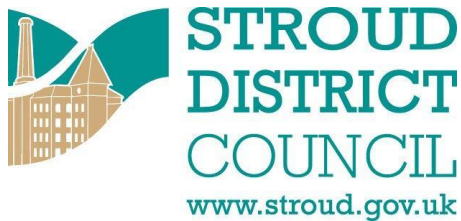


Housing Revenue Account Balances Third Follow-Up Report

(FINAL)

6th March 2017

Janet Bruce – Principal Auditor



Distribution

Corporate Team
Audit and Standards Committee

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Executive Summary

Introduction

1. An investigation was undertaken by Internal Audit, earlier in the financial year, following the discovery that balances had been overstated within the Housing Revenue Account (HRA) 2014/15 Outturn report to the Housing Committee. The overstated balance of £909k continued to be included in financial reports throughout 2015/16.
2. Following the investigation, a report was produced which included eight recommendations; seven high priority and one medium. A follow-up review was subsequently undertaken at the beginning of September 2016 but at that stage not all recommendations could be evidenced as having been implemented, and therefore a further review was required. At this second review, in October 2016, not all recommendations had been addressed by management and another error within a financial report to the Housing Committee was highlighted, albeit a much smaller amount.
3. This third review, undertaken on 1st March 2017, is intended to provide assurance that all outstanding recommendations have been addressed by management and appropriate agreed action taken.

Key Findings

4. It is pleasing to note that all recommendations have been addressed and evidence provided of implementation.
5. In respect of recommendations nos. 3 and 5 relating to the independent checking of the financial information included within reports to members and the impact on year end balances, Internal Audit reviewed the financial reports submitted in respect of the Housing and Strategy and Resources Committees since October 2016. There have however, only been two meetings since that time where financial reports have been provided; these being the Housing Committee on 24th January 2017 and the Strategy and Resources Committee on 26th January 2017. It was intended to review further reports for both Committees initially programmed for 28th February and 2nd March 2017 respectively, but both meetings have been put back to the end of March and beginning of April, and therefore would not be available for review before the Audit and Standards Committee on 11th April 2017.

6. In respect of the one medium priority recommendation no. 8, the financial risk FIN29 (*if budget position is inaccurately reported to members and senior management then risk of significant year end balances/reputational impact*) has been reinstated with updated wording which can be found within the recommendation action plan attached at Appendix 1.
7. Updated progress on each recommendation is included within Appendix 1 of this report *in italics*.
8. In addition, the Statement of Accounts checklist will now be amended to include a check on the fixed asset valuation of Stroud DC assets, following a recommendation made within a separate Internal Audit review of capital accounting.

Conclusion

9. Although all recommendations have now been implemented, Internal Audit will include an audit in the 2017/18 audit plan to ensure that all actions emanating from the recommendations made, in relation to the original HRA balances report, continue to be followed as agreed.

HRA Balances - Recommendations/Action Plan

High (H): Action is imperative to ensure that the objectives for the area under review are met.

Medium (M): Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
1.	<p>A sense check is undertaken to ensure that all financial information contained within the Statement of Accounts, including the Explanatory Foreword and Notes is consistent throughout.</p> <p>A sign off sheet to be completed to evidence the check and to provide assurance to the Strategic Head (Finance and Business Services) that all financial information is consistent.</p>	<p>Inconsistency</p> <p>Reporting errors</p> <p>Unchecked information is used to inform budget and other spending decisions</p> <p>Reputation</p>	H	Agreed	GB (Principal Accountant – Technical)	July 2016
<p>Progress:</p> <p>A comprehensive sign-off sheet has now been instigated and was used prior to publication of the 2015/16 Statement of Accounts, with sign off by the Accountancy Manager/Deputy S.151 Officer at various stages of checks undertaken and completed as part of finalising the Statement of Accounts for publication. The signature of the Interim S.151 Officer was however not evident on the form provided to Internal Audit, although it is known that the Officer had viewed the checklist to ensure checks had been undertaken before the final publication of the Statement of Accounts.</p> <p>The Statement of Accounts was checked for accuracy against the Council’s accounting system balances on Agresso, and also for consistency within the report. The final version of the Accounts was presented to the Audit and Standards Committee on 22nd September 2016.</p> <p><i>The checklist will also include a check on the fixed asset valuation figures following a separate IA review of capital accounting.</i></p>						

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
2.	HRA and other HRA resources (earmarked reserves and capital receipts) are identified separately to capital receipts within Outturn and other reports to Members, given that capital receipts are ring-fenced and may need to be repaid to Central Government, if not utilised.	Ambiguity in respect of balances that are usable and those that are ring-fenced and may be unusable.	H	Agreed	DS (Accountancy Manager/Deputy S.151 Officer)	June 2016

Progress:

The 2015/16 HRA Outturn report for the June 2016 HRA Committee showed the Revenue and Capital tables separately and identified the impact on reserves and balances. The Right to Buy (RTB) receipts are now held on the balance sheet.

