

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 27 September 2017
<b>Report Subject</b>	Statement of Accounts 2016/17
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the;

- Final version of the Statement of Accounts 2016/17 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- WAO's reports in connection with the audit of the 2016/17 financial statements for Flintshire County Council and the Clwyd Pension Fund.
- Letters of Representation for Flintshire County Council and the Clwyd Pension Fund for Members recommendation to Council.

### RECOMMENDATIONS

1	Members are requested to recommend to County Council the final version of the Statement of Accounts 2016/17.
2	Members are requested to consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund.
3	Members are requested to recommend to County Council; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	The Audit Committee received the draft Statement of Accounts 2016/17 on 19th July 2017 - for information only at that stage; the Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the accounts, being 30th September.
1.02	The audit of the 2016/17 accounts is now substantially complete; the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts for 2016/17 incorporating those changes agreed with WAO during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 19th July. Responses to all matters raised have been provided by letter to all Members of the Council. There has also been an opportunity for Members to contact Officers to raise further queries or seek further explanation – no further questions were raised over the summer period.
1.05	In addition, Statement of Accounts ‘drop in’ sessions were held in early September, which provided an opportunity for Members to obtain any further required information regarding the draft accounts, or to raise questions prior to consideration of the final position at the end of September.
	<b><u>WAO’s audit of the Statement of Accounts</u></b>
1.06	Under the International Standards on Auditing (ISA) 260, WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.07	The WAO’s ISA 260 reports ‘Audit of the Financial Statements – Flintshire County Council’ and ‘Audit of the Financial Statements – Clwyd Pension Fund’ are attached at Appendix 2 and Appendix 3. Officers from the WAO will be in attendance to present their reports at the meeting.
1.08	Each WAO report includes details of significant issues arising from the audit, together with recommendations and a summary of corrections made to the draft financial statements for 2016/17. The reports also include appendices which restate the recommendations made in the 2015/16 financial audit which WAO have followed up as part of their 2016/17 work and reported their findings.
1.09	It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council / Flintshire County Council – Administering Body of the Clwyd Pension Fund). The audit findings have been discussed in detail with

	the WAO, and where considered appropriate adjustments have been reflected in the Statement of Accounts.
1.10	The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.
1.11	The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund, are included at Appendix 4 and Appendix 5 respectively.
	<b><u>The Council's response to the audit findings</u></b>
1.12	<p>It is pleasing that the WAO are reporting that the Council's draft Statement of Accounts were prepared to a good standard with comprehensive working papers (paragraph 15 in Appendix 2).</p> <p>The role of the Accounts Governance Group in overseeing the production of the Statement of Accounts has worked very effectively over the past few years and it will continue to operate in future years. This will be important in managing the risks and challenges posed by the impending change to statutory deadlines for preparing and publishing local government accounts. Earlier deadlines of the end of May for preparing and the end of July for publishing are being introduced by Welsh Government for financial year 2020/21.</p>
1.13	No significant issues have arisen during the audit of the 2016/17 Statement of Accounts. One misstatement was identified that has not been corrected within the Statement of Accounts. This is explained in full in the WAO's report (Appendix 2 paragraphs 10 – 12). The issue has been discussed at the Accounts Governance Group with the group deciding not to amend the accounts as the error was not material to the accounts and, did not impact on the Auditor's opinion. In addition the estimated figure included in the accounts will be corrected in for the 2017/18 accounts. The WAO are fully supportive of this course of action.
1.14	<p>The WAO's report highlights the positive progress made on the 3 issues raised during the 2015/16 financial audit (Appendix 4 within Appendix 2 to this report);</p> <ul style="list-style-type: none"> <li>• Valuation method used to revalue Council Houses – this issue is now resolved.</li> <li>• Investigations into the Council's potential liabilities at former waste disposal sites – positive progress made on investigations in year. It is worth noting that due to the volume of investigations, their complexity and the length of time it takes to complete them that the risk of potential liabilities will continue into future years.</li> <li>• Accuracy of pension records within the Clwyd Pension Fund – positive progress has been made in year with the discrepancies between the Councils and the Pension Fund administrator significantly reduced.</li> </ul>

	<b><u>The Clwyd Pension Fund's response to the audit findings</u></b>
1.15	The Pension Committee considered the WAO's audit findings and recommendations for the Clwyd Pension Fund at its meeting on 20 <sup>th</sup> September. A verbal update will provided at the meeting.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required and none undertaken.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Actions will be taken in year (2017/18) to address recommendations from the WAOs reports as outlined within the body of the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Statement of Accounts 2016/17</li> <li>2. Audit of the Financial Statements – Flintshire County Council</li> <li>3. Audit of the Financial Statements – Clwyd Pension Fund</li> <li>4. Letter of Representation – Flintshire County Council</li> <li>5. Letter of Representation – Clwyd Pension Fund</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Liz Thomas – Technical Finance Manager  <b>Telephone:</b> 01352 702289  <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Financial Audit:</b> The annual external audit of the Council's Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Material:</b> A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with</p>

an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.

**Statement of Accounts / Final Accounts / Financial Accounts or Statements:** The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.

**Wales Audit Office:** works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.