

Helen Chapman
X2615

11 March 2013

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Thursday, 14th March, 2013

I attach a copy of the following report for the above-mentioned meeting which was not available at the time of collation of the agenda:

14. REVIEW OF CLOSURE OF ACCOUNTS PROCESS 2011/12 (PAGES 1 - 4)

To set out the findings and recommendations of the external review of the 2011/12 accounts closure process.

Yours sincerely

Helen Chapman
Principal Committee Co-Ordinator

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Report for:	Corporate Committee	Item Number:	
Title:	External Review of 2011/12 Accounts Closure Process – Findings and Recommendations		
Report Authorised by:	N Walkley		
Lead Officer:	N Walkley, Chief Executive		
Ward(s) affected:	Report for Key/Non Key Decisions:		

1. Describe the issue under consideration

- 1.1 This report sets out the findings and recommendations of the external review of the 2011/12 accounts closure process.

2. Cabinet Member introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 Committee note the findings of the report and endorse the proposed recommendations.

4. Other options considered

- 4.1 For the purpose of transparency the possibility of an internal review was discounted.



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5. Background information

- 5.1 Corporate Committee have previously been advised of issues found during the audit process to close the 2011/12 accounts and asked for a report back. Following the arrival of the new Chief Executive, the Committee Chairman agreed a revised course of action and the commissioning of an external review. This was verbally reported to Committee on 22 January 2013.
- 5.2 On 4th January AKA Associates were commissioned to undertake the review. AKA are a well known local government firm with an established track record of undertaking similar pieces of work. The scope of that review was to provide assurance that:
- A comprehensive review of the difficulties encountered with closing the 2011/12 accounts has been undertaken.
 - A robust action plan is in place to address issues identified.
 - That this action plan has appropriate supervision and ownership.
 - Relevant risk management and control mechanisms are in place.
- 5.3 Fieldwork was undertaken during January 2013 with some follow up in February. This included face to face and telephone interviews as well as a review of relevant documentation and correspondence.
- 5.4 It is important to note that, despite the issues identified in this report, the 2011/12 accounts were closed on time and without qualification.
- 5.5 The full report is set out as an exempt item given the personnel matters being dealt with. However in summary the report finds that:
- The finance restructure left key finance functions with insufficient skills and experience.
 - More robust knowledge transfer arrangements should have been put in place.
 - Training and development should have been more advanced for team members.
 - Management oversight of the accounts closure process should be far more robust.
 - Some pivotal experienced staff were lost during the restructuring.
 - Risk management processes were not embedded in the closure programme.
 - Temporary staffing arrangements were significantly stretched by changes in senior management and emerging financial issues.
 - That the closure preparations were far more advanced for 2012/13
 - Further work is needed to finalise risk assessment, management reporting and mitigation as part of the closure programme.
 - A quality assurance process is needed for formal statements.



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- 5.6 In response to these findings the report recommends a series of actions to improve the closure programme. These are that:
- Robust training and development plans are put in place for the BAS team addressing the weaknesses identified in last year's closure programme and those identified this year.
 - A plan of action is developed and implemented to address the ISA 260 issues raised and that all Heads of Finance are held accountable for the delivery. An associated monitoring report should be developed to ensure that the DCR can be assured that sufficient and timely progress is being made.
 - A robust and timely risk assessment, mitigation and reporting framework is introduced for the closure of accounts programme which is regularly used to underpin discussions at Corporate Finance Management Team and formally report progress to the DCR and the Corporate Management Team.
 - The culture and processes of the Finance teams embed risk management, mitigation and reporting.
 - Further development of "control days" is achieved as a means by which issues that would be addressed during a "hard close" can be phased in over the next 12 months. This could be a pre-cursor to an earlier closure programme. Each Head of Finance should be held accountable for their part in delivering this process.
 - The SAP issues relating to asset accounting are addressed or a robust alternative put in place in time for the 2013/14 closure programme.
 - Technical assessments are included as part of any future restructure process.
 - Consideration is given to the implications for future employment for those employees who do not meet the necessary standards identified when setting these technical assessments. This will require HR support and discussions with Trades Unions.
 - The ability of the Finance team to deliver the further savings required is reviewed, considering further deferral until improvements in the finance function have been achieved.
 - Consideration is given as to whether the structure of the senior management team provides sufficient capacity to address the issues facing the Finance function in particular whether, there is a need to create an additional Assistant Director level post to allow distinction between Financial Management and Financial Control and Reporting.
- 5.7 The first 7 of these recommendations have been accepted and are being incorporated into the action plan for the 2012/13 closure process. The remaining three recommendations require wider management consideration and will be picked up as part of the 2014/15 budget making process and as part of a wider review of senior management arrangements by the Chief Executive which will report back to this committee later in 2013.



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6. Comments of the Chief Finance Officer and financial implications

6.1 The costs of commissioning this review were £14,141. The first 7 recommendations are accepted as set out in part 5.7 above.

7. Head of Legal Services and legal implications

7.1 The Head of Legal Services has been consulted on the contents of this report and notes the recommendations contained in the report.

8. Equalities and Community Cohesion Comments

None

9. Head of Procurement Comments

None

10. Policy Implication

10.1 There are no direct implications for the Council's existing priorities, policies or strategies.

11. Use of Appendices

None

12. Local Government (Access to Information) Act 1985