

Report To: Corporate Governance Committee

Date of Meeting: 23rd January 2019

Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance

Report Author: Steve Gadd, Chief Accountant

Title: Early Closedown – Statement of Accounts

1. What is the report about?

Provide Corporate Governance Committee with a summary of the work involved in the financial year-end closedown process and an update on the progress towards the statutory early closedown of the accounts. In particular to highlight a change to the approach to identifying accruals which has been agreed with Wales Audit Office (WAO).

2. What is the reason for making this report?

To update CGC on the current closedown process and the progress towards the statutory early closure of accounts, and how this will impact on the reports and information received by the committee.

3. What are the Recommendations?

It is recommended that CGC note the following concerning the closure of the financial accounts:

- i) The progress towards achieving the early closedown dates stipulated by the Welsh Government regulations.
- ii) The change to the approach to identifying accruals which has been agreed with WAO which involves implementing a de-minimis of £1,000 for mandatory accruals.

4. Report details

Currently, the Section 151 Officer of the council is required to certify that the statement of accounts gives a true and fair view of the financial position at the end of the year to which the statement relates no later than 30 June immediately following that year, and the statement must be published no later than 30 September. The expectation is that the audit of the preceding financial year's accounts will conclude before 30 September and published statements of accounts will contain the auditors' opinion and certificate.

A number of disadvantages with the current statutory timetable were identified by Welsh Government in their consultation document in 2016:

- Local government bodies publish their statements of accounts later in the year than most other parts of the public sector.
- The accounts of local government bodies constitute a significant component of the UK-wide Whole of Government Accounts and the current local government timetable is considered to be one of the barriers to HM Treasury bringing forward the publication date of those accounts.

- The equivalent regulations which apply to English local government bodies will bring forward the dates for the preparation and publication of statements of accounts for the financial year beginning in April 2017. This will provide further disparity between the timetables for local government bodies in England and Wales.

The Welsh Government therefore brought forward the timetable for publishing the statements of accounts of local authorities, to bring them into line with other parts of the public sector. Bringing forward the timetable will enhance the accountability of authorities and the usefulness of accounts to local residents as statements of accounts will be available on a more timely basis. It should also assist our own financial management by providing earlier assurance of the previous year's financial outturn and freeing up more finance staff to help facilitate the budget process for the following year. Details of the statutory timetable are outlined in the table below.

	Current Dates	Interim Dates for SofA 2018/19 and 2019/20	Final Position from 2020/21
Final date on which the Chief Finance Officer must sign and date the statement of accounts	30th June	15th June	31st May
Date that council must approve and publish an audited statement of accounts	30th September	15th September	31st July

The good news is that the Council is making good progress towards achieving both the interim and final unaudited accounts as shown in the table below.

Statement of Accounts	Signed off by S151 Officer and passed to WAO
2015/16	21-Jun-16
2016/17	13-Jun-17
2017/18	15-Jun-18
2018/19	06-Jun-19 (target)
2019/20	31-May-20 (target)
2020/21	31-May-21 (mandatory)

The early closure of accounts requires a huge amount of planning and reconfiguration of the closedown timetable. It will also entail the increased use of estimates and the stricter adherence to the closedown timetable which may impact on service's financial outturn. Transactions identified after the agreed deadlines will only be processed if they would materially impact on the Statement of Accounts. The threshold that will be used for this financial year will be the based on the accounting concept of triviality that WAO use and will be agreed prior to year-end.

A further change proposed for the 2018/19 Statement of Accounts is that there will be a de-minimis of £1,000 for processing mandatory accruals. This will help speed up the completion of the draft accounts but also help focus the audit process on non-trivial items. Amounts under £1,000 will still be processed as part of the automatic accruals produced by the Payroll and Accounts Payable systems and services will still be able to process accruals under £1,000 if they have the time to do so, particularly in areas that may impact on levels of external income, such as grant funded services. WAO have been consulted throughout the process of setting the new mandatory de-minimis level.

Finance are also currently working to transfer the core Statement of Accounts document from a Word based document into Excel. It is hoped that all tables will be embedded in the document which will speed up the process of compilation in the final month and also help eliminate typing errors. The service is hoping to have the new document ready for the 2018/19 Statement of Accounts. The change will not make any material difference to the accounts, however readers may notice a different 'feel' to the document.

5. How does the decision contribute to the Corporate Priorities?

The provision of timely and accurate financial information contributes to the modernising of the council to deliver efficiencies and allows residents to scrutinise the Council's activities.

6. What will it cost and how will it affect other services?

The achievement of the production of the Statement of Accounts has been achieved alongside Finance delivering on continued efficiency targets. No additional resources are envisaged.

7. What are the main conclusions of the Well-being Impact Assessment?

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

8. What consultations have been carried out with Scrutiny and others?

As part of developing the Closedown Timetable, Finance consult widely with services in order to ensure that the deadlines are achievable. WAO are fully consulted during the planning phase.

9. Chief Finance Officer Statement

The production of the Statement of Accounts is a legal requirement and failure to achieve the deadlines would have a significant reputational impact on the council. This report highlights some of the changes that are required in order to maintain the excellent track record of producing a set of accounts on time while continuing to achieve an unqualified audit opinion. Although early closedown can be seen as a risk and a challenge, there are also opportunities to create a more efficient process.

10. What risks are there and is there anything we can do to reduce them?

The ultimate risk is that the Statement of Accounts are not produced on time, or that they are produced with material and/or significant errors in them which would result in WAO qualifying the accounts. Such an outcome would have severe adverse reputational impact on DCC.

11. Power to make the Decision

The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.