

**AUDIT COMMITTEE:**

**16 SEPTEMBER 2015**

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**DRAFT STATEMENT OF ACCOUNTS 2014/15**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 4.2**

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**Reason for this Report**

1. To provide Audit Committee Members with an update on the audit of the draft accounts by Wales Audit Office (WAO), prior to submission to Council.

**Background**

2. The Statement of Accounts in Appendix 1 presents the accounts for Cardiff Council for the financial year 2014/15. They are currently draft pending completion of the Audit Regulations that require the Responsible Finance Officer to sign the accounts by the 30 June, and that the audited accounts be approved by Council by the 30 September. Following production of the accounts, which were presented to the Audit Committee in June, the audit has been undertaken by the Wales Audit Office. In addition the accounts have been available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended). The final accounts are due to go to Council at the meeting on the 24 September 2015.
3. The draft financial statements for the year ended 31 March 2015 were presented to Wales Audit Office on 15 June, ahead of the statutory deadline of the 30 June 2015. They were considered by Audit Committee at its meeting on 22 June 2015.
4. Some of the main points evident in the 2014/15 Statement of Accounts are:
  - The Council Fund Balance has increased by £1.741 million to £13.154 million as at 31 March 2015. This is 2.25% of the net expenditure budget of the Council.
  - Total earmarked reserves stand at £34.1 million, although within this figure are Schools balances, Housing Revenue Account (HRA) reserves and the Council's share of Joint Committee reserves which are not accessible for spending by the Council generally. The level of earmarked reserves increased by 9% in 2014/15, from £31.2 million in 2013/14.
  - The HRA balance of £8.438 million is available for spending on HRA issues only.

- The Cardiff & Vale of Glamorgan Pension fund is valued at £1.680 billion as at 31 March 2015. This is an increase of £188 million in the year and follows an increase of £144 million the year before.
5. Attached is the auditor's draft report "Audit of Financial Statements Report", which will be presented to Council in order to fulfil the requirement of the International Standard on Auditing (ISA) 260 and in discharge of the External Auditor's duty (Appendix 2).
  6. WAO currently intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included at Appendix 2.
  7. There are currently no non-trivial misstatements identified in the financial statements, which remain uncorrected. Corrected misstatements are summarised in appendix 3 to the Audit of Financial Statements Report. Whilst these amendments have been made, further amendments could still be carried out up to the signing of the accounts at Council on the 24th September 2015.
  8. The WAO report also highlights a number qualitative findings, which they have stated as follows:
    - Overall the information provided was, in the most part, relevant, reliable, comparable and easy to understand. The conclusion was reached that estimates were appropriate and financial statement disclosures unbiased, fair and clear. It was requested that some additional information be added to the accounting policies to reflect the current practices being applied by the Council. It was also identified that the Council needs to review its processes for identifying and capitalising relevant Council dwelling expenditure.
    - No significant difficulties were identified during the audit. However, as anticipated, due to a number of experienced staff leaving the Council and officers taking on new roles, the audit process has taken longer than in previous years.
    - No significant matters were discussed and corresponded upon with management which need to be reported.
    - No other matters significant to the oversight of the financial reporting process need to be reported.
    - No material weaknesses in internal control were identified that have not been reported already.
    - No 'other matters' specifically required by auditing standards are to be communicated to those charged with governance.

## **RECOMMENDATIONS**

9. That the Statement of Accounts for 2014/15 be noted.

### **CHRISTINE SALTER**

Corporate Director Resources  
9 September 2015

The following appendices are attached:

Appendix 1 – Draft Statement of Accounts 2014/15

Appendix 2 – Draft Wales Audit Office - Audit of the Financial Statements Report 2014/15  
and Letter of Representation