



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2019-2020**

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2019</b>

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**1.0 PURPOSE OF REPORT**

- 1.1 This report provides the Audit Committee with the opportunity to consider the certified draft Statements of Account for 2018/19 financial year in respect of the Council, Rhondda Cynon Taf Pension Fund, Central South Consortium Joint Education Service Joint Committee, and the Annual Return for Llwydcoed Crematorium Joint Committee.
- 1.2 To update Members with progress on the proposed plans for earlier production and audit of the Statements of Account in accordance with Accounts and Audit (Wales) (Amendment) Regulations 2018.

**2.0 RECOMMENDATIONS**

It is recommended that Members;

- (a) Consider the Council's certified draft Statement of Accounts for the financial year 2018/19 (Appendix 1);

- (b) Consider the Rhondda Cynon Taf Pension Fund certified draft Statement of Accounts for the financial year 2018/19 (Appendix 2);
- (c) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2018/19 (Appendix 3);
- (d) Consider the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2018/19 (Appendix 4);
- (e) Consider the impact, if any, upon the Statements of Account and Annual Return of issues and audit reports brought before the Committee during the year; and
- (f) Consider the progress on the proposed plans for earlier production and audit of the Statements of Account in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

### **3.0 STATUTORY APPROVAL PROCESS**

- 3.1 The Accounts and Audit (Wales) Regulations 2014 require that Councils make arrangements to approve their **audited** 2018/19 Statement of Accounts by the 15<sup>th</sup> September. The Council meeting scheduled for the 31<sup>st</sup> July 2019 is due to receive these, significantly ahead of the statutory deadline.
- 3.2 The 2014 regulations require the Responsible Financial Officer (for Rhondda Cynon Taf, the Director of Finance and Digital Services) to certify unaudited accounts by 15<sup>th</sup> June following financial year-end. This Council complied with the regulations in this respect and the unaudited accounts were certified by the Director of Finance and Digital Services on 31<sup>st</sup> May 2019.
- 3.3 The 2018 amendment to the 2014 regulations removes the requirement for Pension Fund accounts to be included within the Statement of Accounts of the administering authority. This has taken effect from 2018/19 whereby a separate Statement of Accounts has been produced for the Rhondda Cynon Taf Pension Fund. The draft unaudited Pension Fund accounts were certified by the Director of Finance and Digital Services on 31<sup>st</sup> May 2019. The audited accounts are due to be presented for approval at the 31<sup>st</sup> July 2019 Council meeting.
- 3.4 The Council also has administrative responsibility for the production of accounts for the Central South Consortium Joint Education Service Joint Committee. The draft unaudited accounts were presented to the Joint Committee on 21<sup>st</sup> May 2019 and were certified by the Director of Finance

and Digital Services on 22<sup>nd</sup> May 2019. The audited accounts are due to be presented for approval at the Joint Committee meeting scheduled for 15<sup>th</sup> July 2019.

- 3.5 The Council has administrative responsibility for the production of the Annual Return for the Llwydcoed Crematorium Joint Committee. The Annual Return replaced the requirement for a full Statement of Accounts for the Crematorium Joint Committee effective from the 2015/16 financial year due to the increase in the threshold of gross income or gross expenditure for smaller relevant bodies, from £1m per year to not more than £2.5m. The draft unaudited Annual Return was certified by the Director of Finance and Digital Services on 16<sup>th</sup> May 2019 and presented to the Joint Committee on 28<sup>th</sup> May 2019. The audited Annual Return is due to be presented for approval to the Joint Committee on 23<sup>rd</sup> July 2019.
- 3.6 The Statutory Guidance from the Local Government Measure 2011 was published in June 2012 and provided clarity on the role of Audit Committees in the approval process of a Council's Statement of Accounts. The relevant excerpt is shown below.

#### ***Financial statements***

*9.21 Before their approval by the authority, the audit committee should consider and comment on the authority's certified draft financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms. Audit committees may approve the financial statements themselves where local authorities have delegated that power to them under regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended).\**

*\* The Statutory Guidance referred to above references regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended). However, this has now been replaced by regulation 10 of the Accounts and Audit Regulations (Wales) 2014. Welsh Government have advised that references to the 2005 regulations in subordinate legislation and statutory guidance will be replaced with the 2014 regulation references in due course.*

*9.22 CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.*

*9.23 Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.*

- 3.7 As Members will be aware, full Council has responsibility for approval of the Council and Pension Fund Statements of Account (as set out in its Constitution); the Llwydcoed Crematorium Joint Committee has the respective responsibility for its Annual Return; and the Central South Consortium Joint Education Service Joint Committee has responsibility for approval of its Statement of Accounts.
- 3.8 The Guidance (at para 9.22) refers to the use of the CIPFA toolkit for local authority Audit Committees. Section 5 of the “toolkit” deals with “Financial reporting and regulatory matters”, and attached at Appendix 5 is the full narrative from this section of the toolkit.

