

AUDIT AND GOVERNANCE COMMITTEE
14 DECEMBER 2018**STATUTORY ACCOUNTS 2017/18 - LESSONS LEARNED**
UPDATE

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. Whilst this deadline was met, members will be aware that the accounts were authorised under delegated authority following delays during the final audit process.
3. A lessons learned report was brought to Committee on 21 September 2018, and this report provides an update on progress.

Findings and actions

4. We are continuing to make improvements in the statutory accounts process and remain confident that matters raised through lessons learned will be addressed.
5. Key stakeholders have been identified and we 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.

Finding	Update
Leadership and Governance	
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.	We have a Finance Manager lead for the WCC Accounts and Senior Finance Manager lead for the Pension Fund Accounts. Statutory Accounts remains a standard item for Finance Leadership Team meetings, with call in and updates as

Finding	Update
	required.
Programme plan	
A comprehensive programme plan was in place to deliver the accounts, however some key activities slipped which impacted on other aspects of the plan.	A detailed plan has been developed for 2018/19 and is being actively managed.
Arrangements for the formal review and approval of accounting policies could be strengthened.	<p>Accounting Policies will be brought to Audit and Governance Committee for review in March 2019</p> <p>In accordance with the training plan, a training session will be provided prior to the March 2019 committee meeting for Audit and Governance members, covering accounting policies and the key accounting statements.</p>
Engagement with partners and the external auditors is critical to a successful accounts process.	A planning meeting with the external auditors was held on 21 November to consider key areas, progress made to date and next steps in terms of early audit activities. We have agreed key dates and audit activities and appraised the auditors of work to date in meeting the requirements of the 2018/19 accounts.
Working papers	
<p>The quality of working papers improved in most areas, although more can be done. Key themes identified are:</p> <ul style="list-style-type: none"> • Getting it right first time • Reconciliation to the e5 ledger system • Providing independent source documentation • Providing narrative context to transactions • Gathering information as the transaction is processed rather than at year end 	<p>We will be training all finance staff in the preparation and assurance process for working papers in February 2019. We have built in quality assurance time to the programme, and this will be reviewed during the accounts process to ensure that it is not impacted by any delays.</p>
Systems and Processes	
<p>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</p>	<p>A number of reports are being run on a monthly basis and reconciled to the system during the year to ensure that full data is available for the external auditors in a timely manner. We have full documentation for how reports are extracted to support this process.</p>

Finding	Update
extracting full population data for sample selection by the external auditors.	A walk through of these processes will be included in the Interim audit work programme, together with substantive testing as appropriate
Capital accounts	
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.	Accountants from the central team have received basic capital training in September to enable the consideration of the accounts production as a whole. The capital accountant is now part of the central team and planning sessions have considered the accounts process as a whole.
There is only one capital accountant in the team which leads to pressures at critical times and limited challenge	We now have all relevant staff in one central team which enables support and additional resource at key times.
Reliance on external valuers requires understanding of their processes and a level of challenge which has not been adequate in the process to date.	We are working closely with Place Partnership colleagues to ensure that we understand the details of their valuation process and have included the need for appropriate challenge in the plan. The timetable for this work has been brought forward by two months to January with a refresh at 31 March.
Reliance on experts	
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.	Constructive challenge of all information provided both internally and by external bodies, has been included in the plan.
Annual Governance Statement	
The Annual Governance Statement was significantly improved this year and was managed by the Corporate Risk Management Group ensuring greater operational engagement.	The production of the Annual Governance Statement will be managed by the Corporate Risk Management Group again this year, and is programmed to begin in January 2019. We will review recommendations from the 2017/18 process and complete a full plan for production during December.
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 central accountancy team continue to receive relevant training and have undertaken a number of workshops to ensure that they have the necessary skills and knowledge in order to produce

Finding	Update
There continue to be challenges with integrating revenue and capital information.	the accounts. The accounts process is being undertaken as one activity, with no distinction between capital and revenue. The production of the main statements will be completed by the central accountancy team ensuring timely provision of data and consistent treatment.

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