

**CLOSEDOWN PROGRESS REPORT**

*To:* **Audit and Accounts Committee**

*Date:* **23<sup>rd</sup> January 2018**

*From:* **Martin Savage - Group Accountant Closedown**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/A** *Key decision:* **No**

*Purpose:* **This report is to provide the Committee with an update on progress on Closedown and the production of the accounts for 2017-18.**

**The report includes an update on the implications of the forthcoming changes to the statutory deadlines for the production of the accounts in place for the 2017-18**

*Recommendation:* **The Committee is asked to note the report.**

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## 1. INTRODUCTION

- 1.1 This report is to provide the Committee with an update on the production of the 2017-18 Statement of Accounts and the interim audit. Details of the changes required by the 2017-18 CIPFA Code of Practice are also included.
- 1.2 As outlined in the Audit and Accounts Regulations 2015, the production of the draft 2017-18 Statement of Accounts are now required to be published by 31<sup>st</sup> May and the final audited accounts to be published by 31<sup>st</sup> July. This is a reduction of one month and two months respectively, as the previous deadlines were for the draft accounts to be published by 30<sup>th</sup> June, with the final audited accounts to be published by 30<sup>th</sup> September.

## 2. PLANNING FOR THE 2017-18 YEAR END CLOSEDOWN

- 2.1 In order to achieve the earlier closure, a number of changes have been to our closedown planning as set out below.
- 2.2 **Revised Closedown timetable.** The Authority operates a year end timetable for the production of the accounts. This comprises several hundred tasks which are assigned to particular individuals and teams to enable the accounts to be produced. This timetable has been overhauled and revised to take account of the reduced timescales. Some items which are usually undertaken after year end are now due to be undertaken prior to year end. This may necessitate an increased use of estimates (see paragraph 2.4) in some instances.
- 2.3 **Budget Holder Guidance** An intranet site has been created to provide supporting information to budget managers, with guidance notes prepared that will be circulated to budget managers in February which will provide a simple list of instructions outlining the tasks that are required to be completed (with deadlines highlighted)
- 2.4 **Use of estimates.** With less time available between the end of the financial year and the point at which the draft accounts need to be published it will be necessary to begin the production of the accounts ahead of year end. This will mean that some items will need to be estimated, as there will not be time available to wait for final actuals to be confirmed. The Authority will need to make appropriate judgements over any estimates used, and the judgements taken will need to be disclosed within the accounts. The areas where the use of informed estimates are likely to be used (subject to approval from External Audit) are Schools returns, internal recharges and Social Care Payments. A definitive list will be brought to the audit committee on the 27<sup>th</sup> March.
- 2.5 **Interim Audit.** One key component of the plan is that the interim audit will be more productive, reducing the amount of audit work taking place in June/July. Further information on the interim audit is provided in Section 3.

- 2.6 **Resources.** The resources in the integrated closedown team have been reviewed with additional resources being identified to support the 2017-18 closure. Further details are provided in Section 6.

### **3. INTERIM AUDIT 2017-18**

- 3.1 As in previous years, the external auditors will be undertaking an interim audit of the Authority's financial statements. This will take place in two blocks, with the first starting on the 15<sup>th</sup> January and ending on the 2<sup>nd</sup> February. The second block is due to start on the 26<sup>th</sup> February and end at the end of March.
- 3.2 This represents a significant additional amount of external audit work that will take place before the end of the financial year and represents an improvement on previous years. One example of this is that the audit of the 1<sup>st</sup> April property revaluations will take place during the interim audit, which removes one potential bottleneck during the final audit.
- 3.3 BDO have provided the Authority with a list of working papers and documents that they wish to inspect during the interim audit. Areas to be reviewed during the interim audit include systems walkthroughs of areas such as payroll, accounts payable and accounts receivable; substantive testing of fixed assets, and income and expenditure testing. A verbal update on the progress on the interim audit will be provided to the Committee at the meeting, with BDO also due to provide feedback to the Committee either at or before the meeting due to take place on the 27<sup>th</sup> March.
- 3.4 The Authority has also requested formal feedback from BDO at the conclusion of the interim audit to identify any risk areas that may be identified or areas that may need to be improved for the final audit.

