

AUDIT COMMITTEE

Date of Meeting	Wednesday 24 th January 2018
Report Subject	Proposed Changes to Statutory Deadlines for Local Authority Statement of Accounts
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report outlines proposals by the Welsh Government to change the deadlines by which all Local Authorities in Wales must produce their statutory Statements of Accounts in 2 stages over a four year period.

The report explains the Council's and Wales Audit Office's plans and preparations to meet the first stage of earlier deadlines, and as a result the need to bring forward the September date for the Audit Committee and Council meetings to approve the final audited version of the Statement of Accounts.

RECOMMENDATIONS

1	Members are requested to note the report and the changes to the September meetings of the Audit Committee and Council to approve the Statement of Accounts as explained in paragraph 1.08.
---	--

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	<p>The Accounts and Audit (Wales) Regulations 2014, as set by Welsh Government, specify the statutory deadlines for the approval of Statement of Accounts for all Welsh local authorities. The current deadlines are that the:</p> <ul style="list-style-type: none"> • draft accounts be approved by the Responsible Finance Officer by 30th June. • final audited accounts, approved by the Responsible Finance Officer and Council, and signed by the Appointed Auditor, be published by

	30 th September.															
1.02	<p>The Council's constitution sets out Members' responsibilities for approving the accounts. The Audit Committee receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Audit Committee also consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.</p> <p>Responsibility for approving the accounts is currently a Council function.</p>															
1.03	<p>In line with changes made to legislation in England, WG are proposing to bring forward the deadlines for approving and publishing local authority accounts in Wales as shown in the table below:</p> <table border="1"> <thead> <tr> <th>Financial Year Ending</th> <th>Draft Accounts approved by Responsible Finance Officer</th> <th>Final Audited Accounts Published</th> </tr> </thead> <tbody> <tr> <td>31st March 2018 (2017/18)</td> <td>30th June 2018</td> <td>30th September 2018</td> </tr> <tr> <td>31st March 2019 (2018/19)</td> <td>15th June 2019</td> <td>15th September 2019</td> </tr> <tr> <td>31st March 2020 (2019/20)</td> <td>15th June 2020</td> <td>15th September 2020</td> </tr> <tr> <td>31st March 2021 (2020/21)</td> <td>31st May 2021</td> <td>31st July 2021</td> </tr> </tbody> </table> <p>Whilst WG haven't amended the legislation to date, they have consulted on proposed changes and have given clear indication that it is their intention to make the changes as above.</p>	Financial Year Ending	Draft Accounts approved by Responsible Finance Officer	Final Audited Accounts Published	31 st March 2018 (2017/18)	30 th June 2018	30 th September 2018	31 st March 2019 (2018/19)	15 th June 2019	15 th September 2019	31 st March 2020 (2019/20)	15 th June 2020	15 th September 2020	31 st March 2021 (2020/21)	31 st May 2021	31 st July 2021
Financial Year Ending	Draft Accounts approved by Responsible Finance Officer	Final Audited Accounts Published														
31 st March 2018 (2017/18)	30 th June 2018	30 th September 2018														
31 st March 2019 (2018/19)	15 th June 2019	15 th September 2019														
31 st March 2020 (2019/20)	15 th June 2020	15 th September 2020														
31 st March 2021 (2020/21)	31 st May 2021	31 st July 2021														
1.04	<p>The changes in the table in 1.03 represent a phased approach:</p> <ul style="list-style-type: none"> • The first stage would result in a 2 weeks reduction to the accounts production timetable in 2018/19. • The second stage would result in a further 2 weeks reduction to the accounts production and 4 week reduction to the audit timetables in 2020/21. <p>This will be a significant challenge for accounts preparers and auditors when available resources are declining, although the changes have been widely known for some time and accounts preparers and auditors alike have been preparing for the changes. In addition, the WAO have been holding regional events annually to discuss the early closure of accounts and to share good practice across Wales.</p>															
1.05	<p>The way in which the accounts preparing and audit processes are viewed is changing. Rather than being viewed as a set of discrete tasks in April to</p>															

