

**AUDIT AND GOVERNANCE COMMITTEE  
21 SEPTEMBER 2018****STATUTORY ACCOUNTS 2017/18 - LESSONS LEARNED**

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**Recommendation**

- 1. The Chief Financial Officer recommends that the report be noted and recommended actions endorsed.**

**Background**

2. The statutory deadline for publishing the 2017/18 audited set of accounts was 31 July 2018. Members will be aware that the statutory accounts presented to Committee on 26 July 2018 were not fully audited and delegated authority to the Chairman of the Committee was required for final authorisation.
3. It was acknowledged in the previous report to Committee that there was still work to be done. Subsequently, this work was completed and the accounts were published on time.

**Findings and actions**

4. Significant improvements have been made in the statutory accounts process; however there are still a number of areas where improvement is required.
5. Key stakeholders have been identified and their views sought as part of the review process. We will continue to work with them to ensure that the actions identified are implemented. These stakeholders include:
  - Finance staff in operational and central teams
  - Grant Thornton, the Council's external auditors
  - Liberata
  - Finance leadership and management teams
  - Audit and Governance Committee
6. The table below provides an update on the areas identified as part of the review and progress made to date:

<b>Finding</b>	<b>Actions</b>
<b>Leadership and Governance</b>	
Clear leadership was provided by the Finance Leadership Team with the Finance Manager responsible for delivering the accounts providing update reports on a regular basis.	Nominated Finance Manager to manage the WCC accounts process; Senior Finance Manager lead for the Pension Fund Accounts. Statutory Accounts to remain a standard item for Finance Leadership Team meetings, with call in and updates as required.
<b>Programme plan</b>	
A comprehensive programme plan was in place to deliver the accounts, however some key activities slipped which impacted on other aspects of the plan.	Improved clarity of linked activities and dependencies should be identified as part of the planning process and reported upon allowing resource to be allocated to support as required.
Arrangements for the formal review and approval of accounting policies could be strengthened.	We will plan for Audit and Governance Committee to review of Accounting Policies in March 2019
Engagement with partners and the external auditors is critical to a successful accounts process.	Early and regular meetings with the external auditors and other partners are critical and will be included in the plan. These will ensure that all parties are aware of and agree outcomes required for delivery and will remove any uncertainty.
<b>Working papers</b>	
The quality of working papers improved in most areas, although more can be done. Key themes identified are: <ul style="list-style-type: none"> <li>• Getting it right first time</li> <li>• Reconciliation to the e5 ledger system</li> <li>• Providing independent source documentation</li> <li>• Providing narrative context to transactions</li> <li>• Gathering information as the transaction is processed rather than at year end</li> </ul>	We are working with finance teams and the auditors to identify examples of both good and bad working papers to inform the training process for staff. Guidance will be produced and training sessions arranged to support this. Directorate based finance staff will have a greater involvement in the overall accounts process and so will develop a greater understanding of the requirements. All working papers will be subject to independent quality assurance and sign off prior to being submitted to the auditors.
<b>Systems and Processes</b>	
The implementation of the new e5 ledger system in April 2017 provided a number of challenges for the year end process. The new system has different inherent processes and reporting capabilities which have taken some time to learn. Key issues for included timing of transactional postings at year end and extracting full population data for sample selection by the external auditors.	Continued training for accountancy staff to extract reports and information from the system. Reports to be run and reconciled monthly for key audit areas including operating expenses, employee expenses and fees and charges. Transactions undertaken at year end but not posted to the system because of timing issues will be managed by the

<b>Finding</b>	<b>Actions</b>
	<p>central accountancy team.</p> <p>The plan will include investigation of other Councils that use the E5 finance system, including any existing clients of Grant Thornton, External Auditor, to review data extraction and verification processes.</p>
<b>Capital accounts</b>	
<p>The capital close down process is complex and impacts on all of the main statements and a number of disclosure notes. It has, however, been treated independently to the main process and the resources are outside of the main team.</p>	<p>The Council's accounts process should be considered in its entirety and the capital accounts process integrated in to the core activities. Accountants from the central team will receive basic capital training in September to support this and the capital accountant will be integrated into the main accountancy team to develop the spread of knowledge and provide additional resource.</p>
	<p>We are also reviewing the activities involved in closing the capital accounts to consider activities which can be undertaken during the year.</p>
<p>There is only one capital accountant in the team which leads to pressures at critical times and limited challenge</p>	<p>Greater integration of capital activities into the accountancy team enabling wider expertise</p>
<p>In our delivery of the accounts we use expert opinions from a number of independent parties, including capital valuers and actuaries. We need to ensure that the correct level of challenge is undertaken to ensure that we are comfortable with the information included in our accounts.</p>	<p>Training will be provided for key accountancy staff to ensure that they have the required knowledge to understand and challenge information provided</p>
<b>Reliance on experts</b>	
<p>Reliance on external valuers requires understanding of their processes and a level of challenge which has not been adequate in the process to date.</p>	<p>Council staff will work closely with external valuers to ensure that the process is understood and information provided is robustly assured.</p> <p>The timetable for this work will also be brought forward by two months to January with a refresh at 31 March</p>
<b>Annual Governance Statement</b>	
<p>The Annual Governance Statement was significantly improved this year and was managed by the Corporate Risk Management Group ensuring greater operational engagement.</p>	<p>As part of a continuing improvement process a number of improvements have been identified and will be put in place for the 2018/19 process. These include operational workshops to provide information to responsible officers,</p>

Finding	Actions
	additional review stages to ensure all issues have been identified and the inclusion of additional information and action plans relating to any risks identified.
Staffing	
The central accountancy team were fully resourced and, although there were a number of new staff, the production of the accounts was smoother this year.	The integration of the capital accountant into the central accountancy team will improve the full accounts process and training will continue to ensure that relevant skills are in place.
There continue to be challenges with integrating revenue and capital information.	Greater integration of the capital process will be undertaken.

## Contact Points

### County Council Contact Points

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### Specific Contact Point for this report

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## Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following background papers relate to the subject matter of this report:

Audit and Governance Committee Papers 26/07/18:- External Audit – Audit Findings Report, Annual Statutory Financial Statements for the year ended 31 March 2018