

Subject:	Shortening the Accounts Closure process	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	17th March 2015
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	The Members note the contents of this report.

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to inform members of the requirement to shorten the accounts closure timetable by summer 2018 and to request members views on the changes being put forward, especially the best way to ensure that an appropriate level of scrutiny can be provided by this committee in the future.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Responsive Value for Money** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.

On a positive note, condensing the closure of accounts process might lead to operational efficiencies within the Finance Team which could benefit other services. However, with resources being squeezed in recent years, there is currently no spare capacity to divert into this project.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- *Operational Governance and Risks:* closing the accounts earlier might require the increased use of estimates rather than actual figures.
 - *Internal Audit:* External Auditors place a certain level of reliance on the outcomes of internal audit reports in order to keep their own detailed testing to a minimum. If the internal audit reports have to be completed earlier in the year then there is a risk that the external auditors may need to increase their own testing, leading to a higher charge.
 - *External Audit:* The Council's draft accounts have been subject to audit by Grant Thornton for the past two years under a four-year contract let by the National Audit Office. By the time this condensed reporting requirement comes in, the Council will have let its own individual contract for external audit services and tighter time frames may have an impact upon the resources required and therefore the cost.

5. BACKGROUND AND OPTIONS

5.1 Condensing the Final Accounts process

5.1.1 Between 2002/03 and 2005/06 the timetable for getting local government accounts closed and audited was reduced from the end of December to the end of September by taking one month off the schedule each year.

5.1.2 Since then the Whole of Government Accounts (WGA) has been introduced which attempts to collate one consolidated set of accounts for all central government departments and their services. The 2013/14 WGA was released in December 2014 and this has been criticised as being too late. In order to speed up that process, the deadline for local government accounts completion is being reduced. The 2017/18 account must be audited and approved by Members by Tuesday 31st July 2018 (currently 30th September).

5.1.3 This tighter timescale may require additional resources.

5.2 What will the changes mean for Rossendale Borough Council?

5.2.1 In practice this will mean that the draft accounts will need to be completed by the end of May and the audit process will need to be condensed into June and July.

5.2.2 The table below shows the current timescales and those being proposed in order to meet the new deadlines.

	current timescales		proposed timescales					
	March	April	May	June	July	August	September	October
Revenue Q4 Monitoring & Closure								
Revenue Reporting to Managers & Closure								
Capital Accounting (including revaluations)								
Financial Monitoring Q4 and Out-turn reported to Cabinet								
Statement of Accounts - Single Entity								
Statement of Accounts - Group Accounts								
Statement of Accounts - Quality Assurance								
Audit & Accounts - Agenda published								
Audit & Accounts - Meeting								
External Audit								
Public Inspection								
Audit & Accounts - Agenda published								
Audit & Accounts - Meeting								
WGA Draft Deadline								
WGA Audited Deadline								

5.3 Impact for the Audit & Accounts Committee

5.3.1 At present the Draft Accounts are brought to the Audit and Accounts Committee at the end of June. Under the new deadlines the Draft Accounts are to be submitted to the external auditors by the end of May. Due to purdah, elections and committee selection timing, there may not be enough time to submit the Draft Accounts to this Committee in future.

5.3.2 At the moment the audited Statement of Accounts are presented to the Audit and Accounts Committee at the end of September. The new deadlines will require the audited

Accounts to be approved by Members of this Committee by the end of July.

5.3.3 Members may wish to debate the relevant merits, in terms of governance and oversight, of this committee having an opportunity to discuss the Draft Accounts in full before the end of the audit process, rather than simply receiving the audited Statement of Accounts to approve. With this in mind, officers are proposing two alternative reporting schedules for the Accounts and Audit Committee from 2018 onwards.

5.3.4 First – maintain the current schedule of three meetings per year. In order to achieve this the Committee would not have the opportunity to discuss the Statement of Accounts until the audit is complete.

Meeting Date	RBC Reports	Internal Audit Reports	External Audit Reports
end July	Audited Accounts Letter of Representation	Final Audit Reports Audit Plan	Audit Findings Report
mid November	Q2 Financial Monitoring Report (for information)	Audit Plan Update	Annual Audit Letter
mid March	Q3 Financial Monitoring Report (for information)	Audit Plan Update	

5.3.5 Alternatively this Committee could revert to four meeting per year. At the this stage officers do not think it would be possible to complete the Draft Accounts in time to have Committee agenda papers ready and published in time for an end of May Committee date. However, there is the possibility of having a June meeting to discuss the Draft Accounts in tandem with the audit process and a meeting at the end of July, for which the main item of business is to authorise the audited Accounts.

