

Audit Committee

26 May 2011

Final Accounts – Consolidated Action Plan - Update



Don McLure, Corporate Director Resources

Purpose of the Report

- 1 The purpose of the report is to update Members on the progress being made on the Action Plan to address the concerns raised by the Audit Commission in their Interim Governance Report for 2009/10 and the Annual Governance Reports.

Background

- 2 The reports presented to Audit Committee previously provided Members with the issues raised by the County Council's External Auditors, the Audit Commission, and an Action Plan to address weaknesses identified.
- 3 Appendix 2 details the original tasks identified for monitoring progress. It has been updated to show the current position on the tasks. The process of changing our Financial Reporting to be compliant with International Financial Reporting Standards (IFRS) is also included.
- 4 Appendix 3 provides members with an updated position in relation to key reconciliations that were originally identified.

Progress

Final Accounts Timetable

- 5 Since the last report, a final accounts timetable for closure of the 2010/11 Annual Accounts has been devised for the County Council and the Pension Fund. The timetables detail the tasks and the completion dates that will allow the Corporate Director to sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the County Council as at 31 March 2011 by 30 June 2011.

Reconciliations

- 6 The key reconciliations that have been, and are to be completed and reviewed are shown at Appendix 3. This shows the date up to which the key reconciliations are complete.

- 7 There remain a number of activities that have not been completed that will need to be cleared before the Accounts are closed. This work is on-going, and additional staff are being utilised to complete these tasks. It is envisaged that some of the reconciliation work will continue whilst the Statement is being completed. Any 'material errors' that may be identified that in turn could affect the accounts will be adjusted where need be.

Balance Sheet Control

- 8 As previously reported, during the year the Balance Sheet Control exercise has been undertaken. This is to verify each of the County Council's balance sheet accounting codes in order to ensure that there is control over the balance sheet and that items of current expenditure and income are not being omitted from budgetary control reports.
- 9 This is necessary due to the complexity of the organisation's finance system. It is important to establish accountability in respect of all elements included in the balance sheet.
- 10 The latest balance sheet control exercise was undertaken for the period ended 31 December 2010, however, the balances will all now be verified as part of the final accounts process.

Monitoring Meetings

- 11 Accountants from the central Strategic Finance team and Service areas meet on a weekly basis to share information and discuss issues that are being encountered in closing the accounts.
- 12 This forum is working well and is used to monitor progress against the timetable and draws attention to problems, allows early identification of problems or likely delays.

Capital Accounting

- 13 An ongoing risk to meet the Final Accounts deadline of 30 June is the work needing to be done within the Capital Accounting section of the accounts. This is due to a number of factors; the complexity of the task; the delay in the provision of information following the identification of additional assets and the re-categorisation of assets into their component parts.
- 14 Also, slippage in the production of a Single Asset Register has meant that the Capital Accounting entries need to be calculated using spreadsheets. This adds complexity and volume to the work that needs to be completed by the Capital Team.

- 15 Finally, the requirements of producing the Accounts under International Financial Reporting Standards (IFRS) is an additional pressure on the achievement of the final accounts timetable in this area in particular.

International Financial Reporting Standards (IFRS)

- 16 A report detailing the work plan for preparation of IFRS-compliant Statement of Accounts was presented to this Committee on 18 March 2011.
- 17 The move to IFRS represents a major change to financial reporting and the volume and complexity of IFRS is presenting a major challenge.
- 18 The present position in the move to IFRS-compliant Accounts is that the skeleton accounts have been forwarded to the Audit Commission, but as yet have not been populated with restated 2009/10 figures or 2010/11 figures. Although this is behind the original timetabled date, the work should be completed by 30 June 2011.

