

## AUDIT COMMITTEE

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| <b>Date of Meeting</b> | Wednesday 27 <sup>th</sup> January 2016   |
| <b>Report Subject</b>  | Statement of Accounts 2014/15:<br>Wales Audit Office (WAO) Audit of Financial Statements<br>Report Addendum – Recommendations,<br>FCC Action Plan,<br>WAO Annual Audit Letter |
| <b>Cabinet Member</b>  | Cabinet Member for Finance  |
| <b>Report Author</b>   | Corporate Finance Manager   |
| <b>Type of Report</b>  | Strategic   |

### EXECUTIVE SUMMARY

As part of the final accounts process, every year the WAO present a report 'Audit of Financial Statements' to the Audit Committee upon the conclusion of the audit of the Council's Statements of Accounts. The initial report was presented to the Audit Committee in September 2015. An addendum report setting out their recommendations has now been issued. In response an 'action plan' of how issues raised in the report will be addressed has been produced.

The WAO have also issued the 'Annual Audit Letter' summarising the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004, and reporting responsibilities under the Code of Audit Practice.

### RECOMMENDATIONS

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| 1 | <p>Members note the;</p> <ul style="list-style-type: none"> <li>• WAO Audit of Financial Statements Report Addendum – Recommendations,</li> <li>• Council's Action Plan,</li> <li>• WAO Annual Audit Letter</li> </ul> |
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## **REPORT DETAILS**

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| <b>1.00</b> | <b>EXPLAINING THE APPENDICIES</b>  |
| 1.01        | Attached at Appendix 1 to this report is the WAO addendum to their Audit of Financial Statements Report presented to the Audit Committee and Council on 24 <sup>th</sup> September 2015. The report sets out their recommendations arising from their financial audit work along with the Council's response.  |
| 1.02        | Appendix 2 to this report is the Council's Statement of Accounts Action Plan which summarises: <ul style="list-style-type: none"><li>• The issues raised by the WAO in relation to the Statement of Accounts</li><li>• The Council's response to those issues</li><li>• Actions planned to respond to those issues raised</li><li>• Current assessment of risk in terms of implementation by way of Red, Amber, Green flags (RAG status)</li></ul> |
| 1.03        | The Action Plan includes issues raised in relation to the audit of the Council and the Clwyd Pension Fund.   |
| 1.04        | All actions are progressing, with all actions having a material impact on the statement of accounts rated as green and are on track for implementation or have been completed.   |
| 1.05        | Appendix 3 to this report is the WAO Annual Audit Letter; summarising the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and the reporting responsibilities under the Code of Audit Practice. This was issued by the required date of 30 <sup>th</sup> November and is published here for Members information.  |

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| <b>2.00</b> | <b>RESOURCE IMPLICATIONS</b>  |
| 2.01        | None other than officer time and associated costs to implement the recommendations within the appendices. |

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| <b>3.00</b> | <b>CONSULTATIONS REQUIRED / CARRIED OUT</b> |
| 3.01        | None required.                              |

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| <b>4.00</b> | <b>RISK MANAGEMENT</b>  |
| 4.01        | The main risk is not implementing the recommendations sufficiently which leads to an adverse opinion being expressed by the WAO in relation to future years accounts. |

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|  | Officers have worked with the WAO to develop the action plan and ensure it adequately addresses the issues. Progress in implementing the action plan will be closely monitored by a new Accounts Governance Group consisting of Senior Officers. |
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| <b>5.00</b> | <b>APPENDICES</b>   |
| 5.01        | Appendix 1 - WAO Audit of Financial Statements Report Addendum – Recommendations.<br><br>Appendix 2 – FCC Action Plan<br><br>Appendix 3 – WAO Annual Audit Letter |

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

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| <b>7.00</b> | <b>GLOSSARY OF TERMS</b>  |
|             | <p><b>Agency Arrangement:</b> The Council acts on behalf of another entity as an intermediary eg Welsh Government. Any financial transactions associated with the arrangement should not form part of the Council’s Final Accounts.</p> <p><b>Bank Reconciliation:</b> The process of confirming that all financial transactions on the bank statements through the Council’s bank accounts match those in the cash book.</p> <p><b>Cash Book:</b> The Council’s accounting record of all financial transactions through the bank accounts.</p> <p><b>Cash Receipting:</b> The Council’s system for accounting for income it receives in a variety of methods.</p> <p><b>Central or Support Services Charges or Recharges:</b> Costs associated with Services that don’t provide front line services, known as services that are ‘Central’, ‘Corporate’ or ‘Support’, that for Statement of Accounts purposes need to be allocated across the front line services. Examples include; Corporate Finance, Legal, Human Resources etc.</p> <p><b>Closedown Plan or Timetable:</b> Detailed list of actions and deadlines needing to be completed to achieve the statutory deadline for producing the Council’s pre-audit / draft Statement of Accounts (30<sup>th</sup> June)</p> <p><b>Comprehensive Income and Expenditure Statement (CI&amp;ES):</b> One of the principal statements within the Council’s Statement of Accounts showing the cost in year of providing services in accordance with generally accepted accounting practices (rather than the amount funded from local taxation)</p> |

**Financial Audit:** The annual external audit of the Council's Statement of Accounts.

**Financial Year:** the period of 12 months commencing on 1 April

**Internal Transaction:** When one service department charges another for a service they have provided, for example a charge by the Theatre to a School for pantomime tickets.

**Material:** A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.

**Non-Current Assets:** Also known as fixed assets, assets that provide a benefit to the Council for more than a single financial year. Examples include items of property, plant, vehicles and equipment.

**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.

**Service Reporting Code of Practice (SeRCOP):** A Code of Practice that sets out how the Council must produce its Comprehensive Income and Expenditure Account.

**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.