

# THE POWER OF BEING UNDERSTOOD

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## WALES AUDIT OFFICE

### Final Audit Findings Report

Year ended 31 March 2018

Presented to the Audit and Risk Assurance Committee  
By RSM UK Audit LLP

on 05 June 2018



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This report has been prepared for the sole use of Wales Audit Office and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

# 1 INTRODUCTION AND COVERAGE

This report summarises our key findings in connection with the audit of the financial statements of Wales Audit Office in respect of the year ended 31 March 2018.

The scope of our work has already been communicated to you via our Audit Plan document dated 28 February 2018.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 5.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

## 2 AUDIT AND ACCOUNTING ISSUES IDENTIFIED AT PLANNING STAGE

### Management over ride of internal controls

<b>Area of audit focus</b>	Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.
<b>Our approach</b>	<p>We will test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation.</p> <p>We will review significant accounting estimates and policies which could involve bias resulting in a material misstatement.</p> <p>We will discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report.</p>
<b>Response</b>	<p>The testing was completed as planned with no significant issues identified to report to management.</p> <p>We have tested a sample of the journal entries posted during the year, and this did not highlight any erroneous entries, or items indicative of undue management bias.</p> <p>We have reviewed the significant estimates adopted in the preparation of the financial statements, and we have not identified any areas where there are any indications of management bias.</p>

## Income recognition, WIP and deferred income

### Area of audit focus

The recognition of income, WIP and deferred income is considered to be a significant risk due to the level of judgement applied to the stage of completion of an audit assignment and any provisions required.

### Our approach

We will select a sample of projects that have commenced throughout the year and test the revenue recognised with reference to the stage of completion of the assignment in order to determine that the revenue recognition is appropriate and consequently whether the WIP and deferred income are appropriately stated.

We will review correspondence with audit managers to establish the estimated costs to complete and any required provisions at the year end, considering the impact of any time spent after the year end on these estimations.

We will also review time postings after the year end for any time posted by employees relating to work done before the year end that may not have been factored into the above calculations.

### Response

In prior year audits, we recommended that the Office should regularly consider the actual expected out-turn on projects, and factor this in when calculating the stage of completion for revenue recognition.

This has now been done quarterly, by way of a cost to complete exercise, involving the Resource Managers. This has resulted in management processing an adjustment to reduce reported revenue where costs are expected to exceed the quoted fees by £62k.

We have reviewed costs on a sample of closed projects in the year and, on average, costs exceed the budgeted fees by approximately 3%.

If this sampled difference was applied to the remaining open projects at year end, work in progress would be reduced by a further £141k. This amount has been included as an unadjusted judgemental journal in Section 5 of this report.

As in prior years, we have estimated the potential amount of refund that would be due on open projects which are currently in a deferred income position. A potential reclassification has been included in Section 5.

We also noted as part of our testing that there was audit work in progress of £98k relating to the 2015/16 year end. Difficulties experienced by the WAO in performing this local council audit, which had previously performed by a contracted firm, has resulted in a significant increase in costs to complete the audit.

Although not yet agreed with the council, we understand that the audit fee has been informally discussed and that a further bill will be raised. This has been estimated internally as the £98k referred to above.

As this amount is unconfirmed and still subject to discussion and agreement, concerns remain over its value and recoverability. An adjustment has been made to reverse this amount, as reported in Section 5.

## Reputation

### Area of audit focus

Due to public interest in the financial statements there is a desire to maintain reputation and demonstrate exemplary financial management. Accounting judgements may be influenced by the desire to demonstrate good financial management and remain within the Estimate.

### Our approach

Independent technical review of the accounts and key judgement areas. Review of judgemental aspects in year-end balances particularly focusing on any;

- Round sum provisions
- Estimates
- Recoverability of debtors
- Disclosure of remuneration

### Response

During the course of the audit, we have not identified any areas from the WAO's operations that suggests there are any matters whereby the reputation could appear to be significantly damaged.

We have reviewed judgemental areas, aside of the WIP provisioning, and not noted any areas of inappropriate activity, or areas where the Office has not been acting in a manner which could damage its reputation.

