

AUDIT & GOVERNANCE COMMITTEE

31st March 2016

Report of the Director of Finance

FINAL ACCOUNTS 2015/16 – ACTION PLAN

Purpose

To provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2015/16 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Recommendations

That:

- 1. the target of 31st May 2016 for closure of the final accounts and production of a draft statement for 2015/16 be approved;**
- 2. staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required); and**
- 3. the Statement be presented to the Audit & Governance Committee on 22nd September 2016.**

Executive Summary

The Accounts and Audit Regulations 2015, require that the statement of accounts be produced by 30th June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30th September.

The key issues affecting the achievement of these deadlines are detailed in **Appendix A**. The action plan identifies key processes and milestones in achieving the statutory requirement.

The way the Council prepares and reports its accounts (including professional reporting standards and statutory timetables) is a key element within the Council's External Auditor's', (Grant Thornton - GT) assessment of the Council performance within the Annual Audit Letter.

The action plan is a key element in the process to deliver the Council's final accounts in compliance with legislation and maintain a high quality standard.

Key milestone dates will be regularly reviewed / monitored to achieve deadlines with material variances reported to CMT and Members (with proposed remedial actions).

The information provided (detailed in **Appendix B**), although not comprehensive, highlights information that will need to be supplied in order to meet the deadline.

Key milestones – Provisional Dates:

- Completion of the draft accounts by 31st May 2016;
- Detailed management quality assurance review by 10th June 2016;
- Submission to Grant Thornton (and to Members) on or before 30th June 2016;
- Report to Audit & Governance Committee on 22nd September 2016;
- Latest publish date 30th September 2016;

Consideration and approval of this report is a key control and evidence of the Council's plans for the closedown and production of its accounts in compliance with statutory requirements.

Future Changes

The Accounts and Audit Regulations 2015 have incorporated the changes to statutory reporting deadlines included in the Government Local Audit and Accountability Act 2014. The Act sets out the vision for the new local audit framework, and contains additional measures which are complementary to existing initiatives to increase transparency and enable local scrutiny of public bodies.

The Government's view is that earlier publication of the accounts would enhance authorities' accountability to local residents, and assist their own financial management by providing earlier assurance on the previous year's financial outturn. Local authorities are a significant component of the Government's Whole of Government Accounts, and the current local government timetable is one barrier to bringing forward the publication date of those accounts.

The Government believes that the disparity between the timetables for local government and other parts of the public sector justifies a reconsideration of the current dates.

The two key changes in the regulations are:

- An earlier timetable for the preparation and publication of the statements of accounts for authorities; and
- Reform of the rules on the exercise of the public's rights to inspect the accounting records and to put objections and questions to the auditor.

The Government proposes to bring forward the existing dates of **30 June and 30 September to 31 May and 31 July as from the accounts for 2017-18** for accounts being signed and certified by the Responsible Financial Officer

and then approved and published. This period of notice is intended to give authorities time to make the necessary changes in their processes and auditing firms time to adjust their business models accordingly. But it is hoped that authorities will move to the new timetable as soon as they can; some indeed already comply.

For 2015/16 the Council plan to bring forward the completion date for the Statutory Accounts – with a target completion of 31st May in line with the new regulations.

Legal and Risk Implications

The Council has a statutory duty to prepare the Draft Statement of Accounts by 30th June 2016.

There is a risk that if the Council is not sufficiently pro-active, the Council's Statement of Accounts may not remain compliant with both the Code of Practice on Local Authority Accounts and International Financial Reporting Standards (IFRS) which would result in a potential delay or criticism over the production of the Accounts and potentially a qualified audit opinion.

The following top level risks have been identified. The full details are contained within the Covalent risk register.

Risk No	Likelihood	Impact	Action Required to Manage Risk
1	Further research reveals the new requirements of either the Code of Practice or IFRS to be more complex and time consuming than initially thought.	M H	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies
2	Incorrect interpretation of changes in either the Code of Practice or IFRS	M H	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented.
3	Guidance by CIPFA changing possibly causing delays	M H	Regular review and rescheduling of project timetable
4	Inadequate training	L M	Research available training, ensure all relevant staff attend, training budget to be adequate
5	Failure to identify all leases	L M	Ensure staff understand exactly what is involved / process to outline the requirements
6	Key staff leaving	L M	Ensure there are sufficient skills within the team to cover

Resource and Value for Money Implications

There are no financial implications arising from this report.

