

Committee: Standards and General Purposes Committee

Date: 15th March 2018

Wards: All

Subject: Audited Final Accounts 2016/17

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison- Cabinet Member for Finance

Contact officer: Roger Kershaw, Interim AD of Resources

Recommendations:

1. That the Committee note the work undertaken by officers to prepare for the closure of the 2017/18 Statement of Accounts.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To advise that officers have undertaken an extensive review of the closing of accounts' process in preparation for the "faster closing" deadlines required for the 2017/18 Statement of Accounts..

2 DETAILS

- 2.1. At the Standards and General Purposes Committee meeting on the 9th November 2017, the external auditors (EY) advised that they had completed the audit of the 2016/17 Statement of Accounts. These accounts have been published on the Council's website.
- 2.2. The Accounts and Audit Regulations 2015 require that the Statement of Accounts for 2017/18 and thereafter are prepared by the 31st May and audited by the 31st July. These dates are shorter than the statutory dates for 2016/17 by one month and two months respectively.
- 2.3. Members will recall that the Council experienced some challenges in closing the 2016/17 accounts, primarily due to the complex nature of a newly-implemented financial system (e5). This resulted in additional external audit effort and cost.
- 2.4. Officers have been working extensively during the year to fully "bed in" the new e5 system and resolve the reconciliation issues that created last year's delays.
- 2.5. In addition, officers have been working closely with our external auditors to run a series of analytical checks in advance of their audit to ensure as much practical work is cleared in good time to ensure a more efficient audit process. These checks have covered the following-
 - Resolving e5 issues, particularly with the bank reconciliation and making more effective use of e5 features, such as automatic generation of accruals.
 - Reviewing thoroughly the closing of accounts' timetable.
 - Ensuring that the requirements of the external auditors have been met precisely by means of a thorough review of working papers and data ("analytics") requirements,

- Reviewing “lessons learned” from 2016/17 and applying the results of this work to the timetable and accounting processes.
- 2.6. We have also appointed some temporary staff to ensure that deadlines will be met in key areas.
 - 2.7. It is worth noting that in the light of the extra work officers have expended in preparing the closure of the 2017/18 accounts, our external auditors have now redesignated their risk assessment of Merton’s ability to close the accounts by the required deadline from red to amber.
 - 2.8. The key dates in the 2017/18 Closing of Accounts’ timetable have been added to the Council’s Intranet, together with the full timetable, general guidance notes for departments and accounting guidance for finance teams. These deadlines have also been shared with the London Borough of Kingston, as the provider of our Shared HR IT and Payroll Service because payroll information has a significant effect on the Council’s accounts and its Pension Fund accounts. These key dates, covering the period to the production of the draft accounts, are set out below.

2017/18 Closing – Key Dates to production of draft accounts

Task	2017/18
E5 (financial system) year-end processes run e.g. to produce automatic accruals	3rd April
Posting of accounting entries to ensure completeness and accuracy of e5 general ledger..	4 th April to 17 th April
Review of revenue outturn (including formal meetings with DCS)	20 th April- 24 th April
Draft Statement of Accounts (SoA) ready (including Group Accounts in 2017/18)	11 th May
Draft SoA reviewed including review by DCS	14 th May - 21 st May
Draft SoA complete	25 th May
Cabinet outturn report despatch – June meeting is 25 th June	15 th June

3 ALTERNATIVE OPTIONS

- 3.1. None for the purposes of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. None for the purposes of this report

5 TIMETABLE

- 5.1. The 2017/18 closing of accounts’ timetable provides for the accounts to be prepared and then audited within statutory deadlines. These are that the Statement of Accounts must be prepared by the 31st May 2018 and must be audited by the 31st July 2018.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. None for the purposes of this report

- 7 LEGAL AND STATUTORY IMPLICATIONS**
- 7.1. Members are referred to the Council's constitution and in particular to the Financial Regulations which are in Part 4f.
- 8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**
- 8.1. None for the purposes of this report.
- 9 CRIME AND DISORDER IMPLICATIONS**
- 9.1. None for the purposes of this report
- 10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**
- 10.1. None for the purposes of this report
- 11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**
- 12 BACKGROUND PAPERS**
- 12.1. The papers which were used to compile this report are held within the Corporate Services Department.
- 12.2. Statement of Accounts 2016/17
- 12.3. Guidance Notes for Closing of Accounts 2017/18
- 12.4. Closing of Accounts timetable 2017/18

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