We did however note one complaint made during the year from Community Councils in North Wales with regards to communication in the Welsh language. There was the perception that the contracted audit firm performing the audit not providing a sufficient service in the Welsh language.

Under the Act, the Auditor General for Wales is required to make sufficient efforts to communicate in Welsh. In considering this particular issue, the WAO notes that the contract with the firms is with the WAO and not the AGW.

However, in an effort to improve ongoing relations and services provided, the WAO has taken action to ensure that ongoing services are performing at the highest possible standard.

We have considered the potential reputational impact and risk associated with the above complaint and considered the actions taken by the WAO. We believe the actions taken are a reasonable response to the issue noted.

### 3 AUDIT AND ACCOUNTING ISSUES IDENTIFIED DURING THE AUDIT

#### Repayment of fee and recovery of costs

##### Issue

Management have been notified that the WAO over-invoiced two councils for work performed in both the current year and prior year. This has arisen due to the WAO being wrongly invoiced by an external audit firm, and the councils being invoiced based on the expected fee, rather than a 'per diem' rate.

The draft financial statements included a provision of £83k, being the difference between the amount due to the two Councils (£143k), less the expected recovery of costs from the external firm (£60k).

We understand that the final amounts to be paid and received are yet to be agreed.

##### Resolution

Whilst the liability cannot be fully quantified, we are satisfied that it is appropriate to retain a liability for the expected amount payable.

As the amount and timings of the amount recoverable from the third party audit firm is uncertain, we consider that this amount should not be recognised at the year end. We have included an adjustment to adjust this expected recovery to removed. We are satisfied that no specific disclosure is required in respect of this.

We have included a control observation in Section 6 in relation to this matter.

#### Rates prepayment and accrual

##### Issue

During the course of the audit we identified that there were council rates statements raised during the year that related to annual rates for the 31 March 2019 year end. No accounting entries had been made for this cost. As a result both prepayments and accruals were understated on the Statement of Financial Position.

The appropriate treatment would have been to increase both prepayments and accruals to recognise the future liability in the financial statements. This is consistent with the prior year.

##### Resolution

An adjusted journal has been raised in Section 5 to adjust for this accounting entry.

## HMRC death in service refund

### Issue

It was noted during the prior year audit that correspondence was received from HMRC confirming that the Death in Service costs are not taxable. We noted that during the year to 31 March 2018, a rebate of £58k was received in respect of taxes paid on these costs historically.

This credit has been classified as Other income by management, however this should be considered as a negative cost as this credit would never have been incurred if these costs weren't originally incurred.

### Resolution

An adjustment has now been reported, as detailed in Section 5.

## Firms' actual outturn position

### Issue

As part of our testing over the interaction with firms, we noted that there was a Wales Audit Office overhead allocation to the fees billed to the client. Under the Act, the Office is not entitled to make a surplus on any projects.

This overhead cost allocation exercise is performed at the start of the year to include a majority of indirect costs, however excluding governance costs, HR, ICT and training. We are aware this method fee rate modelling was adopted after taking legal advice when first using this method.

We note however that there is currently no retrospective review to assess the actual cost allocation from the Wales Audit Office. We appreciate that this would be an administrative burden and the Office has sought advice as to the definition of cost and believe this overhead allocation to be appropriate and reasonable.

### Resolution

We currently understand that the definition of "cost" within the act is being discussed. We recommend that the definition of indirect cost allocation is also considered with any amendments of the Act.



## 4 REGULARITY ISSUES IDENTIFIED DURING THE AUDIT

### Procurement

#### Issue

It was noted that for one purchase made only half of the expected supporting documentation as required per the procurement policy could initially be found. For the size of purchase, two written quotations were required. A team member in receipt of these documents is currently unavailable during the audit. Business Services are in the process of locating the second quotation. Regardless, the issue pertains to maintenance of accounting records in line with WAO policy. As such, we have yet to gain evidence that the policy has been followed on this particular item. The value of this particular item was less than £2k.

