

Appendices:  
1. Governance Action Plan



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Progress Update on Statement of Accounts 2016-17</b>
---------------------	---

**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 26 November 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 the progress made and the revised timetable for the production and signing off of the Statement of Accounts for 2016-17.

### 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.

An update on progress was provided to the Audit Committee on 3 September 2018, which had anticipated the accounts being completed and submitted to this meeting.

### **3.2 SoA 2016-17 update:**

- 3.2.1 An agreed statement/position outlining progress and the current position, along with a revised timetable is attached as an appendix to this report.
- 3.2.2 The document, which has been produced by our partner LGSS Finance, in conjunction with KPMG, our Auditor, outlines the issues that have led to the further delays in producing final accounts for 2016-17.

### **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, which is still intended to be actioned and completed early 2019.

### **3.4 Conclusions**

- 3.4.1 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).
- 3.4.3 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 is due to commence immediately after the SoA2016-17 is finalised.
- 3.4.5 The failure to deliver the Accounts for review and sign off at this Committee is regrettable. The NBC Management Board continue to be frustrated and trust from the statement provided that the end to this exercise is within sight.

## **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. Additional costs have and continue to be incurred as a result of additional work by KPMG.

4.2.2 Previously we highlighted staff churn has been an issue, this continues to be the case. LGSS Finance has launched a recruitment campaign using CIPFA Penna to bring in staff with the required technical expertise to deliver the accounts for 2017/18 and also 2018/19. There is likely to be the need to make use of agency staff during the period until the permanent appointments are able to start in post

## **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**

### Progress towards completing the delivery of the statutory accounts of Northampton Borough Council for the financial year 2016/17

26 November 2018

#### LGSS Integrated Finance Service

##### 1. Introduction

- 1.1 This report provides an update to that presented to the Audit Committee in September, where the detail behind the causes of delay to the 2016/17 NBC Statement of Accounts was presented. This report, which has again been prepared following discussions with KPMG, outlines the current situation as both the LGSS Finance and Audit teams work to finalise the 2016/17 Statement of Accounts.
- 1.2 Given the remaining work involved, at the September Audit Committee the expectation was that the final accounts would be presented to the Audit Committee at a specially convened meeting that was likely to be in December. The main reasons for the slippage in this expected timeframe are due to:
  - The complexity and volume of changes to the accounts and making sure these are correct in the final Statement which has taken longer than expected before sharing with KPMG;
  - The iterative nature of some aspects of the changes and working papers with follow up audit queries being raised by KPMG requiring a response; and
  - The completion of the final bridging working paper requiring additional information in some areas to more fully explain movements between the versions of accounts.
- 1.2 Based on the final processes that need to be undertaken to complete the audit the latest expectation is that the 2016/17 accounts will be finalised with the audit opinion by mid January.
- 1.3 The following sections of this report provide commentary from the NBC / LGSS perspective on each of the main issues that remain to be completed in order to finalise and sign off the 2016/17 accounts and the reasons why the expected timeframe has slipped to mid January for completion.

##### 2. The Statement of Accounts document

- 2.1 Since the September Audit Committee work has progressed with the final audit requirements at the time of writing having been provided to KPMG. The key deliverables that have been provided to KPMG since the last Audit Committee as set out below:
  - a. The complete, updated Statement has been provided to KPMG. This takes account of all corrections required by the tasks noted in September, including changes in commercial property and social housing valuations, as well as casting changes needed to ensure the rounding of numbers is presented appropriately.
  - b. The Statement is supported by revised working papers, allowing the Auditor to review the source of figures included.
  - c. As requested, a reconciliation between the various financial statements and the Council's financial system has also been completed and presented to the Auditor.
  - d. Finally, an analysis of the changes between this version and that presented to the Audit Committee in September 2017 has also been delivered.

2.2 The final audit processes on the 2016/17 Statement are underway to review and confirm that the necessary changes have been made to the financial statements. This process may lead to further audit queries, which will be responded to as they arise. Once all final audit queries are resolved and the KPMG audit team are content with the 2016/17 Statement and the changes, KPMG will then commence their completion checks as part of the final review process. As NBC is a high risk audit this will take a minimum of 4 weeks for KPMG to review, as this requires multiple levels of review not only by the audit team (Senior Manager and Director), but also by an independent EQCR (Engagement Quality Control Reviewer) Partner.

### **3. Fixed Asset Valuations – General**

3.1 As noted in September, all necessary revaluations of commercial properties have been completed, with the consequent changes applied to the Statement of Accounts. A series of queries have been received, as the Audit team seek to finalise their work, and responses have been provided in all cases.

### **4. Fixed Asset Valuations – Council Dwellings.**

4.1 This was the last area to be finalised and all valuation reports, accounting statements and working papers have been delivered for audit. This work was facilitated through uploading all necessary changes into the Council's fixed asset system and, although this was a lengthy task, the resulting output provides assurance of completeness and accuracy. Again, queries have been received and answers provided.

### **5. Timetable**

5.1 Although a number of queries have been received and responses provided, the work required to finalise the audit will commence at the end November. This should allow the 2016/17 Statement of Accounts and audit file to be passed for review as noted in 2.2 with the delivery of the audit opinion by mid January.

5.2 In order to enable the 2016/17 accounts to be amended as swiftly as possible, the Audit Committee is asked to consider the recommendation that:

a) A special December Audit Committee meeting be called to present the Final 2016/17 Statement of Accounts and the changes that have been made. At this point the audit is expected to be substantively complete, although the review process would still be ongoing.

b) At the December Audit Committee, subject to discussion of the final Statement, consider whether the Committee delegate the actual signing of the accounts to the S151 Officer and the Chair of the Audit Committee provided there are no significant changes required or challenges arising from the KPMG review process.

c) In mid January (if approved by the Audit Committee) the S151 Officer and the Chair of the Audit Committee sign the accounts to facilitate the signing and issuing of the Audit Opinion by KPMG which will conclude the audit.

### **6. 2017/18 Accounts**

6.1 Work continues on the readiness for the 2017/18 accounts and the planned date for the audit in January remains unchanged. The LGSS Integrated Finance team and the LGSS Business Partner Finance teams are now able to begin work on the remaining audit requirements and production of the 2017/18 statement of accounts. Where possible some areas of the accounts are being audited early such as the approach to valuations.

