

2019/20 Closedown of Accounts; Production of Financial Management and Management of External Audit. - Message (HTML)

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From: Kamal Mehta Sent: Thu 13/02/2020 14:56
 To: James Carter; Simon Walker; Sandra Farrow; Annette Cardy; Alastair Morrell; Ann Nagy
 Cc: Richard Holmes; Paul Dodson
 Subject: 2019/20 Closedown of Accounts; Production of Financial Management and Management of External Audit.

PLEASE READ AND DIGEST THE CONTENTS IN THE MESSAGE BELOW.

Dear All,

I preparation of the closure of the 2019/20 Accounts and the production of the Financial Statements it is important that the process of close down of the accounts runs smoothly and if there has to be then with minimum delay so that all the statutory timetable as far as the Council is concerned are met. It will then be for the external auditor to have ensured that they are able to work to their timetable for the final accounts and Value for Money audit.

There cannot be any delays due to the Council not having completed the work as please believe me that the Council does not want to be told by the auditor that the same as happened last year has happened again for 2019/20.. One of the issues raised by the auditor was the quality of the working papers.

It is therefore important for me as the Section 151 Officer that:

1. All staff specialist and caseworker involved in the close down process fully understand the tasks they are/will be required to undertake and why.
2. All working papers are of a standard and at the detail which will minimise or even eliminate additional queries from the external auditors.. This includes::
 - All working papers and supporting papers must be held in a central depository. **No working papers should be held locally only that can only be accessed by the individual creating it.**
 - Properly headed working papers with understandable indexing/numbering system to be able to store and access them quickly.
 - All working papers to have adequate information/descriptions and cross -referencing on them so that they can be followed by the reader thus reducing and minimising avoidable queries.
 - All supporting papers and back up papers/information to the working papers to be attached to the working paper with proper cross referencing so that the reader can easily follow the information from the working paper to the supporting paper and vice versa.
 - All Working papers and supporting papers to be signed and dated by the author/creator and where necessary to be signed and dated by a reviewer.
 - Each area/task for the closure of the accounts allocated to any specialist or caseworker to be 'owned' by them.
 - Working papers must be quality assured in terms of completeness to agreed standard by the Lead Finance Specialist (if in post), otherwise by Annette and Alastair. A Quality Control Sheet should be maintained to record the check for each working paper. Working Paper Reference No., Date Checked and Checked by.

James Carter will be the person in charge of the closedown timetable and the production of the financial statement and agree Simon and Sandra all the tasks for the closedown of the accounts and the production of the financial statement. Once this is done by the end of February, the instructions and guidance or by attendance at the Extended Leadership Team (ELT) should disseminate the information requirements and tasks to be undertaken with the deadlines by which they must BE DONE BY THE Services -rest of the organisation and submitted to Resources, e.g. creditors and debtors, payroll, overtime claims, mileage and expenses claims, new starters and leavers, cash and banking.

There should be an accounts closedown/financial statement steering group comprising James (Chair), Sandra, Simon, AN Other?, Annette and Alastair that should meet weekly from mid-March to the end of May as a minimum to ensure everything is on target and take/agree actions to rectify any slippages.
The timetable must be controlled tightly for any slippages.

As a minimum, the steering group should meet with the Interim Director of Resources/Section 151 Officer to update/apprise them on the timetable and any slippages which are of concern and any issues being raised by the external auditor. Any serious concern should be raised immediately with the Interim Director of Resources/Section 151 Officer.

In the absence of a Lead Finance Specialist or in the event that they are new to the Council and still not fully settled into the job, one Specialist should take the responsibility agreeing with the Interim Section 151 Officer the requirements for the Outturn Reports for the General Fund and Capital to the Strategy and Resources Committee. You will also need to report to the Strategy and Resources Committee and Council the Annual Treasury Management Report.

The key to a successful closedown and producing a quality financial statement is:

- to ensure all tasks/activities are captured and timetabled taking into account any dependencies between the various tasks and therefore sequencing them correctly.
- Ensuring clear instructions and guidance is given to those identified for the task/activity and for them to know that at any time to come back if there is any doubt as to how to perform a task/activity. 'I assumed' should not be allowed. It should be 'I know'
- Everyone involved should know what they are being asked to do and that they know how to do it. Standardised formatted working papers are the key
- Ensuring availability of staff – annual leave/time off policy during peak periods and for external audit - to mesh in with the external auditors timetable. You do not want the external auditor to be coming in to ask a question when the person who has the knowledge/detail is not in work. It will only add to the time the auditor takes to complete their work and they can use that to claim more fees from the Council which will be unacceptable.
- Regular feedback from those delivering the timetable and involved in the audit on the type of questions being asked by the auditors to ensure that the lines of enquiry may not give rise to something serious being raised later with the Section 151 at their review meeting with the auditor and also to keep and eye out for the quality of the auditors that the external auditor has assigned to the council's audit especially if they fail to complete their work on time and blame the council for it on some pretext. Believe me it has happened in the past here and elsewhere.
- Good and strong control of the timetable with one person in overall charge of it and driving it. The steering group should work as a team and take ownership of the whole process. This is an 'annual' project so should be run on project management principles.
- Ensure all systems – manual and computerised are prepared for close down in good time and agree with IT on the back up procedures in case you need to go back to a previous version then it will be possible to do so. Keep fingers crossed that the outages experienced in 2019 do not happen again!
- **COMMUNICATION** – good and frequent communication not only within and between Finance and Resource Caseworkers, but wider in the organisation where information/data is required from. Give adequate notice as other areas of the Council will not be constrained by the Closedown timetable in terms of leave or time away from the office. So those that need to be doing year end activities within a timetabled period need to know exactly 'what', 'when', 'how' and 'who' especially as the Council has been restructured and those who did it in 2019 may not be here anymore and it may be someone entirely new dealing with it this year who may not even be aware of the task/activity. Start to communicate as early as possible. If it is possible I would start with CLT and maybe do a few presentation sessions for staff outside of Finance and Resources Caseworkers. For Resources Caseworkers, Alastair has regular meetings and he can cover the requirements and timetable in those meeting to mobilise his staff.
- Regular reporting to the Section 151 Officer of any concerns and decision(s)/sign offs are required.

I hope the above is taken seriously and I make no apologies if it comes across as 'teaching grandma to suck eggs' but believe me anything less than meeting the statutory deadlines on the part of the Council will be wholly unacceptable to members and would be to me if I were at MDC. If there were to be slippages then they should only be because of uncontrollable external factors and the external auditor failing to complete their work not because of or due to the Council but for reasons that rest with him. In such circumstances the auditor will try and lay the blame on the Council but you must take all steps that that does not happen.

Of course, it would be entirely up to the incoming Interim Director of Resources/ Section 151 Officer as to how they want to 'run the show' so to speak but this is how I would have managed the process for 2019/20. The time to prepare and set up for the show that will run to at least to the end of July to meet the statutory deadlines is from now.

Kamal Mehta
Interim Section 151 Officer
Maldon District Council
Direct Line – 01621 875789

Please note my normal working days are Wednesday to Friday.