

**JOINT INDEPENDENT AUDIT COMMITTEE**  
**31 October 2017**

**10**

SUBJECT		REVIEW/ TAKE STOCK OF ACCOUNTS PROCESS AND PREPARATION FOR 2017/18
REPORT BY	Gillian Holder, Deputy Chief Finance Officer	
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SUMMARY AND PURPOSE OF REPORT		
To provide the committee with a review of the closure of accounts process for 2016/17 and the preparation for the closure of accounts from 2017/18 onwards.		
RECOMMENDATION	That the Committee note the review of 2016/17 and the preparation for 2017/18 onwards.	

**A. Supporting Information**

**1. Introduction**

- 1.1 The purpose of this report is to review the closure of accounts process for 2016/17 including the external audit by KPMG LLP. The report will also outline the plans for 2017/18 onwards that are already underway.

**2. Take Stock of 2016/17**

- 2.1 The accounts were prepared in good time for each stage of the process including the two presentations to the JIAC, for the audit and for signing/certifying. The aim was to ensure that the completion of the accounts was brought forward in stages from 2015/16 onwards in preparation for the earlier statutory deadlines in 2017/18. The timescale achieved was in line with those expectations.
- 2.2 A separate JIAC working group meeting to review the pre-audit accounts in May worked well with the relevant finance team members involved.
- 2.3 Both the interim and final audit went smoothly with the audit differences identified being corrected at the time. The introduction of the Expenditure & Funding Analysis also went well.
- 2.4 A minimal number of non-material misstatements and disclosure errors were found which were amended; details were reported to the JIAC in July 2017.
- 2.5 Rounding differences caused issues this year, due to figures being updated through more automation of the tables in Excel, leading to differences

between years and casting. Different methods of automating the figures to minimise manual adjustments for rounding differences are being explored.

- 2.6 The recommendation presented to JIAC in July from the KPMG audit report is attached for reference at Appendix A. This will be taken forward as described in the Management Response section of Appendix A.
- 2.7 KPMG issued an unqualified audit opinion on the PCC and CC's financial statements, and they confirmed that the Annual Governance Statement complies with CIPFA/SOLACE guidance published in April 2016. Importantly KPMG also concluded that the PCC and CC have made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 2.8 The summary accounts have been prepared and will be published on the PCC and Force websites.

### **3. Preparation for 2017/18**

- 3.1 The format of the audit, with one point of contact and regular meetings in place worked well so it is the intention to continue that in 2017/18. Early agreement of the timetable, in particular the audit dates and the earlier audit of the LGPS accounts is essential to achieve the statutory deadlines in 2017/18.
- 3.2 The Government has brought forward the existing dates of 30 June and 30 September, for accounts being signed and certified by the Responsible Financial Officer and then approved and published, to 31 May and 31 July from the 2017/18 accounts. It is anticipated that the accounts preparation timescales can be achieved again in 2017/18 provided that additional resources are allocated within finance; the audit dates are agreed in advance and the interim audit identifies any concerns to take forward. The current plan for the 2017/18 accounts is to bring the pre-audit accounts to a JIAC working group on 25 May 2018. The post audit accounts will be presented to JIAC on 25 July 2018.
- 3.3 There will be a separate paper on the Accounting Policies at the January 2018 JIAC meeting. The accounting policies will be reviewed and updated before the publication of the draft 2017/18 accounts. The committee will be made aware of any changes to policies as part of the review of draft and final accounts.
- 3.4 A detailed draft closure of accounts timetable is in place with lessons learned also being actioned and included where appropriate. The key reporting dates are highlighted. The timetable includes who is responsible for producing the components within the statement of accounts to avoid any confusion, and to ensure key decision makers are available during this period.
- 3.5 Improvements to the processes have been made for 2017/18, for example the accounts will be reviewed at 9 months with all the Notes to the accounts being set up, and brought forward balances are ready to be populated.

