

Audit Committee

30 June 2011

Interim Governance Report - Response



Don McLure, Corporate Director Resources

Purpose of the Report

- 1 The purpose of the report is to provide Members with comments on the Action Plan within the Audit Commission's Interim Governance Report.

Background

- 2 The Audit Commission is required to give an opinion on the County Council's annual financial statements. Its work is split into two parts:
 - Pre statements audit (interim audit)
 - Post statements audit.
- 3 The Audit Commission's report summarises its preliminary findings on pre statements work undertaken from January to June 2011.
- 4 Post statements work will take place from July to September.

Comments on the report

- 5 Reports, detailing the work that has been done to address the concerns raised by the Audit Committee in their Audit Governance Report for 2009/10, have been presented to Audit Committee on a quarterly basis.
- 6 Some of the concerns raised in this report last year continue to be reported in the current report, but are being addressed.
- 7 There are a number of recommendations in the report that deal with on-going systems as well as demising systems. Concerns will be addressed as appropriate in all systems.

Action Plan

- 8 The report recommends improvements in the following areas:
 - Control Environment
 - Migration of former district information systems
 - General Ledger
 - Payroll

- Accounts Payable
- School Information Management System (SIMS)
- Oracle Projects
- Business Rates (NNDR)
- Council Tax
- Housing Benefits
- Bank Reconciliations
- Housing Rents
- Material Information System Reconciliations
- BVACOP identification
- IFRS Restatement

Responses to the Recommendations in the Report

- 9 A number of the recommendations have been implemented since the pre statement testing of the systems.
- Recommendation 7: General Ledger – review and approval of journals before entering into ledger is now being done in some areas and is to be addressed in the remaining areas.
 - Recommendation 11: General Ledger - provision of evidence of running trial balances regularly. These reports are run on a weekly basis, although the recommendation is quarterly. Evidence of this is being provided.
 - Recommendation 12: General Ledger – payroll dataset reconciliation to general ledger now complete to March 2011.
 - Recommendations 15 and 16: Accounts payable – to be part of review of the Procure to Pay (P2P) process. These issues will be addressed by this review.
 - Recommendations 29 to 33: Bank Reconciliations: these are now complete to 31st March 2011 and continue into 2011/12. There is a standard template for completion of reconciliations for all bank accounts. They are being completed in a timely manner and are being reviewed by a senior officer as suggested.
 - Recommendations 35 to 41: Material Information System Reconciliations – during the year, reconciliations have been brought up to date and processes for the future been established. Reconciliations have been established for all the control accounts and balance sheet items. These will be completed and then reviewed by a senior officer. Supporting documentation is provided and reconciliations include opening ledger balances for completeness.
 - Recommendation 42: Early Substantive Testing (BVACOP) – last year a process was implemented that prevented cost

centres from being opened where it was not identified where it should be reported under BVACOP classification. Reports have been run regularly throughout the closing of accounts process to ensure that the BVACOP reports balance to the current County Council reporting structure to ensure there are no omissions or duplications.

- Recommendation 43: IFRS Restatement – this work continues. Officers are restating opening balances and 2010/11 balances at the same time for speed and to ensure a consistent treatment of balances. This has meant that a statement with opening balances has not been provided. It is anticipated that the final Statement of Accounts will be IFRS compliant.
- 10 The on-going migration of former district information systems is a part of a project to implement a single Revenues and Benefits system. The implementation of this will remove the need for many existing systems and reduce the number of reconciliations that need to be performed.
- 11 A review of Oracle Projects will be considered when the current work on migrating systems and the P2P review are completed. Recommendations in this area will be incorporated into the revised systems.

Recommendation

- 12 It is recommended that Members note the recommendations raised in the Audit Commission's Interim Governance Report and the on-going work to implement them.

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

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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