

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

06 SEPTEMBER 2018

**REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151
OFFICER**

STATEMENT OF ACCOUNTS 2017-18

1. Purpose of this report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2017-18, which is now due to be certified by our external auditors, Wales Audit Office (WAO) and the associated Letter of Representation of the Council.
- 1.2 WAO will update Members on their main findings from the audit, summarise the audit work carried out in respect of the 2017-18 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 This report assists in the achievement of the following corporate priority:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.
- 2.2 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 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance Accountants' (CIPFA) 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts 2017-18 was signed by the responsible financial officer on 30 May 2018 and presented to Audit Committee on 28 June 2018 for noting. During the intervening period the external audit has taken place, resulting in a number of

amendments being made to the financial statements. However, none of these amendments have affected the financial position of the Council as at 31 March 2018 and are primarily re-classification amendments as discussed in paragraph 4.4 below.

- 3.3 The audited Statement of Accounts 2017-18 is attached at **Appendix A** and is required to be signed by the Chief Financial Officer and the Chair of the Committee that approves the Accounts by the 30 September as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2018.

4. Current Situation / Proposal

- 4.1 The Wales Audit Office have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 10 September, subject to Audit Committee approval of the accounts. The Audit of Financial Statements Report notes: 'the Council has generally sound accounting and financial reporting practices. ...with the accounts being prepared to a mostly high standard for 2017-18.'
- 4.2 The Council Fund and Earmarked Reserves balances as at 31 March 2018 as presented to the Committee in June are summarised in the table below with further details available on pages 62 to 66 within the Statement of Accounts:

Opening Balance 2017-18 £'000	Reserve	Movement during 2017-18		Closing Balance 2017-18 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
7,960	Council Fund Balance	387	-	8,347
866	Delegated Schools Balance	-	(506)	360
3,949	Maesteg School PFI Equalisation	(3,949)	-	-
46,344	Earmarked Reserves	11,568	(10,197)	47,715
59,119	TOTAL INCLUDING COUNCIL FUND	8,006	(10,703)	56,422

- 4.3 There have been no audit adjustments that have impacted on these year-end figures.
- 4.4 Notwithstanding the above, whilst not impacting on the financial position of the Council, the WAO Audit of Financial Statements Report does identify a number of amendments were required to the draft accounts as follows:
- i. **Narrative Report** (page 5) – adjustments to correctly reflect amounts disclosed in the accounts.
 - ii. **Comprehensive Income and Expenditure Statement** (page 14) – a reclassification of income between 'Government Grants'

and 'Other Income'. The movement between the two headings was £2.960 million, although a £nil net adjustment overall. Prior year comparatives were similarly amended. This has been a presentational change in the current year to provide the reader with more information regarding income sources to the Council.

- iii. **Note 11 Grants** (page 42) – minor amendments to classification of a small number of grants totaling £0.706 million, although a net £Nil overall impact.
 - iv. **Note 15 Officers' Remuneration** (page 44) – the median salary was amended by £88 which had the impact of reducing the remuneration ratio from 6.67 to 6.64, consistent with that reported in 2016-17.
 - v. **Note 20 Adjustments between Accounting Basis and Funding Basis under Regulations** (page 52) – removal of an erroneous error which duplicated a number within the note of £6.486 million.
 - vi. **Note 21 Non-current assets** (page 54 & 55) - an amendment of £2.264 million to correctly reflect the capital commitment for Pencoed Primary School and amalgamation of two narrative lines within the Summary of Property, Plant and Equipment table to correctly present the in-year asset revaluation movements.
 - vii. **Note 23 Short Term Debtors** (page 59) – reclassification between the type of debtor at year end. The total adjustment was £4.007 million although net £Nil overall.
 - viii. **Note 25 Short Term Creditors** (page 59) – similarly reclassification between the type of creditor at year end – adjustment between categories of £0.577 million although an overall net £Nil
 - ix. **Note 30 Pensions Liabilities future expected employer's contribution to the Local Government Pension Scheme** (page 75) – correction of a typographical error of £3 million.
- 4.5 A Final Letter of Representation from the Council is required by the Appointed Auditor to complete the process and enable the accounts to be approved. This is included as **Appendix B**.
- 4.6 In line with the International Standard on Auditing (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' at **Appendix C**. The appendix also contains the full list of all adjustments made to the accounts as a result of the audit as described in paragraph 4.4 together with management responses to the recommendations made.
- 4.7 The Statement of Accounts will be published on the Council's website no later than 30 September 2018.
- 5. Effect upon policy framework & procedural rules**

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

6. Equality Impact Assessment

6.1 Whilst the production of the Statement of Accounts does not in itself 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. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 This report links to the Council's long-term well-being objectives. It presents a positive picture in respect of both the 2017-18 revenue position and the accumulated reserves position.

8. Financial implications

8.1 These are reflected in the body of the report.

9. Recommendation

9.1 It is recommended that Audit Committee:-

- Approve the audited Statement of Accounts 2017-18 (**Appendix A**)
- Note and agree the Final Letter of Representation to the Wales Audit Office (**Appendix B**)
- Note the appointed auditor's Audit of Financial Statements Report (**Appendix C**)

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06 September 2018

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Background Documents:
Statement of Accounts 2017-18