### **4. CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY (CHIC)**

- 4.1 During the planning meeting with BDO, one area of discussion has been to agree the appropriate accounting treatment for Cambridgeshire Housing and Investment Company (CHIC), a 100% owned subsidiary of the Council.
- 4.2 2017-18 will be the first financial year that the Cambridgeshire County Council accounts will include disclosures relating to CHIC. In addition the Council is in the process of assessing whether Group Accounts to incorporate CHIC into the Council's accounts will be required. This work is currently ongoing.
- 4.3 It is expected that CHIC will be featured prominently within the accounts, with the reader of the accounts able to understand how the company operates, how it interacts with CCC and also its key risks.

## **5. UPDATE ON PROGRESS**

- 5.1 As a key part of the plan to achieve the earlier closure timescales involves completing tasks earlier - below is a list of tasks that have already been completed.
- 5.2 **Valuations.** The valuations for the 1<sup>st</sup> April Revaluations have been received in December, which allows them to be processed now rather than in April as was the practice in 2016-17.
- 5.3 **Pensions.** The Pensions accounting team have received the information requested well ahead of the deadline to ensure that the information required to complete the accounts at the earliest opportunity will be received.
- 5.4 **Schools Payroll.** EPM have been contacted and the Council has had frequent dialogue to ensure that the information needed from them for both the interim and final audit is received in good time. The dialogue with EPM is much more collaborative than in previous years, which provides some confidence that the issues experienced in previous years will not be repeated.
- 5.5 **PFI Accounting.** The PFI notes to the accounts have been completed and the working papers produced, having previously been completed in May last year.
- 5.6 **Officers Remuneration.** A key disclosure note to the accounts has been drafted and is being reviewed internally prior to being shared with BDO at the interim audit.
- 5.7 **Risk Areas.** As outlined in section 4.1, the Council has been regularly liaising with BDO over issues that require judgements to be made, to ensure that BDO can audit the Council's approach throughout the process, and not just at the end of the process. Whilst this will always be an ongoing process, an update will be brought as to how the audit of the key risk areas are going as part of the update to the 27<sup>th</sup> March Committee.

## **6. UPDATE ON RESOURCES**

- 6.1 One area that has been identified as a potential risk to achieving the reduced timescales has been the lack of resilience due to the reliance on key individuals in order to meet the majority of key closedown deadlines.
- 6.2 Following the conclusion of the 2016-17 Statement of Accounts the Closedown Accountant in the team changed roles creating a vacancy in the closedown team. Shortly before Christmas, a replacement was successfully recruited to the closedown accountant role which is based in Cambridge. The successful candidate brings specific year end experience in the public sector and will be able to hit the ground running. This brings the Integrated Closedown team back up to full strength.
- 6.3 In addition to this recent recruitment, additional one off funding of £29k has been identified by the Council to support the earlier closure of accounts. This funding will be used to bring in some additional interim support to facilitate the changes required to achieve the new deadlines. Recruitment Agencies have been contacted and to bring this resource in as soon as possible.

- 6.4 The Cambridgeshire Finance team also has a number of finance graduate trainees and it has been agreed that a trainee will also be made available to support the closedown processes at the required time.
- 6.5 As a result there are additional resources beyond those that were available during 2016-17. However, close management of the team and quality assurance / review of the team's output will be required as the team members are either new to the Council or new to closedown work.

## **7. ALIGNMENT WITH CORPORATE PRIORITIES**

### **7.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

### **7.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

### **7.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

## **8. SIGNIFICANT IMPLICATIONS**

### **8.1 Resource Implications**

There are no significant implications within this category.

### **8.2 Statutory, Risk and Legal Implications**

There are no significant implications within this category.

### **8.3 Equality and Diversity Implications**

There are no significant implications within this category.

### **8.4 Engagement and Consultation Implications**

There are no significant implications within this category.

### **8.5 Localism and Local Member Involvement**

There are no significant implications within this category.

### **8.6 Public Health Implications**

There are no significant implications within this category.

