

# Croydon Council

For General Release

<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> 25 March 2015
<b>AGENDA ITEM NO:</b>	<b>14</b>
<b>SUBJECT:</b>	<b>Preparation for Closure of 2014-15 accounts</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate &amp; Resources &amp; s151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance &amp; Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> The preparation and publication of the Council's final accounts provides assurance that the Council's overall financial position is sound. This underpins service delivery that enables the achievement of the Council's priorities and forms a key strand to the Council's overall Financial Strategy.	
<b>FINANCIAL IMPACT</b> There are no direct financial implications arising from this report	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b>	

## 1. RECOMMENDATION

The Committee is asked to note the progress in the preparation for the year-end 2014-15.

## 2. EXECUTIVE SUMMARY

- 2.1 The closure of 2013-14's annual accounts experienced some specific challenges which were highlighted in the Auditor's final report to this committee. An action plan was drawn up to address these, and ensure that the 2014-15 accounts would be completed in a timely and efficient fashion. This report sets out progress against this action plan, which is assessed to be positive, with a small number of key risks remaining.

### **3. SPECIFIC ISSUES IDENTIFIED**

3.1 The Audit Findings Report (AFR) presented to this committee on 17<sup>th</sup> September 2014 identified a number of key issues that had affected the effectiveness of the closedown process. These were:

- Increase in errors and misstatements in the draft accounts
- Deterioration in the quality and timeliness of supporting working papers
- Gaps in working papers available at the start of July 2014, with some not being available until the end of August 2014
- High turnover of staff and loss of corporate memory, particularly around the collection fund
- Initial audit responses failed to provide supporting information, resulting in queries being re-visited

It was however recognised that the relationship between the audit teams and finance department remained strong, and worked closely to limit the impact of these issues. Also, a number of the issues were caused by one off events, in particular the change over to the One Oracle system during July and August. The problems associated with these events are not anticipated to re-occur for 2014-15.

3.2 An action plan was put in place at the end of 2013-14 closedown, to ensure improvements to the process were made. This action plan covered the following areas:

- Better communication
- More efficient processes
- Improved training
- Shared knowledge
- Quality assurance

### **4. ACTION PLAN PROGRESS**

4.1 The following section sets out progress to date on the areas within the closedown action plan.

4.1.1 Better Communication:

- a) An interim audit was carried out in January 2015, in which our external auditors Grant Thornton carried out walkthrough testing of key systems and processes. Pre-audit results have been positive, and discussions are taking place to agree how we will approach specific accounting areas in advance of the audit period (such as asset valuation)
- b) The closedown seminar, which is attended by the wider finance team, was brought forward and has already taken place. This provides specific updates and advice on what is required of finance teams during the closedown period. This event was also attended by Grant Thornton, who provided advice on making the audit process more efficient.

- c) Links with support teams in Croydon have been built following the implementation of One Oracle, and processes to provide the working papers that were delayed during 2013-14 have now been established.

#### 4.1.2 More Efficient Processes

- a) The process used by the Accountancy teams to build our financial statements has been revised following the implementation of One Oracle. The method has been simplified, resulting in more accuracy and less manual intervention. This method has also been based on recommendations by external audit, and will allow them to be audited in less time.
- b) The timetable for closing the accounts has been reviewed, and a number of tasks have been brought forward to reduce the chance of bottlenecks occurring during April and May (such as the calculation of internal recharges between teams).
- c) Changes to how Finance prepare for the Whole of Government Accounts (WGA) return have also been made, which again will reduce the staff time needed to prepare these statements.
- d) A review of the statement document has been carried out, with the aim to de-clutter the financial statements. Recommendations are to remove a number of small disclosures, and remove the repetition of detail from the core statements to show it only once in the disclosure notes.
- e) A review of our disclosures policy has also been carried out, with the objective of removing disclosures that are not considered to be material, for example the Group Accounts section.