Recommendation

- 19 It is recommended that Members note the progress to date in the delivery of the Final Accounts Action Plan

Background papers

Audit Committee Report 18 November 2010 - Final Accounts – Consolidated Action Plan

Audit Committee Report 6 January 2011 - Bank Account Rationalisation

Audit Committee Report 10 February 2011 - Final Accounts – Consolidated Action Plan

Audit Committee Report 18 March 2011 - Final Accounts – International Financial Reporting Standards - Update

Contact: Hilary Appleton Tel: (0191) 383 3544

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Appendix 1: Implications

Finance -

This is a report that deals with the control of financial issues, and all considerations are dealt with in the body of the report.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability -

None

Legal Implications -

None

Appendix 2: Action Plan

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Assets information	Improve supply of information	Creation of a Single Asset Register	Assets and Strategic Finance	Strategic Finance	Work on this task has stopped in Finance pending completion of the closedown of accounts. A single asset register was not produced in time to use to complete the Accounts. Spreadsheets will be used.
		More timely completion of valuations	Assets		Completed
		Provision of information	Assets		Ongoing and behind date in timetable
		Review of leases	Assets, Service Finance, Procurement and Strategic Finance		Carried out for Statement of Accounts

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Balance Sheet Review	Review of Balance Sheet balances	<p>Balance sheet control – identify the content and purpose of each balance</p> <p>Write-off of balances to revenue where there has been no movement in the balance in the past 12 months and where there is no evidence that the balance should be retained</p>	<p>Service Finance and Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>On-going. Will continue to be done during 2011/12</p> <p>Will be reviewed throughout the Final Accounts process – there is still work to do in this area.</p>
	Analytical Review	Review of the movement on all balance sheet codes, particularly debtor and creditor balances and inter authority coding	Service Finance and Strategic Finance	Strategic Finance	Part of Final Accounts process. Due to be completed by services in line with the Final Accounts timetable. Information is due by 27 May 2011.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
	District Balance Sheet coding – AIM Translations	<p>Ensure that no revenue coding to former District Council balance sheet codes in Oracle</p> <p>Closure of all codes and transfer to services – with the exception of control accounts relating to legacy systems until the implementation of the Revenues and Benefits system.</p>	<p>Service Finance</p> <p>Service Finance and Strategic Finance</p>	Strategic Finance	<p>Revenue balances have been transferred to services and only minor items remain to be allocated to services by 20 May 2011.</p> <p>Codes will be closed as part of the Final Accounts process as account balances are cleared.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Reconciliations	Reconciliation of all key accounts and feeder systems and evidence of review	<p data-bbox="705 367 995 500">System balances - clearing accruals, balances on Projects, stock balances</p> <p data-bbox="705 984 957 1052">Compliance with Oracle procedures</p>	<p data-bbox="1018 367 1310 435">Service Finance and Strategic Finance</p> <p data-bbox="1018 984 1297 1052">Service Finance and Strategic Finance</p>	Strategic Finance	<p data-bbox="1579 367 1938 808">See Appendix 3. There has been some improvement; extra staff resource has been identified to assist in the completion of these tasks. Work will be on-going in this area to ensure that improvements continue to be made. Accruals are now reviewed regularly, and reconciled to 31 March 2011.</p> <p data-bbox="1579 847 1810 880">On-going review.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Bank Accounts	Review of Bank Accounts	<p>Rationalise the number of accounts</p> <p>Reconcile on a regular and timely basis</p> <p>Ensure the 'housekeeping' arrangements are in place e.g. cancellation of out of date cheques</p>	<p>Strategic Finance</p> <p>Strategic Finance</p> <p>Revenues and Benefits, Creditors and Strategic Finance</p>	Strategic Finance	<p>A separate report was presented to Audit Committee on 6 January 2011.</p> <p>See Appendix 3. All bank reconciliations, apart from Chester-le-Street and City of Durham are reconciled to 31 March 2011. Chester-le-Street and City of Durham are completed to 28 February 2011 and should be completed to 31 March 2011 by 20 May 2011.</p> <p>On-going review.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Internal charges	Review of internal charges – ‘double countings’	Enforcement of coding protocols Matching of internal debtors and creditors	Service Finance and Strategic Finance Service Finance	Strategic Finance	‘Double countings’ are to be identified by 20 May 2011 as part of the Final Accounts process, subject to final entries being input into the General Ledger.
	Review of Central recharges	A separate group has been established to review the methodology in this area.	Resources Finance	Strategic Finance	A report was considered by the Heads of Finance on 17 February 2011 and recommendations implemented for the Final Accounts. A further review is planned to be undertaken in August to consider the approach for the 2012/13 budget.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
