

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 SEPTEMBER 2017

REPORT OF THE SECTION 151 OFFICER

FINAL STATEMENT OF ACCOUNTS 2016-17

1. Purpose of this report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2016-17 which is now due to be certified by our external auditors, Wales Audit Office (WAO), the associated Letter of Representation of the Council and the final audited Annual Return for the Harbour Authority.
- 1.2 WAO will update Members on their main findings and summarise the audit work carried out in respect of the 2016-17 financial year and present their Audit of Financial Statements Report, which requires the Appointed Auditor to report these key findings to those charged with governance.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 The Council's financial performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 and its content is defined by CIPFA's 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts for 2016-17 was presented to Audit Committee on 29 June 2017 for noting and had been signed by the Responsible Financial Officer on 19 June 2017. During the intervening period, the external audit has taken place resulting in a number of amendments being made to the financial statements.
- 3.3 The audited Statement of Accounts 2016-17 is attached at **Appendix A** and is required to be signed off as presenting a true and fair view of the financial position of the Council as at 31 March 2017 by 30 September 2017.

4. Current Situation / Proposal

4.1 The Council Fund and earmarked reserves balances as at 31 March 2017 presented in the pre-audit Statement of Accounts are detailed in the below table:

Opening Balance 2015-16 £'000	Movement 2015-16 £'000	Closing Balance 2015-16 £'000	Reserve	Drawdown 2016-17 £'000	Additions 2016-17 £'000	Closing Balance 2016-17 £'000
7,450	154	7,604	Council Fund Balance		356	7,960
2,410	(256)	2,154	Delegated Schools Balance	(1,288)		866
3,407	299	3,706	Maesteg School PFI Equalisation		243	3,949
35,637	3,416	39,053	Earmarked Reserves	(6,463)	13,754	46,344
48,904	3,613	52,517		(7,751)	14,353	59,119

4.2 It is pleasing to report that there have been no adjustments as a result of the external audit that have impacted on these year-end figures. However the WAO Audit of Financial Statements Report does raise the following number of corrections to the draft financial statements :-

- i. **Note 7 Government Grants** (page 77) – a number of reclassifications of government grants between the various lines. The overall total of Government Grants remained the same post audit at £92.559 million.
- ii. **Note 13 Officers' Remuneration** (page 80) – the median salary was reduced by £199 as the salary within the pre-audited accounts of £20,138 was as at the 1 April 2017 whereas it should have been the 31 March 2017.
- iii. **Note 13 Officers' Remuneration** (page 82) – an amount of £296,682 has been moved from the total of the Exit Packages 2016-17 to a note below as it related to exit packages agreed in 2015-16 but not paid until 2016-17.
- iv. **Note 15 External Audit Costs** (page 83) - the cost of the audit for Grant Claims and Returns was reduced by £7,000 to reflect the figure disclosed in the WAO Audit Plan.
- v. **Note 19 Expenditure and Income Analysed by Nature** (page 89) – there were a number of reclassifications following more detailed analysis of transactions during the audit which affected various lines for income and expenditure including £2.572 million moving from the Government Grants and Contributions line to the Fees, Charges and Other Service Income line and £935,000 reclassified from Other Service Expenses to Employee Expenses in 2016-17.
- vi. **Note 20c Summary of Property, Plant & Equipment** (page 91) – there were changes to this note from the pre-audited Statement of Accounts. Firstly, where the Cipfa Asset Register had been updated to account for the Rhiw Car Park, the addition for Assets Under Construction had been understated and Other Land and Buildings overstated by £2.770 million. This was identified as a result of the audit of the asset register. Secondly, a total of £4.375 million of the

expenditure on the Welsh Community Care Information System (WCCIS) was reclassified as an Intangible Asset as it related to Software Licences. This amount has been moved out from Vehicles, Plant & Equipment into a new asset class on the Balance Sheet for Intangible Assets.

- vii. **Note 20 Provisions** (page 96) – a minor amendment was necessary to separate out ‘Other Provisions’ of £297,000 from the Insurance Provision.

4.3 A Final Letter of Representation is required by the Appointed Auditor to complete the process and enable the accounts to be signed off. This is included as **Appendix B**.

4.4 Under International Auditing Standards (ISA) 260, the External Auditor is required to communicate relevant matters relating to the audit of the financial statements to “those charged with governance”. These matters are incorporated into the Audit of Financial Statements Report, which is included as **Appendix C**. The appendix also includes the full list of all adjustments made to the accounts as a result of the audit as described in paragraph 4.2 together with the management responses to the recommendations made.

4.5 **Appendix D** contains the Annual Return for the Porthcawl Harbour Authority. **Appendix E** contains the audit letter that confirms that there have been no adjustments to the draft return presented to Audit committee in June 2017. As a result, there is therefore no requirement for Audit Committee to re-approve this Annual Return. The Return will be published on the Council’s website.

4.6 **Appendix F** contains the Annual Return for Catalogue Supplies which ceased operation on the 31 March 2016 but had some additional transactions within 2016-17 which needed auditing. **Appendix G** contains the audit letter on Catalogue Supplies which now needs approval by this Committee.

5. Effect upon policy framework & procedural rules

5.1 There is legal requirement for the Statement of Accounts to be signed by the responsible financial officer and approved by the relevant committee by 30 September following the end of the financial year.

6. Equality Impact Assessment

6.1 Whilst the production of the Statement of Accounts itself does not raise any equality issues, it does summarise the financial consequences of the budget reductions and service reconfigurations identified in the Council’s Medium Term Financial Strategy. When these proposals were being developed consideration was given to their potential impact on protected groups within the community.

7. Financial implications

7.1 These are reflected in the body of the report.

8. Recommendation

8.1 It is recommended that Audit Committee:-

- Approve the audited Statement of Accounts 2016-17 (**Appendix A**)
- Note and agree the Final Letter of Representation to the Wales Audit Office (**Appendix B**)
- Note the Appointed Auditors' Audit of Financial Statements Report (**Appendix C**)
- Note the Annual Return for Porthcawl Harbour (**Appendix D**) and note the Wales Audit Office's Letter on the Return (**Appendix E**)
- Approve the Annual Return for Catalogue Supplies (**Appendix F**) and note the Wales Audit Office's Letter on the Return (**Appendix G**).

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28 September 2017

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Background Documents:

Statement of Accounts 2017-18
Harbour Authority Annual Return 2017-18