

**CYNGOR SIR POWYS COUNTY COUNCIL**

**AUDIT COMMITTEE**

**5<sup>th</sup> April 2017**

**REPORT AUTHOR: Head of Financial Services**

**SUBJECT: Closure of Accounts and completion of Statement of Accounts Project 2016/17**

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**REPORT FOR: Information**

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**1. Introduction**

- 1.1 Committee will be aware that the Statement of Accounts for 2015/16 were approved and that an unqualified report by the Wales Audit Office (WAO) was presented to Audit Committee on the 30th September 2016, which met the statutory deadline.
- 1.2 The closure of accounts process and completion of the Statement of Accounts for 2015/16 was once again delivered under a project management approach. The approach has been adopted for 2 years and has led to continued improvements both to the quality of the draft financial statements and the information available to support them, the Wales Audit Office have one again recognised improvement in their report to the Committee on the 30<sup>th</sup> September 2016.
- 1.3 The Project Management approach is continuing for the 2016/17 Closure of Accounts and completion of the Statement of Accounts, building on the progress made in previous years.

**2. Project Update**

- 2.1 The Project Team has been meeting monthly up until March, the next scheduled meeting is 18<sup>th</sup> April. A representative of the team is meeting WAO on a monthly basis.
- 2.2 A restated 2015-16 Comprehensive Income and Expenditure Statement along with the newly required Expenditure and Funding Analysis have been forwarded to the auditors. The restatement is due to a change in the code requirements to represent service analysis by the organisational structure of the Authority rather than the previously prescribed Service Reporting Code of Practice (SERCOP) headings provided by CIPFA.

- 2.3 The last report brought to committee highlighted the postponement of the implementation of the Highways Network Asset measurement by Depreciated Replacement Cost in 2015-16. At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.
- 2.4 Officers attended CIPFA hosted training days in early February for both the Statement of Accounts and Pension Fund accounts.
- 2.5 WAO staff are working on their system and procedure analysis and are sample testing transactions in period 1-10.

### **3. Risks and Areas for Improvement**

- 3.1 Staffing – The timetable requires numerous deadlines to be met and there will be pressure on staff to meet these alongside the competing demands of the service needs. The risk register mentions the risk of staff sickness as we are very reliant on certain key staff in Finance and BSU/ICT and sickness caused us problems last year.
- 3.2 WAO in their management letter again identified the length of time it took to receive documentary evidence in some cases. The expectation is to turn requests over in 3 working days. Although this cannot always be achieved the aspiration needs to be supported by all services.
- 3.3 During the course of the audit source documentation will be looked at, including supplier and employer contracts, as well as minutes of Council meetings as audit seek assurances procedures and guidelines are being followed and formal agreements are signed by the appropriate person.
- 3.4 The deadline information for Section 33 audits is expected to be in late April, last year many of the agreements were not signed leading to those accounts having a qualified audit opinion. When making arrangements with other parties it is imperative that all regulatory procedures are adhered to and both sides of the arrangement are aware of their responsibilities.
- 3.5 File uploads to e-financials – the correct ledger position is reliant on all file uploads being up-to-date. This includes one bills, ROCC, Fleet, Agency Staff, etc. Over recent months this has not always been the case with a regular backlog of uploads.

- 3.6 There have been recent issues with Allpay files not loaded to the debtors system or loaded twice. This is currently being resolved but, if errors were to happen at year end this will not be able to be resolved in the correct financial year and adjustments will need to be made in the accounts.
- 3.7 The February Direct Payments file upload to e-financials caused problems as there were incorrect lines within it as a result of which it could not be loaded. IT emailed BSU person responsible but that person was away from the office and Finance was unaware there was an issue.
- 3.8 Debtor Invoice batches – unauthorised and open batches prevent the ledger closedown taking place. At February closedown there were a number of these batches. If the person required to deal with this is unavailable the batches will have to be deleted to enable closedown. If this is the case at year end, invoices processed to enable inclusion in the 16/17 accounts would be deleted resulting in the income showing in the 17/18 accounts and extra work would need to be undertaken to accrue for this.
- 3.9 Cashless system – as of 3rd March the ongoing issue regarding Parentpay files for dates in June, Oct and Dec is still not resolved hence the ledger is currently understated. This involves some files not received from Parentpay and files received for the incorrect amounts.
- 3.10 File uploads to iWorld – there have been numerous recent instances in respect of files not being uploaded to Iworld or files being incorrectly uploaded and files being duplicated. This has been resolved in the last week but has caused significant problems in reconciling Iworld to the ledger. If such errors happen at year end additional adjustments will be required which will cause delays.
- 3.11 Continued dialogue between departments and clear understanding and compliance with the timetable will ensure that issues are kept to a minimum. This will be increasingly important as closing timescales are shortened over the next few years.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p><b>That Audit Committee notes the contents of the report.</b></p> <p><b>That Audit Committee receive regular updates on the Delivery of the Project.</b></p>	<p><b>To continue the improvement in accounts closure and that the continuing use of project management principles is endorsed for the closure and audit of the 2016/17 accounts.</b></p>

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