	<p>June (for accounts preparation) and July to September (for audit), it has to be considered as a continuous project that runs throughout the year, every year.</p>
1.06	<p>The concept of materiality will also need further consideration by all involved. Materiality is a concept used to inform judgements regarding the accuracy of the accounts which could be quantitative or qualitative. In its broadest sense this would mean a misstatement within the accounts that would cause a reader of the accounts to form an entirely different view of a subject.</p> <p>For accounts to be prepared efficiently within shorter timescales more use will be required of data that has been estimated but is materially correct. This will inevitably mean some precision is lost.</p>
1.07	<p>Locally Officers from the Council and the WAO have been discussing early closure for some time and have been making step changes in preparation. Monthly meetings are held throughout the year which report progress and discuss any issues arising at an early stage with a view to resolving as soon as practical. As part of the meetings processes are continually reviewed to see what tasks could be streamlined or done at an earlier point in the year. The accounts production and audit processes are overseen by the Accounts Governance Group, a group of Senior Officers including the Chief Executive, Monitoring Officer and Section 151 Officer. Progress on early closure is regularly reported and reviewed.</p>
1.08	<p>In preparation for the first stage of the changes to statutory deadlines being introduced in 2018/19, it is recommended that the Council amend its accounts production and audit timetable in 2017/18, a year early. This will enable any issues to be resolved in advance of the changes taking place the following year.</p> <p>The impact of this is that the;</p> <ul style="list-style-type: none"> • draft 2017/18 Statement of Accounts would need to be prepared and approved by the Corporate Finance Manager by 15th June 2018 • final audited version of the 2017/18 Statement of Accounts would need to be published by the 14th Sept 2018 (15th September is a Saturday). This includes being approved by Council and signed by the Appointed Auditor. <p>This approach is supported by the WAO and the Accounts Governance Group.</p> <p>This will also mean bringing forward the September date for the Audit Committee and Council meetings to approve the accounts to the second week in September (week commencing 10th September 2018).</p>
1.09	<p>Plans and preparations for shortening the timetable in 2017/18 is well underway. The detailed task by task timetable for accounts preparation has been thoroughly reviewed with actions brought forward wherever possible. This requires all tasks to be completed by the 15th June, the overall deadline.</p> <p>More specifically changes have been made to the detailed task by task</p>

	<p>timetable for sections of work that are critical to the success of producing the accounts by the earlier deadline. These include; capital accounting and valuations of properties, the production of the group accounts which will in 2017/18 incorporate new subsidiaries for the first time, and accounting for changes in employee benefits (pensions in the main).</p> <p>Where possible the Council is working with WAO so that any completed worked can be audited earlier.</p>
	Future considerations
1.10	In reviewing the timetable officers have considered timetables at other Welsh councils. The majority of North Wales councils have delegated responsibility to their Audit Committee for approving the final version of their Statement of Accounts, rather than it being a full Council function. This is something that could be considered at Flintshire in future years. This would require a change in the Council's Constitution and it is therefore suggested that a future report be taken to the Council's Constitution Committee to explore and review options.

2.00	RESOURCE IMPLICATIONS
2.01	<p>There are no direct resource implications as a result of this report.</p> <p>The report explains how the Council plans to meet the challenging changes in legislation being proposed within existing resources.</p>

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

4.00	RISK MANAGEMENT
4.01	<p>The main risk is the Council not being able to meet changes in statutory deadlines for producing the accounts.</p> <p>The purpose of the report is to explain how the Council is preparing for the changes and mitigating the risk.</p>

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Liz Thomas – Technical Finance Manager

Telephone: 01352 702289
E-mail: liz.thomas@flintshire.gov.uk

7.00 GLOSSARY OF TERMS

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

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

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.

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.