

**REPORT ON LEARNING POINTS FROM THE PRODUCTION OF THE 2015-16
STATEMENT OF ACCOUNTS**

To: **Audit and Accounts Committee**

Date: **24th January 2017**

From: **Closedown Group Accountant**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **N/a**

Purpose: **This report is to summarise the learning points from the production of the 2015-16 Statement of Accounts. The report also outlines proposed changes to systems and processes for the preparation of the 2016-17 Statement of Accounts.**

Recommendation: **That the Committee note the report**

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1. BACKGROUND

- 1.1. The Council produces its Statement of Accounts on an annual basis. The accounts are a sizeable document (circa 180 pages), encompassing the County Council accounts, the Pension Fund accounts, and the Annual Governance Statement. The production of the accounts is a complex process, incorporating a large number of tasks and processes that takes several months to complete, culminating on the publication of the draft accounts at the end of June. The accounts and associated working papers are then passed to the Council's external auditors, BDO, who undertake their audit work prior to the final set of accounts being approved by the Audit and Accounts Committee and the auditors issuing their audit opinion.
- 1.2. The deadlines for the publication of the accounts are set by statute within the Accounts and Audit Regulations. The draft accounts must be certified by the Section 151 Officer and published by 30th June. Following the conclusion of the audit the final audited accounts must be approved by the S151 Officer and the Chair and the Audit and Accounts Committee and published by 30th September.
- 1.3. The Council's draft Statement of Accounts for 2015-16 were published on 30th June. However the final audited opinion was issued on 17th October 2016, missing the statutory deadline. The consequence to the Council of a late publication is reputational, there is no monetary penalty.
- 1.4. Since the conclusion of the 2015-16 accounts officers have met with BDO to review the accounts production and audit process and to identify learning points and improvements that can be made. This report is to summarise those points.
- 1.5. It should also be noted that the statutory deadlines for the publication of the Statement of Accounts are changing. The Accounts and Audit Regulations 2015 introduce shorter statutory deadlines. The draft accounts will be required to be published by 31st May, with the final audited accounts published by 31st July. These deadlines take effect from the production of the 2017-18 accounts onwards. So any proposed changes to processes should be seen in the context of the forthcoming reduction in statutory deadlines. A specific report on the implications of the changes to the statutory deadlines will be brought to the March meeting of the Audit and Accounts Committee.

2. LEARNING POINTS FROM THE PRODUCTION/AUDIT OF THE 2015-16 STATEMENT OF ACCOUNTS

Timetable and scheduling

- 2.1. The audit was not concluded in sufficient time to meet the CCC democratic timetable. Papers could not be circulated far enough ahead of the scheduled Committee meeting on 20th September to allow members enough time to undertake an informed review of the accounts prior to the statutory deadline. As a result an additional meeting of the Audit and Accounts Committee had to be scheduled for 14th October.

- 2.2. In order to address this, the 2016-17 Statement of Accounts are to be ready for sign off at the end of August 2017. The scheduling of all tasks in the preparation, audit and review of the accounts is to be aligned accordingly to meet this deadline. This should allow sufficient time for members to review the final accounts prior to the Audit and Accounts Committee scheduled for 19th September 2017.
- 2.3. BDO have agreed to produce a Gantt chart for 2016-17. This will list the tasks involved in the process, outline the level of resources required, include contingency, and will reflect the risk profile of the work. CCC will ensure that its internal closedown timetable is in line with this Gantt chart.
- 2.4. Regular monthly liaison meetings have been arranged between CCC officers and BDO to monitor progress. The first of these took place on 6th December 2016.
- 2.5. An escalation protocol is to be agreed between CCC and BDO to ensure that should any issues arise during 2016-17 they will be raised at an appropriate level and on an appropriate timescale to allow mitigating actions to be undertaken.

