

REPORT TITLE: FINANCIAL ACCOUNTS CLOSEDOWN 2017/18

7 DECEMBER 2017

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton; Portfolio Holder for Finance

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WARD(S): ALL

PURPOSE

To provide an overview to the Committee of progress, and proposed timescales, against the new timetable for completion and audit of the financial statements.

RECOMMENDATIONS:

1. For the Committee to note and comment on the report.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Though not directly attributable to any of the outcome measures, this is an important area of the work to comply with the Council's statutory obligation for financial reporting.

2 FINANCIAL IMPLICATIONS

- 2.1 Indirectly, the production of the financial statements is the summary of the Council's financial activities for the previous year.
- 2.2 If the Council delivers its accounts late or with insufficient regard to the proper practices set out in the CIPFA Code of Practice it is possible that the External Auditors would charge additional fees to complete their work on the financial statements by the required deadlines.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 Recent recruitment has meant that the team producing the financial statements is staffed in line with the establishment.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly

6 CONSULTATION AND COMMUNICATION

- 6.1 Ongoing consultation with partners in the production of the financial statements; for example Hampshire County Council; Hampshire Cultural Trust; and the external valuers.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None

9 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>		

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Community Support</i>		
<i>Timescales – accounts not signed by the s151 officer on time</i>	Timetables in place and reporting to members. Team producing the accounts has been recruited to.	
<i>Project capacity</i>		
<i>Financial / VfM</i>		
<i>Legal</i>		
<i>Innovation</i>		
<i>Reputation – accounts not certified on time by EY</i>	Working relationship and communication with EY. Good levels of financial reporting historically	Provides good assurance to stakeholders that the accounts are closed at an earlier timescale
<i>Other</i>		

## 10 SUPPORTING INFORMATION:

- 10.1 The Government has provided a long period of notification that timescales for producing the financial statements are changing. The aspiration from Government is to bring the deadline for producing the accounts, and having them audited, further forward; having relevant financial information available at an earlier time for stakeholders. The timescales are set out in the Audit and Accounts Regulations 2015:

	2016-17	2017-18
Deadline for production of the financial statements and sign off by the s151 officer	30th June	31 <sup>st</sup> May
Deadline for audit completion by external audit (EY)	30 <sup>th</sup> September	31 <sup>st</sup> July

- 10.2 There are some benefits to the Council by bringing the deadlines further forward inline with the above dates. It should enable the finance team to focus on other value-adding activities outside of this period between April and July. However, it is important to note that this will be a very intense period of work for the finance team and means that, during April and May especially, the service will be less able to respond to the organisation's requests for financial support. It will also mean that measures are put in place to ensure that there are sufficient financial service resources in place over this two month period. The finance management team are reviewing the best way of enabling this at the moment.

- 10.3 For the accounts to be signed off by external audit on time, it is key that the Council has a positive working relationship with EY. Historically, the accounts have been produced to a high standard at Winchester, with relatively few recommendations and amendments required to the financial statements. With the new timescales, EY will be under a significant amount of pressure as well, as they will be required to complete all of their audits with 33% less time. Therefore, EY will need to ensure that interim work completed (especially on where the Council use estimations; and the substantive testing of transactions) is to their satisfaction and feeds into their year end planning work.

#### **Key accounting changes to the 2017-18 financial statements**

- 10.4 There are no significant technical changes to the CIPFA Code that guides the production of the financial statements in 2017-18. The main area of change is the introduction of principles-based guidance on narrative reporting. For the Council, this will be seen through an enhanced Narrative Reporting accompanying the Statement of Accounts as well as through decluttering the accounts further to ensure a greater focus on presenting relevant items in the financial statements.

#### **Review of 2016-17 Closedown**

- 10.5 The 2016-17 financial statements were produced on time and received an unqualified opinion from EY in line with their timescales. The accounts were presented with a good level of accuracy and supporting information. There were no unadjusted differences by the end of the audit and the only error found was in respect of a misclassification and had no impact on the financial statements.

#### **Key timescales for 2017-18 Closedown**

- 10.6 Some of the key timescales are articulated in the table below. Wherever possible, work will be completed before the year end period to keep this as clear as possible for producing the financial statements.

<b>Item</b>	<b>Date</b>
Provide analytical data for 7 months to EY	November 2017
Valuation of Council's assets	December 2017 – January 2018
Detailed timetable issued to staff across the Council	End of January 2018
Accounting policies approved for 2017-18	Audit Committee – March 2018
Completed Budget Holder packs and any other information requested sent to finance	Beginning of April 2018
Management accounting adjustment deadline	Mid April 2018
Pension Fund accounting adjustments	Mid April 2018

Collection Fund completed	30 April 2018
All adjustments, journals and recharges to be completed – ledger closed	Mid May 2018
<b>Approval of the financial statements by s151 officer</b>	<b>31 May 2018</b>
External audit fieldwork	June & July 2018
<b>Completion of the external audit and reporting by EY to the Audit Committee</b>	<b>31<sup>st</sup> July 2018</b>

## 10.7 Conclusion

10.8 The Council is well placed to produce its financial statements in line with the revised timescales. April and May will be an extremely busy time now for the finance function and there will be an impact on the availability of key finance staff during this period to ensure that these timescales are met. There will also be greater pressure on EY to audit the financial statements in time along with their other Local Government clients and to report back to Members within an appropriate timescale.

## 11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 The Council must ensure that it meets the timescales; the other option would be to ignore the requirement to close the financial statements by the statutory deadline. For reputational reasons, this is not recommended nor will it be pursued.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

AUD195 Audit results report for the year ended 31<sup>st</sup> March 2017

#### Other Background Documents:-

- Accounts and Audit regulations
- Previous financial statements

### APPENDICES:

None