#### Resolution

Whilst the above is not material in terms of regularity, we note that a process is already in place. Further training is needed to ensure greater consistency in the application of this process to ensure that all documents received are saved in an accessible location.

#### Final comment

We note that post the initial findings, the second written quotation was located and provided to us, with no breaches noted of the procurement policy. The comments within the resolution section remain appropriate however.

## 5 UNADJUSTED/ADJUSTED MISSTATEMENTS

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose we consider “clearly trivial” to be any matter less than £5,000 individually and £10,000 in aggregate.

We advised management of all these misstatements and requested management to correct them.

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Bought in costs	80		To adjust the provision back to amounts owed to County Councils, amounts owed back to WAO not yet confirmed.
Provisions		(80)	
Provisions		20	
Income	(20)		
Prepayments		162	To recognise the business rates invoices that were received pre-year end
Trade Creditors		(162)	
Income	98		To remove income expected but not yet agreed with/by authority
Work in progress		(98)	
Other income	58		To reallocate amounts received in respect of HMRC DIS rebate.
Staff costs	(58)		
<b>Total</b>	<b>158</b>	<b>(158)</b>	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
<i>None identified</i>			
Unadjusted misstatements Judgemental	Dr/(Cr)	Dr/(Cr)	
Deferred Income		87	To reallocate potential refund creditor as at year end
Other Payables		(87)	
Income	141		To provide against open projects at historic production in excess of fee rate
Work in progress - Provisions		(141)	
<b>Underlying total</b>	<b>141</b>	<b>(141)</b>	

## 6 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

### Monitoring of billing schedules/bills raised

<b>Fact and potential consequence</b>	<p>As noted in Section 3 above, the WAO over-invoiced two Councils in previous years.</p> <p>We understand from management that there was an awareness within the WAO with regard to the costs and bills being raised on these particular audits being particularly high, however no internal action was taken to investigate these costs.</p> <p>As a result, this over-invoicing will need to be recovered, and the Office may not be able to recover the full level of the costs paid to the external audit firm who undertook the work.</p>
<b>Possible action</b>	<p>The WAO already has the processes in place to be able to ensure that similar issues do not re-occur. The technical team within the WAO are able to monitor costs on all ongoing audits and compare them to budgeted and historical costs for these audits. Any significant variances should be investigated and explained.</p> <p>Furthermore, the results of this investigation should be communicated to all those required so that the appropriate action can take place.</p> <p>A systematic process should be put in place to regularly review and discuss such variances, and appropriate review and approval of invoices should occur, to ensure that invoices are being raised on the correct basis.</p>
<b>Management response</b>	<p>Agreed. A PPL exercise will be arranged to ensure that the responsibility for monitoring work done by contractor firms, including fees being charged, is clearly understood by all those involved in the process.</p>
<b>Timing of implementation and responsibility</b>	<p>Responsibility is Assistant Auditor General and timing is immediate.</p>

## WIP costs to complete exercise

<b>Fact and potential consequence</b>	<p>It was noted during our review of the costs to complete exercise that the assumptions made in the Resource Managers assessment of open projects at year end appeared to be under resourced in some instances. Consideration for average historical performance as well as the probability of realistic small overspends of general audit practice could have been built in to the cost to complete exercise with more detail.</p> <p>It was noted that a large proportion of the open projects at year end were estimated to run exactly to budgeted costs.</p>
<b>Possible action</b>	<p>The cost to complete exercise should factor in acknowledgement to the appropriateness of historical actual performance. We appreciate that there are few periods for comparison, though these should remain under review.</p>
<b>Management response</b>	<p>Partially agreed. Resource managers now assess the cost to complete of all projects each month and as a result overall management of projects is much improved than historical performance would suggest. This will however be kept under review.</p>
<b>Timing of implementation and responsibility</b>	<p>Responsibility: Head of Finance. Timing: on-going.</p>

## 7 SIGNIFICANT FINDINGS FROM THE AUDIT

### Accounting practices, including accounting policies

We have reviewed the accounting policies adopted by the WAO, and found that these are consistent with those adopted in previous years, remain appropriate and have been generally fully disclosed.