Records Required Listing

- 2.6. In order to facilitate the audit BDO issue CCC with a records required list which sets out the documents and working papers which they would like to review as part of their audit fieldwork. This is provided to the authority in advance of the audit to allow the relevant documents to be produced/collated.
- 2.7. The records required listing for 2015-16 asked for various working papers to be produced along with supporting documentation. The supporting documents provided to BDO by CCC were sometimes not what the auditors had intended, and on several occasions further information had to be provided after the initial request. This slowed down the audit and meant that some straightforward audit queries took longer to resolve than they should have done.
- 2.8. For 2016-17 BDO will update their records required list to add as much detail as possible on the documents that CCC are required to provide. This will allow the appropriate documents to be supplied at the start of the audit.
- 2.9. A draft records required listing has been supplied by BDO on 3rd January 2017. This will be reviewed by CCC officers with the final version to be agreed at the February liaison meeting.
- 2.10. BDO will also supply guidance to CCC on the types of acceptable audit evidence, and this will be incorporated into the records required listing.
- 2.11. Any documents required from schools are to be advised by BDO in sufficient time to enable them to be provided prior to the school holidays.

Journal listing

- 2.12. One of the items requested by BDO during 2015-16 was a complete listing of all transactions from the general ledger for the financial year. Due to specifications of this request, and the amount of data involved, this could not be produced directly by CCC officers. Consequently this data had to be supplied directly to BDO by Fujitsu. As 2015-16 was the first year that this had been requested the computer script for extracting the report had to be refined several times in order to extract the correct dataset for BDO's requirements. This took some time to be concluded and meant that this data was produced later than originally scheduled.
- 2.13. The same dataset will be required to be produced for 2016-17. Officers have been liaising with Fujitsu to agree the parameters for this report to allow it to be produced at an earlier stage than in 2015-16.

Interim Audit

- 2.14. The auditors are on site for several weeks prior to the end of the financial year to undertake interim audit work. This reduces the amount of testing required during the main audit in the summer.
- 2.15. For 2016-17 BDO will be onsite for 5 weeks commencing in February. The aim is that, where possible, data up to the end of period 9 will be audited; reducing the amount of testing required to be undertaken during the main audit.
- 2.16. Other audit testing can be completed during the interim audit in 2016-17 which was undertaken later in the process in 2015-16. For example the review of asset valuations can be commenced, and the Council's Minimum Revenue Provision (MRP) calculation can also be reviewed.

Activity Log and IT Access for BDO

- 2.17. An activity log is maintained during the course of the audit to records task that are in progress and audit queries that have been raised. For 2015-16 this was updated on a weekly basis, however due to the volume of activity during the audit this meant that the log quickly become out of date. Also, although remote access to the CCC network had been requested for BDO, technical difficulties meant that they were unable to utilise it. Consequently updates to the activity log had to be sent by email as the auditors could not update it directly.
- 2.18. It has been agreed with BDO that the activity log needs to be a live document showing the current position at any one time. As it has proven difficult to arrange remote access for BDO to the CCC network the possibility of giving CCC officers access to BDO networks has now been explored. A sharepoint site has been set up hosted by BDO on their site which can be accessed by both CCC and BDO officers. This new site will be used in 2016-17 to share files with BDO and will store the 2016-17 activity log to allow both CCC and BDO to update it. This is a secure, password-protected site and access will only be given to the relevant

officers. CCC officers have confirmed the data security arrangements with the Authority's Information Governance Team prior to starting to use the site.

3. RECOMMENDATIONS

3.1 That the Committee note the report.

4. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

There are no significant implications within this category.

6.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

6.7 Equality and Diversity Implications

There are no significant implications within this category.

6.8 Engagement and Consultation Implications

There are no significant implications within this category.

6.9 Localism and Local Member Involvement

There are no significant implications within this category.

6.10 Public Health Implications

There are no significant implications within this category.

| Source Documents | Location |
|-------------------------------------|-----------------------------------|
| Accounts and Audit Regulations 2015 | Room 128 Shire Hall, Cambridge |