sheet were in existence at the balance sheet date and owned by the Committee, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The balance sheet includes all tangible assets owned by the Committee.

### Fixed assets

Assets are revalued at least every five years. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Committee's operations.

### Current assets

On realisation in the ordinary course of the Committee's operations, the other current assets in the balance sheet are expected to produce at least the amounts at which they are stated. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

## Liabilities

### General

All liabilities, both actual and contingent, have been recorded and disclosed as appropriate as well as all guarantees that we have given to third parties.

Adequate provision has been made against all amounts owing to the Committee which are known, or may be expected, to be irrecoverable.

There is no pending litigation which may result in significant loss to the Committee, and which has not been disclosed in the accounting statements, either as current or contingent liabilities.

There are no finance leases.

### Results

Except as disclosed in the accounting statements, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Committee, or circumstances of an exceptional or non-recurring nature.

### Internal control

I acknowledge my responsibility for the design and implementation of internal control to prevent and detect error. There have been no:

- irregularities involving management who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; and

- communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

## **Post balance sheet events**

There have been no material changes since the date of the balance sheet affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounting statements, are of such importance that they should have been brought to the notice of the auditor.

## **Representations by those charged with governance**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the true and fair presentation of the accounting statements and related notes in accordance with the applicable financial reporting framework.

We acknowledge our collective responsibility for the preparation of the Statement of Accounts, which has been approved by the Committee.

We have disclosed to you all known or possible non-compliance with laws and regulations whose effects should have been considered when preparing the accounting statements.

There are no other material transactions with related parties (as defined by FRS 8 and the SORP), other than those recorded and disclosed in the accounting statements.

We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Committee's accounting statements communicated to the Committee by employees, former employees, regulators or others.

We have disclosed to you our knowledge of fraud or suspected fraud affecting the Committee involving:

- those charged with governance;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the accounting statements.

We confirm, to the best of our knowledge and belief, that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Signed by

City and County Treasurer

Date

Chair, Glamorgan Archives Joint Committee

Date

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## Appendix 2

## Summary of amendments to the Statement of Accounts

Nature of amendment	Reason for amendment
<p><b>Accounting for the new Glamorgan Records Office</b> Various amendments made to reflect recognition in the Glamorgan Archives accounts of the assumptions used by constituent authorities in how they have funded their share of the construction costs of the new Glamorgan Archives Office.</p>	<p>To reflect the manner in which the new records office has been financed by constituent authorities.</p>
<p><b>Debtors</b> Debtors disclosed within the 2008-09 Statement of Accounts reclassified as cash £650,516.</p>	<p>Cash held by Rhondda Cynon Taff Council on behalf of the Committee was transferred to Cardiff Council prior to the 2008-09 year end as Cardiff Council were taking over the administration of the Committee. This was incorrectly classed as a debtor within the 2008-09 Statement of Accounts.</p>
<p><b>Creditors</b> Creditors were overstated by £4,220</p>	<p>Creditors include two amounts relating to Women's Archive of Wales.</p> <ul style="list-style-type: none"> <li>• £2,247 relates to Women's Archive of Wales staff expenses; and</li> <li>• £1,973 relates to cash held by the Committee behalf of Women's Archive of Wales.</li> </ul> <p>These were removed from creditors as they did not represent not liabilities of the Committee itself. Additional disclosure was made regarding assets held on behalf of third parties for the cash held by the Committee.</p>
<p><b>Supplies and Service Expenditure</b> Expenditure was overstated by £3,619. Debtors are understated by £3,619.</p>	<p>Testing identified expenditure which relates to rental of equipment which spanned the 2009-10 and 2010-11 financial years. This was been charged to expenditure in full during 2009-10. However a proportion of this was included as a prepayment within debtors.</p>
<p>Other format and disclosure amendments</p>	<p>A number of other amendments were made to the draft Statement of Accounts regarding the format and disclosure of the foreword, certificate of the Chief Financial Officer, accounting policies, primary statements, notes and the Statement on Internal Control. These items are not separately detailed above due to their trivial nature.</p>

## Appendix 3

**Summary of uncorrected non-trivial misstatements**

Nature of the misstatement	Value
<b>Supplies and services expenditure</b> Sample testing identified a single instance where an item of capital expenditure had been incorrectly charged to revenue.	Expenditure is overstated by £13,878 and fixed assets understated by the same amount.

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