

**COUNCIL:**

**22 OCTOBER 2020**

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**COMPLIANCE REPORTS 2019/20  
STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT  
AND ANNUAL TREASURY MANAGEMENT REPORT**

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**Appendix 9, Annexes B & C are not for publication as they contain exempt information of the description in paragraph 14 and 21 of schedule 12A of the Local Government Act 1972.**

**Reason for this Report**

1. The Statement of Accounts for 2019/20 are presented in order to meet the requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended). This provides that the Statement of Accounts be approved by a relevant committee or by the Council meeting as a corporate body. Due to Covid-19, national timescales in respect to the signing of accounts were extended from 15 June to 31 August and those for publication were extended from 15 September to 30 November. The report also includes the Annual Governance Statement (AGS) which is required to be approved by Council.
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 2020.
3. In accordance with the Council's Treasury Management Policy Statement, the Annual Treasury Management Report for 2019/20 is presented based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

**Background**

4. The audited Statement of Accounts for the County Council of the City and County of Cardiff (the Council) and the Cardiff Harbour Authority are shown in Appendix 1. Cardiff and Vale of Glamorgan Pension Fund audited Statement of Accounts for the financial year 2019/20 are shown in Appendix 2. The Annual Governance Statement is attached at Appendix 3.
5. The draft accounts were presented electronically to the Audit Committee on 17 July 2020 in parallel with the public inspection period. Prior to this, they were presented to Audit Wales on the statutory deadline of 15 June 2020. Draft Accounts were again presented to Audit Committee at its meeting on 8 September 2020.

6. The draft accounts were available for public inspection between 15 July 2020 and 11 August 2020 as required by the Public Audit (Wales) Act 2004 and Accounts and Audit (Wales) Regulations, 2014 (as amended).
7. An Audit Committee was convened on 20 October 2020 where the “Draft Audit of Accounts Reports (ISA 260)” for the Council, Cardiff Harbour Authority and Cardiff and Vale of Glamorgan Pension Fund were presented by Audit Wales.
8. The Council has continued its proactive approach to improvement of the financial statements in relation to readability, content and information provided. The statements include the following:
  - narrative report
  - accounting policies
  - core financial statements
  - disclosure notes to the accounts
  - supplementary statements including Housing Revenue Account, Trust Funds, Cardiff Harbour Authority and also group accounts which consolidates the position to include the unaudited financial position of Cardiff City Transport Services Limited (Cardiff Bus).
9. Notes included in the Council’s Statement of Accounts, either as a result of legislative or accounting requirements also include:
  - disclosures on financial instruments (financial assets and financial liabilities)
  - capital expenditure and financing
  - remuneration including schools employees and
  - reserves and provisions.

### **Review of approach to amending misstatements identified during the audit**

10. The Council’s historic practice has been that all misstatements identified during the audit have been amended. Most, if not all changes post audit are accounting amendments only, that have no impact on the level of Council Tax or rent payable and very often would be self-adjusting in future years.
11. There is a significant cost in terms of time and resource compared to the benefit of amending some misstatements, which would not change the user of the accounts understanding of the financial position and performance of the Council. This is particularly the case in respect to complex asset accounting transactions.
12. Whilst all misstatements would continue to be reported as part of the auditor’s report, consideration has been given to not all misstatements being amended, an approach consistent in other local authorities and in accordance with Audit Wales Guidance. This guidance for consideration when evaluating the impact of misstatements is included as Appendix 4. The Council will need to continue to consider the acceptability of the final statements containing non-material misstatements. This is due to the earlier statutory deadlines for submission, audit and approval of the final accounts in future years, which for 2020/21 is 31 July 2021, 6 weeks earlier than the 2019/20 requirement.
13. The appendices to this report include Audit of Accounts Reports (ISA 260’s) which contain the main issues and corrections, deemed to be required to be brought to your attention.

### **The County Council of the City and County of Cardiff Accounts**

14. The auditor's "Audit of Accounts Report (ISA 260)" for the Council is attached as Appendix 5, along with corrected and uncorrected misstatements.
15. Audit Wales intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 5.
16. Although Audit Wales have issued an unqualified opinion, they have included what is termed Emphasis of Matter paragraphs, which are not deemed to impact on the audit opinion.

### **Cardiff and Vale of Glamorgan Pension Fund Accounts**

17. The auditor's "Audit of Accounts Report (ISA 260)" for the Pension Fund is attached as Appendix 6. along with corrected misstatements.
18. Audit Wales intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 6.

### **Cardiff Harbour Authority Accounts**

19. The auditor's "Audit of Accounts Report (ISA 260)" for the Cardiff Harbour Authority is attached as Appendix 7.
20. Audit Wales intend to issue a qualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 7. This is issued where there are material concerns about aspects of the Accounts.
21. The basis for the qualified opinion is in relation to the difficulties experienced by the Council to undertake a stocktake as at 31 March 2020 due to health and safety reasons arising from Covid-19.

### **Cardiff Port Health Authority**

22. The external auditor is also required to audit the annual return of the Cardiff Port Health Authority (CPHA). The Annual Return including the audit opinion is attached at Appendix 8.