A significant amount of work will need to be undertaken during the period March through to early June to ensure completion of the Financial Statements by 31st May. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadline / key milestones will be closely monitored.

Report Author

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Background papers	Accounts and Audit Regulations 2015
	Code of Practice on Local Authority Accounting in the United Kingdom (2015/16) based on IFRS

Key Issues in the Production of the Statement of Accounts

One of the main ways a Local Authority communicates its financial performance to local stakeholders and the wider community is through its published financial statements.

The Accounts and Audit Regulations 2015 require that the statement of accounts be produced by 30th June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30th September. This was successfully achieved for the 2014/15 financial year with draft accounts being prepared by the 30th June 2015 and audited accounts approved by the Audit and Governance Committee, at its meeting on 24th September - in compliance with the statutory deadline.

Between completion of the statement in May and the conclusion of the on-site audit in July, a substantial amount of work will be required liaising with the external auditors to ensure an unqualified audit report.

Following the completion of the 2014/15 audit the only amendments to the Statement of Accounts were minor and were only to enhance the disclosure notes – no change to the primary statements.

To meet the necessary deadlines, the closure process for 2014/15 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2014/15 included:

- the need for corporate ownership of the process;
- reliance on staff in Directorates and third parties who have other priorities;
- the need for key officers (lead by Corporate Finance) to focus on the achievement of critical deadlines, in the face of and in preference to other competing priorities;
- the need to check/validate creditor accruals (and avoid large numbers of reversals where evidence cannot be provided) – it would aid timely completion of the process if accruals were processed by Managers in compliance with laid down parameters (i.e. receipt of goods/services **before** 31st March);

Commitment will be required to ensure that appropriate time and staffing resources will be focussed on the achievement of the key tasks within all directorates.

A planning meeting has already been held with the Audit Lead from Grant Thornton to discuss the draft timetable of the year end process (**Appendix C**) with further meetings arranged prior to the commencement of the onsite audit of the accounts to discuss progress to date.

A detailed year end timetable has been prepared (**attached at Appendix B**) and communicated; ensuring tasks are allocated, in the right sequence, to named individuals. The timetable will include a firm cut off date for accruals and practical details, such as publication and committee deadlines.

It is essential that there is a review at the end of closedown to highlight any lessons to be learned for next year. Equally vital is clear supporting documentation and an audit trail. These will not only help in the current year audit process but will be a sound base for future years.

A risk management approach is essential when resources are limited. The focus will be on known areas of risk based on past experience. A summary of issues from the 2014/15 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping. There is still some room for development to ensure an efficient closedown for 2015/16.

2014/15 - Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A number of manual accruals were received after the deadline and following identification by Accountant (i.e. not identified proactively by budget managers) – improvement needed as any late or missed accruals could delay the process and create additional work	By 31/3/16, Directorates will be asked to ensure that where goods/services have been received the majority of orders are 'goods received' within e-financials, thereby generating 'auto-accruals' on 1/4/16 The minimum level for manual accruals will be £5k (as set by Executive Director Corporate Services). However, should material accruals have been missed (i.e. over £5k) then the Service Accountant must be advised and appropriate action taken	ALL
Related Party Transactions	Again - Delayed return of some signed statements.	Requirements for any remaining Members to be contacted in person at Council/Committee meetings - for sign off by 30/4/16 at the latest.	Solicitor

A flexible 'teamwork' approach to make the most of scarce staff resources will be implemented, if necessary. Agreed variations to the flexible working policy or overtime pay (under the discretion of the Director of Finance) to speed up the closure of accounts would be considered as well as the need to bring in contract staff.

System weaknesses can cause delays and frustrations and appropriate contingency support will be essential, should problems arise.

Procedures have been in place for a number of years to ensure that key reconciliations are performed on a monthly basis during the year and centrally managed suspense or bank control accounts are cleared regularly.

The continued requirement to prepare accounts under IFRS will require a well thought-out approach to the use of estimates and de minimus levels for year-end accruals.

This has already been discussed and agreed with Grant Thornton during the planning meeting held on 5th February 2016 with further planning meetings scheduled during the coming weeks to communicate progress and discuss any issues that may arise.

The aim should be to provide appropriate information to enable the efficient closedown without the need to re-open the accounts for late / omitted items i.e. a 'get it right first time' approach. Managers should make every endeavour to include appropriate accruals, temporary reserves and retained funds and provide the required information in a timely manner.

Knowing the previous year's outturn position earlier will help inform not only the current year's financial performance monitoring but the forthcoming year's budget strategy.

