

## AUDIT & GOVERNANCE COMMITTEE

28<sup>th</sup> March 2019

### Report of the Executive Director Finance

#### FINAL ACCOUNTS 2018/19 – 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 2018/19 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

##### Recommendations

That:

1. **the target of 24<sup>th</sup> May 2019 for closure of the final accounts and production of a the statement for 2018/19 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);**
3. **CMT receive a fortnightly update until completion of the audit; and**
4. **the Statement be presented to the Audit & Governance Committee on 25<sup>th</sup> July 2019.**

##### Executive Summary

The Accounts and Audit Regulations 2015, requires that the 2018/19 Statement of Accounts be produced by 31<sup>st</sup> May 2019, and for them to be audited and approved before 31<sup>st</sup> July 2019.

The annual plans for the production of the statutory accounts for recent years has been reviewed so that the draft accounts have been produced before the deadline of 31<sup>st</sup> May each year. The 2017/18 Statement of Accounts were prepared by 25<sup>th</sup> May 2018, with the final audited accounts approved by the Audit and Governance Committee on 26<sup>th</sup> July 2018.

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 Councils' External Auditor's, (Grant Thornton - GT) assessment of the Councils 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). It is proposed that CMT receive an update, by exception, every 2 weeks until completion of the audit.

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 24<sup>t</sup> May 2019;
- Detailed management quality assurance review by 31<sup>st</sup> May 2019;
- Submission to Grant Thornton (and to Members) on or before 1<sup>st</sup> June 2019;
- Report to Audit & Governance Committee on 25<sup>th</sup> July 2019;
- Latest publish date 31<sup>st</sup> July 2019;

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.

### Legal and Risk Implications

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.

<b>Risk No</b>	<b>Description of Risk</b>	<b>Likelihood Impact</b>	<b>Action Required to Manage Risk</b>
<b>1</b>	Further research reveals the new requirements of either the Code of Practice or IFRS to be more complex and time consuming than initially thought.	<b>M H</b>	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies

<b>Risk No</b>	<b>Description of Risk</b>	<b>Likelihood Impact</b>	<b>Action Required to Manage Risk</b>
<b>2</b>	Incorrect interpretation of changes in either the Code of Practice or IFRS	<b>M H</b>	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented and agreed with External Audit.
<b>3</b>	Guidance by CIPFA changing possibly causing delays	<b>M H</b>	Regular review and rescheduling of project timetable
<b>4</b>	Delay in receiving information from external parties / contractors	<b>M H</b>	Ensure regular contact with all concerned and continually monitor completeness of the information provided
<b>5</b>	Inadequate training	<b>L M</b>	Research available training, ensure all relevant staff attend, training budget to be adequate
<b>6</b>	Failure to identify all leases	<b>L M</b>	Ensure staff understand exactly what is involved / process to outline the requirements
<b>7</b>	Key staff leaving	<b>L M</b>	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 February through to 24<sup>th</sup> May to ensure completion of the Financial Statements by 31<sup>st</sup> 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**

Please contact Lynne Pugh, Assistant Director Finance extension 272.

<b>Background papers</b>	Accounts and Audit Regulations 2015
	Code of Practice on Local Authority Accounting in the United Kingdom (2017/18) 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.

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 2017/18 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 2017/18 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2017/18 included:

- the need for corporate ownership of the process;
- reliance on staff in Services 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** 31<sup>st</sup> 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 Services.***

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 2017/18 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping – together with fortnightly updates to CMT. There is still some room for development to ensure an efficient closedown for 2018/19.

### 2017/18 - Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A reduced number from previous years but still several manual accruals were received after the deadline and/or 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 31/03/19, Managers 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 01/04/19  The minimum level for manual accruals will be £5k (as set by Executive Director Finance). 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 30/04/19 at the latest.	Head of Paid Service
External Valuations	Delays / incomplete information from external valuers	Terms of engagement have be re defined with regular meetings arranged so that any issues can be quickly identified and solutions found at an earlier stage	Finance and Assets

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 Executive Director 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. A full review of all working papers has been carried out with key staff during the year in preparation for the 2018/19 closedown.

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.

