



Title	Review of Final Accounts 2018/19
For further information about this report please contact	Andrew Rollins 01926456013
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee 26 th September 2019
Background Papers	Annual Audit letter 2018/19 – Finance and Audit Scrutiny Committee 26 th September Statement of Accounts and Audit Findings Report 2018-19 – Finance and Audit Scrutiny Committee 30 th July Update on Action Plan following review of Closure of Accounts – Executive 21 st August

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Andrew Jones
Head of Service		Mike Snow
CMT		
Section 151 Officer		Mike Snow
Monitoring Officer		
Finance		Andrew Rollins
Portfolio Holder(s)		Richard Hales
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes/No	
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 Progress on the closure of accounts and audit for 2018/19 has been subject to regular reports to members over the last year, with the Audit Findings report to sign off the Statement of Accounts being reported to Finance and Audit Scrutiny Committee on 30th July. A further report giving an update on the progress on the agreed action plan following the Audit Finding Report was presented to Finance and Audit Scrutiny Committee on 20th August.
- 1.2 In accordance with Executive recommendations following sign off of the 2018/19 Audited Statement of Accounts, and receipt of the External Auditor's Audit Findings Report, a review of the Final Accounts process has been carried out.
- 1.3 An examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This presents the outcome of that review.

2. Recommendation

- 2.1 That Executive notes the progress against the 2018/19 Accounts Closedown Action Plan at Appendix 1 to this report.
- 2.2 That Executive notes the response to the recommendations of the Audit Findings Report at paragraphs 3.3 – 3.7.7 in this report.
- 2.3 That Executive notes the changes that have been made in working practices and procedures at paragraphs 3.8 – 3.8.5 in this report.
- 2.4 That Executive agrees to release £56,000 from Contingency Budget for the appointment of a Fixed Term Principal Accountant (Final Accounts) as referenced in paragraphs 3.10 – 3.10.3 in this report.

3. Reasons for the Recommendation

- 3.1 Following successful completion and audit of the 2018/19 Statement of Accounts, a review of the process has been carried out in conjunction with key stakeholders, including external providers, external audit, and staff, both within the Finance department and within the wider organisation.

3.2 Action Plan

This follows on from the action plan that was agreed in the report on the Review of the Closure of Accounts 2017/18 in October 2018. This set out a requirement to report weekly in writing on the progress of the project plan to CMT, with a monthly report going to Finance and Audit Scrutiny Committee and Executive. Reports were provided until August 2019, following auditor sign off by the statutory deadline of 31st July 2019.

- 3.2.1 A copy of the most recent agreed action plan is included as Appendix 1.
- 3.2.2 Most actions have now been concluded, with only some either on track to be completed by their respective deadlines, or are covered within the actions highlighted in this report through meeting the recommendations of the Audit

Findings Report (section 3.3), and the outcomes following the internal review of the final accounts process (section 3.8).

3.3 **Audit Findings Report**

External audit, through the Audit Findings Report presented to Finance and Audit Scrutiny Committee in July, and reaffirmed through the Annual Audit Letter presented to Finance and Audit Scrutiny Committee in September, presented an action plan. This proposed three key recommendations for the Council as a result of issues identified during the course of the audit. These recommendations, agreed with management, will have their progress monitored during the course of the 2019/20 audit.

- 3.4 The three key recommendations are highlighted below, along with how management have planned to achieve successful delivery against these recommendations.
- 3.5 Property, Plant and Equipment - To reduce the risk of carrying value being materially different to current value the Council should value its assets as at the balance sheet date. The Council should also thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed Terms of Engagement and information within the report has been scrutinised for accuracy.
 - 3.5.1 A meeting was arranged with the Council's valuers, Carter Jonas, with attendees from Finance and Asset Management teams present. The meeting, which took place in early September, focused on reviewing the valuation process to ensure that it resulted in timely, accurate information being received from the valuer, while also looking at efficiencies for Finance.
 - 3.5.2 The process used during Final Accounts 2018/19 involved valuations taking place at different times of the year dependent on the asset type. For instance, housing assets were valued as at 1 April 2019, whereas 20% of the corporate assets (on a 5 year rolling programme) were valued in November. This was originally established to reduce workload at year end, but ultimately created other issues, particularly when reconciling the data.
 - 3.5.3 It has been established in the meeting that a single date will be used going forward to get all necessary valuations completed, with the date likely to be at the end of February. This will give the valuers sufficient time to complete their work and get the information sent across before the Accountancy team's busy April period, helping to alleviate some of the capacity issues faced with the team.
- 3.6 Property, Plant and Equipment - The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed Terms of Engagement and information within the report has been scrutinised for accuracy.
 - 3.6.1 Following the meeting with the valuer, and agreeing to bring forward the date of the valuation report ahead of the busy April period of the process, it will give more time for both the valuer and the Accountancy team to review the information provided. This should help to eliminate some of the issues faced during the 2018/19 final accounts process, where some of the data presented in supporting working papers was derived from earlier drafts of the valuation

information. Having this information earlier will enable the team to ensure this information is up to date, accurate and consistent.

