

COUNCIL:

24 SEPTEMBER 2015

REPORT OF THE CORPORATE DIRECTOR RESOURCES

STATEMENT OF ACCOUNTS 2014/15 AND ANNUAL COMPLIANCE REPORTS

Appendix 8, Annex B & C are not for publication as they contain exempt information of the description in paragraph 14 and 21 of schedule 12A of the Local Government Act 1972

Reason for this Report

1. The Statement of Accounts for 2014/15 is presented in order to meet the requirement of the Accounts and Audit (Wales) Regulations 2014. This provides that the Statement of Accounts be approved by a relevant committee or by the Council meeting as a corporate body, such approval to take place before the 30 September immediately following the end of the financial year.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2015.
3. In accordance with the Council's Treasury Management Policy Statement, the Annual Treasury Management Report for 2014/15 is presented based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Background

4. The Statement of Accounts in Appendix 1 presents the accounts for the City of Cardiff Council for the financial year 2014/15. Regulations require that the Responsible Finance Officer sign the accounts by 30 June, and that the audited accounts are approved by Council by 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 (WAO). In addition the accounts have been made available for public inspection as required by section 30 of the Public Audit (Wales) Act 2004 and Regulation 22 of the Accounts and Audit (Wales) Regulations 2014.
5. The Audit Committee met on the 16 September 2015 where the "Audit of Financial Statements Report" for both the main financial statements and the Cardiff and Vale Pension Fund were presented by Wales Audit Office and the Statement of Accounts discussed. Overall, there was a positive feedback from the Audit Committee on the production of the accounts and no significant issues were raised.

6. 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 2013/14 from £31.2 million in 2013/14. Schools balances as at 31 March 2015 are (£613,000).
 - 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 £144m the year before.
7. Attached at Appendix 3 is the auditor's report "Audit of Financial Statements Report", which is 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.
8. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the final Letter of Representation, which is included within Appendix 4.
9. 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. While these amendments have been made, further amendments could still be carried out up to the signing of the accounts at Council on the 24 September 2015.
10. 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, the audit process has taken longer than in previous years with a contributory factor being due to a number of experienced staff leaving the Council and with officers taking on new roles at a crucial time in the audit process.,
 - 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.
11. The report 'Audit of Financial Statements' in respect of the Cardiff and Vale Pension Fund is attached at Appendix 5. The audit identified no uncorrected misstatements in the accounts of the Cardiff and Vale of Glamorgan Pension Fund. The amendments that have been made to the accounts are highlighted in Appendix 3 to the Audit of Financial Statements Report, none of which affected the net outturn position.
 12. The Council's external auditor is also required to audit the annual return of the Cardiff Port Health Authority (CPHA) and the report 'Audit of the Financial Statements' in respect of the CPHA is attached at Appendix 6.
 13. The Council's external auditor is also required to audit the annual accounts of the Cardiff Harbour Authority and the report 'Audit of the Financial Statements' in respect of the Cardiff Harbour Authority is attached at Appendix 7.
 14. The Treasury Management Annual Report is attached at Appendix 8. It sets out the economic background within which treasury activities were conducted, the position on investments and borrowing at 31 March 2015, it indicates compliance with indicators set in the budget report for the year and sets out key issues that are being monitored closely in 2015/16 that could impact on treasury activities. The Annual report has been reviewed by Audit Committee in accordance with their terms of reference and they were content with the evidence provided in the report to support compliance with the Treasury Management Principles.

The Council continued to adopt a pragmatic approach to its treasury management activities in accordance with the strategy approved at Council in February 2013. The overall position on investments and external borrowing are:

- At the 31 March 2015, investments stood at £54.9 million and were deemed to be fully recoverable. The overall level of interest receivable from treasury investments totalled £0.5 million.
- The organisations with whom the Council invest with continue to be monitored closely by the Council together with its Treasury Advisors. This is in accordance with the criteria set out in the Council's Investment Strategies for 2014/15 and 2015/16, with diversification sought where possible. An update on the 2015/16 Mid Year Treasury Management position will be provided to Council in a further report.
- At the 31 March 2015, the Council had £470.5 million of external borrowing in order to pay for historical capital expenditure, with a further £25 million being internal borrowing. The former is predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity. The average rate on the Council's borrowing is 5.19% at the 31 March 2015 and total interest paid on the external debt, which includes the Housing Revenue Account, was £24.7 million.

