

Housing Revenue Account Balances Follow-Up Report (Final)

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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 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. This second review is intended to provide assurance that these recommendations have been addressed by management and appropriate agreed action taken.

Key Findings

3. Although it can be demonstrated that most of the recommendations have been addressed, the evidence is, in some instances, more informal through email trail rather than of a formal sign-off with a checklist. This is not the case however in respect of the Statement of Accounts checklist which is comprehensive and evidenced with formal sign-off by the Accountancy Manager who is also the Deputy S.151 Officer. It should be noted that the S.151 Officer had seen the checklist prior to the publication of the Statement of Accounts.
4. In respect of recommendation no. 5 the projected outturn impact on year-end balances has been included in budget monitoring updates to Members in recent reports to the Housing Committee and Strategy and Resources Committee. However the table referring to the projected outturn impact on year-end balances as presented to the Housing Committee on 27th September 2016 was not accurate in as much as the HRA Reserves balance brought forward from 2015/16 was understated by £31k. This resulted from downloading information from Agresso (the Council's finance system) into a spreadsheet, which in this instance included a commitment figure from 2015/16, which was not realised. It was evidenced by the Accountancy Manager/Deputy S.151 Officer that the correct figure had been downloaded into the regular budget monitoring report, but this had not been used to produce the table. This table was not included in the budget monitoring report provided to the Housing Committee in advance of the meeting but a note between paragraphs 10 and 11 stated that it would be provided at the Housing Committee. By producing this table separately to the HRA budget monitoring report the recommended checks which should have picked up this error, were not applied.

5. In respect of the one medium priority recommendation no. 8, the Section 151 Officer and Accountancy Manager/Deputy S.151 Officer have identified that other financial and strategic risks also need to be reviewed. This has been progressed but is yet to be finalised and in the interim FIN29 (*if budget position is inaccurately reported to members and senior management then risk of significant year end balances/reputational impact*) will be reinstated.
6. Specific progress on each recommendation is included within Appendix 1 of this report.

Conclusion

7. Due to the timing of the initial follow-up review, not all actions as recommended could be verified at that time. The recommendations have on the whole now been implemented. It was noted however, that by providing one particular table to the Housing Committee separately to the original budget report pack this has led to an error not being identified.
8. Further improvement of controls could be realised by evidencing checks undertaken with checklists, together with formal sign off as recommended, rather than in the form of email trails.
9. Internal Audit propose to include an audit in the 2017/18 audit plan to ensure that all recommendations made, in relation to the original HRA balances report, have been fully implemented.

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>						

	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:

A budget monitoring report was presented to the Housing Committee on 27th September 2016 and Strategy and Resources Committee on 13th October 2016. Included within the Housing Committee report was reference to Table 2 (HRA Balances – projected). This table was not actually included in the report at the time of publication but was provided to Members on the day of the Committee meeting. On request, a copy of Table 2 as presented to Members on 27th September 2016 was provided to Internal Audit. This table was intended to show the estimated impact of 2016/17 outturn forecast on HRA balances, and therefore would take into account the HRA balances in respect of 2015/16. Unfortunately, the figure used for the HRA balance brought forward from 2015/16 in this table did not reflect the one published in the Statement of Accounts or the Outturn report for 2015/16, i.e. it was understated by £31k at £1.907m instead of £1.938m. Internal Audit has previously been informed that Agresso downloads into a spreadsheet would be used to ensure that accurate figures are reflected in budget updates to Members. Although the budget monitoring spreadsheet maintained includes the correct HRA reserves figure of £1.938m the figure used in Table 2 and presented to Members used a downloaded figure from Agresso which had picked up a commitment not realised in 2015/16. As this table was produced at a later date and separate to the HRA budget monitoring pack provided to Members, in advance of the Committee meeting on 27th September, the checks undertaken on financial information included in the report were not applied to this table.

Although email trails have been seen which indicate that independent checks have been undertaken for accuracy, a checklist still needs to be put in place for formal sign off, following verification of financial information, prior to the production of budget monitoring reports for Members.

	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 recently been audited by the Council's external auditors and agreed by the DCLG. As previously reported, capital receipts from RTB are now held on the balance sheet until applied, but the coding for pooled and non-pooled receipts still needs to be separated within Agresso. Work is currently being undertaken by the Principal Accountant (Technical) to ensure this is completed with different analysis codes used for pooled and non-pooled RTB receipts.

	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: Evidence has been seen that the projected outturn impact on year-end balances has been included in both budget monitoring updates to Members, in respect of the HRA reserves and General reserves as presented to the Housing Committee on 27th September (see recommendation no.3 for context) and the Strategy and Resources Committee on 13th October 2016.</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. 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. Although no formal sign-off was available email trails have been seen showing checks have been undertaken involving the Accountancy Manager in his role as Deputy S.151 Officer (non-strategic) specifically in respect of the budget strategy report.

	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. Therefore all financial risks will be reviewed, not just FIN29.

The review of all strategic and financial risks has been progressed but was not finalised at the time of writing this report. In the interim FIN29 will be reinstated.

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				

