

AUDIT COMMITTEE

Date of Meeting	Wednesday 11 September 2019
Report Subject	Statement of Accounts 2018/19
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the;

- Final version of the Council's Statement of Accounts 2018/19 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- Wales Audit Office (WAO) International Standards on Auditing (ISA) 260 presentation on the audit of the Statement of Accounts 2018/19.
- Letter of Representation for the Council.

RECOMMENDATIONS

1	Members are requested to recommend the final version of the Statement of Accounts 2018/19 for approval by Council.
2	Members are requested to consider the Wales Audit Office ISA 260 presentation.
3	Members are requested to recommend the Letter of Representation for approval by Council.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Audit Committee received the draft Statement of Accounts 2018/19 on 10th July 2019, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 15th September.
1.02	The audit of the Statement of Accounts 2018/19 is now substantially complete, although the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts 2018/19 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 10th July. A letter outlining the queries raised and the responses given has been circulated to all Members. At the time of writing no further queries have been raised with Officers over the summer period.
	<u>Wales Audit Office's audit of the Statement of Accounts</u>
1.05	Under the ISA 260, WAO is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.06	Officers from the WAO will be in attendance to present their findings at the meeting. As was the case last year, this will take the form of a presentation to the meeting rather than a hard copy report. The presentation is attached as Appendix 2. This approach is intended to make the reporting of audit findings more accessible to Members.
1.07	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited. The audit findings have been discussed in detail with the WAO, and where it has been considered appropriate adjustments have been reflected in the final version of the Statement of Accounts.
1.08	Attached as Appendix 3 to this report is a table which includes details of the more significant amendments made to the draft accounts, together with explanations and the impact of the corrections made to the draft Statement of Accounts 2018/19.
1.09	The Letter of Representation (included at Appendix 4) requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

	<u>The Council's response to the audit findings</u>
1.10	<p>It is reassuring that the WAO are reporting that the Council's draft Statement of Accounts were prepared to a good standard with comprehensive working papers, and that the Council is well placed to meet risks and challenges posed by the impending change to statutory deadlines for preparing and publishing local government accounts. Earlier deadlines of the end of May for preparing and the end of July for publishing are being introduced by Welsh Government for financial year 2020/21. To mitigate the risks posed by earlier deadlines it is the Council's intention to use next year, 2019/20, as a 'dry run'. The deadline for producing the draft accounts for 2019/20 will therefore be 31st May, and publishing the final audited version by 31st July. Consideration is being given to amending committee dates as a result.</p>
1.11	<p>One issue which requires the attention of the Audit Committee is the issues raised by the WAO in relation to the process for valuing fixed assets (the valuations in the Balance Sheet for land and buildings). Whilst the findings did not lead to any material misstatement of asset valuations, there were some issues identified in the asset valuation processes. This was, in part, as a result of resources and the ongoing difficulties in recruiting qualified Valuers.</p> <p>The Council plans to address the issues as follows;</p> <ul style="list-style-type: none"> • Training for the Valuation and Estates team run by CIPFA which is specifically aimed at valuations in a local authority setting. • A comprehensive review of the asset valuations process. This will focus on a single consistent approach to each valuation method with templates to support and document the process, and an agreed quality assurance process. The WAO team will be included in the review. <p>All teams recognise the importance of an efficient process for accounting and auditing asset valuations. It is essential to ensuring the success of publishing the Council's Statement of Accounts in line with earlier statutory deadlines.</p>
1.12	<p>Following the signing of the draft accounts, the UK government lost its right of appeal against a Judgement known as the 'McCloud' Judgement which will impact on all Public Service Pension Schemes. The ruling found that transitional protections to older members of pension's schemes constituted unlawful age discrimination.</p> <p>The potential impact for the Council is estimated to be an increase in pension past service costs in excess of £10m (based on estimates from the Governments Actuary's Department). Given the value this has required adjustment to the draft accounts, and other local authorities will have been in a similar position. This is the calculated accounting charge to the Council's accounts following accounting standards for valuing accrued pension liabilities which does not impact the Council's overall financial position.</p>

	The actual costs of the judgement will feed through the pension fund triennial valuation and may result in higher pension contributions in the future depending on local circumstances. The issue is expected to take some time to resolve.
1.13	A verbal update on the Clwyd Pension Fund Statement of Accounts 2018/19 and Audit will be provided at the meeting.

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications as a result of this report.

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

4.00	RISK MANAGEMENT
4.01	Actions will be taken in year (2019/20) to address recommendations from the WAO's report as outlined within the body of the report.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Statement of Accounts 2018/19 2. WAO ISA 260 Presentation. 3. Table of significant audit issues. 4. Flintshire County Council Letter of Representation.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas - Strategic Finance Manager. Telephone: 01352 702289. 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>

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.

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.

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.