#### **4.0 ACCOUNTS AND AUDIT (WALES) (AMENDMENT) REGULATIONS 2018**

- 4.1 The 2014 regulations have been amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 and require Local Authorities to produce and publish Statements of Account earlier. The table below details the earlier deadlines:

<b>Financial Year</b>	<b>Draft Statement of Accounts certification</b>	<b>Audited Statement of Accounts publication</b>
2017/18	30 <sup>th</sup> June	30 <sup>th</sup> September
2018/19	15 <sup>th</sup> June	15 <sup>th</sup> September
2019/20	15 <sup>th</sup> June	15 <sup>th</sup> September
2020/21	31 <sup>st</sup> May	31 <sup>st</sup> July

- 4.2 As can be seen from the table, the revised regulations require officers (by 2020/21) to produce the draft Statement of Accounts one month earlier than the 2017/18 deadline and to publish audited accounts two months earlier than 2017/18 deadlines.

- 4.3 To enable officers to work towards the earlier closure requirements, a draft timetable was prepared as follows:

<b>Financial Year</b>	<b>Draft Statement of Accounts certification</b>		<b>Audited Statement of Accounts publication</b>	
	<b>Regulations</b>	<b>RCT CBC</b>	<b>Regulations</b>	<b>RCT CBC</b>
2016/17	30 <sup>th</sup> June	15 <sup>th</sup> June	30 <sup>th</sup> Sept	20 <sup>th</sup> Sept
2017/18	30 <sup>th</sup> June	31 <sup>st</sup> May	30 <sup>th</sup> Sept	20 <sup>th</sup> Sept
2018/19	15 <sup>th</sup> June	31 <sup>st</sup> May	15 <sup>th</sup> Sept	31 <sup>st</sup> July
2019/20	15 <sup>th</sup> June	31 <sup>st</sup> May	15 <sup>th</sup> Sept	31 <sup>st</sup> July
2020/21	31 <sup>st</sup> May	31 <sup>st</sup> May	31 <sup>st</sup> July	31 <sup>st</sup> July

- 4.4 Members will note that since 2017/18, draft accounts have been certified by 31<sup>st</sup> May. This is three years ahead of requirements of the regulations. Similarly, the planned publication date of the audited accounts is 31<sup>st</sup> July for 2018/19 Statements of Account. This is two years ahead of the regulation requirements.
- 4.5 The above timetable has and will continue to allow officers to work with the Wales Audit Office to streamline processes, learn from issues with early closure and address them on a timely basis.
- 4.6 Positive progress is being made with regards to audit processes with Council officers and Wales Audit Office auditors planning and working together to undertake audit work earlier than in previous years.

## **5.0 EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

## **6.0 CONSULTATION**

- 6.1 There are no consultation implications as a result of the recommendations set out in the report.

## **7.0 FINANCIAL IMPLICATION(S)**

- 7.1 There are no financial implications as a result of the recommendations set out in the report.

## **8.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 The report ensures the Council complies with the Accounts and Audit (Wales) Regulations 2014 (as amended), Accounts and Audit (Wales) (Amendment) Regulations 2018 and also with the requirements of the Local Government Measure 2011.

## **9.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 9.1 This report evidences the progress made in delivering the Council's Corporate Plan – *'The Way Ahead'* in particular through supporting the

'Living Within Our Means' cross-cutting theme by ensuring transparent financial reporting.

## **10.0 CONCLUSION**

- 10.1 The certification of all draft Statements of Account demonstrates the continued effective financial management arrangements at this Council.
- 10.2 The role of the Audit Committee in the approval process for the Statements of Account of the Council, Pension Fund, Central South Consortium Joint Education Service Joint Committee and Annual Return for Llwydcoed Crematorium Joint Committee is defined in the Statutory Guidance from the Local Government Measure 2011 and this report provides the opportunity for this Committee to discharge these responsibilities.
- 10.3 Officers will continue to work closely with the Wales Audit Office to ensure the continuation of joint planning for the earlier closure and audit of the Statements of Account in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**10<sup>th</sup> June 2019**

**DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED  
31<sup>st</sup> MARCH 2019**

**REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES**

Author: Barrie Davies (Director of Finance and Digital Services)

**Item: 4**

**Background Papers**

None.

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