Legal Implications

15. The Report is reported to Council to meet statutory, regulatory and codified requirements to do so.
16. All local authority accounts are required to be made up to 31 March. The accounts must be prepared in accordance with any regulations relating to the keeping of accounts pursuant to the Public Audit (Wales) Act 2004, section 39(1), as well as all other applicable statutory provisions. The regulations currently in force are the Accounts and Audit (Wales) Regulations 2014 (“the Regulations”). The Regulations confer specific duties upon 'the responsible financial officer', defined in regulation 2(2) of the Regulations as the person who, by virtue of the Local Government Act 1972, section 151, is responsible for the administration of the financial affairs of the Council, or if no person is so responsible, the person who is responsible for keeping the accounts of the Council.
17. Regulation 8 of the Regulations imposes a duty to prepare a statement of accounts and stipulates the its content. Regulation 9 provides that the statement of accounts must be accompanied by specified remuneration details relating to Council employees, in particular its senior employees.
18. Regulation 10 requires the Section 151 Officer to sign off and certify the statement of accounts by no later than 30th June following the year end. Thereafter, the audited statement of accounts must be re-certified by the Section 151 Officer and approved by full Council (or a relevant committee) as soon as reasonably practicable, and in any event no later than the 30 September immediately following the end of the financial year. Once approved (by Council or a Committee), the statement of accounts must be signed and dated by the Chair of the meeting.
19. Following approval of the statement of accounts by full Council (or the relevant Committee), and no later than 30th September, the Council must publish the statement of accounts on its website, together with any certificate, opinion or report issued, given or made by the auditor under sections 23(2) and 33 of the Public Audit (Wales) Act 2004 before the date of publication (or, if publication takes place prior to the conclusion of the audit and no such opinion has been given, together with a declaration and explanation of the fact that at the date of publication the auditor has given no opinion). The Council must also keep copies available for purchase by any person on payment of a reasonable sum (Regulation 10 of the 2014 Regulations).
20. As soon as reasonably possible after the conclusion of the audit, the Council must give notice by advertisement and on the Council website, stating that the audit has been concluded and that the statement of accounts is available for inspection (and the place and time at which they can be inspected), along with other prescribed information.
21. The approval of the Authority's Statement of Accounts is not a matter for the Cabinet. The Council has not delegated it powers to approve the Statement of Accounts and thus the matter needs to be considered by the Council.

Financial Implications

22. This report is presented to Council in discharge of its duty to approve the Council's audited accounts on or before 30 September of the year relating to the end of the accounting period.
23. The Council's financial standing as set out in the Financial Statements, the Appendices and this report will be considered as part of the budget report for 2016/17.

RECOMMENDATIONS

Council is requested to:

1. Note that the audited Statement of Accounts for the year ended 31 March 2015 (Appendix 1) have been duly certified and re-certified by the Section 151 Officer.
2. Approve the audited Statement of Accounts for the ended 31 March 2015 (Appendix 1), and request the Chair of Council to sign and date the same on behalf of the Council
3. Instruct the Section 151 Officer to arrange for publication of the Statement of Accounts and all associated requirements.
4. Note the reports of the Wales Audit Office on the Statement of Accounts of Cardiff Council, Cardiff and Vale of Glamorgan Pension Fund, Cardiff Port Health Authority and Cardiff Harbour Authority for the year ending 31 March 2015 (Appendices 3, 5, 6 and 7).
5. Note the final Letter of Representation for Cardiff Council (Appendix 4).
6. Note the Treasury Management Annual Report for 2014/15 (Appendix 8).
7. Note that the following documents will be formally signed at the conclusion of the meeting:
 - Statement of Accounts for Cardiff Council including the Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources
 - Annual Governance Statement (within the accounts) – Leader of the Council and Chief Executive
 - Annual Return of Cardiff Port Health Authority – Corporate Director Resources
 - Statement of Accounts for Cardiff Harbour Authority – Corporate Director Resources
 - Letters of Representation for Cardiff Council, Cardiff Port Health Authority – Leader of the Council and Corporate Director Resources
 - Letter of Representation for Cardiff and Vale of Glamorgan Pension Fund – Leader of the Council and Corporate Director Resources
 - Audit Certificate for Cardiff Council and Cardiff Port Health Authority – Appointed Auditor, Wales Audit Office. To be signed at a later date.

CHRISTINE SALTER
Corporate Director Resources

The following appendices are attached:

Appendix 1 – Statement of Accounts 2014/15

Appendix 2 – Summary Statement of Accounts 2014/15

Appendix 3 – Audit of Financial Statements for Cardiff Council including the draft Letter of Representation

Appendix 4 – Final Letter of Representation for Cardiff Council

Appendix 5 – Audit of Financial Statements for Cardiff and Vale of Glamorgan Pension Fund including the agreed Letter of Representation

Appendix 6 - Audit of Financial Statements for Cardiff Port Health Authority including the agreed Letter of Representation

Appendix 7 – Audit of Financial Statements for Cardiff Harbour Authority including the agreed Letter of Representation – to follow

Appendix 8 – Treasury Management Annual Report 2014/15