

## Appendix A – Accounts Closure Improvement Plan

Theme	Issue Identified	Ref	Action (taken or to be taken)	Deliverable Date	Status	Responsible
<b>STATEMENT OF ACCOUNTS</b>						
Resourcing issues leading to lack of capacity to review	The accounts preparation has historically relied heavily on a small team which for 2016/17 included an interim resource in a key post. Changes to the Statement of Accounts and difficulties encountered meant that the team had insufficient capacity to undertake sufficient review and quality control as part of the process.	1.1	Closing team to be fully recruited, with appropriately experienced and able staff.	N/A	Complete	Assistant Director of Finance (CSG)
		1.2	Prepare a resourcing plan for the closing team which identifies and allocates responsibility for review and quality control processes and demonstrates that there is capacity within the team for these processes to be adequate	31/10/2017	In progress	Head of Finance (Closing)
		1.3	Allocate responsibility for each note to the accounts to members of the wider CSG finance team including Senior Business Partners and Business Partners	30/11/2017	Not started	Head of Finance (Closing)
		1.4	Deliver training sessions / workshops to CSG finance staff, clearly setting out roles and responsibilities and expectations and other key messages arising from the audit and lessons learned review	29/12/2017	In progress	Assistant Director of Finance (CSG)
End to end management of process	As the closure timetable currently finishes at the date the draft accounts are presented for audit, it did not provide a proactive and managed mechanism to manage the audit process and other workstreams such as Whole of Government Accounts and Government returns.	1.5	Undertake a critical review of the existing timetable in conjunction with finance business partners and develop a comprehensive closure timetable that is structured to meet the new timescales. Expand the timetable to 31 July and include all accounts related workstreams and audit liaison.	30/11/2017	In progress	Finance Manager – Accountancy, Closing and Monitoring (with Deputy 151 Officer)
Changes in the presentation of the Financial Statements	The format of the Comprehensive Income and Expenditure Statement (CIES) changed in 2016/17 and a new note was required - the Expenditure Funding Analysis (EFA). The audit identified a number of issues with the CIES, EFA and associated notes including 'grossing' up errors, whereby income and expenditure were overstated, classification errors and some analysis omitted from the notes to the accounts. The issues arose partly due to the amount of manual intervention required to create the CIES from the Trial Balance.	1.6	Review and re-perform 2016/17 CIES and validate compliance with the Code	30/11/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.7	Review the structure of the ledger and as far as possible make changes necessary to support the preparation of the Statement of Accounts	29/12/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.8	Document any manual, off-ledger adjustments that are required and ensure that these adjustments are subject to a review and authorisation process in line with the process for approval of journal entries	29/12/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.9	As part of the accounts preparation process, undertake analytical review of CIES and other statements and notes at gross expenditure and income level	30/04/2018	Not started	Head of Finance (Closing)
		1.10	Undertake a review of the errors that occurred in 2016/17 and identify the reasons for each in order that a control can be put in place to avoid such errors reoccurring	30/11/2017	In progress	Head of Finance (Closing)
Specific issues raised in the ISA 260	The auditors identified that many of the control activities which provide assurance over the completeness and accuracy of the Statement of Accounts take place outside of the finance team and raised concerns about a lack of high level understanding and oversight of the complete control framework, and how this provides management with the required level of assurance that the internal control system, as a whole, is suitable for the Council's needs.	1.11	A review of process notes and/or system diagrams should be drawn up for key transaction streams, setting out the key control activities in each place, who has responsibility for their operation, and how their effectiveness is monitored.	29/12/2017	Not started	Assistant Director of Finance (CSG)
		1.12	All control account reconciliations (including bank reconciliations) are prepared and reviewed at an appropriate level on a timely basis throughout the year, and any differences arising are appropriately explained and cleared in a timely manner. Evidence of this process will be documented and retained.	31/10/2017	Completed (but ongoing)	Assistant Director of Finance (CSG)
	The audit recommended that a review of CIPFA guidance is undertaken in advance of preparing the 2017/18 Narrative Statement, to identify areas for improvement going forward.	1.13	Produce a skeleton note against the 2017/18 Code and populate, in advance of year end, those aspects of the note for which information is available.	29/12/2017	Not started	Assistant Director of Finance (CSG)
