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**AUDIT COMMITTEE: 19 SEPTEMBER 2016**

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**DRAFT STATEMENT OF ACCOUNTS 2015/16**

**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 City & County of Cardiff and the Cardiff and the Vale Pension Fund for the financial year 2015/16. They remain draft pending completion of the Audit. 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 and included a summary of the main points evident from the 2015/16 accounts. Subsequent to this, the accounts were presented to Wales Audit Office on 15 June 2016 for audit ahead of the statutory deadline of 30 June 2016.
4. 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).
5. The final accounts are due to go to Council at the meeting on the 29 September 2016.

**Issues**

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

still be required up to the point at which the accounts are circulated for the Council meeting as the audit is still progressing.

### City of Cardiff Council Accounts

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 significant concerns about the qualitative aspects of your accounting practices and financial reporting but you need to clear old creditors balances from the ledger.** Overall 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. However, our testing did identify a number of prior years' creditors balances which hadn't been cleared when payments or adjustments had been made. Extended testing provided assurance that these balances were matched by debit entries to other codes and therefore the creditors balance in the accounts was materially correct. But, by not matching creditors and clearing, you increase the complexity of the year end reconciliation process and the testing required to verify figures in the accounts. You also increase the risk that transactions may be included which are not true creditors.
  - **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.
  - **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**
  - **There are no '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 104 to 126) 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 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.
- **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**
- **There are no 'other' matters specifically required by auditing standards to be communicated to those charged with governance.**

### **Cardiff Harbour Authority Accounts**

No audit opinion is currently available, but will be included in the report to Council

### **Looking Forward**

12. Following the period of external audit it is pleasing to note that any recommended amendments and quantitative findings following a thorough audit are minimal for an authority the size and complexity of Cardiff. Officers of the Council have worked extremely closely with Wales Audit Office in support of their audit role.

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

- Implementation of new accounting requirements such as transport infrastructure assets and associated judgements required to be made
- 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 2016/17 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 29<sup>th</sup> September 2016. 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. As the Council's Statutory Finance Officer it is pleasing that WAO have recognised the good standard of work achieved in the preparation of the accounts especially at a time when resources are constrained.

## **RECOMMENDATIONS**

17. That the Draft Statement of Accounts for 2015/16 be noted.

### **CHRISTINE SALTER**

Corporate Director Resources

10 September 2016

The following appendices are attached:

Appendix 1 – Draft Statement of Accounts 2015/16