



Audit of Financial Statements 2017-18

Rhondda Cynon Taf CBC and Rhondda Cynon Taf Pension Fund

Date: August 2018

- The Auditor General intends to issue an **unqualified audit report** on the financial statements of RCT CBC, however there are some issues to report to you as those charged with governance prior to their approval.
- The Auditor General intends to issue an **unqualified audit report** on the financial statements of RCT Pension Fund. There are no significant issues to report to you prior to their approval.
- A **more detailed report** on the less significant findings from our audits, making recommendations for improvement will be taken to RCT's Audit Committee.

Auditor General's responsibilities and Audit Position

- **Responsibility**
 - The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view.
 - We adopt a concept of materiality, and are not giving absolute assurance.
 - The materiality figure for RCT CBC is £7.7 million.
 - The materiality figure for RCT Pension Fund is £32.1 million.
- **Status of the audits**
 - The audits were completed by 10 August 2018, approximately one month earlier than 2016/17.
 - Once this report has been received and your financial statements signed, the Auditor General will give his opinion and certificate.

Issues arising from the audit

There is **one uncorrected misstatement**. As part of our audit planning, finance staff discussed with us their continued intention not to consolidate all their joint committee figures into RCT CBC's accounts. They did so on the basis that none of the joint committees' figures would be material individually or collectively. We can confirm that this is the case, and consequently will have no impact upon our audit opinion. The Joint Committees not consolidated are:

- Glamorgan Archives; Vale, Valleys and Cardiff Regional Adoption Collaborative; Coychurch Crematorium and Llwydcoed Crematorium
- The total expenditure for these Committees was £1.3 million, and balance sheet figures of £4.5 million.

Issues Arising from the Audit

There are a **number of misstatements that have been corrected by management**. In our view only one of these was significant enough to report to you prior to sign off of the accounts:

- In some cases the fixed asset register had not been updated correctly following reports from the Valuer.
- This resulted in the Cost of Service and Revaluation Reserve both being overstated by £7.5 million in 2017-18, which has now been adjusted.
- The historic impact also resulted in a transfer between unusable capital reserves of £13 million. (From the Revaluation Reserve to the Capital Adjustment Account). This has also been adjusted.
- Both these adjustments are technical accounting entries and have no impact upon the reported surplus or deficit for the year or in any Usable Reserves of the Council.

2018-19 and Future Years

Earlier Statutory deadlines:

Annual financial statements	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

2018-19 and Future Years

For 2017-18 the Council prepared draft financial statements by 31 May 2018. Thus already meeting the 2020/21 deadline, and finance staff have made great progress in producing these, without sacrificing their quality.

There is further work to do though to meet the audit deadlines:

- We will continue to work with the Council to discuss areas which we can audit prior to 31 May.
- Some of the misstatements that we identified as part of the audit could, in our view, have been picked up by the Council if it had a more robust Quality Assurance process.
- The Council needs to consider its governance arrangements around the accounts process, to ensure the meeting dates of those charged with governance (currently Full Council) allow the deadlines to be met.