

SUBJECT: STATEMENT OF ACCOUNTS 2017/18
MEETING: Audit Committee
DATE: 13th September 2018
DIVISIONS/WARD AFFECTED: All Authority

1. PURPOSE:

- 1.1 The purpose of this report is to provide a copy of the annual accounts for the Authority for 2017/18, subsequent to the audit process undertaken by Wales Audit Office (WAO), for consideration appreciating Audit Committee acts as the scrutiny function for the formal Accounts process prior to endorsement or otherwise of the Statements to September full Council meeting.
- 1.2 The Statements in relation to the Trust Funds, will follow at a future meeting, once those audits have been completed.

2. RECOMMENDATIONS:

- 2.1 That the final draft Monmouthshire County Council Statement of Accounts for 2017/18 (Appendix 1), be reviewed in conjunction with the auditors feedback (ISA260 report), and endorsed to full council.

3. KEY ISSUES

- 3.1 Under current legislation, the accounts preparation process, prior to audit, has to be concluded each year by 30th June. Council approval of the accounts follows the audit process which must be completed by 30th September. These accounts were prepared circa 3 weeks ahead of the 30th June deadline.
- 3.2 In an attempt to also undertake the audit of accounts quicker, WAO has sought to provide the ISA260 feedback document (Appendix 2) by the start of September. Given the deadlines for Committee circulation, this has been provided to Members verbatim, so this report provides details of the management pragmatic response or useful clarification, for member consideration of the Accounts.
- 3.3 The Statement of Accounts, shown in Appendix 1, is a highly technical document and its form and content are heavily regulated. In complying with these Standards, the accounts can be highly technical and do not always make easy reading. The main regulations come through the:
 - Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
 - Supported by International Financial Reporting Standards (IFRS).
 - Service Reporting Code of Practice 2017/18

3.4 The formal Statement of Accounts includes the following prescribed reporting focus,

- Annual Governance Statement
- Income & Expenditure Statement
- Balance Sheet
- Cashflow Statement
- Movement in Reserves Statement

3.5 The Income and Expenditure Statement largely reflects the periodic monitoring report at outturn, however there are some additional aspects that appear in the formal Accounting Statements e.g. depreciation, amortisation and impairment of fixed assets which are reconciled in more detail in note 11.1 of the statement of accounts.

4. REASONS

4.1 To review the Council's accounts as presented to external audit, concluding the external audit process, and endorsing the Statement of Accounts as a "true and fair" view to Council.

4.2 It is pleasing to note the auditors intend to provide an unqualified opinion on the Accounts, and management would wish to acknowledge the strength of relationship between Council and WAO, and the professional and helpful way that audit colleagues have conducted their activities.

4.3 Of significant note, the ISA 260 raises the following issues, the council's response to such is included alongside to reassure Members of the ongoing quality of the accounts.

- **Accrued income and deferred income overstated by £1,372,006** – This has been reviewed by the finance team and although it is considered an isolated error due to the complexity of this one specific grant claim process, steps will be put in place to ensure such an occurrence is avoided moving forward.
- **Termination Benefits understated by £15,000** – This has occurred due to an accrual not being made for a contract termination which was agreed close to the financial year end. As such there was a financial obligation for the Authority as at the 31st March 2018 that should have been recognised in the accounts. The directorate finance team responsible will be made aware of their responsibilities in ensuring that all such obligations are accounted for to ensure this error is not repeated.
- **Property, Plant and Equipment overstated by £1,020,000** – The Authority intends to make enhancements to the Revaluation request document to ensure that Estates consider any further potential impairment when major capital projects are being carried out.
- **Grant income and expenditure understated by £343,825** – Although this is a one-off error the finance teams across the Authority will be reminded of the correct financial process when dealing with the receipt of grant income and its subsequent re-allocation.
- **The Council is failing to 'de-recognise' existing infrastructure assets when these assets are replaced or where improvements are made** – The inference is that members may conclude management being deficient against the code of practice. The code of practice requires a depreciated historic cost model to be used for infrastructure assets. The authority is required to ensure assets are carried at their cost less any accumulated depreciation & impairment losses and the Authority is satisfied that we are complying with that requirement. There is currently no requirement to further split down the historic infrastructure base into individual assets or de-recognise individual pieces of roads, bridges, culverts or street lighting for example. Moving forward, we will continue to introduce improvements in better identifying new infrastructure assets when capital expenditure is incurred.

5. RESOURCE IMPLICATIONS

5.1 As outlined in the respective Accounts to be found in the Appendices.

6. CONSULTEES

Strategic Leadership Team
Cabinet Members
Head of Finance
Head of Legal Service

7. BACKGROUND PAPERS

Appendix 1: Statement of Accounts 2017/18

8. AUTHORS:

Jonathan Davies	Finance Manager
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9. CONTACT DETAILS

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