

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 31st January 2013
Report of: Chief Executive/Director of Finance and Business Services
Subject/Title: 2012/13 Statement of Accounts – Progress Report
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

1.1 This report provides Members with an update on progress on the preparation of the Statement of Accounts for 2012/13.

2.0 Recommendation

2.1 Members are asked to note progress on preparations for producing year end accounts.

3.0 Reasons for Recommendations

3.1 Members of the Audit and Governance Committee are required to receive regular updates on progress in accordance with the work programme.

4.0 Wards Affected

4.1 Not applicable

5.0 Local Ward Members

5.1 Not applicable

6.0 Policy Implications including – Carbon Reduction, Health

6.1 None

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 As covered in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 None

9.0 Risk Management

- 9.1 Regular liaison meetings are held with the External Audit to review progress and keep any identified risks under review.

10.0 Background and Options

- 10.1 The Annual Audit Letter (AAL) for 2011/12 reported that the Council has significantly improved its closure of accounts process. The accounts presented for audit contained no material errors and far fewer other errors than in previous years. Supporting audit trails and working papers were also much better. The AAL also reported that the finance team had implemented the recommendations from the last two audits including important improvements to their quality assurance arrangements. This had all helped to reduce the number of errors identified during the audit and improve the overall quality of the accounts.
- 10.2 The Finance team met with the auditors in October 2012 to discuss specific aspects of the closure of accounts process and also highlight new areas to consider for 2012/13. The clear message from the auditors was that the Finance team now need to ensure that the improvements become embedded in its way of working.
- 10.3 The next stage is to consider how the audit support process can be organised to shorten the time taken to undertake the audit. The 2012/13 audit will be undertaken by our new auditor – Grant Thornton. The key challenge for the Finance team will be to build on last year's progress particularly around maintaining and improving the quality of the draft accounts. We are having regular discussions with the auditors around how best to support the audit process.
- 10.4 The planning process for the 2012/13 Closure of Accounts is underway, the plans and timetables have been updated and are in the process of being communicated with all those concerned. Regular liaison meetings are held with members of the finance team responsible for closure and service accountants. A Final Accounts Workshop is to be provided by CIPFA Finance Advisory Network and Grant Thornton in February and two members of staff are due to attend.
- 10.5 At the Closure Review meeting a number of issues were highlighted to be addressed during 2012/13 as follows:
- **Whole of Government Accounts**
 - Working papers and audit trails to be improved.
 - a) In 2012/13 there will be a linked consolidated spreadsheet to individual WGA service spreadsheets as a minimum. In addition

service finance will be requested to show links from service finance spreadsheets to service to service finance WGA sheets although the size of payroll reports to allow the allocation of salary costs between Salary Costs, NHI and Pension is problematic. Alternative ways of collating this information at trial balance level are currently being explored but may not be available and working accurately by the year-end.

- b) Improvements to the audit trail for counterparties to allow tracking back to supporting notes and schedules requires modifications to the template to be issued to service finance for the WGA ensuring it dovetails into the reports sent out and used by corporate finance to prepare the statement of accounts. During the year-end preparation in 2011/12 certain parts of service finance completed their WGA templates well after the completion of the statement of accounts which caused discrepancies between the two sets of figures. During 2012/13 we plan to ensure all WGA templates are fully completed by the same date and agree back to the year-end statement of accounts.

- **Debtors**

- Provide detailed reports to support the calculation of the bad debt provision;
 - Review long outstanding debts and consider writing these debts off as uncollectable;
 - Ensure that year end debtors' reports are consistent.
- a) Good progress has been made by the Recovery Team in terms of working with Services to review aged debt and take steps to actively pursue or write off as appropriate. A corporate Debt Recovery Policy is currently being finalised and will incorporate a streamlined and more efficient write-off process. Other corporate work is ongoing to raise Services' awareness of their responsibility for pursuing debt.
- b) Lack of consistency between debt reports remains an issue. A revised version of one of the key reports has been requested but competition for developer resources may delay delivery of the report until the 2013/14 financial year. In this event, bad debt provisions at year end will again be based on the best information available and steps will be taken to ensure that transparent, consistent working papers are provided.

- **Northgate Revenue & Benefits System**

- Review number of write off codes and ensure these are used accurately to describe the reasons for write off.
- Review the current working papers to ensure they provide a full explanation of the accounting entries.
- Ensure year end debtor reports are consistent.

- a) The write off codes have been reviewed and are only used for genuine write offs rather than “debit adjustments”, these will be processed to help keep the different transaction types separate on the Northgate balance sheet (RRV403) which is the main year end reporting tool.
 - b) Additional working papers will be provided to provide a full explanation of the accounting entries.
 - c) Discussions have taken place with Northgate to identify the correct arrears reports to ensure year end debtor reports are consistent.
- **Oracle cash postings**
 - Ensure that delays in posting bank transactions within Oracle are minimised at year end so that transactions are fully reflected and accurately classified within the financial statements.
 - a) Significant work has been ongoing throughout the year to analyse the posting issues and apply corrective fixes and patches to the Oracle AP module. Progress has been slow, but issues are being resolved incrementally and work is continuing. Full and final resolution of the timing issues with bank postings will depend on Oracle development work around multi-period accounting and this is scheduled for 2013/14. Therefore, manual adjustments to adjust the 31 March cash and creditor classifications are likely be required again at year end.
- **Asset Valuations**
 - Ensure management checks are undertaken and evidenced on significant changes and fluctuations in valuations.
 - a) A review of the information provided by the external valuers will be undertaken by asset management and finance staff, the timetable will allow sufficient time for queries to be resolved.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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