

	<p>Audit Committee</p> <p>31 January 2018</p>
<p style="text-align: center;">Title</p>	<p>Accounts Closure Improvement Plan – Progress Report</p>
<p style="text-align: center;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix A – Accounts Closure Improvement Plan</p>
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Summary

At its meeting on 2 November 2017, the Committee considered an accounts closure improvement plan which was developed to address the misstatements and weaknesses in the 2016/17 accounts preparation process.

Progress against the plan is updated and monitored on a fortnightly basis in conjunction with the Director of Finance and Head of Finance. However, given that the new (interim) Director of Finance has only recently joined the Council, it is too early for him to form a view on the progress achieved to date toward a successful and timely closure of accounts. This report, nevertheless, provides the Committee with an update on CSG’s reported progress against the key actions in the improvement plan.

Whilst some of the originally planned delivery dates have had to be revised, overall there is not at this stage any significant concern that the plan will not be delivered and support delivery of a set of accounts to the required deadline and of the necessary quality.

Recommendations

1. The Audit Committee are asked to note progress against the accounts closure improvement plan.

1. WHY THIS REPORT IS NEEDED

1.1 At its meeting on 2 November 2017, the Committee considered an accounts closure improvement plan which was developed to address the misstatements and weaknesses in the 2016/17 accounts preparation process. The Committee requested that a progress report be brought to its next meeting.

1.2 The improvement plan focuses on the following themes:

- Resourcing issues;
- End to end management of the accounts and audit process;
- Changes in the presentation of the financial statements;
- Specific issues raised in the Audit Completion Report;
- Pension Fund accounts;
- External audit process.

1.3 Progress against the improvement plan is updated and monitored on a fortnightly basis in conjunction with the Council's Director of Finance and Head of Finance. However, given that the new (interim) Director of Finance has only recently joined the Council, it is too early for him to form a view on the progress achieved to date toward a successful and timely closure of accounts. This report, nevertheless, provides the Committee with an update on CSG's reported progress against the key actions in the improvement plan. Whilst some of the originally planned delivery dates have had to be revised, overall there is not at this stage any significant concern that the plan will not be delivered and will support delivery of a set of accounts to the required deadline and of the necessary quality. Progress against the key actions is reported below.

Resourcing

1.4 Additional resources have been invested in the CSG closing and monitoring team for the period leading up to year end and through the accounts closure period. This includes two additional posts, one on a CIPFA graduate trainee rotation and one seconded from the client side, as well as interim cover while a recently vacated post is being permanently recruited to. These additional resources are being funded by CSG.

1.5 In addition, responsibility for certain notes to the accounts has been allocated to members of the wider CSG finance team in order to further increase capacity and reduce over reliance on a small number of people. Training and guidance has been provided to CSG finance to ensure that responsibilities and expectations are clear and understood. The closure process is also discussed as a standing agenda item at each CSG senior management team meeting.

End to end management of the accounts and audit process

1.6 The closing timetable previously ended at the point of delivering a set of accounts to the auditors and did not take into consideration the management and conclusion of the audit process.

- 1.7 The closing timetable has been critically reviewed and comprehensively revised to ensure it is fit for purpose as a tool to manage the entire end to end process from pre year-end preparation to conclusion of the external audit. The timetable is updated on a daily basis and is accessible to all of CSG finance and the S151 Officer and deputy. Weekly meetings of the CSG finance team are scheduled from January to May to monitor delivery of the timetable.

Changes in the presentation of the financial statements

- 1.8 The changes in the format of the Comprehensive Income and Expenditure Statement (CIES) and the new Expenditure Funding Analysis (EFA) note were the cause of a number of the issues experienced in 2016/17. The actions proposed to address these issues included re-performing the 2016/17 CIES, documenting the reasons for the errors that occurred in order to identify an appropriate control and reviewing the structure of the ledger to reduce the number of manual adjustments needed.
- 1.9 This task has been extended to fundamentally recreate the CIES in preparation for future automation of the statement. This is a greater piece of work than was originally envisaged and therefore the original planned delivery date has had to be extended. This exercise also incorporates the other actions relating to the CIES. The CIES related actions will be completed as part of the month 9 'soft close' which will include preparation of a CIES and EFA.

Specific issues raised in the Audit Completion Report

- 1.10 28 actions were identified in response to issues reported by BDO in their Audit Completion Report. The majority of these actions have been completed or are expected to be completed by the end of January. Four areas are brought to the attention of the Committee.
- 1.11 BDO recommended that 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. This project is currently being scoped and will be supported by the new newly appointed Capita Local Government internal controls manager. The action has been RAG rated as red as a completion date is yet to be confirmed.
- 1.12 Work is ongoing on validating and resolving historical developer deposits on the Balance Sheet and putting in place processes to manage these going forward. CSG finance have been working with the service area to finalise outstanding actions, following which any historical corrections needed will be processed. A written procedure for managing developer deposits going forward is in draft and will be finalised after historical issues are resolved. Both actions will be completed by 31 January.
- 1.13 Work is ongoing on re-performing the 2016/17 Collection Fund in order to provide assurance on the robustness of opening balances. Due to work on the CIES being prioritised, the target date for this task has been extended to 28 February.

- 1.14 The 2016/17 audit identified issues with a number of disclosure notes and, to address this, a full set of 'skeleton accounts' and disclosures was to be prepared. These accounts are partially completed however this action has been superseded by the month 9 'soft close' which will produce accounts by 31 January that are substantially complete. This action, in its original form, will not therefore now be implemented.

Pension Fund Accounts

- 1.15 Preparation for the Pension Fund accounts is well underway. A month 9 close is in progress and the Head of Treasury and Pensions has engaged with colleagues in Capita Employee Benefits, who provide pensions administration services, to agree information requirements and year end arrangements. The specific issues raised in the Pension Fund Audit Completion Report are complete and a separate project to address the quality of underlying membership data is ongoing.

Audit Process

- 1.16 Improved liaison arrangements have now been put in place with the external auditors, BDO. Regular meetings are being held with the audit manager and details of the audit team and interim audit work have been received. CSG finance have worked with BDO to agree which items of audit work can be brought forward in order to enable them to issue their audit opinion by the required deadline.

Overall Assessment

These actions mean that CSG are confident of achieving the deadlines set within the Closure of Accounts year end timetable and that a robust set of accounts, free of significant errors, will be produced.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To ensure that the Audit Committee has appropriate oversight and assurance of the actions being taken to improve the timeliness and quality of the Statement of Accounts and Pension Fund Accounts.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 The Director of Finance (S151 officer) and Head of Finance (Deputy S151 officer) will continue to monitor delivery of the improvement plan by CSG Finance.

5. IMPLICATIONS OF DECISION

- 5.1 **Corporate Priorities and Performance**

5.1.1 The Audit Committee provides the Council with independent assurance and effective challenge and, therefore, the Committee is central to the provision of effective governance that supports delivery of all corporate priorities.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The improvement plan will be delivered by CSG finance with support from elsewhere in Capita Local Government Services. Additional resources have been added to the CSG closing team, funded by Capita.

5.3 Legal and Constitutional References

5.3.1 In accordance with the Council's Constitution, the Audit Committee oversees the financial reporting process. It reviews and approves the annual statement of accounts and considers the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

5.4 Risk Management

5.4.1 Close monitoring and delivery of the improvement plan will help to mitigate the risk of similar issues reoccurring in 2017/18 and future years.

5.5 Equalities and Diversity

5.5.1 None in the context of this report.

5.6 Consultation and Engagement

5.6.1 N/A.
