

The 2018/19 & 2019/20 Accounts and the Finance Improvement Plan

Audit Committee – 28th January 2021

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Introductions and Contents



- Introductions
- The Independent Review and a summary of the recommendations.
- Status of the 2018/19 & the 2019/20 Accounts and the Joint Audit Plan.
- Key actions identified in Phase 1 of the Council's Improvement Plan (IP) and Phase 2 of the IP.
- Governance, Risks and Resources.
- Next steps for the IP and the Audit for 2018/19 & 2019/20



Independent Review



- The Independent Review was carried out by Worth Technical Accounting Solutions Ltd and reported to the Council in November 2021 – this was a Review of the production and audit of the 2018/19 Accounts and there were improvements that took place before the Review.
- The Review sets out 24 recommendations in 4 sections, summarised into 2 sets of higher level recommendations, one setting out what the Council should do to complete the 2018/19 Audit and one set recommending what the Council needs to do to sustainably improve its Accounts process.



Independent Review recommendations for 2018/19 Accounts



The Council should now treat completing the 2018/19 audit as a corporate priority, by:

- identifying the key barriers to audit sign-off;
- implementing clear project plans to address each outstanding issue effectively;
- securing Deloitte's commitment to completing the audit by an agreed date which is both realistic and achievable; and,
- providing additional staff resources if necessary.



2018/19 and 2019/20 Accounts status



The Council had already:

- set out a “glidepath” to identify what was needed to restate both years of Accounts; and adopted a programme approach to the Accounts’ completion; and
- employed a new interim additional Chief Accountant to lead 2018/19, whilst the then interim Chief Accountant led 2019/20 and the new permanent Chief Accountant began work in November 2020 to focus on the 2020/21 Accounts.

Progress since November 2020:

- both sets of Accounts have been restated and are on the Committee’s Agenda;
- the Chief Executive has prioritised the Accounts as a key corporate objective and a joint plan with Deloitte has been agreed to finalise the External Audits; and
- The Committee will be asked to approve final sets of Accounts in April 2021 and Deloitte asked to update as to their progress and plan to communicate their opinion for both years to the July 2021 Committee.



Accounts Headlines – impact on usable resources



- CIL – accruals missed of £31m (but would have been invoiced in 2020/21 anyway).
- Schools' accounting errors, mainly from 2017/18 – c£13m reduction in resources (impact spread over several years).
- Thames Water charges – provision set up of £9m (replacing reserve of £4.6m)
- Leaseholders – additional resource of £4.1m identified (but accruals had not been accurate in previous years).
- Other smaller items



Smaller items with impacts on resources



- Error in filling out NNDR3 form; real impact of £2.9m crystallises in General Fund in 2021/22 (via Collection Fund – as part of a shared deficit)
- Write-off required of energy debtors of £1.1m – aged balances that would be irrecoverable
- Receipts in Advance overstated regarding s106 - £1.5m credited to earmarked reserves
- £0.8m provision for employee litigation set up; £0.2m provision for housing disrepairs
- £0.6m released from Insurance Fund provision



No impact on resources



- Some capital accruals missed (not to be adjusted for)
- Valuations regarding schools (c£100-200m adjustments in various years)
- Valuations/data regarding surplus assets/fixed asset register
- Cashflow statement error - grossing up, with zero net impact
- Disclosures (incorrect or only partial)



Independent Review – sustainable improvement – financial systems



The Review recommended that the Council should:

- establish a project plan, as a priority, to address shortcomings highlighted by CIPFA in 2017;
- simplify the current coding structure so that it reflects the required layout and format of the Statement of Accounts;
- establish ongoing financial systems that support all key items and disclosures; and,
- ensure that these systems are reconciled to relevant ledger codes on a regular basis throughout the year.



The Council's Improvement Plan (IP) – Phasing



The IP is still in draft – it will be further discussed with the Audit Committee Chair and then the Independent Member and has been agreed in draft by CLT. The IP will be finalised shortly and reported along with a progress update to the April 2021 Audit Committee.

The IP has a response to each Review recommendation and has 2 phases:

- Phase 1 – a series of reviews and changes to be made before the end of March 2021 and a further set before May 2021 (the expected date for the 2020/21 Accounts to be produced); and
- Phase 2 – Key improvements that cannot be completed in a shorter time frame and will be led by the soon to be appointed new Chief Financial Officer.

This presentation now focusses on key areas of work in Phase 1:

- Culture, leadership and planning;
- Changes to Agresso; and
- Key workstreams leading to direct improvements.