#### 4.1.3 Improved Training

- a) As mentioned in section 4.1.1, training has already begun across the wider Finance team to help them prepare for closedown and audit, which was an agreed action in the 2013-14 AFR Action plan (Appendix A).
- b) This training is focusing on a more consistent use of the Council's coding structure for items such as recharges, as well as specific issues such as preparing high quality audit responses.

#### 4.1.4 Shared Knowledge

- a) The Accountancy Manager post has now been filled for over a year, and team staffing structure is anticipated to be more stable than last year.
- b) "Corporate memory" is being rebuilt by establishing clearer working papers and guidance notes, with particular emphasis on the Collection Fund, which is being reviewed regularly.
- c) Furthermore, there is more shared knowledge across the key members of the finance team, as opposed to areas of individual specialisms that had operated previously. This will leave the team more resilient should there again be unanticipated staff absences during key periods.

#### 4.1.5 Quality Assurance

- a) Review work of the year's financial activity is already taking place, in particular of holding accounts and the balance sheet. This will reduce the pressure of

work at year-end, and therefore reduce the chance of errors or misstatements being present in the draft accounts.

- b) A period of time for quality assurance has been firmly established in the closedown timetable, ahead of working papers being submitted to our external auditors.

4.2 Some areas of risk do however remain, and work is being carried out to resolve them ahead of the year-end. These are detailed below.

4.2.1 The movement to the One Oracle system in August caused an interruption to some of the regular reconciliation processes, which are being addressed as a matter of priority. All reconciliations will be completed before the end of the financial year.

4.2.2 The Council's capital outturn position will be calculated using the Oracle Projects module for 2014-15, and there are some reporting issues with this module that remain incomplete. These are being addressed as a matter of priority.

4.2.3 Due to changes in the way legislation is interpreted, the valuation and recognition status of foundation and voluntary aided/controlled schools is being discussed with auditors. There is a risk that school land and buildings not formerly on the Council's balance sheet will need to be brought onto it, requiring 4 additional valuations to be carried out ahead of year-end.

#### 4.3 CONCLUSION

4.3.1 We have made significant improvement to the process and timetable, and the good working relationship with Grant Thornton continues to improve. We anticipate a much more effective and efficient closedown process for the 2014-15 accounts.

### 5. CONSULTATION

5.1 There are no consultation requirements arising from this report.

### 6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

#### 1 Revenue and Capital consequences of report recommendations

There are no financial consequences arising from this report.

#### 2 The effect of the decision

Ensuring an effective and efficient closedown process will help achieve Value for money, and avoid the risk of additional costs being incurred.

#### 3 Risks

Risks remain in specific areas of accounts preparation, as set out in section 4.2, and again uncontrollable issues such as staff sickness may re-occur. However, the steps that have taken place aim to minimise any potential effects.

#### 4 Options

This report is an update only, and does not contain any options.

## **5 Future savings/efficiencies**

These actions are necessary to enable the Finance & Assets division achieve planned efficiencies, as well as prepare for a proposed advancing of the statutory accounts deadline by two months in 2017/18.

(Approved by: Dianne Ellender, Head of Finance and Deputy Section 151 Officer)

## **7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

The Council is required by the Accounts and Audit (England) Regulations 2011 to prepare a set of accounts by 30<sup>th</sup> June immediately following the end of a year.

(Approved by: James Derby, Corporate Solicitor on behalf of the Council Solicitor & Monitoring Officer)

## **8. HUMAN RESOURCES IMPACT**

There are no HR implications arising directly from this report.

(Approved by: Heather Daley on behalf of the Director of Human Resources)

## **9. EQUALITIES IMPACT**

## **10. ENVIRONMENTAL IMPACT**

## **11. CRIME AND DISORDER REDUCTION IMPACT**

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**CONTACT OFFICER: Ian Geary, Accountancy Manager, ext. 63046**  
**BACKGROUND DOCUMENTS:**

Accounts and Audit (England) Regulations 2011

[http://www.legislation.gov.uk/uksi/2011/817/pdfs/uksi\\_20110817\\_en.pdf](http://www.legislation.gov.uk/uksi/2011/817/pdfs/uksi_20110817_en.pdf)