

Report To: Corporate Governance Committee

Date of Meeting: 26 September 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: **Approval of the Statement of Accounts 2017/18**

1. What is the report about?

The council has a statutory duty to produce a statement of accounts that complies with approved accounting standards. The audited accounts have to be formally approved by elected members on behalf of the council.

2. What is the reason for making this report?

The financial statements for 2017/18 were approved, subject to audit, by the Head of Finance on 15 June 2018 which is two weeks earlier than the agreed deadline of 30 June 2018. The draft accounts were presented to Corporate Governance Committee on 11 July 2018 and were open to public inspection from 9 July to 3 August.

The Accounts and Audit Regulations require that the Council formally approves the audited accounts, containing the external auditor's opinion, by the end of September. The approval of the audited accounts has been delegated to the Corporate Governance Committee.

The Statement of Accounts is produced in compliance with the International Financial Reporting Standards (IFRS). The Chartered Institute of Public Finance & Accountancy (CIPFA) produces the IFRS based Code of Practice on Local Authority Accounting and the council has produced the 2017/18 accounts in compliance with the Code.

The accounts include an unqualified audit opinion and audit certificate. Wales Audit Office will update the Committee if there are any new issues to report on.

3. What are the Recommendations?

That elected members approve the Statement of Accounts 2017/18 which is **Appendix 1** to this report.

At the meeting, the Chair and Chief Finance Officer will be required to sign the Accounts and the Letter of Representation.

4. Report details

The accounts presented have been produced in compliance with the required accounting standards.

International Financial Reporting Standards are a suite of accounting standards used across the world. IFRS has been developed for the private sector but in theory the vast majority of transactions are the same in accounting terms regardless of the sector. As there are some areas where public sector accounting treatment diverges from IFRS (because for example of legislative requirements), an additional set of standards has been introduced to deal with these provisions called the International Public Sector Accounting Standards.

The accounts were made available for audit as required and have been open to public inspection. The accounts have been audited by the Wales Audit Office who will present an overview of their findings and assessment of the process in a report to the committee. The Audit of Financial Statements Report forms Appendix 2 to this report.

The audit process resulted in some technical adjustments and other corrections and amendments. More details of these will be presented in the auditor's report.

For the first time in a number of years there are a number of misstatements that remain uncorrected. All items that have an ongoing impact will be corrected in 18/19. The items were identified after our internal deadline for the production of a revised Final Statement of Accounts and therefore, as the items were not classed as material, they have not been corrected within the 17/18 accounts. The extract below is from our report to this committee in February 2018, when this approach was recommended and agreed in order to help facilitate the achievement of early closedown:

“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 publication of the Statement of Accounts underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

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

There are no additional cost implications as a result of this report.

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?
Wales Audit Office has worked closely with the Finance team to ensure the timely and successful finalisation of the audit. Professional opinions are drawn from numerous other disciplines beyond finance, such as legal, property valuation, HR and pensions.

9. Chief Finance Officer Statement
The Statement of Accounts has again received an unqualified audit opinion. This is a significant achievement given the scale and complexity of the accounts. Internal procedures will continue to be reviewed annually to ensure that the council continues to deliver high quality financial statements. This will take into account the issues arising from the audit that have been raised in the audit report.

It is also pleasing that the draft accounts were prepared and ready for audit within the earlier deadline of 15 June which will be the statutory deadline for the 2018/19 Statement of Accounts. Work will continue to bring the completion date forward in order that the Council is in a position to meet the deadline of 31 May for the 2020/21 set of accounts.

10. What risks are there and is there anything we can do to reduce them?
The council would be in breach of its statutory duty if it could not approve the accounts by 30 September.

11. Power to make the Decision
Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. The Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the council and must be satisfied that the accounts have been completed in compliance with the Accounts and Audit (Wales) Regulations 2005. The Accounts & Audit Regulations require that the audited accounts are approved by 30 September.