

Statement of Accounts Process – Action Plan Update

To: **Audit and Accounts Committee**
Date: 22 November 2018
From: Jon Lee (Head of Integrated Finance Services,
LGSS)
Electoral Division(s): All

Purpose:

To provide an update on progress following the review of the 2017/18 accounts closure process presented to the Committee in September.

Recommendation:

The Audit and Accounts Committee are asked to note and comment on the contents of the report.

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1. BACKGROUND

- 1.1 At the 30 July 2018 Audit and Accounts Committee the Committee requested a report be presented to the September meeting reviewing the accounts process for 2017/18. A report was provided covering the requested review and highlighting lessons learned that Officers are taking forward into the 2018/19 closure of accounts.
- 1.2 An Action Plan covering matters raised in the External Audit ISA260 Report was also presented, with updates of progress against the Action Plan to be provided at future meetings.
- 1.3 This report is the first of the Action Plan updates.

2. 2017/18 ISA 260 ACTION PLAN

2.1 General Points

- 2.2.1 An initial meeting took place with EY on 5 November 2018 to discuss planning of the 2018/19 external audit, including bringing forward some pieces of work traditionally carried out at year-end so that they can be reviewed during the interim audit. Further discussions with EY are required to finalise the list of such items, as part of the continuing audit planning work and an update will be provided to the Committee in January.

2.2 Pre-publication Review of Financial Statements

- 2.2.1 Two days are included in the 2018/19 Closedown Timetable for a peer review of the Financial Statements to be undertaken by a member of the LGSS Closedown Team (who has had limited involvement in the production of the CCC Statement of Accounts), prior to the reviews by Head of Finance, Head of Integrated Finance and S151 Officer.

2.3 Review of Property Revaluation Programme

- 2.3.1 The valuation date for the annual rolling programme of property revaluations has been changed from 1 April to 30 November. In addition, all properties valued at £4m or more will be subject to an annual desktop revaluation exercise, as opposed to properties valued at £5m or more in previous years.
- 2.3.2 Both of these measures have been introduced to reduce the risk that carrying values of property assets will be materially misstated at the Balance Sheet date of 31 March.

2.3.3 A review of these revaluations will be undertaken in February to identify any properties where a significant change in valuation in the period since 30 November is indicated; any such properties will be further revalued at 31 March.

2.3.4 Market movements advised in the valuer's market review will also be used to demonstrate that assets not revalued during the year are not materially misstated. If the process indicates that a material misstatement would occur, the indexation will be applied to the carrying values of appropriate asset categories.

2.4 Non-capitalisation of Vehicles, Plant and Equipment

2.4.1 The 2018/19 Closedown Timetable includes a review of expenditure on Vehicles, Plant and Equipment to check that the accounting policy not to capitalise such assets (except in relation to a PFI agreement) continues not to result in a material misstatement of the accounts.

2.5 Capitalisation of Highways Expenditure

2.5.1 Work continues to improve approval processes for Highways Expenditure using the Insight system. Furthermore, Finance Business Partners are to undertake additional checks as part of the year-end accruals process to capture any approvals that are outstanding.

2.6 Contracts of Employment

2.6.1 HR will provide an update on the review of TUPE transfer processes, including the issuing of employment contracts, in January.

2.7 Grant Recognition

2.7.1 The processes for posting grants to the ledger has been changed to aid earlier reconciliation and resolution of issues, enabling much of the audit work on this area of the accounts to be undertaken during the interim audit. A first review of the new processes through to a trial-run of the production of the financial statements will be carried out in early December.

2.8 Related Party Transactions

2.8.1 The 2018/19 Closedown Timetable includes a review of related party declarations to identify potentially material transactions, along with a second review by management prior to publication of the Statement of Accounts.

2.9 Swift ITGC Deficiencies

- 2.9.1 The transition process from Swift to Mosaic is underway, with the aim to have Mosaic fully implemented by the end of 2018/19. Periodic reviews of user access rights in Mosaic will be undertaken.

2.10 Swift Leaver Forms

- 2.10.1 An update on improvements to system leaver processes will be provided at a future date.

2.11 Swift Access Change Requests

- 2.11.1 A detailed change control process has been put in place for the new Mosaic system. For 2018/19 an internal review will be carried out prior to the interim audit to enable external auditors to complete the audit of this area for months 1 to 10 during the interim audit.

2.12 Swift System Password Parameters

- 2.12.1 As advised in para 2.9 above, the Swift system is scheduled to be expired in the last quarter of 2018/19.

2.13 Prompt Removal of Disposed Assets from Register

- 2.13.1 An update on fixed asset register procedure amendments will be provided in January.

3. OTHER LESSONS LEARNED AND IMPROVEMENTS FOR 2018/19

3.1 Data Analytics

- 3.1.1 Discussions to agree the data specification required to maximise the use of data analytics during the 2018/19 audit has begun, with a further meeting to take place in December. Indications are that the LGSS Business Systems team will be able to produce data in a format to meet EYs requirements, enabling a smooth process.

3.2 ERP Gold Statement of Accounts Production

- 3.2.1 As mentioned in the September report to the Committee, ERP Gold has been designed to adopt a 'push of a button' approach to producing the statement of accounts. Work to refine elements of the closedown template continues. The current focus for this work involves the

Closedown Team meeting with other Finance colleagues to design and test disclosure notes, including Trading Operations, Dedicated Schools Grant, and Pooled Budget Arrangements.

- 3.2.2 A brief demonstration of the new closedown approach will be presented to the Committee in January.

3.3 External Audit

- 3.3.1 EY are currently undertaking their planning work for the 2018/19 External Audit. Initial requests for specific information have been received from EY, and information and documentation for several areas have already been provided, with the outstanding areas to be responded to by the end of November. It has been agreed that aim the is to complete 60% of audit work during the interim audit, reducing the pressure on the final audit period as much as possible.

Source Documents	Location
N/a	