### Accounting estimates

As part of our audit, we review the significant accounting estimates contained within the financial statements of the WAO. We note the following:

#### Costs to complete/work in progress

Our work indicates that the historical estimates of costs to complete are materially accurate, and that estimates made by the Resource Managers are an appropriate basis to determine percentage completion

#### Dilapidations provision

These continue to be derived using latest available third party surveyor reports, and there is no evidence that these are not an appropriate source of evidence to derive such provisions. The Wales Audit Office should consider procuring a more current survey of the Cardiff office, so the required level of provision can be updated.

#### Refund provisions

Subject to comments made previously, this appears to be derived on an appropriate basis.

### Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006. The following disclosure matters were brought to your attention and subsequently reflected in the revised financial statements:

- It was noted that in the first draft of the financial statements, the voluntary disclosure for the IFRS 16 total lease costs was calculated incorrectly. This was subsequently updated.
- During the audit, it was noted by WAO management that the polarisation of working capital movements in the SORO was the wrong way around. It was then further identified that the polarisation of the Statement of Cash Flows was also incorrect. Both were subsequently updated.

The following disclosure issues were identified by our review of the financial statements, but were not updated, which we can accept on the grounds that they are not significant to the opinion we provide on the financial statements:-

- Clarification within the notes to the accounts, which areas are considered key judgements, and which balances are reliant on key management estimates
- Inclusion of a clear accounting policy for pensions
- Enhancement of the current accounting policy for revenue recognition

## **Significant difficulties encountered during the audit**

No significant difficulties were encountered during the course of our audit and we would like to take this opportunity thank the finance team for their assistance during the audit.

## 8 UNCERTAINTIES, RISKS, EXPOSURES, JUDGEMENTAL ISSUES AND GOING CONCERN

There are no further matters that we wish to bring to the attention of the committee.

### **Going concern**

Given the ongoing funding received from the Welsh Government, we are satisfied that we can agree with the Directors that there are appropriate grounds for concluding that the WAO remains a going concern.

## 9 FEES

We confirm that the fees charged during the year in respect of services performed for Wales Audit Office are consistent with those contained within our Audit Plan submitted to you and dated 28 February 2018.

## 10 INDEPENDENCE

In accordance with International Standard on Auditing (UK) 260 “Communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Wales Audit Office and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP’s independence and the objectivity of the audit principal, John Da Costa and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 28 February 2018.



## APPENDIX A - DRAFT LETTER OF REPRESENTATION

RSM UK Audit LLP  
Third Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

Dear Sirs

### **Audit of Financial Statements– Year ended 31 March 2018**

We confirm to the best of my knowledge and belief, and having made appropriate enquiries of other senior executives of the Wales Audit Office, the following representations given to you in connection with your audit of the financial statements for the period ended 31 March 2018.

The following representations reflect circumstances up to the date of this letter, on which the financial statements were approved, and management's knowledge and intentions regarding the future of the Wales Audit Office.

### **Responsibility for financial statements**

We acknowledge our responsibilities under the Public Audit (Wales) Act 2013 and Treasury Directions made in accordance with that Act for maintaining adequate accounting records and for preparing financial statements in accordance with the applicable accounting framework that give a true and fair view and for making accurate representations to you.

We confirm that we have taken all the steps we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors were unaware.

### **Availability of information**

All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records. All other records and related information have been made available to you, including the minutes of all committee meetings, which are a complete and authentic record of the proceedings at those meetings. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

### **Related party transactions**

We have disclosed to you the identity of the related parties and all related party relationships and transactions of which I am aware. There were no transactions with the WCF and with the audited bodies other than those in the ordinary course of business (fees) requiring disclosure in the financial statements. There were no other transactions with related parties requiring disclosure during the year.