<p>Planning for completion by 30th June</p>	<p>Planning to complete the Statement of Accounts by 30th June</p>	<p>Review of closedown timetable</p> <p>Working papers – - central repository</p> <p>- quality assurance</p> <p>Monitoring meetings - Early warning of problems - Sharing of information</p> <p>Review of closedown procedures</p> <p>Technical review of Statement of Accounts by Audit Commission</p>	<p>Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Audit Commission</p>	<p>Strategic Finance</p>	<p>The Final Accounts timetable has been devised and is being delivered.</p> <p>A central repository has been set up for working papers Guidance from the Audit Commission is to be followed.</p> <p>Weekly monitoring meetings are being held with services to identify and resolve issues likely to delay the completion of the Statement of Accounts.</p> <p>To follow completion of the process.</p> <p>Statement of Accounts due to be sent for Technical Review on 15 June 2011.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Group Financial Statements	Group Accounts	<p>Contacts – for audited accounts e.g. Dale and Valley Homes, CDDC</p> <p>Gathering information</p> <p>Receipt of audited accounts by appropriate date.</p>	<p>Service Finance and Strategic Finance</p> <p>Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>Identified and contacted</p> <p>On-going with contacts</p> <p>Timetabled for 13 May 2011. Draft accounts received from East Durham Homes and Dale and Valley Homes. Information is awaited from Premier Waste.</p>
Related Party Transactions	Related Party Transactions	100% completion of returns	Democratic Services and Strategic Finance	Strategic Finance	82 forms have been received from Members. Reminders are to be sent to the remaining 44 Members with a return date of 25 May 2011.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
GL Reporting	Review of GL Reports to assist Audit Commission	<p>Review of available reports in Oracle</p> <p>Provision of information in the format required by the Audit Commission</p> <p>Link to the Oracle update report – a group is already in existence to consider GL reporting</p>	<p>Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>All reports available in Oracle have been reviewed</p> <p>Discussions on-going with the Audit Commission to provide information analysing balances for our working papers.</p> <p>Outcomes from the Group's work are:</p> <ul style="list-style-type: none"> • Faster production of reports • Real-time reports available to Strategic Finance
Reserves	Reserve accounting	<p>Protocols in place</p> <p>Compliance with accounting procedures</p>	<p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p>	Strategic Finance	<p>Completed for 2010/11</p> <p>All transactions have been checked and the necessary amendments made.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Pension Fund	Review of reconciliations	<p>Reconcile on a regular and timely basis</p> <ul style="list-style-type: none"> - bank account - key interfaces between systems 	<p>Strategic Finance</p> <p>Strategic Finance</p> <p>Strategic Finance and Pensions Group</p>	Strategic Finance	<p>Key balance sheet account codes are to be reconciled monthly in 2011/12</p> <p>Completed to 31 March 2011</p> <p>Payroll to General Ledger – completed to 31 March 2011.</p>
	Review of Investment Manager's information	<p>Obtain and review SAS 70 reports from managers</p> <p>Review Managers and Custodian information</p>	<p>Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>Receiving reports from managers. On-going review to be implemented.</p> <p>Balancing Managers' reports to General Ledger monthly</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
	Review of controls over Pension Fund payments to pensioners	<p>Verify accuracy and completeness of information, including employer contributions receivable</p> <p>Review the process for collection of employer contributions</p>	<p>Pensions Group</p> <p>Pensions Group</p>	Strategic Finance	Under review – changes to the way employer contributions are now payable has led to further review of the collection process to monitor amounts of cash and percentage contributions paid to the Pension Fund.
	Planning to complete for inclusion in the Statement of Accounts by 30 th June	<p>Review of closedown timetable</p> <p>Working papers - accuracy and completeness - quality assurance</p> <p>Review of closedown procedures</p>	<p>Strategic Finance</p> <p>Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>Timetable in place and being delivered.</p> <p>Reviewers identified and Audit Commission guidance being followed.</p> <p>A review of the process will be undertaken.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
International Financial Reporting Standards (IFRS)	<p>IFRS compliant shadow financial statements</p> <p>IFRS compliant financial statements for 2010/11</p>	<p>Impact assessment and Project Plan</p> <p>Development of IFRS Skeleton accounts based on CIPFA standards</p> <p>Restate 2009/10 Restate 2010/11</p>	Strategic Finance	Strategic Finance	<p>Completed</p> <p>Skeleton Accounts completed, to be populated</p> <p>On-going On-going It has been easier, in some cases, to complete the 2009/10 and 2010/11 restatements at the same time.</p>

