

**Report To:** Corporate Governance Committee

**Date of Meeting:** 7<sup>th</sup> February 2018

**Lead Member / Officer:** Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance

**Report Author:** Steve Gadd, Chief Accountant

**Title:** **Early Closedown – Statement of Accounts**

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**1. What is the report about?**

Provide Corporate Governance Committee (CGC) with a summary of the work involved in the financial year-end closedown process and an update on the progress towards the statutory early closedown of the accounts. In particular to highlight how an agreed change to the way the Council deals with non-material errors that are identified during the audit will affect the final Welsh Audit Office (WAO) report to CGC.

**2. What is the reason for making this report?**

To update CGC on the current closedown process and the progress towards the statutory early closure of accounts, and how this will impact on the reports and information received by the committee.

**3. What are the Recommendations?**

It is recommended that CGC note the following concerning the closure of the financial accounts:

- i) The progress towards achieving the early closedown dates stipulated by the Welsh Government regulations.
- ii) The change in approach in the way the Council will deal with non-material errors that are identified during the audit and how this will affect the final Welsh Audit Office report to CGC.

**4. Report details**

Currently, the Section 151 Officer of the council is required to certify that the Statement of Accounts gives a true and fair view of the financial position at the end of the year to which the statement relates no later than 30 June immediately following that year, and the statement must be published no later than 30 September. The expectation is that the audit of the preceding financial year's accounts will conclude before 30 September and published statements of accounts will contain the auditors' opinion and certificate.

A number of disadvantages with the current statutory timetable were identified by Welsh Government in their consultation document in 2016:

- Local government bodies publish their statements of accounts later in the year than most other parts of the public sector.
- The accounts of local government bodies constitute a significant component of the UK-wide Whole of Government Accounts and the current local government timetable is considered to be one of the barriers to HM Treasury bringing forward the publication date of those accounts.

- The equivalent regulations which apply to English local government bodies will bring forward the dates for the preparation and publication of statements of accounts for the financial year beginning in April 2017. This will provide further disparity between the timetables for local government bodies in England and Wales.

Welsh Government therefore proposed bringing forward the timetable for publishing the statements of accounts of local authorities, to bring them into line with other parts of the public sector. Bringing forward the timetable would enhance the accountability of authorities and the usefulness of accounts to local residents as statements of accounts would be available on a more timely basis. It should also assist our own financial management by providing earlier assurance of the previous year's financial outturn and freeing up more finance staff to help facilitate the budget process for the following year. Details of the proposed amended timetable are outlined in the table below.

|  | Current Dates  | Interim Dates for SofA 2018/19 and 2019/20 | Proposed Final Position from 2020/21 |
|--|----------------|--|--------------------------------------|
| Final date on which the Chief Finance Officer must sign and date the statement of accounts | 30th June      | 15th June                                  | 31st May                             |
| Date that council must approve and publish an audited statement of accounts                | 30th September | 15th September                             | 31st July                            |

The good news is that the Council is making good progress towards achieving both the interim and final unaudited accounts deadlines as shown in the table below.

| Statement of Accounts | Signed off by S151 Officer and passed to WAO |
|-----------------------|--|
| 2015/16               | 21-Jun-16                                    |
| 2016/17               | 13-Jun-17                                    |
| 2017/18               | 06 - Jun - 18 (proposed)                     |

The early closure of accounts requires a huge amount of planning and reconfiguration of the closedown timetable. It will also entail the increased use of estimates and the stricter adherence to the closedown timetable which may impact on service's financial outturn. For example the draft deadline for the processing of accruals is May 2 and no accruals will be accepted after this date unless they would materially impact on the Statement of Accounts. The threshold that will be used for this financial year will be agreed with WAO prior to year-end.

This year it is proposed to change the approach to non-material misstatements identified by WAO during their audit of accounts. In previous years all misstatements have been corrected in the Statement of Accounts which have allowed WAO to include the following statement in their Audit of Financial Statements Report to CGC in September each year: "There are no misstatements identified in the financial statements, which remain uncorrected". A great deal of work was required by the

Technical Team to achieve this – however more importantly it also meant that WAO could not complete their audit until all corrections, however small, had been reworked and input into the revised Statement of Accounts and subsequently re-audited by WAO. The revised deadlines for WAO to deliver their audit judgement will make this very difficult to deliver in future years. DCC and WAO have therefore agreed that the draft Statement of Accounts will not normally be amended to correct non-material misstatements. This is a key change that will enable the Council and WAO achieve the revised closedown dates. It is important to note the following:

- This change in process will not affect the overall audit opinion.
- Although WAO have agreed this approach, they are bound by statute to report to CGC any misstatements that remain uncorrected. CGC should expect to see this list in future WAO reports, however this will not indicate a reduction in the quality of the work undertaken by Finance.

**5. How does the decision contribute to the Corporate Priorities?**

The provision of timely and accurate financial information contributes to the modernising of the council to deliver efficiencies and allows residents to scrutinise the Council's activities.

**6. What will it cost and how will it affect other services?**

The achievement of the production of the Statement of Accounts has been achieved within the background of Finance delivering on efficiency targets. No additional resources are envisaged.

**7. What are the main conclusions of the Well-being Impact Assessment?**

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

**8. What consultations have been carried out with Scrutiny and others?**

As part of developing the Closedown Timetable, Finance consult widely with services in order to ensure that the deadlines are achievable. Wales Audit Office are fully consulted during the planning phase.

**9. Chief Finance Officer Statement**

The production of the Statement of Accounts is a legal requirement and failure to achieve the deadlines would have a significant reputational impact on the council. This report highlights some of the changes that are required in order to maintain the excellent track record of producing a set of accounts on time while continuing to achieve an unqualified audit opinion. Although early closedown can be seen as a risk and a challenge, there are also opportunities to create a more efficient process.

**10. What risks are there and is there anything we can do to reduce them?**

The ultimate risk is that the Statement of Accounts are not produced on time, or that they are produced with material and/or significant errors in them which would result in WAO qualifying the accounts. Such an outcome would have severe adverse reputational impact on DCC.

**11. Power to make the Decision**

The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.