## Use of funds and regularity

- We acknowledge our responsibility, as specified by the Public Accounts Committee of the National Assembly under the Public Audit (Wales) Act 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the National Assembly for Wales and that the financial transactions conform to the authorities which govern them.
- To the best of our knowledge and belief we confirm that, in all material respects, the expenditure disbursed and income received during the year ended 31 March 2018 have been applied to purposes intended by Parliament and the National Assembly for Wales and the financial transactions conform to the authorities which govern them.
- Neither the board nor the senior management team have knowingly authorised a course of action, the financial impact of which was that transactions infringe the requirements of regularity.
- All transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records.
- There were no events of which we are aware which involve suspected non-compliance with the framework of authorities which govern the running of the Office.

## Assets

### 1. General

All assets included in the Statement of Financial Position belong to the Wales Audit Office and except as disclosed in the accounts were free from any charge. All non-current assets belonging to the Wales Audit Office are included.

### 2. Impairment of non-current assets

Each non-current asset is worth to the Wales Audit Office at least the amount at which it is included in the Statement of Financial Position, either through continued use by the Wales Audit Office or through the opportunity for sale on the open market.

## Liabilities

### 1. General

All known liabilities of the Wales Audit Office at 31 March 2018 have been included in the balance sheet. All secured liabilities are disclosed.

### 2. Contingent liabilities

There were no contingent liabilities at the balance sheet date. All guarantees or warranties or other financial commitments have been fully disclosed in the financial statements. There were no known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.

We confirm we have disclosed to you all banking and financing arrangements including related contracts and hedging products. We confirm that no tax avoidance schemes were used by the Wales Audit Office.

### Accounting estimates

We confirm that all significant assumptions used in making accounting estimates, including where applicable those measured at fair value, are reasonable in the circumstances, and appropriately reflect our intentions and our ability to carry out the specific courses of action necessary to justify the accounting estimates and disclosures. The disclosures in the financial statements relating to accounting estimates are complete and appropriate.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We further confirm to you that the estimated value of the dilapidations provisions are, to the best of our knowledge, an accurate assessment of the expected value to return the three properties back to their original state. We hereby confirm to you that the value of the dilapidations provisions in total is £646,676.

We confirm directly to you that the estimated value of the provision for costs repayable to local authorities, in respect of overbilled amounts by contracted firm auditors totals £143,000. This estimate is to the best of our knowledge an accurate assessment of the expected value of the provision expected to be refunded to local authorities.

### Commitments

All commitments of the Wales Audit Office of a material amount, whether of a capital or revenue nature, have either been provided for or noted in the financial statements as appropriate. An adequate provision has been made for any losses, which may be expected to result there from, or from events which had occurred before 31 March 2018.

### Remuneration report

All amounts paid to members of the Wales Audit Office Management committee have been appropriately included in the Remuneration Report.

All items of personal expenditure paid by the Wales Audit Office on the Management committee's behalf have either been reimbursed by the individuals concerned or have been treated as benefits in kind.

The benefits in kind in respect of the PAYE settlement will be met by the Wales Audit Office. This has been fully disclosed in the remuneration report.

No member of the Management committee or their connected persons had any indebtedness (or agreement concerning indebtedness) to the Wales Audit Office at 31 March 2018 or at any time during the year.

### Governance Statement

We confirm the Governance Statement within the Annual Report fairly reflects the Wales Audit Office's current position in relation to our compliance with internal control requirements set out in HM Treasury's guidance.

### Fraud and regulation

We acknowledge that the responsibility for the detection of fraud, error and non-compliance with laws and regulations rests with me. We confirm that we are not aware of any known or suspected frauds, error and non-compliance, involving management, employees or third parties which may have a material effect on the financial statements. We confirm that, insofar as we are able to determine, in my opinion the financial statements are not materially misstated as a result of fraud.

In particular we confirm that the Wales Audit Office has made full disclosure of actual or suspected fraud brought to our attention by employees, former employees and other external parties.

We confirm that there has been no possible or actual instance of non-compliance with those laws and regulations which are central to the Wales Audit Office's ability to conduct its business, except as explained to you and as disclosed in the financial statements.

#### **Events subsequent to the date of the Statement on Financial Position**

There were no events, transactions or discoveries since the Statement of Financial Position date which:

- would have a material effect on the financial statements, or
- are of such importance to users of the financial statements that they should be disclosed in the financial statements.

