

# Report

## Audit Committee

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### Part 1

**Date:** 25 September 2017

**Subject** **Audit and Adoption of the 2016-17 Statement of Accounts**

**Purpose** This report presents results of the external audit of the 2016-17 Statement of Accounts (Accounts), highlights the changes since they were initially published at the end of June 2017 and seeks their formal adoption as required by the Accounts and Audit (Wales) regulations 2014.

**Author** Assistant Head of Finance

**Ward** General

**Summary** The Accounts were published at the end of June 2017 by the Head of Finance and added to the Council's website at that time. The Accounts were available for public scrutiny, as required by the Accounts and Audit (Wales) regulations 2014, for a 20 working day period ending 2 August 2017.

Our auditors have reviewed the 2016/17 Statement of Accounts in detail, and a number of required changes have been identified. The Wales Audit Office's (WAO) accompanying report shows a summary of the agreed changes. Appendix A presents the revised Accounts which members are invited to review and subsequently approve in accordance with the Council's standing orders. Representatives from the WAO and finance staff will be available to clarify any points arising from the audit changes and the content of the Accounts as required.

**Proposal** Committee is recommended:

- To review the content of the 2016/17 Accounts and the WAO's Financial Statements (ISA260) report on the 2016/17 Accounts and comment as appropriate.
- To authorise the Chairman to adopt the Accounts 2016/17, in accordance with the Accounts and Audit (Wales) regulations 2014.

**Action by** i. Assistant Head of Finance – publish final accounts on Council website;

**Timetable** Immediate

This report was prepared after consultation with:

- Monitoring Officer

## Background

The Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the UK published by CIPFA for 2016/17.

The Accounts includes the statutory “Annual Governance Statement” providing a summary of the system of internal control operating within the Council for the year to 31 March 2017. This Statement includes actions to address any identified risks.

The Council was required by the Accounts and Audit (Wales) regulations 2014, to complete and publish its Accounts by 30 June 2017. After this date they were available for inspection for a period of 20 working days.

The Head of Finance signed the draft set of accounts on 9<sup>th</sup> June 2016, which were presented to Audit Committee on the 26<sup>th</sup> June. Following comments from Audit Committee there were some minor amendments made to the draft and the Head of Finance resigned the draft account on 28<sup>th</sup> June 2017 and they were published on the website by the deadline of 30 June 2017. The complete accounts were available for public scrutiny between 6<sup>th</sup> July and 2<sup>nd</sup> August 2017.

The Council received no requests to review the Accounts from the public during the public scrutiny period.

Following a number of vast improvements in previous years to both the quality of the draft accounts and working papers, officers carried out a lessons learned review of the closedown process following 2015/16 to further these improvements.

One of the main developments that was achieved following the lessons learned review was the closer collaboration with WAO in completing and reviewing important areas of the accounts before the draft stage. This allowed for sign off of some of the notes and statements prior to the full year-end audit, therefore saving time and amendments following the draft stage. Areas that were looked at early include:

- Agreed the new structure of the Comprehensive Income & Expenditure account and the new Expenditure and Funding Analysis note – 2015/16 restated.
- Reviewed and amended the landfill provision as per the 2015/16 ISA260
- Agreement of other provisions
- Work on Friars Walk sale
- Work on capital additions and disposals that had taken place through the year

There are still a number of areas that need to be looked at early in the year, but the above shows a stepped change in the way we work and this was borne by the fact that the draft accounts with group included were signed off by 9<sup>th</sup> June.

While there were a number of amendments made to the accounts following audit, no changes were made to the reported outturn or reserves held by the Council. There has also been a quality assurance exercise of the financial statements prior to presentation at this audit committee.

It is acknowledged that WAO have highlighted a number of issues within their ISA260 report, which will be reviewed by the Council and actions put in place to ensure that procedures and processes are put in place to address the issues raised.

## WAO Financial Statements Report

The WAO's report confirms that they have completed the majority of their work and are happy to provide an unqualified opinion and that the accounting statements give a **true and fair view** of the

financial position of the Authority and have been properly accounted for in accordance with the Code.

The report further details the agreed changes applied to the Statement of Accounts from the original publication through to completion of the audit review. The majority of these related to presentational changes, disclosure notes, some amendments to lines across the comprehensive income and expenditure account and items relating to Property, Plant and Equipment, all of which had no impact on the bottom line of the accounts.

Although some of the figures included in the corrected misstatements appendix are large in value, these largely relate to the classification of internal recharges as external income rather than netting off against expenditure. The effect of these on the net position on both the accounts and the service area are nil.

There is only one uncorrected misstatement included in the ISA260 report which is discussed further below. This is an improvement on last year, and the issues included in the 2015/16 ISA260 have all been dealt with.

### **Value of Newport Transport Ltd. depot understated by £376,000**

The statement of accounts for the Group is based on the consolidation of Newport City Councils and Newport Transport Ltd single entity accounts. The value of the asset that has been consolidated into the Group accounts is that which is included in the Newport Transport Ltd accounts. Due to the accounting treatment used by Newport Transport Ltd and those required to be used as per the accounting policy for the group, there is a small difference in the valuation that is recorded as per the latest valuation undertaken by Newport Transport.

Due to the small value and the complex nature of the transactions that would need to be put through the accounts it has been decided we will not make an adjustment for this.

### **Financial Summary:**

There are no direct financial implications arising from this report. The approved Accounts will provide the basis for future financial planning.

### **Risks:**

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to approve and publish the accounts before the 30 Sept deadline increases the risk of qualification, and increases reputational external perception risks.	M	L	The Council works with its Auditors to ensure the Accounts are prepared and suitably reflect the financial position of the authority	Assistant/Head of Finance

\* Taking account of proposed mitigation measures

### **Links to Council Policies and Priorities**

Effective financial management is essential if an organisation is to achieve its stated objectives.

### **Options Considered/Available**

Approve the modified Statement of Accounts for 2016/17

Reject updated Statement of Accounts which would have impact on meeting statutory deadline.

### **Preferred choice and reasons**

That the Accounts are approved given they have been audited and all material issues have been corrected, as needed.

### **Comments of Chief Financial Officer**

For the preparation of the 2016/17 Statement of Accounts there has been a significant improvement in the processes and working papers provided to audit which is highlighted in the WAO 'Audit of Financial Statements' Report.

The accounts show a true and fair view, and the uncorrected misstatements highlighted in the ISA260 report are not of a material value or nature, and therefore it is recommended the accounts are approved.

Officers will need to continue to improve processes through collaboration with WAO to meet earlier closing deadlines which will be implemented from financial year ending 31st March 2019.

### **Comments of Monitoring Officer**

Audit Committee are required to approve and sign off the modified Statement of Accounts for 2016/17 before 30th September in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2014. This function has been delegated by full Council to the Audit Committee.

### **Staffing Implications-: Comments of Head of People and Business Change**

There are no staffing implications arising from the report

### **Background Papers**

Draft Statement of Accounts 2016/17

**Revised Statement of Accounts (Attached)**