

Annual Accounts Preparation

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	None

Executive Summary

This report sets out the proposed process for the preparation, audit and approval of the 2017/18 Statement of Accounts and summarises the changes to the Local Audit Regulations under the Local Authority Audit and Accountability Act which comes into effect this year.

This report makes the following recommendations to this Committee:

1. To note the arrangements for preparation and sign off of the 2017/18 Statement of Accounts, specifically:
 - That the Committee will no longer be asked to formally consider the draft version of the accounts; and
 - That the External Auditor's Audit Findings Report will be presented as an urgent update to the agenda for July's meeting due to the timing of external audit work.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	19 March 2018

Annual Accounts Preparation

1. INTRODUCTION AND BACKGROUND

- 1.1 One of the responsibilities of this Committee is to approve the annual Statement of Accounts.
- 1.2 We have previously reported to you changes to the Local Audit and Accountability Act which will come into effect for the 2017/18 Statement of Accounts and will have an effect on the review and approval process.
- 1.3 The impact of these changes means that the timetable for producing, auditing and signing off the Statement of Accounts has been accelerated. The changes are summarised in the table below:

	2016/17 Accounts	2017/18 Accounts (Plan)
Deadline for producing draft accounts	30 June	31 May
Draft Statement of Accounts considered by Audit, Governance & Standards Committee	26 June	Briefing to be held in June
External Audit commenced	3 July	9 July
Final Statement of Accounts approved by Audit, Governance & Standards Committee	18 September	30 July
Audit opinion issued	28 September	30/31 July
Final deadline	30 September	31 July

Table 1: Key dates for signing off 2016/17 & 2017/18 accounts

- 1.4 Given the reduced timeframe, it will not be practical for a draft version of the accounts to be formally considered by the Committee, which represents a change to the current process. There is no legal requirement for the Committee to review the draft accounts prior to approving the final version, although in the past it has been considered useful to allow early consideration of the draft document by Committee members. Plans are in place to accommodate this through an informal briefing session for members to be held in June. In addition, the draft accounts will be available on the Council's website and for inspection by the public from 31 May onwards.
- 1.5 Members will also note that the external auditors will commence their work on 9th July, in advance of the meeting of the Audit, Governance and Standards Committee to approve the accounts on 30th July. It has not been possible to bring forward the start date of the audit, as Grant Thornton are heavily committed at this time of year. Grant Thornton will be carrying out early audit testing in March in order to reduce the volume of work to be carried out at the final audit.
- 1.6 As the audit will still be in progress at the agenda deadline date, it is likely that the External Auditor's Audit Findings report will be presented as an urgent update to the agenda for the July meeting, in order to ensure that this includes the most up to date information that may be of use to members in considering their decision to approve the accounts.

1.7 The Statement of Accounts is a complex document, and table 1 above illustrates that meeting the revised statutory deadlines will present a significant challenge for MBC officers as well external audit staff. However, substantial efforts have been made in order to ensure that we are well prepared to meet this challenge, with the draft 2016/17 accounts being produced well in advance of the June deadline last year. Further measures that have been implemented in order to streamline the process and ensure that deadlines are met include:

- A review of the Statement of Accounts document, to declutter and remove any unnecessary sections.
- Rationalisation of management's approach to producing accounting estimates, including a change in the property valuation date to 31 January.
- Changes to the operational timetable for producing the draft accounts to shift certain tasks to earlier in the year where possible.
- Briefing taken to the Wider Leadership Team to raise awareness of revised deadlines and pressures on the finance team during April and May.
- Training sessions with budget managers and administrative staff to highlight the importance of meeting key deadlines around the year end.
- Liaison with third parties who provide information required for the financial statements to ensure that this will be supplied within the agreed timeframes.
- Officer attendance at workshops and training sessions, and learning from good practice shared by peers from other local authorities who are already working to these deadlines.
- Working closely with the external auditor to agree treatment of complex transactions and balances, and to ensure that supporting information and working papers provided will facilitate swift completion of audit testing in July.
- Completion of early audit testing scheduled by the external auditor for March, detailed further in the audit plan which is also on the agenda for this meeting.
- Changes to the timetable for meetings of the Audit, Governance and Standards committee to accommodate the July deadline for approving the accounts.

1.8 It is hoped that acceleration of the closure process will enable finance staff to dedicate more time to in-year financial management.

2. AVAILABLE OPTIONS

2.1 This report is for information and is intended to assist the Committee in discharging its responsibilities in relation to external audit and the Statement of Accounts. The Committee is recommended to note the contents of the report.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The Committee is asked to note this report. Following the changes to the statutory timetable, it is considered appropriate to provide a summary of the Council's response at this point in time.

4. RISK

- 4.1 This report is presented for information and there are no decisions that would give rise to risk management implications.
- 4.2 Failure to meet the statutory deadline for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. For 2016/17, 92% Councils met the statutory deadline of 30 September, with 17% audit opinions being issued by the new deadline of 31 July. The impact of this risk materialising would have largely reputational repercussions for the Council, and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 No consultation has been undertaken in relation to this matter.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Next steps are outlined in the table at paragraph 1.3 above.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, production of the annual Statement of Accounts which is free from material or significant error is a key element of demonstrating accountability and value for money. It is therefore important that the Statement of Accounts	Head of Finance

	meets this requirement.	
Risk Management	Already covered in the risk section.	Head of Finance
Financial	The Statement of Accounts provide an overview of income and expenditure for the financial year to 31 March 2018, and details the council's assets, liabilities and reserves at this date.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Head of Finance
Legal	The legislation leading to the accelerated process for the approval of the Statement of Accounts is identified in the report. No legal implications are identified.	Keith Trowell, Interim Team Leader (Corporate Governance)
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	Keith Trowell, Interim Team Leader (Corporate Governance)
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Head of Finance
Crime and Disorder	None identified.	Head of Finance
Procurement	None identified.	Head of Finance