

Committee: Audit Committee

Date of meeting: 25 September 2018

Report Subject: Statement of Accounts 2017/2018

Report Submitted by: Rhian Hayden, Chief Officer Resources

Report Written by: Tony Hagland, Chief Accountant – Corporate Services

Reporting Pathway							
Directorate Management Team	Corporate Leadership Team	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
		25/09/2018					Statutory Returns; Financial Governance

1. Purpose of the Report

- 1.1 To present for approval the 2017/2018 Statement of Accounts and to consider the Authority's financial standing as at 31 March 2018.

2. Scope and Background

- 2.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 [the 2018 Regulations].
- 2.2 Section 25 of The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 specifies that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting ("the Code") represents proper practice in preparing local authority accounts in compliance with section 8(1) of the 2014 Regulations.
- 2.3 Section 10(1) of the 2014 Regulations and section 10A(a) of the 2018 Regulations require a provisional (i.e. pre-audit) Statement of Accounts to be fully prepared by the end of June and certified by the Chief Finance Officer as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2018.
- 2.4 Section 11 of the 2014 Regulations and Section 29 of the 2004 Act require that the Accounts and other documents are made available for public inspection for 20 working days.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

- 2.5 Section 31 of the 2004 Act provides for local electors to make objections to the External Auditor regarding any item of account that is contrary to law or any matter that could result in a report in the public interest. The auditor must appoint a date on or after which these rights can be exercised.
- 2.6 Section 10A(b) of the amended Accounts and Audit (Wales) Regulations 2014 requires the Authority to publish its completed Statement of Accounts for the 2017/2018 financial year by the 30 September 2018.
- 2.7 To this end, the Accounts are being re-presented to the Audit Committee at this meeting for approval. The Chief Officer – Resources must re-certify the Accounts prior to approval by the Committee. If agreed, the Chair of the Audit Committee (as the person presiding over the meeting) should then sign and date the Accounts on behalf of the Authority.
- 2.8 Normally, the Authority would then anticipate receiving a signed audit opinion from the Auditor General for Wales by 30 September 2018. However, the ongoing investigation into matters raised in respect of the 2016/2017 Accounts, and the absence of an opinion for that financial year, would have a bearing on the ability to issue an opinion for 2017/2018.
- 2.9 If in the course of the audit any material issues have been identified, these may also need to be reported to Council.

Options for Recommendation To include Recommendation(s) / Endorsement by other groups, e.g. CMT/Committees/Other groups)

Option 1

- 3.1 Further to the re-certification of these Accounts by the Chief Officer – Resources and on consideration of this report and the External Auditor’s report, the Accounts are approved by the Audit Committee under the delegated authority of the Council.

Option 2

- 3.2 Further to the re-certification of these Accounts by the Chief Officer – Resources and on consideration of this report and the External Auditor’s report, the Accounts are not approved by the Audit Committee under the delegated authority of the Council.

Option 3

- 3.3 In the absence of re-certification of these Accounts by the Chief Officer – Resources and on consideration of this report and the External Auditor’s report, the Accounts are approved by the Audit Committee under the

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

delegated authority of the Council.

Option 4

- 3.4 In the absence of re-certification of these Accounts by the Chief Officer – Resources and on consideration of this report and the External Auditor’s report, the Accounts are also not approved by the Audit Committee under the delegated authority of the Council.

4. **Evidence of how does this topic supports the achievement of the Council Priorities / Statutory Responsibilities / National Well-being Goals etc**

4.1 **Statutory Responsibilities**

The Statement of Accounts is prepared in accordance with relevant statutory and regulatory provisions, accounting codes of practice and accounting standards. It details the financial transactions of the Authority for the 2017/2018 financial year and the value of assets, liabilities and reserves at the balance sheet date (31 March 2018).

5. **Implications Against Each Option**

5.1 **Financial**

- 5.1.1 There are no significant financial implications arising directly out of the approval and publication of the Statement of Accounts.

5.2 **Risk**

- 5.2.1 Achievement of the statutory requirements in relation to the annual Accounts is important in demonstrating that the Authority has the appropriate governance arrangements in place to manage the reporting of its strategic financial affairs.

- 5.2.2 A clear audit opinion indicates that the Statement of Accounts presents a ‘true and fair view’ of the Council’s financial position as at 31 March 2018 and that the accounting statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

- 5.2.3 The absence of an audit opinion exposes the Council to reputational damage as it implies that the Accounts do not present a true and fair view of the financial position and/or have not been properly prepared. It may also imply that the Authority does not have appropriate financial governance arrangements in place.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

5.2.4 Failure to meet the statutory deadline for publication and approval of the Statement of Accounts and/or a particularly serious adverse audit opinion could potentially expose the Council to the risk of a public interest report being issued.

