

Meeting:	Audit and governance committee
Meeting date:	Wednesday 24 January 2018
Title of report:	Update on closure process for 2017/18 final accounts
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To update the committee on progress in the planning for the preparation of the 2017/18 final accounts and management responses to items raised in the External Auditors audit findings report presented in September.

The constitution provides that the audit and governance committee will review and approve the financial statements, the external auditor's opinion and reports to members and oversee management action in response to the issues raised by external audit. The recommendation of this report supports the committee in fulfilling this role.

Recommendation(s)

That:

- (a) the committee reviews progress of the plans for the production of the 2017/18 financial statements and determine any actions it wishes to recommend to strengthen management action in response to the issues raised by external audit.**

Alternative options

1. There are no alternative options; this report ensures the committee is fully briefed on progress on the preparation of the 2017/18 financial statements and plans to address the points raised by the external auditors.

Key considerations

2. The council is obliged to produce its financial statements annually. Historically the financial statements need to be audited no later than the end of September following the end of the financial year. For the financial year ended March 2018 the financial statements the audit needs to be completed by the end of July 2018.
3. The Statement of Accounts will be prepared in accordance with the Accounts and Audit Regulations 2015 having due regard to the guidance issued by CIPFA Code of Practice on Local Authority Accounting (The Code).
4. The external auditors as part of the audit of the 2016/17 financial statements identified a number of specific risks in respect of the production of the 2017/18 financial statements, this paper provides a progress update in respect of these risks as well as wider changes to facilitate the production of the financial statements and their subsequent audit.
5. As the committee will recall the deadline for producing the 2017/18 accounts is the end of July, this is two months earlier than last year. This reduced timetable is prescribed by the Accounts and Audit Regulations 2015. To meet this earlier deadline both the council and the external auditors will need to make a number of step changes to processes and procedures to ensure the accounts are produced and the necessary audit work is completed within this revised timetable.
6. We have agreed a revised way of working which is designed to bring greater clarity and consistency to the process of producing the annual accounts and providing information to the external auditors to enable them to complete their audit work.
7. The new ways of working include the council designating an officer to act as the key contact for all information flows to and from the external auditors, meetings being formally recorded. We have agreed a timetable that shows for all stakeholders when they are required to have completed processes including deadlines for committee meetings. In addition we will agree with the external auditors before each planned site visit the information they are requesting including the scope and scale of the information requested.
8. A number of quality control and checking processes have been added to the council's timetable for producing the accounts and working papers to ensure that they are formally reviewed before release.
9. The National Audit Office and CIPFA have recently issued further guidance in respect of the production of the 2017/18 accounts. The council is working through this guidance with the external auditors to ensure that the council complies with the guidance. CIPFA are keen to improve the transparency and understanding of the annual accounts. The

Ministry of Housing, Communities and Local Government is undertaking a review of the Accounts and Audit Regulations 2015, the council is engaging fully with this consultation.

10. A detailed action log and critical path plan will be maintained to ensure that all stakeholders are aware of the different workflows and clarity of which items are complete and which are still in progress.
11. The council has recently run a procurement process to appoint external valuers to carry out the necessary valuations required to inform the production of the annual accounts and providing appropriate working papers to be available for external auditors to enable the auditors to carry out their work within the revised timescale.

Community impact

12. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed supports the council's corporate plan objective to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.
13. In accordance with the council's code of corporate governance, Herefordshire Council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.

Equality duty

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

16. The plans to address the findings identified in the audit findings report will be resourced from existing resources. The plans are not identifying any further budget pressures.

Legal implications

17. The Accounts and Audit Regulations 2015 requires the council to produce and publish an annual Statement of Accounts in accordance with the regulations and “proper practice”,
18. Section 21 of the Local Government Act 2003 defines “proper practice” for this purpose to be the CIPFA Code of Practice on Local Authority Accounting (The Code) for the relevant year. The Code specifies the principles, practices, format and content required in the preparation of the Statement of Accounts.

Risk management

19. The risk is that the external auditors will not issue an unqualified opinion on the statement of accounts by the end of July. This risk is mitigated by providing working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts, and in the council’s response to risks identified by external auditors as part of last year’s financial statements, which have been included in paragraph 3.

Consultees

20. None.

Appendices

None.

Background papers

None identified.