

	<b>Audit Advisory Committee</b> 10 January 2018
	<b>Report from the Chief Finance Officer</b>
<b>Closure of Accounts 2017/18</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	N/A
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Chris Roberts Senior Finance Analyst Email: <a href="mailto:chris.roberts@brent.gov.uk">chris.roberts@brent.gov.uk</a> Tel: 020 8937 2175

## 1.0 Purpose of the Report

- 1.1 To provide the Audit Advisory Committee with an update on the plans in place to close the 2017/18 accounts, and prepare and publish the statements within the revised and much earlier statutory deadlines for 2017/18.

## 2.0 Recommendations

- 2.1 To note the approach being taken to ensure that the Council is able to meet its statutory obligations.
- 2.2 To comment on the proposal to report the draft accounts to Cabinet only, bringing just the final accounts to this Committee.
- 2.3 To request that the timetable of meetings for 2018 include meetings of the Audit and the Audit Advisory Committees scheduled in the last five working days of July.

## 3.0 Detail

- 3.1 The Local Audit and Accountability Act 2014 introduced powers for the Secretary of State to make regulations on various matters. In 2015, then Secretary of State, Eric Pickles, used these powers to introduce revised

statutory deadlines for the publication, audit and certification of local authority financial statements.

3.2 This revised the statutory deadlines as follows, from 2017/18:

	Previous deadline	2017/18 onwards deadline
Preparation of draft financial statements, signed by CFO and published on website.	30 June	31 May
Approval (by Committee) and publication of financial statements with audit opinion.	30 September	31 July

3.3 As a result, there is significantly less time available for the preparation and audit of the accounts: a month less preparation time, and a month less audit time. Auditors are under further pressure, as they are required to complete the audit of NHS bodies' accounts by 31 May, meaning it is difficult for Local Government work to begin earlier than 1 June.

3.4 Members will be familiar with the recent developments to the requirements for local authority financial reporting, which have been designed to make the financial statements more readable by removing clutter and providing reports aligned to the departments used to manage the Council's financial position in the year. The shorter timescale will build on this by also making financial reporting more timely, bringing it closer to the end of the financial year.

3.5 The 2016/17 closure was carried out alongside a restructuring of the finance service, and utilised a revised approach involving the wider finance team, devolving them responsibility for the preparation of various elements of the statements. As with any major area of work, the preparation of the 2016/17 accounts has been subject to a review of effectiveness and a reflection to establish and record 'lessons learnt'. A review meeting has also been held with the external auditors.

3.6 The main positive reflections from this review were:

- the involvement of the wider finance team was valued as an opportunity to build the team through large-scale participation in a significant piece of work.
- the staff development afforded through broader involvement and exposure to the requirements of the financial accounts will allow wider reflection on potential opportunities to streamline and better fit these with the more general financial management activities carried out through the year.

3.7 The areas identified for improvement were:

- planning, to ensure that requirements are clearly understood between accountants and auditors, and that the standard required for working papers is clearly specified and documented, and this specification communicated with staff.
- timetabling and review, to ensure that things are done in the right order, avoiding double handling; to ensure that the plan acknowledges and accommodates the finance team's other responsibilities; and that the work

done is more thoroughly reviewed in-house to ensure that any issues are identified and addressed before the audit.

- 3.8 The 2016/17 statements were completed in draft by the end of May for initial CFO review, and a draft was certified, published on the website, and reported to Audit in late June. This means that for 2017/18 the preparation will need to be carried out significantly more quickly.
- 3.9 To deliver this statutory obligation, the finance Directorate Management Team (DMT) consisting of the Chief Finance Officer, the seven Heads of Finance, and the Head of Audit and Investigations is closely monitoring the project and has agreed to a target of 30 April for the preparation of the 2017/18 statements.
- 3.10 To achieve this, it was agreed at DMT that the following key principles would guide the approach for 2017/18:
- We will plan early and in detail.
  - We will use estimates where possible and seek to move high risk items into the interim audit.
  - We will review and remove immaterial items where possible.
  - We will improve communication and accountability.
- 3.11 These principles will allow the lessons from 2016/17 to be learnt, will allow the required timescale to be delivered, and will ensure that focus remains on achieving the objective of financial reporting: to present a true and fair view of the Council's financial position, financial performance, and cash flows. This requires that everything presented is of reasonable accuracy (materially correct), a standard which is set by management and must conform as a minimum to the external audit requirements. For 2016/17 this was £12m for financial statements and £0.6m for uncorrected errors which to be reported to the Audit Committee. However, for certain areas of particular sensitivity (such as Members' Allowances and Senior Officer Remuneration) this level will be much lower. The levels for 2017/18 will be reported, along with the audit plan, at this meeting under a separate agenda item.
- 3.12 To meet the agreed principles, work has been allocated to Heads of Finance, and under their guidance, the finance team have been engaged up to Christmas in reviewing the approaches, and preparing the detailed timetable mentioned in paragraph 3.6. The finance team have also received training on the approach to be used, the requirements for working papers, and for relevant personnel some more specific technical areas.
- 3.13 There is no legislative requirement for the draft statements to be reported to Members, and the shorter timescale as well as the local elections mean that it is unlikely that there will be a meeting of this Committee to which the draft statements can be presented, as has been the approach in recent years. Officers still intend, as in previous years, to report the draft statements to the Council's Management Team and Cabinet. The statements will be published on the website once approved by the Chief Finance Officer. However, should the Committee wish to receive them, it would be possible to circulate the link to the statements when published on the website, or if necessary to call a meeting as required.

- 3.14 The final, audited statements will be presented to the Audit Advisory Committee, and will need to be approved by the Audit Committee and signed by its Chair. To this end it is recommended that in the timetable of meetings for 2018, meetings of the two committees be scheduled in the last five working days of July.

#### **4.0 Financial Implications**

- 4.1 The Council is required to prepare a statement of accounts reporting its financial position, but there are no financial resource implications relating to this report.

#### **5.0 Legal Implications**

- 5.1 The Legal requirements are discussed in the report.

#### **6.0 Equality Implications**

- 6.1 There are no equality implications from this report.

**Report sign off:**

**ARCHA CAMPBELL** (Acting S151 Officer)

on behalf of

**CONRAD HALL**  
Chief Finance Officer