5.3 **Legal**

5.3.1 The Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 specify the requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts.

5.3.2 Prior to the Accounts and Audit (Wales) Regulations 2014, it was an offence not to comply with any aspect of the regulations. The 2014 Regulations removed this requirement.

5.3.3 However, the Authority has complied with these Acts and Regulations in terms of preparation, inspection and audit and will meet the approval and publication requirements as follows:

Option 1

5.3.4.1 The Authority will publish its Statement of Accounts for 2017/2018 before the deadline of 30 September 2018.

5.3.4.2 However, if the Wales Audit Office do not provide an opinion on these accounts, the Authority will also make a declaration in compliance with section 10(2)(d) of the Accounts and Audit Regulations. This will explain the fact that at the date of publication, the auditor has given no opinion.

5.3.4.3 The Accounts will be published with 'Unaudited' clearly marked on the cover.

Option 2

5.3.5.1 The Authority will publish its Statement of Accounts for 2017/2018 before the deadline of 30 September 2018.

5.3.5.2 However, as the Committee has withheld its approval, the Wales Audit Office will not provide an opinion on these accounts. The Authority will make a declaration in compliance with section 10(2)(d) of the Accounts and Audit Regulations, explaining the fact that at the date of publication, the auditor has given no opinion.

5.3.5.3 The Accounts will be published with 'Unaudited' clearly marked on the cover.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

Option 3

- 5.3.6.1 The Authority will publish its Statement of Accounts for 2017/2018 before the deadline of 30 September 2018.
- 5.3.6.2 In the absence of certification by the Chief Officer – Resources, the Authority will immediately publish a notice in compliance with section 10(4) of the Accounts and Audit Regulations. This will set out the reasons that the Accounts have not been certified and specify an agreed course of action to ensure compliance as soon as possible.
- 5.3.6.3 Subsequently, if the Wales Audit Office do not provide an opinion on these accounts, the Authority will also make a declaration in compliance with section 10(2)(d) of the Accounts and Audit Regulations. This will explain the fact that at the date of publication, the auditor has given no opinion.
- 5.3.6.4 The Accounts will be published with 'Unaudited' clearly marked on the cover.

Option 4

- 5.3.7.1 The Authority will publish its Statement of Accounts for 2017/2018 before the deadline of 30 September 2018.
- 5.3.7.2 In the absence of certification by the Chief Officer – Resources, the Authority will immediately publish a notice in compliance with section 10(4) of the Accounts and Audit Regulations. This will set out the reasons that the Accounts have not been certified and specify an agreed course of action to ensure compliance as soon as possible.
- 5.3.7.3 As the Accounts have not been certified by the Chief Officer – Resources and Committee has also withheld its approval, the Wales Audit Office will not provide an opinion on these accounts. The Authority will make a declaration in compliance with section 10(2)(d) of the Accounts and Audit Regulations, explaining the fact that at the date of publication, the auditor has given no opinion.
- 5.3.7.4 The Accounts will be published with 'Unaudited' clearly marked on the cover.

5.4 Personnel

- 5.4.1 There are no direct personnel/staffing implications arising out of this report.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

6. Supporting Evidence

6.1 Performance Information and Data

6.1.1 The audit of the Accounts has resulted in the correction of a number of misstatements. These are included in Appendix 1 to the Wales Audit Office Report on this agenda, the most significant of which are:

- Increase in items classified as grants and contributions in note 21 (£5.407m in 2017/2018; £4.604m in 2016/2017; and £4.459m in 2015/2016);
- Reclassification of an asset from Infrastructure to Other Land and Buildings in note 29.1 (£1.401m);
- Adjustment to the calculated decrease in the Authority's assets (£1.094m);
- Increase in depreciation charges (£0.727m to 2015/2016; £0.344m in 2016/2017; and £0.343m in 2017/2018)
- Correction of classification of debtors from non-current to current (£0.940m); and
- Reduction in the Members' Allowances figure disclosed, to ensure consistency with previous years by excluding employers' pension contributions.

6.1.2 In addition to these misstatements identified by the Wales Audit Office, officers of the Authority corrected a misstatement between schools balances and the Council Fund General Reserve, arising from the treatment of provisions and reserves. This has reduced the reported General Reserve balance by £0.577m, increasing previously reported schools balances by the same amount.