	The audit identified that the Council is accounting for Community Infrastructure Levy (CIL) income on the basis of when cash is received, not at the point that a chargeable development commences (as required by the Code).	1.14	Review the end to end process for accounting for CIL	17/11/2017	In progress	Head of Finance (Closing)
	The audit identified developer deposits which were more than 1 year old at the balance sheet date which indicates a risk that there are some balances which should either be repaid to developers, or recognised as income to the Council.	1.15	Review and resolve historical developer deposit balances on Balance Sheet	30/11/2017	In progress	Senior Business Partner (Environment)
		1.16	Review, document and communicate the process for accounting for developer deposits, including periodic and regular review of old deposit balances to ensure that these are repaid or recognised as income on a timely basis.	15/12/2017	In progress	Senior Business Partner (Environment) (with Head of Finance (Closing))

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Specific issues raised in the ISA 260 (cont.)	The audit identified that there had been delays in receiving related party transactions declarations and that the disclosure note was not complete and accurate	1.17	Document the escalation process for non returns	31/10/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.18	Review the disclosure note for compliance with the Code	17/11/2017	In progress	Finance Manager – Accountancy, Closing and Monitoring
	The audit identified classification errors between cash and cash equivalents	1.19	Document the process for classifying investments as cash or cash equivalents, and ensure this is implemented in practice with the necessary checks in place.	30/11/2017	Not started	Head of Treasury and Pensions
	The audit identified a number of issues in respect of accounting for Collection Fund balances within the Council’s Balance Sheet	1.20	Re-perform 2016/17 Collection Fund and develop an improved and fit for purpose process for 2017/18	29/12/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.21	Review methodologies and working papers and specifically the bad debt provision methodology for the Collection Fund	29/12/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
		1.22	Review the Collection Fund account and notes for compliance with the Code	29/12/2017	Not started	Finance Manager – Accountancy, Closing and Monitoring
	The audit identified that the disclosure note on officers' remuneration - exit packages had been prepared on the basis of payments made during the year, rather than exit packages agreed in the year as required by the Code.	1.23	Issue clear instructions to HR / payroll setting out the requirements for the information required and effective dates	31/01/2018	Not started	Head of Finance (Closing)
	The audit identified a number of issues in respect of the Financial Instruments disclosure notes which contained misclassifications and areas of non-compliance with the Code	1.24	Review the 2016/17 note against the Code requirements and set up a framework for a fully compliant note	31/01/2018	Not started	Finance Manager – Accountancy, Closing and Monitoring
	The Statement of Accounts includes some notes that are immaterial	1.25	Review 2016/17 notes to the accounts for materiality and remove unnecessary or immaterial notes from the 2017/18 accounts (unless Audit Committee have asked for them not to be removed)	31/01/2018	Not started	Finance Manager – Accountancy, Closing and Monitoring
	The audit identified that within the property, plant and equipment note all additions are posted first to assets under construction, and then transferred to the relevant asset category, regardless of whether or not they are actually constructed by the Council or direct acquisitions which is not strictly in accordance with Code requirements	1.26	Identify how the Integra asset register module is used elsewhere to identify whether unnecessary transactions for acquisitions can be removed from assets under construction. If possible in the application, this split will be implemented.	31/01/2018	Not started	Head of Finance (Closing)
	The audit identified that the Council had not recognised income (or a debtor) for recoverable housing benefit overpayments held within the housing benefits system	1.27	Work with the revenues and benefits team to assess the recoverability of housing benefit overpayments being recovered from ongoing benefit and ensure that the debtor and impairment provision are reflected in the 2017/18 accounts	31/01/2018	In progress	Senior Business Partner (Corporate) (with Head of Finance (Closing))