It could also further boost confidence in the Council's financial management - the timeliness and accuracy of the financial statements and the supporting records form part of the auditor's assessment within the Annual Audit Letter.

Appendix B

Ref	CORPORATE REQUIREMENTS FINAL ACCOUNTS 2015/16	LEAD OFFICER	DEADLINE
1	Temporary Reserve / Retained Fund information	ALL	14/03/2016
2	Review all outstanding orders and delete where necessary	ALL	05/03/2016
3	All "goods receipts" should be on e-financials by 31/03/16, with evidence held by the Service Departments, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 05/03/16)	ALL	31/03/2016
4	Deadline for approved manual accruals. (ie goods need to be received by 31/03/16.) Refer to year end guidance	ALL	08/04/2016
5	Staff Holiday and Flexi Leave entitlement as at 31/03/16	ALL	08/04/2016
6	Manual accruals to be kept to a minimum, with EDCS approval/authorisation only. The minimum level for manual accruals will be £5,000. (However, should material accruals have been missed (i.e. over £5,000) then the Directorate Accountant must be advised and appropriate action taken)	ALL	08/04/2016
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/16 and information returned to accountancy	ALL	04/04/2016
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/03/16 will be issued	ALL	04/04/2016
9	IT stock purchases and disposals (hardware and software) information	DTCP	04/04/2016
10	Bad debt information: e-financials Sundry Debtors and overpayments Homelessness and Housing Rents	DF DF DHH	08/04/2016
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	DAES	Draft by: 01/04/2016 Final Certified by: 08/04/2016
12	All reconciliations to be complete and returned to accountancy; debtors, benefit, HAA/mortgages, rent, car loans, rent allowance etc. (monthly reconciliations should be completed during the year)	ALL	08/04/2016
13	HAA SOCH Mortgage principal repayment information	DF	08/04/2016
14	Related Party Transaction information. Requirement to be sent by 21/03/16 - Approach at Committee if delayed	EDCS S&MO	08/04/2016
15	Housing Capital salaries detailed by capital project	DAES	08/04/2016
16	Managers confirmation of continued existence and responsibility for assets	ALL	08/04/2016

Ref	CORPORATE REQUIREMENTS FINAL ACCOUNTS 2015/16	LEAD OFFICER	DEADLINE
17	Information for completion of DWP and Subsidy estimated claims from benefits	Head of Benefits	08/04/2016
18	Sale of council house enhancement information (Reg 14)(final quarter)	DAES	08/04/2016
19	Improvement grant reconciliation	DAES	08/04/2016
20	Collection fund information (NNDR3)	EDCS DF	22/04/2016
21	FRS17 Pension information from SCC Pension Fund	SCC	22/04/2016
22	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	29/04/2015
23	Review grant estimates (Benefits) / comparison to actual submissions	Head of Benefits	29/04/2016
24	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/16

Audit Planning Timetable 2015/16

Date / Deadline	Completion of:	
05/02/16	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc) key dates to be agreed with Audit Commission	
Feb 2016	Cipfa / GT Workshops	
14/03/16	Interim Visit (9 days) – walkthrough and early testing	
31/03/16	Audit Planning Meeting / requirements	
31/03/16	Opinion audit plan to Audit & Governance Cttee	
27/04/16	Audit Planning Meeting / requirements	
25/05/16	Audit Planning Meeting / requirements	
31/05/16	Draft Statement preparation	
2 weeks	Quality assurance	
30/06/16	Submission of Accounts (to GT / Members)	
30/06/16	High Level Audit Plan for 2015/16 Audit confirmed (for planning / management purposes)	
Early July	Engagement Lead review	
04/07/16	On Site Audit Commences (prepare working papers / reconciliations / quality assurance process)	
11/07/16	Weekly Meeting with Audit Manager (including emerging Governance report issues) - issues to date documented in one logical list i.e. no repeated issues	Accountants / Key Officers to be available for Auditor questions by appointment
18/07/16	Weekly Meeting with Audit Manager	
22/07/16	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
22/07/16	Appointed Day	
22/07/16	Draft list of audit amendments / issues received (subject to Engagement Lead review)	
29/07/16	Final list of audit amendments / issues received (after Engagement Lead review)	
By		
29/07/16	Close out meeting (with Engagement Lead review)	
06/08/16	Amended Statement of Accounts prepared	
02/09/16	Audit Findings Report received	
22/09/16	Audit Findings Report to Audit & Governance Committee	
22/09/16	Sign Off	
30/09/16	Publish at latest	