Phase 1 – Culture, leadership and planning



The Chief Executive has emphasised that the Accounts production is a corporate undertaking and this will be accentuated by:

- the 2020/21 Closedown timetable is being discussed at CLT next week, with fortnightly progress reports to be received by CLT;
- PDRs to contain an objectives for all staff with finance responsibilities;
- a mandatory skills assessment to take place with their manager during the PDR;
- a Council wide Communication plan is being drawn up, to raise the profile and impact of the Accounts; and
- DLTs will receive regular reports and assess their division's accounts preparation through a Readiness Review.

Each Directorate will have a briefing/training session, with the CD and the S151 or DS151 to attend each session.

The S151 will lead weekly Accounts meetings and lead an Accounts Launch next week.



Phase 1 - Agresso



Phase 1 Agresso changes will be implemented including as follows:

- capital budgets will be loaded to financial system for the first time;
- improved, standardised, budget reporting to be made available to senior management as well as the budget holders without manual intervention;
- new year end accounting periods will be added, as is standard practice;
- there will be an annual “rollover” for the first time, so that it will be easier to interrogate the ledger, as is standard practice;
- training will be made available to Finance Staff, following a needs assessment;
- the functionality that is available to the General Fund will be made available to the Pensions Fund on a prioritised basis; and
- An Agresso upgrade is scheduled to go-live in May 2021, which will allow budget managers to forecast their budgets more easily.

NB A reformat had already taken place during 2020 to simplify the coding structure to produce the Accounts more easily.



Phase 2 - Agresso



There are a number of changes that would enable the Council's financial management to improve; some of these have been identified as part of Phase 2.

A key phase 2 action is to review what systems the Council requires to produce the information it needs most effectively, i.e. the current “best of breed” series of systems such as Agresso and Resource Link, or whether an Enterprise Resource Planning (ERP) system would serve the Council's interests better.

It is recommended that this decision is made before further investment into systems takes place.



Phase 1 – 5 key deliverables to avoid repeating errors



The Review identified a number of areas which led to accounting errors as follows for 2018/19 and in addition, errors occurred in 2019/20:

1. Schools Accounting;
2. Valuations;
3. Leaseholders' accruals and bad debt provision;
4. CIL accruals; and
5. The Collection Fund (2019/20 only)

Each of these areas has a separate workstream to ensure that the reasons for the accounting errors have been identified and a plan has been/is being developed to ensure that they will not be repeated; these plans will be managed as part of the IP.



Phase 1 – 7 key deliverables to avoid bottlenecks



The Review identified that the Council needs to avoid bottlenecks, not all of which were identified as part of the review, but are identified as part of the requirement to confirm that all codes should be supported by ongoing financial systems which are regularly reconciled and that the income from feeder systems should be accurately recorded. The Council is reviewing the following areas to put in place robust, regular, documented reconciliations and supporting systems where required:

1. Bank reconciliations;
2. Housing Rents reconciliations (Northgate to Agresso);
3. Suspense clearance;
4. Payroll reconciliations;
5. S106 payments;
6. Accounting for Energy; and
7. Accounting for capital



Phase 2 Improvements



A number of Accounting areas have been identified as part of the Independent Review but will form part of Phase 2, due to the time available and the capacity of the Council to manage the breadth and depth of the changes required as follows: -

- Review of recharges;
- Review of the reasons for journals to reduce volumes and mis-postings;
- Developing a systems solution for the Council's asset register, currently held on Excel;
- Some elements of the review of Pensions Fund administration;
- Wider review of all reconciliations;
- Review of whether monthly schools accounting is required;
- A Council wide training plan for budget holders and administrators; and
- In addition to the Review, it is recommended that the Council reviews its financial systems



Governance, Resources and Risk



The IP will be governed by a Board, comprising the following members:

- Chair – S151 Officer, currently the Interim Corporate Director of Resources;
- Divisional Director for Finance, Procurement and Audit (current post prior to restructure), this post and the Chair to be replaced by the new CFO post restructure;
- The 5 Strategic Heads of Finance, a service Corporate Director and the DD for IT

The Board will report monthly to the CLT Transformation Board and a progress report will be made to each Audit Committee

- The Council will require significant additional capacity (resources) to deliver the improvements
- The new CFO will need to review the proposed resource requirements and the structure for the Finance function to ensure that the changes can be sustainably delivered; the ask will need to go CLT and Cabinet
- A risk register for the IP is being developed



Conclusions



- The 2018/19 & 2019/20 Accounts have been restated and Deloitte's audit will now continue;
- The Council agrees the recommendations of the Independent Review;
- Some improvements had already been made and provide a platform to make further improvements;
- The programme has had to be phased due to the breadth and depth of the changes required, but nonetheless, the programme of change is significant, it will need to be resourced and a number of key risks have been identified that will need to be managed.



Questions and Comments