- 3.7 Year end procedures - The Council should focus on its succession planning within the finance team, including robust handover processes.
- 3.7.1 Following the issues faced with completion of the 2017/18 Statement of Accounts, a number of additional staff were brought in to assist, including 2 former experienced Principal Accountants who had recently retired. An agency staff member, originally brought in to assist with a specific area of closedown, was extended to manage the closedown process.
- 3.7.2 It was agreed that these staff would be extended to 31st July 2019 with a number of key objectives:
- To ensure a robust project plan was implemented and managed against key deadlines and deliverables, managed by a dedicated Project Manager in conjunction with the Strategic Finance Manager.
 - To ensure successful completion of the 2018/19 Statement of Accounts
 - To ensure sufficient handover and procedures were completed with substantive staff in areas where knowledge and expertise may have been limited.
- 3.7.3 This was particularly important as there had been a lot of change within the staffing of the Accountancy department over the last 2 years following the retirements referenced in 3.7.1. The Capital and Treasury post in this time has been covered by 4 members of staff, 2 of which have been temporary. 2 further Principal Accountants have been appointed, 1 as a result of an internal promotion of a new Strategic Finance Manager following the retirement of the previous manager in December. This has resulted in the team having senior members of the team who are inexperienced in the processes of the Council.
- 3.7.4 Handovers of key tasks relating to Final Accounts were carried out during the closedown process, with the additional returning staff taking on a supporting role in the team, with the substantive members leading on assigned tasks within the project plan. Procedure notes were produced while working on the specific tasks to ensure they were up to date, relevant and understandable.
- 3.7.5 Following the completion of the Statement of Accounts by 31st May, in addition to supporting the audit process, the additional staff liaised with the substantive staff to go over areas requiring further understanding, and to give their views on where further improvement could be made. Procedures were refined as necessary.
- 3.7.6 The Project Manager met with the Strategic Finance Manager on a number of occasions to review the closedown process, identifying areas where the timetable could be changed going forward, and also hand over a number of key tasks on which they lead during the project. These tasks were handed over with procedure notes in advance of their departure, and were reviewed and amended as necessary in consultation with the Strategic Finance Manager. The Strategic Finance Manager will be leading the closedown project for 2019/20.
- 3.7.7 Since the completion of the audit and the departure of the temporary resourcing, the Accountancy team has increased in size with the appointment of 2 new members of staff, a Principal Accountant (3 year fixed term contract) and an Apprentice. Both staff will be expected to support the closedown process in 2019/20, either directly through assigned tasks, or indirectly by managing

some of the ongoing tasks within the department, freeing capacity for the rest of the team to prioritise final accounts while continuing to deliver support to other departments in the Council. Specifically, the Principal Accountant has been appointed to focus on the supporting the delivery of key Council projects which may have been delayed or not prioritised in the past in order to meet statutory deadlines.

3.8 Internal Review of Final Accounts

In addition to the above, a number of review meetings have been held with key stakeholders in the final accounts process. From these meetings, the following will be implemented.

