

Appendices:
1. Governance Action Plan



AUDIT COMMITTEE REPORT

Report Title	Progress Update on Statement of Accounts 2016-17
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	3rd September 2018
Policy Document:	Statement of Accounts
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1.1 This report provides an update on the Statement of Accounts for 2016-17 and the issues that have caused the delay in production and sign-off.

2. Recommendations

- 2.1 That the Committee note the issues that have given rise to the delay in the production of the Statement of Accounts for 2016-17.
- 2.2 That the Committee notes that lessons have been learned and improvements made to the processes and data that will improve the production of the 2017-18 Statement of Accounts and subsequent years.

3. Issues and Choices

3.1 Report Background

The Audit Committee received a draft set of accounts for the Financial Year (FY) 2016-17 at its meeting in September 2017. Since then there have been a number of issues arising that have prevented the production of final Accounts and formal sign off by both the Audit Committee and External Auditor.

3.2 SoA 2016-17 update:

- 3.2.1 Due to the delays and lack of final accounts for 2016-17 for Audit Committee to review at this meeting, LGSS Finance, who deliver the full range of financial services to NBC, were invited to produce an explanation to the Audit Committee of the issues that have been encountered and actions. This document has been shared with the External Auditor, who have in turn made some observations.
- 3.2.2 The document outlines some of the issues that have led to the delays in producing final accounts for 2016-17. In addition it should be noted that the churn of staff and use of interims has added to issues in both LGSS Finance and NBC Asset Management. In some cases this has been a quality of work issue, in other cases the churn has led to knowledge gaps with each new officer attempting to fully understand the work and reasoning of predecessors. This risk continues as one of the key senior LGSS NBC Business partners left at the end of August and the current lead officer for LGSS NBC closedown is due to leave in October 2018 and likely to be backfilled by an interim manager, who will progress the 2017-18 Statement of Accounts.
- 3.2.3 In addition the update from LGSS does not include the system (in this context system should be read in the widest context of physical system, processes, procedures, Chart of Account, feeder systems and staff) issues this process highlighted. At the time of this report being written, the commitment to produce final accounts by the end of August 2018 will not be met as a result of further issues. It has become apparent that the 'system' used to process property values and changes requires updating, otherwise c22,000 transactions may need to be manually entered to arrive at the agreed valuations of HRA properties.

3.3 Improvement areas

There have been a number of improvements as a result of all of the issues around 2016-17, which should lead to a faster, cleaner closedown for 2017-18 and steps are being taken to enhance further NBC's ability to closedown cleanly and on time the 2018-19 Accounts.

- 3.3.1 Property Records and valuations will have been cleansed and the system updated to improve record keeping and processing, with clearer instructions to valuers on what they must deliver and why/when.
- 3.3.2 Revised Working Paper protocols have been introduced to enhance the quality of working papers provided to the auditor, along with more stringent quality assurance checks by two separate senior managers (one from LGSS NBC Business Partner Team and one from LGSS Finance Closedown Team)
- 3.3.3 Systems and coding have and continue to be reviewed and updated to improve cleaner reporting.

3.3.4 The Section 151 role (Chief Finance Officer) moved back from LGSS Finance to NBC in February 2018 to provide a more 'intelligent client' function and support NBC directly.

3.4 Conclusions

3.4.1 Whilst the continued delay in producing the Statutory Statement of Accounts for 2016-17 is not helpful. It is important to provide assurance to the residents and stakeholders that the issue is not around the management of finances, the funding of services and has no impact on current budgets or plans. The issues ultimately are around the presentation of information in a form required by Cipfa and Government. The auditor has highlighted that valuation changes are 'material in value' these are now historic and have in reality been superseded.

3.4.2 The issues that have arisen have tested staff within LGSS Finance and relationships between NBC (as the accountable body), LGSS (as its provider of financial services) and KPMG (External Auditor). There is an angst and frustration from all parties, that at each stage of progress, from June 2017, issues have unwound previous work and required rework, in some cases several times.

3.4.3 Having monitored progress since February 2018, it is clear there is no single factor that can be identified as the root cause of the problem, but a constant flow of what would individually have been minor issues has, in this 'high risk' audit environment led to cumulative problems and system weaknesses.

3.4.4 The improvements and lessons learned will be demonstrated during the process of closing a down and producing the SoA 2017-18, which will commence immediately after the SoA2016-17 is finalised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report.

4.2 Resources and Risk

4.2.1 The continued exercise to deliver final and audited accounts has had a resource consumption impact on the resources intended to support NBC in year and with 2017-18 accounts, but with no additional cost. Additional costs have and continue to be incurred as a result of additional work by KPMG.

4.3 Legal

4.3.1 No specific legal aspects.

4.4 Equality

4.4.1 There are no specific equality implications from this report

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with, LGSS finance, and External Audit.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Various previous Audit Committee agenda packs

Stuart McGregor, Chief Finance Officer