Yours faithfully

Signed on behalf of the board of Wales Audit Office

.....  
Huw Vaughan Thomas

Auditor General for Wales and Accounting Officer

## APPENDIX B - UPDATED FINANCIAL REPORTING DEVELOPMENTS

### Details of amendments to the 2017–18 FReM

#### Latest developments

Paragraph	Change	Reason for change
1.1.5	Footnote added: Early application of EU adopted IFRS before the effective date is permitted with the consent of the relevant authority.	In certain circumstances, entities may wish to early adopt certain EU adopted IFRS. A footnote has been added to clarify that this is permitted with the consent of the relevant authority.
1.2.1 b)	Footnote added as reference the IFRS Practice Statement 2: Making Materiality Judgements issued by the IASB in September 2017.	To reflect release of the new Practice Statement.
2.2.8	Deleted paragraph referencing the Disclosure Initiative.	Activities of the IASB's disclosure initiative have been subsumed into the relevant accounting standards or are at an early stage in the research/consultation stage process. An explicit reference to the disclosure initiative is no longer required.
5.2.8 bullet point 3	Performance Report - Additional requirement to include a brief description of the business model and environment, organisational structure, objectives and strategies.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.2.10 bullet point 1	Performance Report - Additional requirement to provide explanatory narrative around the link between KPIs, risk and uncertainty.	To strengthen performance reporting.
5.2.10 bullet point 2	Performance Report - Additional requirement to provide an explanation of the relationships and	To strengthen performance reporting.

Paragraph	Change	Reason for change
	linkages between different pieces of information within the ARAs.	
5.2.10 bullet point 3	Performance Report - Inclusion of the need to report on non-financial information pertaining to social matters, respect for human rights, anti-corruption and anti-bribery matters.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.2.10 bullet point 4	Performance Report - Additional requirement to provide information on environmental matters including the impact of the entity's business on the environment.	Enhanced reporting on sustainability to strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.3.27	Separate the reference to the guidance from the statement that departments should exclude ALBs from the calculation.	Clarify that the guidance did not only apply to departments.
5.3.28 f)	Staff Report - Additional requirement to provide information on other employee matters such as diversity issues and equal treatment in employment and occupation not already disclosed as well as employment issues, health and safety at work, trade union relationships and human capital management such as carer management and employability.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
8.1.6 – 8.1.7	Amendments made to the text reference all possible sources of EU income.	To address gap in the wording.
8.2.20 – 8.2.21	New section added for Devolved Tax Accounts – Scotland.	Differentiate accounting and disclosure requirements for bodies in Scotland.

Paragraph	Change	Reason for change
8.4.1 – 8.4.2	New section added for the Apprenticeship Levy.	Apprenticeship Levy required to be recorded for the first time in 2017-18.
9.1.1	Alpha Pension Scheme added.	New pension scheme.
10.2.2 b)	Revised wording on what information needs to be reported for each operating segment.	Update terminology.
10.2.6 b)	The following line has been deleted: “contributions from employees are to be shown in the financial statements as a deduction from the current service cost”.	Following discussions during 2015-16 accounts, it was identified that this adaptation was not appropriate for WGA. By removing this adaptation, WGA will revert back to the requirements of IAS 19.
10.4.3	Wording amended on the governance body for WGA.	WGA advisory group has been disbanded and the governance function is now performed by the HM Treasury Audit Committee. Wording updated to reflect that HMT AC scope goes beyond WGA.
Annex 4	Link to 2016-17 CBG changed to 2017-18 CBG.	Updated link.
Department Yellow, Agency Pink, NDPB Green	Illustrative disclosure added reconciling liabilities arising from financing activities.	Amendments to IAS 7. Illustrative disclosures available for those early adopting in 2017-18.
Department Yellow, Agency Pink, NDPB Green	Throughout, additional line items and guidance notes added.	To provide additional guidance, improve clarity and consistency emphasising that material transactions and balances should be separately identified in the primary statements and notes.