

AUDIT COMMITTEE

Date of Meeting	Wednesday, 9 th September 2020
Report Subject	Statement of Accounts 2019/20
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the;

- Final version of the Council's Statement of Accounts 2019/20, incorporating those changes agreed with Audit Wales (AW) during the course of the audit, for approval.
- AW report on the audit of the Statement of Accounts 2019/20.
- Letter of Representation for the Council.

RECOMMENDATIONS

1	Members are requested to approve the final version of the Statement of Accounts 2019/20.
2	Members are requested to consider the AW report, Audit of the Financial Statements – Flintshire County Council.
3	Members are requested to approve the Letter of Representation.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Audit Committee received the draft Statement of Accounts 2019/20 on 23 rd July 2020, 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 2019/20 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 2019/20 incorporating those changes agreed with AW 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 23 rd July. A letter outlining the queries raised and the responses given has been circulated to all Members. A query was subsequently raised by a Councillor in respect of the Group Accounts which has been responded to.
	<u>Audit Wales' audit of the Statement of Accounts</u>
1.05	Under the International Standards on Auditing (ISA) 260, AW is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for the Council is the Audit Committee.
1.06	Officers from AW will be in attendance to present their findings at the meeting. In previous years this has taken the form of a presentation to the Committee. However, due to the impact of the COVID-19 pandemic, AW has taken the decision to include a written report for this year. This can be found at Appendix 2 to this report.
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. Audit findings have been discussed in detail with AW and where considered appropriate adjustments have been made to the draft Statement of Accounts.
1.08	The AW report includes details of any significant issues arising from the audit, together with recommendations and a summary of adjustments made to the draft Statement of Accounts.
1.09	A Letter of Representation is included at Appendix 3. This requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to AW that all the information contained within the Statement of Accounts is true and accurate and that all information has been disclosed.

	<u>Timscales and the impact of COVID-19</u>
1.10	It is reassuring that AW are reporting that the Council's draft Statement of Accounts was prepared to a good standard. The statutory deadline for producing the draft Statement of Accounts for 2019/20 was 15 th June 2020, and this deadline was met, despite the impact of the COVID-19 pandemic. The deadline for publishing the final audited version is 15 th September 2020, which the Council is on target to meet. However, with effect from the financial year 2020/21 these deadlines are being brought forward to 31 st May and 31 st July respectively. The Council believes it is able to meet these deadlines and has already started planning in conjunction with AW. The new deadlines will need to be incorporated into the Committee timetable for 2020/21.
	<u>Issues from the 2019/20 accounts</u>
1.11	One issue which is brought to the attention of the Committee is the issue raised by AW in respect of the lack of review of asset lives of Council buildings during the valuation process. Whilst this did not lead to a material misstatement of asset valuations, it is an issue which the Council will address during the valuation process for 2020/21.
1.12	The main impact of COVID-19 on the Statement of Accounts has been in relation to the valuation of pension assets, which has resulted in an adjustment to the draft Statement of Accounts. Some illiquid assets (27%) held by the Clwyd Pension Fund are subject to a delay in the production of quarter end valuations. As a result, where March valuations are not available, valuations from December updated by actual cash flows to March are included in the overall valuation upon which the Fund's Actuary base their International Accounting Standards (IAS) 19 reports to the Council. Normally, updated March valuations do not materially differ from these earlier valuations, but the impact of COVID-19 has led to larger differences and hence a material difference in the IAS 19 position of the Council. The Council has received an updated IAS 19 schedule to reflect these more recent valuations of the assets, and this has led to the need to adjust the accounts.
1.13	In addition, uncertainty in the valuation of Pooled Property Funds held by Clwyd Pension Fund and in the valuation of the Council's property as a result of the impact of COVID-19 is reflected in additional disclosures in the Council's accounts.
	<u>Progress on the Clwyd Pension Fund Accounts</u>
1.14	Clwyd Pension Fund's draft Statement of Accounts was signed by the Section 151 Officer on 15 th June 2020. These Accounts would normally have been reported to the June meeting of the Pension Committee but due to the COVID-19 pandemic this was not possible.
1.15	The Statement of Accounts is included in the Clwyd Pension Fund Annual Report. A draft Annual Report including the Statement of Accounts and an additional financial report was circulated to members of the Pension Committee on 5 th August 2020 inviting comments and questions.

1.16	<p>Issues raised by members of the Pension Committee on the Statement of Accounts and supporting financial information included the following:</p> <ul style="list-style-type: none"> - The budget of the Pension Board - Risks posed by COVID-19 to the value of particular types of assets - Variances in fund management and custody fees - The position in relation to cash balances - Variances in the overall net investment assets - The level of investment income. <p>A full response has been circulated to members of the Pension Committee.</p>
1.17	<p>The Annual Report including the Statement of Accounts will now be audited and will be finalised and considered for approval by the Pension Committee on 7th October 2020.</p>

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 (2020/21) to address recommendations from AW'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 2019/20 2. AW ISA 260 Report. 3. Flintshire County Council Letter of Representation.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Paul Vaughan – Interim Strategic Finance Manager. Telephone: 01352 702289. E-mail: paul.vaughan@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<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>Audit Wales: 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>