	The audit identified a number of issues relating to the completeness, accuracy and compliance with the Code of various notes including: - Grants - Pension Schemes - Provisions - Earmarked reserves - Pooled budgets - Dedicated Schools Grant (DSG) - Private Finance Initiative (PFI) - Group accounts	1.28	Review the entire Statement of Accounts and produce skeleton accounts and disclosures, including prior year comparatives. Compare with the model accounts in the Code and with other high performing authorities to ensure best practice is being followed. Share an early copy of the skeleton accounts and disclosures with the auditors to allow opportunity for review of updated disclosures and prior year information in advance of the year end.	29/12/2017	In progress	Head of Finance (Closing)

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PENSION FUND						
Staff capacity and capability	Previous capacity and capability issues led to numerous historical issues and errors, some of which had not been resolved prior to 2016/17. While capacity was increased, there was still a lack of technical pensions knowledge which led to the accounts being delivered late and there being errors in the first draft.	2.1	A new Head of Treasury and Pensions is now in post who is experienced in the preparation of pension fund accounts and will lead on the preparation of the 2017/18 accounts with appropriate support from within the treasury and pensions team and the wider finance team.	11/05/2018	Not started	Head of Treasury and Pensions
		2.2	All historical issues and errors in the accounts have been resolved.	N/A	Complete	Assistant Director of Finance (CSG)
Quality of underlying membership data	Audit testing of contributions received (£58.6m) relies heavily on membership data held and maintained by Capita Employee Benefits (CEB). Data quality issues were identified as part of the 2016 triennial valuation and, whilst data cleansing is ongoing and a comprehensive pensions administration improvement plan is in place, the audit identified a significant number of queries and errors arising from the quality of membership data.	2.3	Implementation of the pension administration improvement plan relating to data quality will ensure that pension fund data is actively monitored and demonstrated as improving in quality.	29/12/2017	Ongoing	Head of Business Assurance (CEB)
Delays in responding to auditor queries	A detailed analysis of transactions was not requested from CEB until the start of the audit and this was done on a code by code basis which meant that the auditors had to wait for information to be received before they could select samples. This led to delays in receiving responses to queries which in turn led to delay in the completion of the audit.	2.4	Provide early notification to CEB of audit dates and document key CEB contacts with roles and responsibilities, staff availability and holiday commitments.	28/02/2018	Not started	Head of Treasury and Pensions
		2.5	Agree an SLA with CEB for turnaround of audit queries.	28/02/2018	Not started	Head of Treasury and Pensions
		2.6	Request a full transaction analysis and analysis of membership movements from CEB, to be provided by in early April, in order that this can inform the accounts preparation process and the auditors, if they wish, can select samples prior to the start of the audit.	31/03/2018	Not started	Head of Treasury and Pensions
Specific issues raised in the ISA 260	There is no independent authorisation process for journal entries within the Pension Fund environment of Integra. The auditors recommend that this is implemented, in line with the LBB system enforced control environment.	2.7	Journal authorisation will be implemented within the Pension Fund environment of Integra.	31/10/2017	Not started	Assistant Director of Finance (CSG)
	The CIPFA Code of Practice on Local Authority Accounting in the UK (The Code) recommends that all direct investment management expenses are separately identified and disclosed. The Fund has not taken any steps this year to identify and separately disclosed so-called ‘hidden’ investment management expenses such as transaction costs which are contained within the net gain or loss on disposal of investments. This was a Code recommendation in 2016/17 but will become mandatory from 2017/18.	2.8	Engage with fund managers to ensure that they will be able to provide the information required to comply with the 2017/18 Code on 'hidden' investment management expenses	30/11/2017	Not started	Head of Treasury and Pensions
AUDIT PROCESS						
Working effectively with the auditors	The audit process did not conclude in line with pre-agreed deadlines	3.1	Confirmation of new Audit Manager	31/10/2017	Completed	Partner (BDO)
		3.2	Confirmation of audit team and areas of responsibility	29/12/2017	Not started	Audit Manager (BDO)
		3.3	Plan for interim audit including timeframes	29/12/2017	Not started	Audit Manager (BDO)
		3.4	Plan for final audit including timeframes	29/12/2017	Not started	Audit Manager (BDO)
		3.5	Agreement of triggers and parameters for escalation so CFO and Members are sighted on issues in order to put rectification plans in place	30/11/2017	Completed	Partner (BDO) with Director of Resources
		3.6	Workshop with finance team to review which processes and testing can be brought forward to ensure a completion of audit by the end of July	30/11/2017	Not started	Audit Manager (BDO)