6.1.3 The summary of changes is as follows:

Usable Reserves	Draft Accounts	Final Accounts	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Council Fund	6,059	5,482	-577
Earmarked Reserves	4,442	5,019	+577
Usable Capital Receipts	8,326	8,326	0
Capital Grants Unapplied	668	668	0
Total Usable Reserves	19,495	19,495	0

6.1.3.1 The level of usable reserves at 31 March 2018 remains unchanged, at £19.495m.

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

6.1.4 Additional changes to the Balance Sheet are as follows:

Balance Sheet Changes	Draft Accounts	Final Accounts	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Property, Plant & Equipment	263,765	262,351	-1,414
Current Creditors	(12,340)	(11,171)	+1,169
Current Grants Receipts in Advance	(1,487)	(2,656)	-1,169
Current Provisions	(4,100)	(4,643)	-543
Non-Current Provisions	(2,786)	(2,243)	+543
Unusable Reserves	167,874	169,288	+1,414
Total	410,926	410,926	0

- 6.1.4.1 The net balance disclosed for Property, Plant & Equipment reduced by £1.414m, from £263.765m to £262.351m, as a result of the cumulative corrected increase in depreciation charges.
- 6.1.4.2 Current Creditors in 2017/2018 have reduced by £1.169m as a result of the reclassification of grants receipts in advance. Current Grants Receipts in Advance has increased by the same amount.
- 6.1.4.3 Non-Current Provisions reduced by £0.543m due to the reclassification of a lease dilapidation provision as Current.
- 6.1.4.4 Unusable Reserves increased by £1.414m as a result of charging additional depreciation to the Capital Adjustment Account.
- 6.1.5 In overall terms, these changes would not substantially alter the reader's interpretation and understanding of the Accounts compared to the Draft version considered by Audit Committee in July 2018.
- 6.1.6 The Wales Audit Office has largely completed the detailed financial audit of the individual disclosure notes and accounts that comprise the overall Statement.
- 6.1.7 The External Auditor has prepared an *Update on the External Audit of Financial Statements 2016-17 and 2017-18* report and this forms part of today's agenda. This report is not the formal ISA260 report to those charged with governance, which will be issued when an opinion is provided on the Accounts.
- 6.1.8 The *Update on the External Audit of Financial Statements Report* notes that no misstatements identified during the course of the 2017/2018

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

audit were unadjusted. In addition, where misstatements related to previous financial years, these were corrected in the 2016/2017 Accounts.

- 6.1.9 The Accounts and other specified documents were made available for public inspection for 20 working days from Monday 23 July 2018 until Friday 17 August 2018 inclusive. No requests for information or inspection were received during that period and the Authority is not aware of any objections being raised with the Wales Audit Office.
- 6.1.10 As the audit of the 2016/2017 Accounts has not been concluded and no audit opinion issued, due to ongoing consideration of correspondence received, the External Auditor has indicated that it will not be possible to issue an opinion on the 2017/2018 Accounts by 30 September 2018.
- 6.1.11 Approval and publication of the Statement of Accounts by the statutory deadline of 30 September and receipt of a favourable audit opinion ensures that the Accountancy & Financial Planning Division achieves one of its major performance targets. Non-achievement of this target exposes the Council to risks outlined in section 5.

6.2 **Expected outcome for the public**

- 6.2.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.3 **Involvement** (*consultation, engagement, participation*)

- 6.3.1 The Draft Statement of Accounts is presented to the Audit Committee for consideration prior to production of the final version.

6.4 **Thinking for the Long term** (*forward planning*)

- 6.4.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.5 **Preventative focus**

- 6.5.1 Not applicable.

6.6 **Collaboration / partnership working**

- 6.6.1 The Statement of Accounts is produced in collaboration with departments across the Authority and relevant external entities including the Cardiff Capital Region City Deal and Silent Valley Waste Services Ltd..

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

6.7 **Integration(across service areas)**

6.7.1 Not applicable.

6.8 ***EqIA***

6.8.1 An EQIA is not required as this report provides an actual outturn position in relation to the Authority's transactions and year-end balances for the financial year, on an objective basis in accordance with relevant accounting standards, codes, concepts, principles, guidance and legislation.

7. **Monitoring Arrangements** (*State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*)

7.1 The Council takes into consideration the financial standing of the Authority as reported within the Statement of Accounts for 2017/2018 when monitoring budgets for 2018/2019, setting a Revenue Budget for 2019/2020 and in developing future medium term spending plans.

Background Documents /Electronic Links

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A