

AUDIT COMMITTEE:

20 JUNE 2017

DRAFT STATEMENT OF ACCOUNTS 2016/17

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6.2

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide Audit Committee Members with an opportunity to review and provide comments on the draft 2016/17 Statement of Accounts prior to them being signed by the Responsible Finance Officer and formally submitted for external audit and public inspection.

Background

3. The Statement of Accounts in Appendix 1 presents the draft accounts for Cardiff Council for the financial year 2016/17.
4. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.
5. Whilst the accounts are complex documents, further progress has been made in removing unnecessary and immaterial information and towards making them simpler where possible. However this is an ongoing process which will be continued in conjunction with Wales Audit Office.
6. The Statement of Accounts are prepared in accordance with a Code of Practice on Local Authority accounting developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts aim to give electors, those subject to levied taxes and charges, those charged with governance, members of the authority, employees and other interested parties, information about the authority's finances.
7. The accounts are important to ensure accountability of public funds, to allow comparison across organisations and to meet legislative requirements. However they are complex documents given the requirements to be met.
8. The Statement of Accounts includes critical judgements that have been used in applying accounting policies. This includes judgements that the Council has made in

respect of complex transactions or those involving uncertainty about future events. Examples include judgements on the classification of investment properties, approach to recognition of schools on the balance sheet and future funding and impact on assets.

Content of the Accounts

9. The Statement of Accounts includes a Narrative Report which provides a general explanation of the Council's overall financial position together with a guide to the financial statements included with the accounts. These financial statements are accompanied by notes which provide further detail on the accounts.
10. The Group Accounts for the Council are also presented which consolidates the position to include the financial position of Cardiff Bus. The Accounts include an Annual Governance Statement which details the Council's governance arrangements. Lastly the accounts also include statements in respect of the Housing Revenue Account (HRA), Pension Funds, Trust Funds and Cardiff Port Health Authority.
11. The Council's core financial statements and their purpose are as follows:
 - The Movement in Reserves Statement which shows the movements in the year on different reserves. Usable reserves are those that can be used to fund expenditure or reduce local taxation for example general and earmarked reserves. Unusable reserves are those used for accounting entries, so cannot be used to fund expenditure or affect taxation levels.
 - The Comprehensive Income and Expenditure Account which accounts for the cost in the year of providing services in accordance with accounting practices.
 - The Council's Balance Sheet which provides a value at the balance sheet date of the assets and liabilities of the Council.
 - A Cash Flow Statement which identifies the movement in cash during the year classified into categories.
12. Other accompanying notes included in the statements either as a result of legislative or accounting requirements are:-
 - Disclosures on financial instruments (Financial Assets and Financial Liabilities)
 - Capital Expenditure and financing
 - Officer remuneration and exit packages and
 - Civil Parking Enforcement funds

Next Steps

13. Regulations require that the Responsible Finance Officer sign the accounts by 30 June 2017. A draft of these accounts was provided to Audit Wales on 15 June, ahead of the statutory deadline of the 30 June 2017. The next steps are:
 - To advertise the opportunity for Public inspection for a period of four weeks
 - To complete Whole of Government Accounts returns based on the draft accounts, in July 2017.
 - For all material amendments and adjustments to be agreed by Wales Audit Office and Council by end of August 2017.

- For Audit committee consideration of the final accounts and audit report at its September meeting.
- To propose that Full Council approve and sign the audited accounts at its meeting in September.
- To publish the approved accounts by 30 September 2017 on Council website.

Legal Implications

14. No direct legal implications arise from this report.

Financial Implications

15. This report provides Audit Committee Members with a draft of the 2016/17 Statement of Accounts and provides an opportunity for review and comment prior to the external audit of the Accounts. Attached as Appendix 2 is a document prepared by CIPFA – Understanding Local Authority Financial Statements, which aims to assist members of Audit Committees to understand the format of the accounts.

RECOMMENDATIONS

That Audit Committee:

- I. Subject to any comments in respect of the 2016/17 draft Statement of Accounts, note that these Accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.
- II. Note that the audited Statement of Accounts for 2016/17 will, prior to being presented to Council, be reviewed by this Committee in September.

CHRISTINE SALTER

Corporate Director Resources
12 June 2017

The following appendices are attached:

Appendix 1 – Unaudited Statement of Accounts 2016/17

Appendix 2 – Understanding Local Authority Financial Statements (CIPFA – 2016)