- 3.6 Figures will be rounded prior to automation which should remove most of the casting and cross casting rounding issues.
- 3.7 Attendance of technical update workshops will pick up any changes in the Code of Practice, particularly around changes to operating leases. These changes will need to be part of the interim audit.
- 3.8 The Reporting Manager and Deputy CFO continue to work together to drive further improvements for 2017/18 onwards.
- 3.9 The desk top review of property assets (including componentisation) will be carried out as at 1 April 2017 with a review for material changes as at 31 March 2018. This allows the majority of the resulting accounts work to be incorporated earlier.
- 3.10 Pensions tables will be further automated from the information received from the Actuary, with additional checks in place on their figures.
- 3.11 Notes to the accounts will automate from the key source documents where possible.

**B. Financial Considerations**

None

**C. Legal and Human Rights Considerations**

None

**D. Personnel, Equal Opportunities and Diversity Issues**

(Including any impact or issues relating to Children & Young People)

None

**E. Review Arrangements**

A review of 2017/18 closure of accounts process will be provided in October 2018.

**F. Risk Management**

None

**G. Public Access to Information**

Information in the report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.

## Appendix A

No	Risk Priority	Issue and Recommendation	Management Response
1	High	<p>Our review of the PCC and CC's Chief Finance Officer's Narrative Reports has identified a number of areas where improvements could be made in order to ensure full compliance with CIPFA's Code of Practice, in particular:</p> <ul style="list-style-type: none"> <li>—Providing full clarity over the financial performance indicators detailed within the report especially in relation to the inclusion or exclusion of figures in respect of the regional balances; and</li> <li>—Inclusion of non-financial performance indicators as relevant to the performance of the authority, including those that the PCC and CC judges as being central in assessing progress against its strategic objectives, or monitoring its risks.</li> </ul> <p><b>Recommendation</b></p> <p>The PCC and CC should ensure that its Narrative Reports fully comply with CIPFA's Code of Practice and that clarity is provided over any figures reported within the Narrative Report and the financial statements.</p>	<p>Accepted. In respect of the first point we will review the narrative for 2016/17 (and again next year) and ensure there is clarity on the inclusion or exclusion of regional balances.</p> <p>In respect of the second point on non-financial performance information, we will review and incorporate this into the Statement of Accounts for 2017/18.</p> <p><b>Responsible Officer</b> PCC CFO &amp; CC CFO</p> <p><b>Due Date</b> 2017/18 Statement of Accounts</p>
2	Medium	<p>Our testing of the PCC and CC's processes over the provision of data to the actuary highlighted an error in the information submitted in respect of the Police Pension Scheme.</p> <p>The impact of this has been that a revised actuarial report was required causing a number of material late adjustments to a considerable number of account entries and balances.</p> <p><b>Recommendation</b></p> <p>The PCC and CC should ensure that an appropriate level of review is put in place over the data being submitted to the actuary to ensure its completeness and accuracy.</p>	<p>Accepted.</p> <p><b>Responsible Officer</b> Head of Finance</p> <p><b>Due Date</b> 2017/18 Statement of Accounts</p>
3	Medium	<p>Our testing identified that a number of the required 'fair value' disclosures required by CIPFA's Code of Practice, including the accounting policy and detailed measurement bases, had not been made within the Statement of Accounts. These omissions should have been identified from the correct</p>	<p>Accepted. Review of the Code of Practice and disclosure checklist is a standard part of the closedown procedure however; we will consider undertaking an</p>

		<p>completion of CIPFA's Code Disclosure Checklist.</p> <p><b>Recommendation</b>  The PCC and CC should ensure that sufficient time and resource is devoted to the accurate completion of CIPFA's Code Disclosure Checklist, with any uncertainties over answers being investigated more thoroughly.</p>	<p>independent review of the checklist in future.</p> <p><b>Responsible Officer</b>  Head of Finance</p> <p><b>Due Date</b>  2017/18 Statement of Accounts</p>
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