The Outturn summary figures have been agreed to Agresso (the Council's accounting system), i.e. net HRA income and expenditure outturn of £1,432k for 2015/2016 reflects a reduction in HRA balances from £3,370k to £1,938k. These figures are reflected in the published Statement of Accounts.

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
3.	<p>Before using opening balances in reporting to Members and senior management the figures should be re-checked against financial information within the published Statement of Accounts and Agresso.</p> <p>A sign off sheet to be completed to evidence the check and provide the relevant assurances.</p>	<p>Incorrect financial information is used to inform Members and senior management.</p> <p>Impact on budgets and decisions.</p>	H	Agreed	DS (Accountancy Manager/Deputy S.151 Officer)	June 2016

Progress:

Financial reports were presented to the Housing Committee on 24th January 2017 and Strategy and Resources Committee on 26th January 2017. Both Committee reports included Medium Term Financial Plan (MTFP) and budget reports, which showed balances brought forward from 2015/16. These figures were checked against the published Statement of Accounts for accuracy and were found to be correct.

Evidence was seen through the various editions of the reports, that verification checks were undertaken to ensure the accuracy of figures quoted within the reports to the Committees, with final sign off by the Interim S. 151 Officer/Accountancy Manager. All versions of the reports are now retained to provide an audit trail of checks undertaken.

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
4.	Confirmation that: Capital receipts from RTB are retained on the balance sheet within Capital Receipt Reserves until applied or repaid.	Usable HRA balances might appear to be higher than they actually are. Spend or budget decisions are based on unusable balances	H	Agreed (Any RTB receipts received to date in 2016/17 will be moved to comply)	GB (Principal Accountant – Technical)	July 2016

Progress:

All pooling returns up to 2015/16 have been audited by the Council’s external auditors and agreed by the DCLG. Queries have been made with the DCLG in respect of the last quarter’s return which do not allow for payments previously made within the year to show on the return.

As previously reported, capital receipts from RTB are now held on the balance sheet until applied.

There are now separate codes for pooled and non-pooled receipts within Agresso, although the RTB receipts have not yet been split between the relevant codes. With the appointment of a new Principal Accountant this should be completed by the end of the financial year once the Q5 RTB return has been completed.

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
5.	<p>Confirmation that:</p> <p>Budget monitoring updates to Committees will now include the impact of the projected outturn on year end balances at each quarterly Committee update rather than just the in year outturn forecast in budget monitoring reports.</p>	<p>Projected outturn and impact on balances is not known/regularly reported to Members to inform decision making.</p>	H	Agreed	DS (Accountancy Manager/Deputy S.151 Officer)	July 2016
<p>Progress: <i>Evidence has been seen that the projected outturn impact on year-end balances has been included in the financial reports to Members, in respect of the HRA reserves and General reserves as presented to the Housing Committee on 27th September and 24th January 2017 and the Strategy and Resources Committee on 13th October 2016 and 26th January 2017.</i></p>						

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
6.	An independent check, other than the author of Outturn reports is undertaken to ensure that the report agrees with Agresso and the figures within in the proposed/actual Statement of Accounts. It is suggested that this should be undertaken by either a peer of the author or the Accountancy Manager/Deputy S.151 Officer. A sign-off sheet should be completed to show that this has been carried out.	<p>Incorrect financial information is used to inform Members and senior management.</p> <p>Impact on budgets and decisions.</p>	H	Agreed	S.151 Officer in conjunction with Accountancy Manager/Deputy S.151 Officer	July 2016

Progress:

A timetable and sign-off sheet (Appendix 2) is in place in respect of the Statement of Accounts which includes checks to ensure that information is consistent with figures published within the HRA Outturn report and Agresso. It is intended that there will be a specific sign-off sheet in preparation for the production of the Outturn report for 2016/17. However, emails between the Accountancy Manager/Deputy S.151 Officer and Principal Accountant (Technical) were provided which showed independent checks had been undertaken before the final publication of the Outturn Report for 2015/16.

Internal Audit also verified the HRA 2015/16 Outturn summary figures to Agresso.

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
7.	There is formal sign off by the Section 151 Officer in respect of reports to Members which involves financial information, to ensure the accuracy and completeness of that information.	<p>Assurance that financial information provided to Members is not accurate.</p> <p>Incorrect financial information is used to inform Members and senior management.</p> <p>Impact on budgets and decisions.</p>	H	<p>Agreed</p> <p>Members of Finance staff involved in the monitoring & reporting process have been involved in producing a revised timetable for the receipt of finance information from budget holders in order to feed into financial reports. This timetable includes other dates of deadlines and sign off requirement by the S.151 Officer. Non-conformation with timetable for budget holder reporting will be progressed to the appropriate Strategic Head.</p> <p>This proposed timetable is to be taken to the Corporate team for approval before implementation.</p>	S.151 Officer in conjunction with Accountancy Manager/Deputy S.151 Officer	July 2016

Progress:

