

# **ERW JOINT COMMITTEE**

**Report of: Director of Resources (ERW S151 Officer)**

**Date: 29 April 2022**

---

## **ERW STATEMENT OF ACCOUNTS for 2020-21**

1. ERW published its draft Statement of Accounts for 2020-21 (see Appendix A) on 08 July 2021 and aims to have them audited and approved by 29 April 2022. The deadlines required by the Accounts and Audit (Wales) (Amendment) Regulations 2018 were 31 May 2021 and 31 July 2021 respectively. However, due to the Covid-19 pandemic, Welsh Government extended these deadlines to 31 August 2021 and 30 November 2021 respectively. Due to the impact of the Covid-19 pandemic on the production and audit of the Statement of Accounts, we were unable to comply with the 30 November 2021 deadline. In accordance with Regulation 10 (4) of the Accounts and Audit (Wales) Regulations 2014, we published a statement on the ERW website setting out the reasons for non-compliance and the actions to be taken to ensure compliance as soon as possible.
2. The projected Outturn for 2020-21 was considered by the ERW Joint Committee on 08 July 2021 as part of the Financial Update report. The draft ERW Statement of Accounts for 2020-21 are subject to audit by ERW's external auditors, Audit Wales. Audit Wales have completed their audit and have issued their Audit of Accounts Report and Audit Opinion (ISA 260), see Appendix B. The ERW Joint Committee need to review and formally approve the ERW Statement of Accounts for 2020-21.
3. ERW's Statement of Accounts must comply with Cipfa's Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of government. IFRS provides a comprehensive framework of mandatory requirements for the production of financial statements in the public and private sector and this framework is continually being refined.
4. The overall financial position of ERW is recognised in a number of core financial statements within the Statement of Accounts, namely the Comprehensive Income & Expenditure Statement (CIES), the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. These are prepared using International Financial Reporting Standards (IFRS).

Further details on these and other statements within the Statement of Accounts for 2020-21 are outlined below:

- **Narrative Report** - This aims to communicate ERW's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well ERW is equipped to deal with the challenges ahead and to continue delivering Education through Regional Working. It tells the story of ERW by providing a holistic, clear and well-structured view of its strategy, performance and future outlook.
- **Expenditure and Funding Analysis** - This shows the reconciliation between how annual expenditure is used and funded from resources (cash basis) by ERW in comparison with those resources consumed or earned by ERW in accordance with generally accepted accounting practices (IFRS basis).
- **Comprehensive Income and Expenditure Statement (CIES)** - This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (IFRS basis) as opposed to the cost actually funded from taxation. The reconciliation to the taxation position, as represented by the actual funds available to ERW, is shown in the Expenditure and Funding Analysis.
- **Movement in Reserves Statement** - This shows the movement on the different reserves held by ERW analysed between usable reserves and unusable reserves held for financial accounting purposes.
- **Balance Sheet** - This sets out the financial position on 31 March in terms of the value of assets and liabilities recognised by ERW and the reserves held by ERW.
- **Cash Flow Statement** - This summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

5. The ERW Joint Committee review of the Statement of Accounts for 2020-21 should be focused on the following issues:

**(a) Financial Reporting Standards**

The International Financial Reporting and Other Standards that have been issued have been applied as required by the Code. The Statement of Accounts have been prepared in compliance with the Code for 2020-21.

The Code requires that ERW discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

## Accounts and Audit (Wales) Regulations

The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021, although Welsh Government have subsequently extended this deadline to 30 November 2021 for the 2020-21 Statement of Accounts. Although ERW has been producing its Statement of Accounts earlier than current regulations require for several years, the Covid-19 pandemic has resulted in the delay in approval of the 2020-21 Statement of Accounts to 29 April 2022.

### **(b) Accounting Concepts**

The pervasive accounting concepts of “accruals basis” and “going concern” have been used in the preparation of the Core Accounting Statements and the qualitative characteristics of useful financial information continue to be employed, as shown on page 18 of the Statement of Accounts.

### **(c) Critical Judgments in Applying Accounting Policies and Estimation Risk**

In applying the accounting policies set out in the Statement of Accounts for 2020-21, ERW has made judgments about the complex transactions and those involving uncertainty in future years and these are shown on page 19 of the Statement of Accounts.

The main risk areas appertaining to items in the current set of accounts and potentially impacting accounts in the future are shown on pages 19 and 20 of the Statement of Accounts.

### **(d) Accounting Policies**

The accounting policies used to prepare the Core Financial Statements, the Supporting Notes and the Supplementary Financial Statements have been reviewed using the Code for 2020-21.

### **(e) Internal Control Issues**

The ERW Head of Internal Audit Annual Assurance Opinion for 2020-21, to be considered by the ERW Joint Committee on 29 April 2022, confirms that there are no significant internal control issues which would impact upon the Statement of Accounts for 2020-21. However, the opinion concluded that overall, limited assurance is given on the adequacy and effectiveness of governance, internal control, financial management and risk management arrangements in place.

All the audit reviews of the main financial systems received an assurance rating of “substantial”.

**(f) Audit Wales**

Audit Wales have completed their audit of the Statement of Accounts for 2020-21 and have issued their Audit of Accounts Report and Audit Opinion (ISA 260), see Appendix B.

Audit Wales intend to issue an unqualified audit opinion. One emphasis of matter reference will be included in respect of the current status and expected timescale for the cessation of ERW.

6. The Director of Resources (ERW S151 Officer) and ERW Principal Accountant will support the ERW Joint Committee at the meeting in reviewing the ERW Statement of Accounts for 2020-21 and the specific matters highlighted above.

**RECOMMENDATIONS**

- The ERW Joint Committee review the ERW Statement of Accounts for 2020-21 and consider the Audit Wales Audit of Accounts Report and Audit Opinion (ISA 260).
- The ERW Statement of Accounts for 2020-21 be approved by the ERW Joint Committee and be signed by the ERW S151 Officer and the Chair of the ERW Joint Committee.

---

**Glossary of Terms:**

Audit Wales - Formerly known as Wales Audit Office (WAO)

ISA 260 – Audit Wales Audit of Accounts Report and Audit Opinion

CIPFA - The Chartered Institute of Public Finance Accountancy

The Code - CIPFA's Code of Practice on Local Authority Accounting

IFRS - International Financial Reporting Standards

IAS - International Accounting Standards

CIES - Comprehensive Income & Expenditure Statement

SeRCOP - CIPFA Service Reporting Code of Practice