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	LEAD OFFICER	DEADLINE
	FINAL ACCOUNTS 2018/19		
1	Temporary Reserve / Retained Fund information	ALL	05/04/2019
2	Review all outstanding orders and delete where necessary	ALL	01/03/2019
3	All "goods receipts" should be on e-financials by 31/03/19, with evidence held by the Service Managers, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 01/03/19)	ALL	31/03/2019
4	Deadline for approved manual accruals. (ie goods need to be received by 31/03/19.) Refer to year end guidance	ALL	05/04/2019
5	Staff Holiday and Flexi Leave entitlement as at 31/03/19	ALL	05/04/2019
6	Manual accruals to be kept to a minimum, with EDF 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 Service Management Accountant must be advised and appropriate action taken)	ALL	05/04/2019
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/19 and information returned to accountancy	ALL	05/04/2019
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/03/19 will be issued	ALL	05/04/2019
9	IT stock purchases and disposals (hardware and software) information	ADP	05/04/2019
10	Bad debt information: e-financials Sundry Debtors and overpayments Homelessness and Housing Rents	ADF	05/04/2019
		ADN	05/04/2019
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	ADA	Draft by: 01/03/2019 Final Certified by: 01/04/2019
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	05/04/2019
13	HAA SOCH Mortgage principal repayment information	ADF	05/04/2019
14	Related Party Transaction information. Requirement to be sent by 21/03/18 - Approach at Committee if delayed	S151	05/04/2019
		HoPS	05/04/2019
15	Managers confirmation of continued existence and responsibility for assets	ALL	05/04/2019
16	Information for completion of DWP and Subsidy estimated claims from benefits	Head of Benefits	05/04/2019

Ref	CORPORATE REQUIREMENTS	LEAD OFFICER	DEADLINE
	FINAL ACCOUNTS 2018/19		
17	Improvement grant reconciliation	ADA	05/04/2019
18	Collection fund information (NNDR3)	ADF	18/04/2019
19	IAS19 Pension information from SCC Pension Fund	SCC	18/04/2019
20	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	18/04/2019
21	Review grant estimates (Benefits) / comparison to actual submissions	Head of Benefits	18/04/2019
22	Review potential post balance sheet events / impact on accounts	ALL	Up to 31/07/19



<b>Audit Planning Timetable 2018/19</b>		
<b>Date / Deadline</b>	<b>Completion of:</b>	
24/01/2019	1st Interim Visit (5 days) – walkthrough and early testing	
11/02/2019	2nd Interim Visit (5 days) – walkthrough and early testing	
14/02/2019	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc)	
Feb 2019	GT Workshop	
28/03/2019	Audit Planning Meeting / requirements	
28/03/2019	Opinion / Informing the Audit Risk Assessment and Audit Plan to Audit & Governance Cttee	
24/05/2019	Draft Statement preparation	
1 weeks	Quality assurance	
<b>31/05/2019</b>	<b>Submission of Accounts (to GT / Members)</b>	
	High Level Audit Plan for 2018/19 Audit confirmed (for planning / management purposes)	
Early June	Engagement Lead review	
27/05/2019	Off Site Audit Commences (prepare working papers / reconciliations / quality assurance process) (LG).	Accountants / Key Officers to be available for Auditor questions by appointment
	Weekly Meetings with Audit Manager (including emerging Governance report issues) - issues to date documented in <b>one logical list i.e. no repeated issues</b>	
28/06/2019	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager (LG)	
<b>Weekly</b>	<b>Draft list of audit amendments / issues received (subject to Engagement Lead review)</b>	
<b>28/06/2019</b>	<b>Final list of audit amendments / issues received (after Engagement Lead review)</b>	
<b>By 28/06/2019</b>	<b>Close out meeting (with Engagement Lead review)</b>	
<b>11/07/2019</b>	Amended Statement of Accounts prepared	
<b>11/07/2019</b>	Audit Findings Report received	
<b>16/07/2019</b>	Audit Report to be circulated via Modgov	
<b>25/07/2019</b>	Audit Findings Report to Audit & Governance Committee / Sign Off	
31/07/2019	Publish at latest	

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