Meeting Date	RBC Reports	Internal Audit Reports	External Audit Reports
mid June	Draft Accounts	Final Audit Reports Audit Plan	
end July	Audited Accounts Letter of Representation		Audit Findings Report
mid November	Q2 Financial Monitoring Report (for information)	Audit Plan Update	Annual Audit Letter
mid March	Q3 Financial Monitoring Report (for information)	Audit Plan Update	

5.3.6 Members views are sought on the two proposals above, including the suggestion to present Financial Monitoring Reports to each committee for information.

5.4 Impact for the Internal Audit Programme

- 5.4.1 Bringing the External Audit processes forward and condensing them into two months will mean that officers of the Council will not be able to support internal audits of financial processes during June and July. It is anticipated that all the work on internal audits will need to be concluded by the end of March.
- 5.4.2 Unfortunately this will have an adverse impact on the volumes of transactions which the internal audits can cover which may have a knock-on effect on the volumes of transactional testing required by the external auditors. Any increase in the volume of work for external auditors is likely to have an adverse impact upon the costs of audit in the future.

5.5 Impact on closedown data and the use of estimates

- 5.5.1 The council relies on external actuarial support through Lancashire County Council to provide essential data for the pension fund. At present this report arrives at the end of April or early May and is based upon actual data up to the end of January with estimates of February and March figures provided by RBC officers in February. In order to meet an earlier closedown the report will be required by mid April and so it is likely to rely upon at least one more month of estimated figures. Auditors anticipate that they will require assurances from the actuaries that nothing material has changed between their estimated report and the 31st of March. If this requires additional work by the actuaries there may be an associated increase in the charge to the Council levied by LCC.
- 5.5.2 Note 3 of the Statement of Accounts explains the other main areas of estimates which officers rely on each year. The condensed process may impact upon the evidence used by officers to base their judgements upon when determining these estimates. The internal areas of concern are around any benefits subsidy debtor/creditor and the level of council tax and non-domestic rate arrears and appeals. Officers anticipate that the tight monitoring regime currently being undertaken to provide the Financial Monitoring reports will support the new requirements, but colleagues at Capita are being consulted on any potential changes.

5.6 Impact upon partner organisations

- 5.6.1 Rossendale Borough Council prepares Group Accounts which consolidate the accounts of the single entity with those of the subsidiary, Rossendale Transport Ltd. At present the draft Transport accounts are received in early June and it takes up to three days to consolidate the accounts and prepare the final Statement Notes. The audited Transport accounts are then approved at the company's AGM (usually in July). Any changes are replicated in the Council's own Draft Accounts and those are submitted to external audit before the audited Statement of Accounts can be reported to Members at the end of September.
- 5.6.2 In the new regime it is unlikely that there will be enough time for the above process to continue and officers are now consulting Rossendale Transport Ltd on the options available, including moving the company's financial year-end. If the year-end for the Transport company remains the same, then either the Council will need to report using prior year data, or potentially their audit programme will need to be faster, which could lead to a higher charge for additional resources.

6. SECTION 151 OFFICER

- 6.1 The financial implications noted in paragraphs 5.4.2, 5.5.1 and 5.6.2 above will be investigated by officers, in conjunction with the relevant partner agencies, in the coming months and reported back to this Committee at a future date.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the report, there are no implications for consideration.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

9. CONSULTATION CARRIED OUT

9.1 This report is being copied in to the partner agencies referred to above and their views will be sought as to the most efficient and effective way to meet the new deadlines required. Any resultant cost implications will be explored during that consultation process.

9.2 Officers will also be discussing the implications of these changes with colleagues at neighbouring authorities in the coming months and their responses will also be brought back to this Committee in due course.

9.3 The condensed deadlines will have no effect on the statutory requirements for a 20-day period of public inspection. Therefore it is not anticipated that these changes will require an Equalities Impact Assessment to be undertaken.

10. CONCLUSION

10.1 The closure of the Accounts process is being condensed by central government requirements with effect from the 2017/18 Accounts in July 2018.

10.2 Members views are sought on the impact these condensed deadlines will have upon the level of scrutiny which can be provided by this Committee in the future, with specific reference to the two alternative proposed schedules for the Audit and Accounts Committee reports shown in paragraphs 5.3.4 and 5.3.5.

Background Papers	
Document	Place of Inspection
CIPFA Accounts Closedown Training 02/02/2015	Financial Services