

**AUDIT COMMITTEE:**

**18 SEPTEMBER 2017**

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**DRAFT STATEMENT OF ACCOUNTS 2016/17**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.2**

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**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. To provide Audit Committee Members with an update following 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 the County Council of the City & County of Cardiff and the Cardiff and the Vale Pension Fund for the financial year 2016/17. Regulations require the Responsible Finance Officer to sign the accounts by the 30 June, and that the audited accounts are approved by Council by the 30 September.
3. The draft accounts were presented to the Audit Committee in June. Subsequent to this, the accounts were presented to Wales Audit Office on 15 June 2017 for audit ahead of the statutory deadline of 30 June 2017.
4. In addition, the accounts were 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).
5. The final accounts are due to go to Council at the meeting on the 28 September 2017.

**Issues**

6. There are currently no misstatements which remain uncorrected. The attached appendices include audit reports (ISA 260's) for Cardiff Council, Cardiff and the Vale Pension Fund and Harbour Authority, which contain the main corrections, deemed to be required to be brought to your attention. These and a number of other smaller grammatical and numerical amendments have been made.

## The County Council of the City and County of Cardiff (the Council)

7. WAO 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.
8. The WAO Audit of Financial Statements Report also highlights a number qualitative findings, as follows:
  - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
  - **There are two other matters discussed and corresponded upon with management which we need to report to you.** In 2015-16 officers accepted our recommendation to review the classification of Investment properties to ensure they fully meet the Code's definitions. The first part of a comprehensive review was to revalue all investment properties and this has been completed in 2016-17. The second part to be carried out by officers in 2017-18 will be to consider each investment property against the Code's definitions, and we will work closely with officers to inform this review. Officers have not made any changes to the classification of investment properties in the 2016-17 accounts. We also flagged to officers that improvements are needed in the description of assets and, in particular, infrastructure assets within the Council's fixed assets registers. This will ensure that assets are more clearly identifiable, can be tracked year to year, and officers can confirm they are accounted for and depreciated correctly in line with the Council's accounting policies.
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
  - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Cardiff and Vale of Glamorgan Pension Fund Accounts

9. The accounts for the Cardiff and Vale of Glamorgan Pension Fund are included in the Statement of Accounts in Appendix 1 (pages 103 to 125) and have been audited by the Welsh Audit Office. The auditor's draft "Audit of Financial Statements Report" for the Pension Fund is attached as Appendix 3. WAO intend to issue an unqualified audit report and there are no misstatements which remain uncorrected. The report refers to the main corrections made by management. There were no qualitative issues arising this year.

10. WAO 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 3.
11. WAO Audit of Financial Statements Report also highlights a number qualitative findings, as follows:
  - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and generally easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
  - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

### Cardiff Harbour Authority Accounts

12. WAO 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 4.
  - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear
  - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
  - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## **Looking Forward**

13. Future years changes in the Statement of Accounts include:-

- Implementation of new accounting requirements such as IFRS 9 Classification of Financial Instruments which is due to be considered for the 2018/19 financial year.
- Review of investment property classification in 2017/18.
- The need to continue to simplify and de-clutter accounts, with aim of supporting the reader of the accounts
- The need to minimise the period over which the accounts are prepared and also audited as a result of changes in legislation. This is to enable performance of the Council to be determined earlier and also ensure more effective use of resources that go into preparing these accounts.

14. The above items will need to be considered with Wales Audit Office during 2017/18 and beyond.

## **Legal Implications**

15. No direct legal implications arise from this report.

## **Financial Implications**

16. This report provides Audit Committee Members with a draft of the accounts to be submitted to Council for approval at its meeting on 28 September 2017. The report follows the external audit of the accounts and includes both qualitative findings and highlights any significant amendments made to the accounts following the audit.

## **RECOMMENDATIONS**

17. That the Draft Statement of Accounts for 2016/17 be noted.

## **CHRISTINE SALTER**

Corporate Director Resources

11 September 2017

The following appendices are attached:

Appendix 1 – Draft Statement of Accounts 2016/17

Appendix 2 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – County Council of the City County of Cardiff

Appendix 3 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 4 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – Cardiff Harbour Authority