WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

The Good Practice Exchange
Y Gyfnewidfa Arfer Da

Timely Financial Reporting

Tools, policy and guidance

www.wao.gov.uk/goodpractice

Benefits and Challenges

What is timely financial reporting?

Timely financial reporting is not about just doing the same things as before, but more quickly. Rather, it is about reviewing the body's overall accounting and reporting arrangements and identifying new ways of working to meet earlier reporting deadlines. This recognises that producing year-end accounts should be the final stage of the whole year accounts process.

Timely financial reporting is important for staff who use financial information. These users need information that is timely and informative because they use this information to make decisions about, or on behalf of, the public body.

The UK Government is setting tighter deadlines for public bodies to publish their accounts. Timely production of accounts will become even more important when Whole of Government Accounts are prepared. This process depends crucially on public bodies being able to submit prompt and accurate returns to the Welsh Government. Timely financial reporting helps you to do this.

What are the benefits of timely financial reporting?

Timely financial reporting creates benefits during the financial year and also when the accounts are prepared. It allows you to focus on current issues and develop future plans. It does this by improving financial systems and improving the quality of financial information.

Informing stakeholders

A public body's actions affect many people, groups and organisations. These are the body's stakeholders. Stakeholders may be internal (e.g. staff) or external (e.g. contractors and the public). Stakeholders use financial information to decide how they will interact with the public body. Timely financial reporting makes the information you provide to stakeholders more relevant.

Improved financial management

Timely financial reporting helps you to examine and correct any weaknesses in your financial systems. Publishing accounts with a clear audit opinion is an indicator of good financial management. Improved financial management allows you to focus on current financial matters and develop future plans.

Better resource management

The systems and processes which you develop for timely financial reporting will improve your in-year financial management information e.g. through automating your processes. This allows you to make decisions based on up-to-date information and leads to improvements in the use of resources. Timely financial reporting requires a more balanced work programme with greater emphasis on in-year financial management. This means demands placed on finance staff may be less subject to seasonal fluctuations.

Timely production of accounts

Producing financial statements with a clean audit report provides everyone with assurance of good financial governance. This enhances a public body's ability to plan for the future and supports budget setting arrangements. The timely production of accounts becomes is critical in achieving demanding reporting deadlines.

What are the challenges of timely financial reporting?

Corporate support and involvement

Commitment and involvement at all levels of the public body is key to the success or failure of timely financial reporting. You will need all departments to support improvement in financial practices and processes. You will also need to engage with all staff to identify where improvements can be made and where working practices can be changed.

Systems and policies

Your existing systems and policies may not support timely financial reporting. Cash-based accounting systems involve a lengthy manual exercise before you can prepare the accounts. In many cases, your systems may not be integrated and will require complex reconciliations at the year end. Maximising your IT capacity and capability is critical.

Project management

The size and complexity of organisations means that you must manage your timely financial reporting project effectively. You will need a project plan to identify outputs, potential problems and when these may occur. This may involve planning for staff workloads, recruitment and training.

Communication with auditors

Poor communication with your auditor can prevent the timely identification and resolution of problems. Public bodies need to work in partnership with their external auditor throughout the financial year and not just at the end of the year.

Self-assessment tool for external auditors

Self-assessment tool for external auditors

There are four key elements that public bodies need to consider to achieve timely financial reporting:

1. Changing culture;
2. Planning;
3. Working during the year; and
4. Closing the accounts.

1. Changing Culture

Issue	Good practice	Fully achieved (yes/no)	Action required		
			Action	By whom	By when
Has the auditor considered if the audit methodology fits with faster closing of accounts?	Auditors should review their overall audit approach to make sure it meets the needs of faster closing. An audit approach that focuses much of the audit work on the year-end accounts will not fit in with the shorter, regular timetables that drive faster closing. In the private sector, auditors developed techniques to help them conclude the audit at the same time that the accounts are being finalised. Interim accounts give a more rounded view of the audited body's position than just comparing spend against the budget. An effective audit approach would be to use this information to plan the audit, focusing on key risks and to give assurance on in-year transactions.				
Does the auditor manage the audit portfolio throughout the year?	By reviewing progress of all the audits during the year, auditors can identify new issues and slippage in the timetable. In some cases, these issues may extend across a number of bodies. Where this review identifies problems, auditors can take action to resolve issues at an early stage. This can help to reduce the impact of problems or disagreement with audited bodies. Action taken may include moving resources to audit sites or giving advice to audit teams on dealing with emerging issues.				

Self-assessment tool for public sector organisations

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1. Changing Culture

Issue	Good practice	Fully achieved (yes/no)	Action required		
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Does the body have a clearly defined financial reporting structure?	A public body benefits from faster closing when it has a clear financial reporting structure in place. The overall objective of the reporting structure is to provide the body and its departments with a basis on which to plan and manage. Departments are then able to show how they're spending against budget. It is also a way of providing performance information to members.				
Do members and senior managers understand their role in the financial reporting structure?	To achieve faster closing there must be a top-level commitment to meeting the objective. To do this all parts of the body must understand the part they play within the financial reporting structure. The key parties involved are: • the council / members / board; • the audit committee; • the Chief Executive and the senior management team; and • the Director of Finance / Accounting Officer / Responsible Financial Officer. The body should clearly set out the financial reporting structure. This should include each party's responsibilities and how they relate to each other.				