### **Overview of the External Auditor's Audit Opinion**

23. Local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

24. As a result of Covid 19, this has been an exceptional and difficult year for both Council and audit teams. Officers of the Council have worked extremely closely with Audit Wales in support of their audit role.
25. Future years changes in the Statement of Accounts include:
  - The need to continue to minimise the period over which the accounts are prepared, audited and published as a result of changes in legislation. Current regulations require the 2020/21 accounts to be approved by 31 July 2021 and will need consideration of changes to governance, Council processes and audit approach in order to meet this timescale.
  - Implementation of new accounting requirements such as changes to leasing from 2021/22.

### **Annual Governance Statement (AGS)**

26. The AGS was submitted to the Audit Committee on 25 June 2020 for review. No significant amendments were made following feedback from this review or by Audit Wales, with minor narrative changes included in a revised statement included in Appendix 3.

### **Treasury Management Annual Report 2019/20**

27. The Treasury Management Annual Report is attached at Appendix 9. It sets out the economic background within which treasury activities were conducted, the position on investments and borrowing at 31 March 2020, compliance with indicators set in the budget report for the year and sets out key issues that are being monitored closely in 2019/20 that could impact on treasury activities.
28. The Annual Report has been reviewed by Audit Committee on 08 September 2020 in accordance with their terms of reference.
29. The overall position on investments and external borrowing are
  - At the 31 March 2020, investments stood at £127.6 million and were deemed to be fully recoverable. The overall level of interest receivable from treasury investments totalled £1 million.
  - The organisations with whom the Council invest with continue to be monitored closely by the Council together with its Treasury Advisors. This is in accordance with the criteria set out in the Council's Investment Strategy for 2019/20, with diversification sought where possible.
  - At the 31 March 2020, the Council had £828.8 million of external borrowing in order to pay for historical capital expenditure. This is predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity. The average rate on the Council's external borrowing is 4.11% at the 31 March 2020 and total interest paid on the external debt, which includes the Housing Revenue Account, was £32.8 million.
30. An update on the 2020/21 Mid-Year Treasury Management position will be provided to Council in November 2020.

## **Legal Implications**

31. The report is presented to Council to meet statutory, regulatory and codified requirements to do so.

## **Financial Implications**

32. This report is presented to Council in discharge of its duty to approve the Council's audited accounts on or before 30 November of the year relating to the end of the accounting period and also to receive the annual Treasury Management Report for 2019/20 in accordance with Council Treasury Management Policy.

## **RECOMMENDATIONS**

Council is requested to:

1. Approve the audited Statement of Accounts 2019/20 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority (Appendix 1).
2. Approve the audited Statement of Accounts 2019/20 – Cardiff and Vale of Glamorgan Pension Fund (Appendix 2).
3. Approve the Annual Governance Statement 2019/20 (Appendix 3)
4. Note the Audit of Accounts Reports (ISA 260) from Audit Wales on the Statement of Accounts of County Council of the City and County of Cardiff, Cardiff Harbour Authority and Cardiff and Vale of Glamorgan Pension Fund, for the year ending 31 March 2020 (Appendices 5, 6, and 7).
5. Note the Cardiff Port Health Authority Annual Return 2019/20 (Appendix 8)
6. Note the final Letters of Representation for the County Council of the City and County of Cardiff, Cardiff Harbour Authority and Cardiff and Vale of Glamorgan Pension Fund.
7. Note that the following documents will be signed following the conclusion of the meeting:
  - Statement of Accounts for County Council of the City and County of Cardiff – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff Harbour Authority – Corporate Director Resources
  - Annual Return of Cardiff Port Health Authority – Lord Mayor and Corporate Director Resources
  - Annual Governance Statement – Leader of the Council and Chief Executive
  - Audit Certificate for the County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority – Appointed Auditor, Audit Wales. To be signed at a later date
  - Letter of Representation for the County Council of the City and County of Cardiff - Lord Mayor and Corporate Director Resources
  - Letter of Representation for Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources

- Letter of Representation for Cardiff Harbour Authority – Lord Mayor and Corporate Director Resources.

8. Note the Treasury Management Annual Report for 2019/20 (Appendix 9).

**CHRISTOPHER LEE**  
**Corporate Director Resources**  
**16 October 2020**

The following appendices are attached:

Appendix 1 – Statement of Accounts 2019/20 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority

Appendix 2 – Statement of Accounts 2019/20 – Cardiff and Vale of Glamorgan Pension Fund

Appendix 3 – Annual Governance Statement 2019/20

Appendix 4 – Audit Wales - Guidance when evaluating the impact of misstatements

Appendix 5 – Audit Wales - Audit of Accounts Report 2019/20 (ISA 260) and Letter of Representation – County Council of the City County of Cardiff

Appendix 6 – Audit Wales - Audit of Accounts Report 2019/20 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 7 – Audit Wales - Audit of Accounts Report 2019/20 (ISA 260) and Letter of Representation – Cardiff Harbour Authority

Appendix 8 – Cardiff Port Health Authority Annual Return 2019/20

Appendix 9 – Treasury Management Annual Report 2019/20 (Appendices B & C are confidential)