

AUDIT COMMITTEE

Subject Heading:	Planning for Closure of Accounts 2017/18
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Policy context:	Closure of Accounts 2017/18 Approach
Financial summary:	Prepare Havering to meet the challenge of a shorter timescale for the closure of accounts 2017/18

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The Accounts and Audit Regulations 2015 require that from financial year 2017/18, each local authority must prepare and publish its accounts by 31st May and 31st July respectively (currently 30th June and 30th September). This paper sets out the approach to be adopted by oneSource finance to prepare Havering to meet this new challenge

RECOMMENDATIONS

The Committee is asked to note the approach taken for the early Closing of Accounts for 2017/18.

REPORT DETAIL

1. Introduction and Background

- 1.1 The Accounts and Audit Regulations 2015 require that from financial year 2017/18, each local authority must prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively (currently 30th June and 30th September).
- 1.2 In order to prepare Havering to meet the challenge of this shorter timescale, oneSource finance has identified a number of areas of focus to reduce the lead time in the publication of the accounts and subsequent audit. These are set out in this paper.

2. Closedown Timetable and Closure of Accounts Group

- 2.1 A workshop involving key officers has been undertaken to redefine the closedown timetable in order to meet the new timescales. This workshop focused on identifying interdependencies, allocating names officers to each task and ensuring that a project management approach is adopted. The timetable focuses on timely and routing completion of activities that can be done during the course of the year, that have historically been left as a 'year end' exercise. Further, the same group will comprise the 'Closure of Accounts Group', which will meet regularly to monitor progress against defined closedown timetable.

3. Period 9 Close

- 3.1 Finance are currently finalising plans to run a mini closedown for all income and expenditure incurred up to 31st December 2017, with the aim of producing single entity primary statements (minus the cashflow) by 31st January 2018. This will further reduce the amount of work required during the months of April and May, and will provide the auditor with a more substantive data set to carry out their interim audit work; with the aim of reducing the level of testing that takes place during the main audit.

4. Balance Sheet Review

- 4.1 As part of monthly processes, oneSource will be further promoting balance sheet monitoring and ownership during the course of the year. This will

yield many benefits including earlier identification of budgetary implications, and effectively produce the working papers to support year end balances throughout the course of the year.

5. Feeder System Timetable

- 5.1 To ensure greater rigour around monthly processes, the Corporate Business Systems Team will ensure there is greater compliance of feeder system information being posted to the general ledger. Coupled with this, the Financial Control team will be monitoring the timely completion of reconciliations. This will ensure that expenditure information is current and accurate, and avoid the need for time consuming investigations during the busy closedown period.

6. Communications & Training

- 6.1 The closure of accounts is an activity that requires varying degrees of participation from hundreds of officers across the Council. As such, coordinating these efforts effectively is dependent upon effective communication. In addition to the regular closure of accounts group meetings, there will be regular Council wide updates through the corporate communication channels, as well as a monthly updates to SLT. This will be further supplemented by short 'drop in' in sessions in Late November and February, to walk budget holders through critical activities they are responsible for building up to both period 9 and year end closure deadlines.

7. Group Accounting Considerations

- 7.1 Reporting the group position is a core requirement of the accounts. Finance will be working with the Shareholder Function and Investment Portfolio Management team, to ensure that there is a clear understanding of reporting requirements and the timescales with which these are to be submitted, across the entire group boundary.

8. Working with audit partners

- 8.1 The above activities are designed to primarily shorten the lead time in the production of the accounts, and ensure there is sufficient time to produce good quality, and accurate working papers. Whilst the latter is a crucial contributing factor to facilitating a smoother audit of accounts, we will continue to work with our audit colleagues to further explore areas of improvement resulting in a more efficient audit of the accounts. For example, there will be a joint training workshop delivered by the audit team and the financial control team for preparers of working papers to understand how they can meet audit requirements. In addition, there have been discussions with the team on how different audit methodologies can be used to further reduce the volume of testing that is currently required.

9. Review of Accounts

- 9.1 As part of the closedown planning process, each year the financial control team reviews the information disclosed within the accounts. The current volume is similar to that of the example provided within the Guidance notes. It is the intention to review each disclosure with a view of removing all but the essential items within the accounts. This will be done with consideration of the Financial Reporting Council's "Telling the story", and CIPFA LASAACS "Cutting the Clutter" initiatives, which are aimed at making the information held within the Statement of Accounts more accessible to the lay reader. Streamlining the level of disclosure will be crucial in minimising both the lead times for the production of the accounts, and the subsequent audit.

10. Member training

- 10.1 A brief training session was provided to members of the audit committee prior to the approval of accounts. Whilst the training was generally well received, feedback indicated that members would prefer a more in depth session, and earlier in the process. It is proposed therefore, that training is provided in July based on the approved draft accounts and members are invited to suggest which areas of the accounts the session should focus on.

11. Democratic Services engagement

- 11.1 The accelerated timetable poses a challenge for both officers and auditors. In initial planning discussions, the auditors have indicated that they will have difficulty in meeting the current deadlines for the dispatch of papers for committee. Accordingly, the Finance division will liaise with both audit and democratic services colleagues to determine a pragmatic approach that allows audit colleagues to present accurate and up to date information when reporting to members, and also affords members appropriate time to discharge their democratic duties.

IMPLICATIONS AND RISKS

Financial Implications and Risks:

There are no financial implications or risks arising directly from this report.

Legal Implications and risks:

None arising directly

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

None