



Statement of Accounts 2018/19 (Draft subject to Audit)

Audit Committee

10th July 2019

Purpose & Content

- » Present the Council's draft Statement of Accounts 2018/19 to Committee
- » Brief overview of the Council's Statement of Accounts and advise of the roles and responsibilities of members in the process
- » Headlines & links to Revenue and Capital Budget Monitoring reports
- » Changes to the Statement of Accounts for 2018/19 & Group Accounts
- » Timelines and next steps

Purpose and Background of the Accounts

- » Provide clear information to all interested parties about the Council's finances.
- » Information includes:
 - » Costs of providing services in the year of account
 - » How those costs have been funded
 - » Assets and liabilities at year end
- » Prescribed format and style to enable comparisons with other local authorities and other organisations.
- » Aimed at 'the Reader'

Contents and Overview of SofA

- » Narrative Report
- » Statement of Responsibilities
- » Core Statements
- » Notes to the Core Statements
- » Housing Revenue Account (HRA) Statements and Notes
- » Statement of Accounting Policies
- » Group Accounts
- » Independent Auditor's Report
- » Annual Governance Statement

Responsibility for the Accounts

- » **Statement does not belong to Finance** - Corporate document – “owned” by every member and officer of the Council

- » **Statement of Responsibilities**
 - » Authority
 - » Chief Finance Officer

- » **Statement of Accounts is signed by:**
 - » Chair of the Council
 - » Chief Finance Officer

Accounts Governance Group

- » Group of senior officers established to oversee and support the production of the Statement of Accounts at a strategic level.
- » Group has been very effective, resulting in positive benefits including:
 - » Ability to raise issues for escalation and resolution at an early stage
 - » Raising awareness of, and increasing collective responsibility for, the Statement of Accounts
- » Group will continue to meet through the audit period with Wales Audit Office representation

Links to Budget Monitoring

» **Statement of Accounts**

- » Financial Accounting
- » Externally focused reporting
- » Style reflective of the Code of Practice, Regulations, and Accounting Standards.

» **Budget Monitoring**

- » Management Accounting
- » Internally focused reporting on performance against budget
- » Style reflects the Council's reporting needs – locally determined

Headlines – Council Fund

- » Budget requirement 2018/19 £264.329m.
- » Expenditure at outturn £264.065m, and financing at outturn of £264.673m.
- » Underspend on expenditure at outturn of £0.264m, and surplus on Council Tax Collection of £0.344m.
- » Combined total £0.608m – Equates to 0.2% of net budget (within target PI range of 0.5%).
- » Further information in Revenue Budget Monitoring 2018/19 (Outturn) report to CROSC 11th July 2019.

Headlines – Revenue Reserves

| Revenue Reserves | 2017/18 £m | 2018/19 £m |
|----------------------------|---------------|---------------|
| Council Fund (Unearmarked) | 13.697 | 14.020 |
| Earmarked | 13.591 | 11.979 |
| Schools | 1.285 | 1.335 |
| HRA | 1.918 | 2.221 |
| Total | 30.491 | 29.555 |

Headlines - Capital

| | Budget £m | Outturn £m | Over / (Under) Spend £m | Budget v Outturn % |
|-----------------|----------------------|-----------------------|--|-----------------------------------|
| Council Fund | 45.183 | 39.390 | (5.793) | 87% |
| HRA | 27.033 | 27.033 | 0.000 | 100% |
| Total | 72.216 | 66.423 | (5.793) | 92% |

Headlines – Housing Revenue Account

| | |
|--|----------|
| » Revised budget | £34.805m |
| » Spend above budget | £0.309m |
| » Income above budget | £0.309m |
| » Net spend above budget | £0.000m |
| | |
| » Closing balance as at 31.3.2019 (General and specific HRA reserves) | £2.221m |
| » % of revised budgeted expenditure | 6.38% |

Changes to the SofA for 2018/19

- » No significant changes made to 2018/19 Statement of Accounts.
- » Changes made to reporting segments in Comprehensive Income & Expenditure Statement, Expenditure and Funding Analysis and notes to reflect changes in Service Portfolios at Chief Officer level.
- » Minor amendments made to Accounting Policies to reflect changes made by CIPFA to the Code of Practice. In the main related to the Code's adoption of IFRS 9 – Financial Instruments.

Group Accounts

- » Group consists of the Council and its 3 subsidiaries:
 - » North East Wales Homes Limited (NEW Homes)
 - » Newydd Catering & Cleaning Limited
 - » Theatr Clwyd Productions Limited

- » 3 subsidiaries set up with the same accounting year end as the Council and follow the same Accounting Policies as far as possible.

- » Consolidation includes removing 'Intra Group' transactions and combining remaining balances.

Group Accounts

- » Each subsidiary produces a set of final accounts in accordance with Companies Act, which are then independently audited and presented to the relevant boards for approval.
- » Process and timetable overseen by Accounts Governance Group.
- » WAO audit the Group Accounts and will consider the work of the subsidiaries auditors.
- » Companies set up with Council having a high level of control over activities e.g. approving strategic business plans, appointing Directors, retention / distribution of financial surplus, etc.
- » Internal Auditing – Council’s Internal Audit Team.

Timeline and Next Steps

| | |
|---|---|
| CFO approves draft accounts | 15th June |
| Audit Committee considers draft (approval not required at this stage) | 10 th July |
| External audit commenced | 10 th June |
| Accounts Available for Public Inspection | 11 th July – 7 th August |
| External audit report findings to those charged with governance and issue opinion (Audit Committee and Council) | 11th September |
| Final audited Accounts approved by Audit Committee (AM) Council (PM) | 11th September |
| Opinion signed by Auditor General | 15th September |
| Audited Accounts published | 15th September |

Impact of Earlier Deadlines

- » Deadlines for publishing Statement of Accounts are being brought forward:

| | | |
|---------|-----------------------------|-----------------------------|
| 2018/19 | Draft 15 th June | Final 15 th Sept |
| 2020/21 | Draft 31 st May | Final 31 st July |

- » To meet tighter deadlines the accounts will have to be produced with more reliance placed on estimated data and the concept of being materially correct.
- » Accountants and auditors focus on the risk to the accounts of material misstatement.
- » Materiality – by value or by nature.
- » Material misstatements - those that might result in a reader of the accounts being misled.

Clwyd Pension Fund Accounts

- » Up until 2016/17 it was a requirement that the Statement of Accounts included Clwyd Pension Fund Accounts.
- » Changes to the Regulations in 2017/18 meant that this is no longer the case.
- » The Clwyd Pension Fund Accounts now follow a different approval route
 - » Considered at Pension Committee 12th June 2019
 - » Considered at Audit Committee on 10th July 2019
 - » Approved at Pension Committee on 4th September 2019.