

ERW JOINT COMMITTEE

Report of: ERW S151 Officer

Date: 17 May 2023

ERW STATEMENT OF ACCOUNTS for 2021-22

1. ERW published its draft Statement of Accounts for 2021-22, see Appendix A, on 12 December 2022 and aims to have them audited and approved by 17 May 2023. The deadlines required by the Accounts and Audit (Wales) (Amendment) Regulations 2018 were 31 May 2022 and 31 July 2022 respectively. However, due to the Covid-19 pandemic, Welsh Government extended these deadlines to 31 August 2022 and 30 November 2022 respectively. A technical issue regarding the valuation of Local Government infrastructure assets (not applicable to ERW) resulted in Welsh Government extending the 30 November 2022 deadline to 31 January 2023.
2. Due to staffing changes, staff inexperience, the learning curve with the new FIMS system and conflicting workloads for both ERW and Audit Wales resulting in a more than usual protracted audit process, we were unable to comply with the 31 January 2023 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.
3. The projected Outturn for 2021-22 was considered by the ERW Joint Committee on 29 April 2022. Due to the projected outturn being produced immediately following the year end, it was anticipated that the outturn position may require revision, so the final Outturn for 2021-22 is detailed within the ERW Statement of Accounts. The draft ERW Statement of Accounts for 2021-22 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 2021-22.
4. 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.

5. 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 2021-22 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 (or Partneriaeth) 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.

6. The ERW Joint Committee review of the Statement of Accounts for 2021-22 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 2021-22.

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. There are no key changes to accounting standards issued but not yet adopted that will impact on the Joint Committee.

(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 17 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 2021-22, ERW has made judgments about the complex transactions and those involving uncertainty in future years (Partneriaeth) and these are shown on page 18 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 (Partneriaeth) are shown on pages 18 and 19 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 2021-22.

(e) Internal Control Issues

The ERW Head of Internal Audit Annual Assurance Opinion for 2021-22, to be considered by the ERW Joint Committee on 17 May 2023, confirms that there are no significant internal control issues which would impact upon the Statement of Accounts for 2021-22. However, the opinion concluded that overall, moderate 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” with the exception of the Main Accounting System which received an assurance rating of ‘moderate’.

(f) Audit Wales

Audit Wales have completed their audit of the Statement of Accounts for 2021-22 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 arrangements for the cessation of ERW.

7. The ERW S151 Officer and ERW Deputy S151 Officer will support the ERW Joint Committee at the meeting in reviewing the ERW Statement of Accounts for 2021-22 and the specific matters highlighted above.
8. **ERW Reserves and Balances**

Following the cessation of ERW on 31 March 2022, it had reserve balances of £0.677m and EWC balances of £0.958m remaining. Following discussions between the Education Directors and the ERW Chief Officers, it was proposed that these reserves and balances be distributed on the basis of the local authority contributions (%) made during 2021-22. This would result in £0.143m being paid to Powys County Council and £1.492m being transferred to Partneriaeth.

RECOMMENDATIONS

- The ERW Joint Committee review the ERW Statement of Accounts for 2021-22 and consider the Audit Wales Audit of Accounts Report and Audit Opinion (ISA 260).
- The ERW Statement of Accounts for 2021-22 be approved by the ERW Joint Committee and be signed by the ERW S151 Officer and the Chair of the ERW Joint Committee.
- The ERW Joint Committee approve the distribution of the ERW Reserves and Balances, £0.143m to Powys County Council and £1.492m to Partneriaeth.

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