

AUDIT COMMITTEE

Date of Meeting	Wednesday 13 July 2016
Report Subject	Draft Statement of Accounts 2015/16
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The report presents the draft Statement of Accounts 2015/16 attached at Appendix 1 (subject to audit) for Members information only at this stage.

RECOMMENDATIONS

1	Members note the draft Statement of Accounts 2015/16 including the Annual Governance Statement.
2	Members note the ability to discuss any aspect of the Statement of Accounts with Officers or the Welsh Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 26 th September 2016.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	<p>The Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the draft accounts by the Responsible Finance Officer, being 30th June. The Council's draft accounts are attached at Appendix 1 for Members information. The draft accounts must now be audited. The statutory deadline for publishing the final audited Statement of Accounts for 2015/16 approved by Council is the 30th September 2016.</p>
1.02	<p>At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final version of the Statement will be presented to Audit Committee on the morning of 26th September 2016, and recommended to Council on the afternoon of the same day.</p>
1.03	<p>The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2015/16 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS).</p>
1.04	<p>The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2015/16 Code of Practice. The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.</p>
1.05	<p>The 2015/16 Code has prompted no material changes in the accounting policies of the Council and there have been no changes in the adopted estimation techniques.</p>
1.06	<p>The Council established North East Wales Homes and Property Management, a company limited by shares wholly owned by the Council, in April 2014 with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.</p> <p>2015/16 is the first year that NEW Homes' financial accounts have been incorporated with the Council's to produce Flintshire County Council's group accounts.</p>
1.07	<p>The Statement includes:</p> <ul style="list-style-type: none"><li data-bbox="368 1839 1394 1944">• The core financial statements and notes comprising – the movement in reserves statement, the comprehensive income and expenditure statement, balance sheet and cash flow statement.<li data-bbox="368 1989 1394 2056">• The supplementary financial statements – the housing revenue account income and expenditure statement.

	<ul style="list-style-type: none"> • The group accounts – incorporating NEW Homes’ financial accounts with the Council’s. • The pension fund accounts.
1.08	<p>On 2nd April 2015 all 11 stock (Council housing) retaining authorities in Wales signed a voluntary agreement with the UK and Welsh Governments to change the financing arrangements for council housing in Wales.</p> <p>The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in negative subsidy to Welsh Government and on to UK Treasury, ended. This was replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council borrowed to exit the subsidy system as part of the agreement. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k, the payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.</p> <p>The agreement will generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.</p>
1.09	<p>The draft accounts also include the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. A separate report on this agenda provides more detail.</p>
1.10	<p>Members of the Committee will be aware that the Council has an action plan in place to address issues raised during the audit of the 2014/15 Statement of Accounts as reported in January 2016.</p> <p>Attached at Appendix 2 is an updated version of the action plan showing that the majority of the actions have been completed, and where completion has not been possible a significant amount of progress has been made during the year.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are as set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required and none undertaken.

4.00	RISK MANAGEMENT
4.01	<p>The main risk was in not implementing the recommendations made following the audit of the 2014/15 accounts sufficiently leading to an adverse opinion being expressed by the WAO in relation to the 2015/16 accounts.</p> <p>Officers have worked with the WAO to develop and implement an action plan that addresses all of the issues raised.</p>

5.00	APPENDICES
5.01	<p>1. Draft Statement of Accounts 2015/16</p> <p>2. Updated 2015/16 Statement of Accounts Action Plan</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Finance Manager</p> <p>Telephone: 01352 702289</p> <p>E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Financial Audit: The annual external audit of the Council’s Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>Material: A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>