
DRAFT STATEMENT OF ACCOUNTS 2018/19

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.2

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Financial Reporting. The CIPFA Audit Committee Guidance (2018) sets out the details of core knowledge and application of knowledge.

Details of core knowledge	Area of application of knowledge
Understanding of good financial management principles	Reviewing the financial statements prior to publication
Role of the Chief Finance Officer (CFO)	Receiving the external audit report and opinion on the financial audit
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing both internal and external audit recommendations relating to financial management and controls
	Reviewing how the role of the CFO is met

2. This report has been prepared to provide Audit Committee Members with an opportunity to review and provide comments on the draft 2018/19 Statement of Accounts of :-
 - Cardiff Council including; Cardiff Harbour Authority; Cardiff Port Health Authority; Trust Funds – **Appendix 1**
 - Cardiff and the Vale of Glamorgan Pension Fund – **Appendix 2.**

The accounts were signed by the Responsible Finance Officer prior to the statutory deadline of 15 June and are currently the subject of external audit and public inspection along with the Annual Governance Statement. It is proposed that audit committee members can submit questions and comments in relation to the accounts up to 15 July 2019.

Background

3. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.

4. The Statement of Accounts are complex and must meet a number of requirements. They are prepared in accordance with a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), legislative and Companies Act requirements where relevant.
5. Preparation and publication of the Statement of Accounts:
 - is a statutory requirement
 - aims to provide a true and fair view of the Council's financial position
 - provides accountability – Electors, tax and rent payers, pensioners, those charged with governance, funders, employees etc.
 - allows comparison / benchmarking across organisations
 - allows comparison across financial years
 - allows for consolidation for Whole of Government Accounts
 - allows interested parties to review and raise questions to Council and its auditor
6. At its April 2019 meeting, Audit Committee considered the accounting policies on which the Council's Statement of Accounts for 2018/19 were to be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts. Key changes expected to be implemented for the 2018/19 accounts arising from the 2018/19 CIPFA Code of Practice (the Code) and our own internal review were also highlighted.

Issues

7. The draft Annual Governance Statement (AGS) has also been updated following Audit Committee consideration in April 2019, and is included for consideration by Audit Committee as part of the agenda.
8. The Council's statement of accounts includes:
 - narrative report
 - accounting policies
 - core financial statements
 - disclosure notes to the accounts
 - supplementary statements including Housing Revenue Account, Trust Funds, Cardiff Port Health Authority, Cardiff Harbour Authority and also group accounts which consolidates the position to include the unaudited financial position of Cardiff City Transport Services Limited (Cardiff Bus)

Notes included in the Council's Statement of Accounts either as a result of legislative or accounting requirements include:

- disclosures on financial instruments (financial assets and financial liabilities)
- capital expenditure and financing
- remuneration and
- reserves and provisions.

Committee have previously been provided with a document prepared by CIPFA – Understanding Local Authority Financial Statements. This is a background paper may assist members of Audit Committee and other users to understand the format of the accounts.

9. It is recognised that these are complex documents and as suggested previously, audit committee members are to be provided with the opportunity of an extended period of time to review and comment on the statements than would normally be the case. Comments must be submitted in writing to Anil Hirani (ahirani@cardiff.gov.uk) by 15 July 2019, in line with the end of the public inspection period. This provides circa three weeks for members to review, instead of the very short period of less than a week that would normally be the case. This is a new opportunity which we need to manage within existing resources in parallel to answering queries of the auditor, however one which will support members to undertake their scrutiny role. The approach will need to be developed in future years, with any questions limited to the terms and reference of the Committee.

Next Steps

10. Current regulations require that the Responsible Finance Officer sign the accounts by 15 June 2019. Which has been actioned. A draft of Appendix 1 and 2 was provided to Wales Audit Office on xx June 2019, The next steps are:
- to complete the Public inspection period of 20 working days which began on 18 June 2019 and is to end on 15 July 2019
 - receipt of Audit Committee member queries / comments 15 July 2019 with a view to officers circulating responses to committee prior to next audit committee
 - to complete Whole of Government Accounts returns based on the draft accounts, in July 2019
 - receipt of all external audit queries and material amendments 1 August 2019
 - Draft audited accounts to be presented to Audit Committee 10 September 2019 and full Council for approval on 12 September 2019
 - to publish the approved accounts by 15 September 2019 on the Council website.

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

12. No direct financial implications arise from this report.

RECOMMENDATIONS

That Audit Committee:

- I. Note the 2018/19 draft Statement of Accounts and highlight any queries and comments by 15 July 2019.
- II. Note that the audited Statements and Annual Governance Statement for 2018/19 will, prior to being presented to Council, be reviewed by this Committee in September along with the audit report.

CHRISTOPHER LEE

Corporate Director Resources

18 June 2019

The following appendices are attached:

Appendix 1 – Unaudited Draft Statement of Accounts 2018/19 – Cardiff Council including, Cardiff Harbour Authority, Cardiff Port Health Authority and Trust Funds

Appendix 2 - Unaudited Draft Statement of Accounts 2018/19 – Cardiff and Vale of Glamorgan Pension Fund

Background Paper – Understanding Local Authority Financial Statements (CIPFA – 2016)