

 <b>Finance and Audit Scrutiny Committee</b> <b>24 July 2018</b>		<b>Agenda Item No.</b> <b>9</b>
<b>Title</b>	Interim Audit Findings Report	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>		

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

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	16/7/2018	Andrew Jones
Head of Service	16/7/2018	Mike Snow
CMT	16/7/2018	
Section 151 Officer	16/7/2018	Mike Snow
Monitoring Officer	16/7/2018	Andrew Jones
Finance	16/7/2018	Jenny Clayton
Portfolio Holder(s)	16/7/2018	Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>	Yes/No	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 The audited Statement of Accounts was due to be signed off by this Committee on 30 July. This report updates members on why that will not be achieved, and the actions now being taken ahead prior to the audits accounts being presented to the Committee.

## 2. **Recommendation**

- 2.1 It is recommended that the Committee note this report and the report of the External Auditors.

## 3. **Reasons for the Recommendation**

- 3.1 Members will be aware that under the latest Accounts and Audit Regulations, the formal deadlines for the Council's Statements of Accounts has been brought forward. Previously the draft Statements needed to be published by 30 June, with the audited Statements by 30 September. 2017/18 is the first year for which the draft Statement of Accounts need to be published by 31 May with the audited accounts by 31 July.
- 3.2 For 2016/17, early closure was piloted. The draft statements were published by 31 May. Unfortunately, the audited statements were not ready for the end of July and were reported to Finance and Audit Scrutiny Committee in August 2017.
- 3.3 On the back of the 2016/17 closure much planning has gone into the 2017/18 closure and preparation of the Statement of Accounts. The draft accounts were published by 31 May, in accordance with the statutory deadline. Unfortunately, subsequent work now required to the accounts, has not allowed for the audit to be completed. The Audited Statement of Accounts were due to be reported to Finance and Audit Scrutiny Committee on the 30 July, for which a special meeting had been timetables. This meeting will not be required.
- 3.4 The main areas of work still required relate to the Movement in Reserves Statement (MiRS). Within the draft statements that were published, the MiRS was incomplete. It was subsequently the accountants' priority to resolve this prior to the auditors starting on site on 11 June. At that time, it was apparent that more work was required to resolve this, and produce the Notes for the Accounts, and supporting working papers.
- 3.5 In the period since, the accountants have been working continuously to resolve this. As part of their work, it has become apparent that the extent of the work and errors needing correction was far more extensive. Accordingly, it became apparent that the July deadline would not be met, and a new plan produced.
- 3.6 Working with the external auditors, a plan has been produced whereby the audited Statement of Accounts will now be reported to Finance and Audit Scrutiny Committee on 25 September. The possibility of reporting earlier has been explored with the auditors in some detail. However, given the amount of work still to be done, and annual leave booked for August (by auditors and accountants), an earlier date is not achievable.
- 3.7 Members will be aware that the previous Principal Account (Capital/Treasury) retired in August 2017. A new appointment started that month, for whom there

was extensive training and handover. Unfortunately, the new appointment resigned effective from February 2018.

- 3.8 The Principal Accountant (Revenue), retired at the end of May. Ahead of his retirement, a replacement was successfully found. The new accountant started in March, allowing for a relatively generous handover.
- 3.9 In the light of the resignation of the Principal Accountant (Capital/Treasury), an interim accountant was appointed. In addition, to help provide support to whole of the process, an additional supernumerary accountant was appointed. This was detailed in the February 2018 Budget report. The employment of the interim Principal Accountant (Capital/Treasury) ended in early July. The supernumerary appointment is continuing until the audit of the accounts is complete.
- 3.10 The detailed workplan of the accountants which has been agreed with the auditors is attached as Appendix A. This is being very closely monitored, with regular meetings in diaries. At the time of writing this report, these tasks are well underway. An update on progress will be given at the meeting.
- 3.11 Looking forward, consideration is being given to the 2018/19 closedown to ensure that the statutory deadlines are met. A full review will be undertaken of 2017/18. Whilst this will include the production of the MiRS, the whole broader closure process will be reviewed. This will entail working with those that produced the Statement of Accounts, and staff who's work feeds into the accounts. The whole approach to some issues will need to be reviewed with a view to reducing the demands on the team in the April/May period. This is likely to include greater use of estimates and consideration of what work can be done earlier or throughout the year.
- 3.12 The External Auditor's Interim Audit Findings Report is attached as Appendix B.

#### 4. Policy Framework

##### 4.1 Fit for the Future (FFF)

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.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<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

<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<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
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		

## 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2017/18 Accounts are consistent with the relevant supporting strategies.

## 4.3 Changes to Existing Policies

No proposed changes to existing policies are proposed.

## 4.3 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.

## 5. Budgetary Framework

5.1 The delay to the completion of the audit of the accounts is likely to result in increased audit costs. To try to mitigate any additional costs, the auditors have pulled out where possible to enable the Accountants to concentrate on their work on the Accounts. As yet it is not possible to quantify what the additional cost may be. The additional costs are likely to relate to:-

- Skill mix of staff – with increased requirement for more senior auditor input (eg for meetings)
- Extra planning meetings
- Larger samples needing to be checked.
- Greater risks now perceived based on what has happened.
- Some of the work already done will need to re-done.

5.2 When more details of the additional costs of the audit are known, these will be reported to members.

- 5.3 In terms of the accountants, an additional resource is being taken on to help backfill and provide support whilst the Principal Accountants concentrate on the audit. This additional support is necessary to try to ensure the other work of the accounts is kept on track. Much of this should be paid for from the funding for the Principal Accountant (Capital/Treasury).

## **6. Risks**

- 6.1 The impact of the audited accounts being signed off late is more reputational. It is not believed there any issues with the accounts which may cause doubt over the financial strength of the Council.
- 6.2 At present, it is believed that, with the plan in place, the likelihood of material error within the accounts is minimal.

## **7. Alternative Option(s) considered**

- 7.1 Extensive consideration has been given to possible options to enable the audited accounts to be reported by 31 July, or a date ahead of 25 September.
- 7.2 The accountants and auditors agree it is far more efficient for the accountants to complete their work, including supporting working papers, ahead of the auditors commencing their work. Whilst there is the possibility of both happening in tandem, this would not be efficient, and would increase the possibility of the auditors having to audit a "moving target".
- 7.3 In the short term, it would be difficult to draft in additional resources. In terms of accountants, recent experience has shown that it is difficult to recruit good local government accountants. Any new appointment will require some time to become fully productive.
- 7.4 Similarly, the auditors would struggle to find additional resources in the short term, and there would be the issue of continuity.