At draft stage, all financial reports to Members are to be reviewed by the Section 151 Officer/Interim S.151. In addition, once financial reports are completed, there will be a formal sign-off by the Section 151 Officer to evidence that required checks have been completed, prior to being sent to Democratic Services for printing/publication ready for Committee. *This is now evidenced by the retention of working versions of the reports with the final version being signed by the Interim S.151 Officer/Accountancy Manager. The working versions of the financial reports for the Housing Committee on 24th January 2017 and the Strategy and Resources Committee on 26th January 2017 were reviewed.*

	Recommendation	Risks	Category	Management Response	Responsible officer	Target date
8.	Consideration is given to reinstatement/review of FIN29 in light of this report.	Recognition of risk of inaccurate budget position being reported to Members and senior management and subsequent risk of significant year-end balances and reputational impact.	M	Will review all finance risks and ensure risks from FIN29 is incorporated within those risks.	DS (Accountancy Manager/Deputy S.151 Officer)	Original: July 2016 Revised: October 2016

Progress:

The target date for this recommendation had been changed to October 2016 due to an initial review of all financial risks and recognition by the Interim S.151 Officer and Accountancy Manager/Deputy S.151 Officer that further consideration needs to be given to other potential risks relating to Finance, such as business continuity.

The review of all strategic and financial risks has been progressed and FIN29 has been reinstated, with revised wording – ‘If financial internal control and monitoring procedures are not complied with, this may lead to errors in budgetary information being reported to Members and senior managers’.

Internal Audit Report – Appendix 2

Stroud District Council

Finance and Business Services

Statement of Accounts - Checklist

When reviewing the Statement of Accounts, s151 officer and Accountancy manager to complete the checklist below
Principal Accountant (Technical) to keep copy on file to demonstrate evidence of formal review

Statement of Accounts version/date:

T:\Accountancy & Audit\Accounts\Financial Services\Statement of Accounts\2015-16\Words & Narrative 15-16\Audited Statement of Accounts

Issue	Statement of Accounts Section	Financial Reporting docs	Agresso check	Comments and further details	Reviewed by (1)	Reviewed by (2)	Date
GF Outturn information contained in the Narrative report is consistent with GF Outturn report provided to S&R Ctte	Narrative Report	S&R GF Outturn	1000-6999				
HRA Outturn information contained in the Narrative report is consistent with GF Outturn report provided to S&R Ctte	Narrative Report	S&R HRA Outturn	7000-7999				
Capital Outturn information contained in the Narrative report is consistent with GF Outturn report provided to S&R Ctte	Narrative Report	S&R Capital Outturn	8000-8999 + HRA Capital codes				
MTFP information contained in the Narrative report is consistent with latest approved version	Narrative Report	Council MTFP (February)					
Summary of Core Financial Statements contained in Narrative report consistent with Core Statements contained within main body of SOA	Narrative Report	SOA					
GF Balances shown in MiRS agree with opening and closing balances on Agresso (Z9400/ZZ770) and balances reported in MTFP	MiRS	MTFP & GF Outturn report	Z9400 PY & CY				
Earmarked Reserves shown in MiRS agree with opening and closing balances on Agresso (Z9401 to Z94xx) and balances reported in MTFP	MiRS	MTFP & GF Outturn report	Z9401 to Z94xx				
HRA Balances shown in MiRS agree with opening and closing balances on Agresso (Z9400/ZZ780) and balances reported in MTFP	MiRS	MTFP & GF Outturn report	Z9400 PY & CY				
GF Capital Receipts shown in MiRS agree with opening and closing balances on Agresso (Z9400) and balances reported in MTFP	MiRS	MTFP & GF Outturn report, Capital Outturn report	Z9400 PY & CY				
HRA Capital Receipts (non-RTB) shown in MiRS agree with opening and closing balances on Agresso (Z9400) and balances reported in MTFP	MiRS	MTFP & HRA Outturn report, Capital Outturn report	Z9400 PY & CY				
HRA Capital Receipts (RTB) shown in MiRS agree with opening and closing balances on Agresso (Z9400) and balances reported in MTFP	MiRS	MTFP & HRA Outturn report, Capital Outturn report	Z9400 PY & CY				
GF Capital Grants shown in MiRS agree with opening and closing balances on Agresso (Z9400) and balances reported in MTFP	MiRS	MTFP & GF Outturn report, Capital Outturn report	Z9400 PY & CY				

Internal Audit Report – Appendix 2

Stroud District Council

Finance and Business Services

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Statement of Accounts version/date:

[T:\Accountancy & Audit\Accounts\Financial Services\Statement of Accounts\2015-16\Words & Narrative 15-16\Audited Statement of Accounts](#)

Issue	Statement of Accounts Section	Financial Reporting docs	Agresso check	Comments and further details	Reviewed by (1)	Reviewed by (2)	Date
HRA Capital Grants shown in MIRS agree with opening and closing balances on Agresso (Z9400) and balances reported in MTFP	MIRS	MTFP & HRA Outturn report, Capital Outturn report	Z9400 PY & CY				
CI&ES figures reconcile back to Note 28 and other Financial Reporting	CI&ES	MTFP & GF/HRA Outturn report, Capital Outturn report					