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**Meeting:** Audit Committee  
**Date:** 27<sup>th</sup> January 2011  
**Subject:** 2010/11 Annual Governance Report-  
Progress on Implementation of Recommendations  
**Report of:** Assistant Director - Finance  
**Summary:** The report provides information on progress made to date against the recommendations within the 2009/10 Annual Governance Report.

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Contact Officer: Michael Millar, Interim Chief Accountant  
Public/Exempt: Public  
Wards Affected: All  
Function of: Council

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

The Council's priority is to ensure preparation of robust financial information, by statutory deadline.

**Financial:**

No direct effects, although the robustness of the annual accounts process will ensure the integrity of the Authority's financial accounting information.

**Legal:**

None

**Risk Management:**

None

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Safety:**

None

**Sustainability:**

None

## **RECOMMENDATION(S):**

1. that the

**Committee note the contents of the report**

### **Background**

1. The Council is required to prepare its annual accounts for approval by the Audit Committee by 30<sup>th</sup> June in the calendar year.
2. The objective of the 2010/11 annual accounts process is to prepare accounts that are free from material error.
3. The Council had the 2009/10 Statement of Accounts certified by its external auditors (Audit Commission) in October 2010. Following this certification, the Annual Governance Report (AGR) was issued with recommendations, for implementation, to improve the closedown process and accounts production.

### **Action Plan**

4. In response to the AGR provided by the Audit Commission, the authority has prepared an action plan that provides detailed responses to the recommendations. Appendix A sets out the completed action plan in response to the AGR report.

### **Annual Governance Report recommendations- progress update**

5. There were eight key recommendations and progress against each is summarised below.
6. R1 Amend the accounts to correct the material errors

These were incorporated within the final version of the annual accounts that were certified by the Audit Commission in October. The corrections have also been made in the authority's financial ledger, SAP.

Recommendation cleared

7. R2 Consider amending the accounts for the non material and non trifling errors

These potential amendments were actioned, where appropriate. A limited number of adjustments were not made due to their non material nature. These were approved by the Audit Committee and outlined in its letter of representation.

Recommendation cleared

8. R3 Ensure that journals are authorised in accordance with the Council's financial procedures

The "Financial Journal Preparation and Entry" Financial Procedure is currently being reviewed by the Chief Accountant with a view to formal publication and communication by 31<sup>st</sup> January 2011. The review will look to streamline the process whilst ensuring fundamental control. Once implemented, compliance will be monitored through regular inspection including spot checks and general reviews.

Recommendation to be implemented by 31<sup>st</sup> January 2011

9. R4 Ensure that Councillors' declarations are retained for a suitable period following the receipt of any new declarations

The Chief Accountant's team will establish an annual file for all declarations (related party transaction (RTP)) related to councillors and senior staff which will be maintained permanently into future periods. Annual (RPT) reviews will be made and signed off by the Chief Accountant.

Recommendation to be implemented by 31<sup>st</sup> March 2011

10. R5 The Council should consider the out of hour use of both schools included in the PFI scheme against IFRIC 4 and IAS 17 for the 2010/11 accounts

The Chief Accountant is the lead officer for International Financial Reporting Standards (IFRS) implementation. This area of out of hours will be considered within the leases work stream that is being undertaken as part of the transition to IFRS accounting requirements. This review is scheduled to be completed by 31<sup>st</sup> January 2011.

Recommendation to be implemented by 31<sup>st</sup> January 2011

11. R6 Carry out a review of the procedures in place for the closure and preparation of the 2009/10 accounts

A fundamental review of the 2009/10 annual accounts process was undertaken by senior finance staff and the findings of this review were shared with an informal Audit Committee in September. The actions resulting from this review are being implemented within existing processes, third quarter close and final accounts arrangements.

The Chief Accountant will be the lead officer for closure and preparation of the 2010/11 accounts. A third quarter closedown has begun with a formal timetable of activities for completion. The outputs of this work will be reported to the Audit Committee in April. It is anticipated that the third quarter closedown will provide greater assurance in the delivery of the financial accounts.

The Chief Accountant and external audit representatives are discussing the actions that will be taken to improve the process.

The annual accounts timetable will be thoroughly reviewed in January and benchmarked against other authorities' practices. A draft timetable will be sent for consultation to all stakeholders and finalised in February

Recommendation to be implemented by 28<sup>th</sup> February 2011

12. R7 Amend the 2009/10 accounts for the consistency and presentational issues

These amendments were completed during the 2009/10 accounts certification process in October 2010.

Recommendation cleared

13. R8 Ensure that adequate resources are allocated to ensuring that the Council is able to produce IFRS compliant accounts by 30 June

The Chief Accountant's post will take the lead on IFRS. This is being filled on an interim basis by an experienced Chief Accountant until 30 June whilst the permanent recruitment process is completed.

IFRS implementation has been split into 19 individual work streams that are due to be concluded by 31<sup>st</sup> January 2011. 15 of the 19 work streams had been completed by 31<sup>st</sup> December 2010. The remaining four workstreams will be completed by the end of January.

Recommendation to be implemented by 31<sup>st</sup> January 2011

### **Conclusion**

14. Significant progress has been made in fulfilling the requirements of the AGR recommendations. An update on the third quarter close will be shared with the Audit Committee in April.

**Background Papers:** (open to public inspection)

Annual Governance Report – Audit Commission October 2010