- 3.8.1 Training sessions to be mandated again for all Budget Holders (and also open to colleagues who support their teams with closedown) – to be held in February and March 2020. To cover key areas including the closedown timetable and issues faced during 2018/19 final accounts process, including transaction miscoding. Attendance last year was generally good, but some prospective attendees did require numerous invites to emphasise the importance of the sessions.
- 3.8.2 The Closure of Accounts guidance and timetable are to be released much earlier this year, with a view of having it distributed at the start of January (as opposed to mid-February in 2018/19). The guidance will emphasise that support to the closedown process by budget holders and service areas is critical to a successful and timely completion. Suitable cover for planned and unplanned absence across all Service Areas should be accommodated during key phases of closedown process, to ensure requested information is provided by due deadlines.
- 3.8.3 An earlier distribution of the timetable will also incorporate changes to completion dates of tasks. Some tasks which can be completed earlier can be brought forward to help mitigate the risk of bottlenecks in the programme. The timetable will also be updated based on feedback received during the 2018-19 closedown process. Feedback included the timetable becoming bloated, with some tasks being duplicated and the completion dates of some tasks not fitting in to the critical path of the process.
- 3.8.4 Review and update of last year's working papers to ensure any issues raised through the audit or handover processes, are rectified. This may be issues with external users / viewers of the working papers having difficulty in understanding what the working paper is showing. A good working paper should be clear, concise and accurate and not require further clarification from the author. The new working papers can be established and set up in the 2019/20 final accounts file structure on the system in advance of busy periods to reduce levels of administrative at these times. Working papers will also be linked where possible to reduce manual input requirements, with appropriate easy to follow instructions to ensure resilience.
- 3.8.5 Known knowledge gaps will continue to be addressed, developing technical knowledge for key members of the team to ensure it is adequate to prepare Statement of Accounts. This will be addressed through the use of in-house training, working groups and attendance on external courses, in particular one provided by our external auditors, with a focus on key changes to the Code of Practice.

3.9 It is important to stress that a number of these actions will be ongoing, and that change and improvement will be a continuous process, and will not be solely focused upon the closure of accounts. All areas of the Accountancy team's work will be continually evaluated (including budget setting and budget monitoring) to adapt practices that will benefit the services and our ability to meet our statutory obligations. They will also assist in the preparation for the implementation of the new financial system, due in 2021. It will important to continue to develop and improve relationships with budget holders so that they remain engaged and committed to the process, and through that provide the right information to the team in a timely manner.

3.10 Appointment of Fixed Term Final Accounts support

3.10.1 The team does not have any current vacancies, but will have two Principal Accountants leaving in January following recent resignations. In order to mitigate the issues this presents, and meet the recommendations and changes following the action plan, Audit Findings Report and interview review highlighted in the above paragraphs, resilience is being built into the team as part of wider succession planning. A number of key tasks can be picked up by more than one member of the team, ensuring that when there are substantive gaps within the team, driven by factors such as annual leave, and sickness in addition to resignations (including retirement), service can be maintained in most instances. This is an ongoing task, and with the further recent resignations in the team, the team will be continuing to ensure tasks lead by the individuals in question are documented, with procedure notes being available and handovers taking place ahead of their departures.

3.10.2 To ensure tasks relating to final accounts are successfully handed over, it is proposed that a temporary Principal Accountant is appointed. The post would commence ahead of the Principal Accountant (Revenue) departing in mid-January, possibly as early as December, to ensure suitable overlap between the incoming and departing staff. Recruitment to replace the substantive staff permanently is due to commence imminently, with interviews scheduled for early December. Typical lead time on getting successful candidates into post is around 3 months, which would present a significant risk to the closedown process, which is due to commence in January. The overlap should help mitigate some of the issues faced in 2017/18, when retirements resulted in new staff being appointed. Handovers were minimal, which meant that key knowledge and expertise were lost, and in turn being a contributing factor in the delay to the Closure of Accounts that year.

3.10.3 The post would require a maximum budget of £56,000, to be funded from Contingency Reserve.

4. Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
N/A	N/A	N/A
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers’ needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
Improved processes to increase efficiency, accuracy and timeliness of information to support services and delivery to key legislative deadlines		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The review of Final Accounts is consistent with the relevant supporting strategies.

4.3 **Changes to Existing Policies**

No proposed changes to existing policies are proposed.

4.4 **Impact Assessments –**

The Council's Final Accounts cover the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets. Changes to work processes and procedures within the department and wider Council will have been considered in line with relevant job specifications.

5. Budgetary Framework

- 5.1 The appointment of a fixed term Principal Accountant via agency to support final accounts would require a maximum budget of £56,000. This should support the post from December to Audit sign off on 31st July.
- 5.2 This budget is to be funded from the Contingency Reserve.
- 5.3 Any delays in commencement of staffing to the two Principal Accountant posts, due to be vacant in January, would result in reduced pay expenditure in the team. This could be used to reduce the financing requirement related to the use of agency staffing.

6. Risks

- 6.1 The risk that arises relates to not implementing what is proposed; the risk being a repetition of events of 2017/18 and the subsequent harm to the Council's reputation.

7. Alternative Option(s) considered

- 7.1 Various actions were considered in the development of the action plan but what is proposed is considered to be an appropriate response to the issues which have been identified.

8. Background

- 8.1 The Background was set out in the confidential report to the Executive of 31st October 2018 (Item 17).