



## AGENDA NO: 12

### INDEPENDENT AUDIT COMMITTEE – 13 MARCH 2018

#### 2017/18 STATEMENTS OF ACCOUNTS

#### REPORT BY LUCINDA HINES HEAD OF TECHNICAL ACCOUNTING

##### 1.0 INTRODUCTION

- 1.1 This year the Alliance Finance Team will be producing the Statement of Accounts for both the Police and Crime Commissioner (PCC) and Chief Constable (CC) for both Forces.
- 1.2 This report provides an update on plans for achieving this; on the progress to date on the recommendations made by KPMG after auditing the 2016/17 Statements of Accounts; and accounting changes introduced by the 2017/18 code.

##### 2.0 RECOMMENDATIONS FOR NOTING

- 2.1 The committee notes that the alignment of the accounts has taken place.
- 2.2 The committee notes the timescales that the team are working towards.
- 2.3 The committee notes the progress made on the recommendations made by KPMG.

##### 3.0 SALIENT POINTS

###### 3.1 Progress with the process for the preparation of the accounts

- 3.1.1 Immediately following the production of 2016/17 final accounts, the technical accounting team started considering and preparing for the 2017/18 accounts.
- 3.1.2 Post-implementation reviews of the 2016/17 close down process have been conducted with the wider team, with the primary aim of identifying what went well and those areas that need to be improved upon. The team generally felt that the overall process had gone well, with each individual being clear about their responsibility and contribution to the accounts. They were also encouraged by the fact that the draft sets of accounts were produced by the 31<sup>st</sup> May deadline, which we had chosen to impose early to establish whether it could be achieved with the current approach. There were a small number of areas that needed improving upon, for example: alignment of both Forces accounts, including alignment of the accounting policies; the way in which the counter party identifier information (CPID) is

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captured for the debtors and creditors notes; and incorporation of the soft close process into the normal management accounting process.

- 3.1.3 The most significant of these areas is the alignment of both Forces accounts. This includes the alignment of the accounting policies which were presented to IAC at the December 2017 meeting.
- 3.1.4 In 2016/17, the Statements of Accounts were delivered by different teams. Dorset accounts were produced by Dorset County Council led by Del Ackrill and the Devon and Cornwall Accounts were delivered by the Alliance Finance Team led by Lucinda Hines.
- 3.1.5 Both sets of accounts were audited by KPMG and were certified as complete; as giving a true and fair view of the financial position, and of the expenditure and income for the year then ended; that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting; and an unqualified opinion. However, the look and format of the accounts, as well as the working papers that sit behind the final versions, are very different.
- 3.1.6 Consistency of approach between the two forces is necessary in order to ensure efficiency in production of the accounts, and to realise the benefit of joint working. The significant task of harmonising the approach commenced in September with initial research being undertaken with contacts in other authorities on how they build their accounts. Discussions were also held with the audit team, in close collaboration with Delyth Ackrill (who transferred into the Alliance Finance Team in September 2017) to share our approaches, knowledge and experience.
- 3.1.7 A modified process has been developed based on adoption of the best practices identified from the research undertaken. From this year, a single, consistent approach will be taken to preparing the accounts across the two forces. This entails the use of the same reports to generate the information in the tables, with the source data to subsequently flow into the Excel primary statements and notes tables automatically; and for these Excel tables in turn to auto populate the Word document. This approach has been tested and is more efficient than previous approaches. The output is a set of accounts that are consistently formatted, and are more presentable than previous statements. The electronic version provides user-friendly features, such as links from the contents page to the section that the reader is interested in.
- 3.1.8 With regard to printed copies, the time saving through having the whole document in Word has already been noted, with the additional benefit of reducing the time needed in reprographics in respect to the accounts. Production of a PDF version for electronic distribution is also straightforward.
- 3.1.9 Due to their length, the draft PCC and CC templates that will be used for both Forces are not included with this report, but can be provided electronically on request. These templates comply with the CIPFA code, which was referred to throughout their development. It is anticipated that the contents of the majority of the tables will be the same for both Forces. However there will be a few tables which will require tailoring for each force, for example: PFI only applies to Dorset PCC; and Officer Remuneration has a different senior officer structure. The templates are aimed at being representative of the look of the new aligned Statement of Accounts and will be tailored as required for each force during the close down process.
- 3.1.10 Some additional notes have been added, and some notes have minor amendments, with the aim of helping the reader by bringing together related information. For example,

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statutory officer information and contact details, financial instruments note and intangible note are all new; the Expenditure and Funding Analysis previously presented as a prime statement is now shown as a note and has been expanded to include information that would previously have been shown separately.

### 3.2 Timescales

3.2.1 The Accounts and Audit Regulations 2015 have set new timescales for closing the accounts early with effect from 2017/18. The dates for 2017/18 are:-

	2017/18
Certification of draft accounts by CFO	31 <sup>st</sup> May
Approval and publication of audited accounts	31 <sup>st</sup> July

3.2.2 In order to enable compliance with the new timescales, the team have been looking at ways to cut down the amount of work involved in the tasks that are undertaken to produce the accounts. Consideration has also been given to the scheduling of tasks to identify opportunities to obtain information earlier. For example, through liaison with third parties we have been able to bring forward receipt of information on revaluation and pensions. We continue to review tasks to bring forward those that we are able to. In addition training/refresher training will be provided to the team to ensure that they are well prepared in advance of the tasks. The key dates are shown in Appendix A.

### 3.3 KPMG recommendations

3.3.1 Three recommendations were common to Devon and Cornwall Police and Dorset Police; a fourth recommendation applied to Dorset Police only.

3.3.2 The common recommendations were:

#### 3.3.2.1 Separation of the forces within the accounting system

A review of the accounting systems by consultants concluded that complete separation of the accounting systems of the two forces was not necessary, but that changes should be made to the current system setup to address issues that have arisen. These changes will be completed by mid-July 2018.

#### 3.3.2.2 Strategic Alliance cost allocation process

Although the audit report noted that accounting for the Strategic Alliance Recharge process was thorough, it was also noted to be complex. As such there was a recommendation to review the Recharge mechanism.

The current alliance recharge process is regularly reviewed to ensure the accurate recording of accounting entries, with simpler recharge processes considered. However, to date, we have not been able to identify and develop a suitable alternative solution.

Efforts continue to find an appropriate way forward. A meeting is scheduled with another police force which has formed an alliance, to understand how they account for alliance recharge costs, and to compare their practice to that currently used by Dorset and Devon and Cornwall Police. Presentational changes to clarify the treatment of the recharges have been made.

3.3.2.3 Alignment of accounts preparation

This is covered in Section 3.1 above.

3.3.3 Recommendation for Dorset Police only:

Liaison between valuation experts and finance team

It was noted last year that the valuation expert had incomplete knowledge about the details of property information, specifically occupancy and leasing arrangements. This led to the valuation basis being incorrectly applied.

Early communications have already commenced to ensure the issues raised last year do not recur and that the approach taken by the valuer reflects the correct property classification, in line with accounting requirements.

3.4 **Accounting changes introduced by the 2017/18 code**

3.4.1 For 2017/18, there are no significant changes to the code.

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