

Management Action Plan

Appendix 1

Financial Statements

| Area | Recommendation | Responsibility | Timescale | Management response |
|-----------------------------|--|---|------------|---|
| Property, plant & equipment | <p>The presentation of adjustments to cost and value of property plant is not in accordance with the Code. We recommend that the Council complete a full review in 2014/15 of the underlying asset register and the associated capital expenditure, with specific regard to the Code requirements to ensure that:</p> <p>Where assets are enhanced and an adjustment is identified to remove the value of the original asset being replaced that this is reported as de-recognition in the cost or valuation section of the note and also as de-recognition in the accumulated depreciation and impairment section.</p> <p>Any further adjustment that meets the definition of impairment, is reported in the accumulated depreciation and impairment section of the note.</p> | Corporate Finance Manager | March 2015 | A full review of the asset register and associated capital expenditure will be undertaken in 2014/15 to ensure full consideration of the Code requirements. |
| | <p>The Council should ensure that it has appropriate arrangements in place to make a formal assessment of whether the carrying value of property plant and equipment is not materially different from the fair value at the end of the reporting period. This assessment needs to take place sufficiently early in the close down process to determine if any additional revaluations needs to take place. The final assessment must then cover all those assets that have not been subject to revaluation in the year. This assessment must be backed up with analysis and market trend information appropriate to the Council's circumstances.</p> | Head of Corporate Resources and Stewardship | March 2015 | The Council will ensure it has appropriate arrangements in place to make a formal assessment of whether the carrying value of property plant and equipment is not materially different from the fair value at the end of the reporting period. Earlier engagement will take place with the external valuers, Deloitte to ensure an assessment has been undertaken on all assets not subject to revaluation within the year. |

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| Private Finance Initiative | There remain some differences between the Council's overall PFI liability and future disclosures and those shown by the GT alongside more general disclosures issues. These differences are due to the way in which the initial construction costs of the scheme were derived and apportioned over the properties involved in the scheme. We recommend that the Council reviews the initial construction costs within the accounting model. | Corporate Finance Manager | March 2015 | We will review the initial construction costs within the accounting model - agreed in 2009/10. We will reconsider our accounting treatment in consultation with the auditors. |
| Capital accounting | We recommend that the Council reviews its approach to capital accounting entries in 2014/15 . | Corporate Finance Manager | March 2015 | The requirement for a dedicated earmarked reserve for revenue contributions to future capital expenditure will be actioned in 2014/15. |
| | To operate a dedicated capital receipts reserve where the accounting entries can then be more clearly shown to be consistent between the reserves, the Movement in Reserves Statement adjustment note and the statement of capital expenditure and financing at note 34. | | | |
| | To amend the use or alternatively remove the unnecessary disclosures for the capital grant unapplied account to report grant received and applied in year as a direct charge to the capital adjustment account. | Corporate Finance Manager | March 2015 | We will review the disclosure of the capital grant unapplied account as part of the 2014/15 accounts closedown process. |
| | We recommend that the Council consider the accounting treatment of Dedicated Schools Grant and assess whether any balances to be carried forward each year would be more appropriately accounted for as an earmarked reserve. | Accountancy Services Manager | March 2015 | We will review accounting treatment of the Dedicated Schools Grant as part of the 2014/15 closedown process. |

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| Capital accounting | We recommend that the Council reviews all its remaining balances held as receipts in advance to reassess the requirement that these may only be held as a liability where there are conditions in place that are not yet satisfied, and the otherwise the income should be recognised. | Corporate Finance Manager | March 2015 | The Council will review balances held as receipts in advance to assess the appropriate accounting treatment. |
| Group accounts | Looking forward, the Council is more likely to be subject to the requirement to prepare group accounts. This assessment of the scope and application of these requirements should be identified and factored into closedown arrangements. This should also be discussed with the audit team as soon as possible. There are specific and additional audit procedures that auditors are required to complete where group accounts are prepared. | Chief Operating Officer | March 2015 | The development of group accounts will be considered as part of the planning arrangements for the 2014/15 closedown, in particular the resources and training requirements. We will discuss our proposals with the auditors at an early stage. |
| IT controls | Continue to pursue an IT solution for the payment posting delay in Oracle, so that payments are properly accounted for in the general ledger without the need for manual intervention. In the meantime ensure that appropriate evidence is retained to support all adjusting journals. | Corporate Finance Manager Corporate Manager Information Communication Strategy and Technology | March 2015 | The Council is working with CoSocius to review the processes and ensure payments are properly accounted for without the need for manual intervention. |

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| IT Controls | <p>Specific work on IT controls recommended that:</p> <ul style="list-style-type: none"> • Password minimum length should be in line with best practice and set to be at least 9 characters. • Documented policies and procedures addressing batch administration, monitoring and error handling within Northgate should be established, approved and communicated to those responsible for implementing and/or abiding by them. • The responsibility of administering security within Oracle Financials should be performed by system administrators with no programming duties. The practice of granting programmers greater than read-only access into production environments should be halted – or you should implement a formal monitoring process designed to review the actions performed. • Management should periodically perform formal reviews the user accounts and group membership assignments within Active Directory for appropriateness | Corporate Manager Information Communication Strategy and Technology | March 2015 | <p>CoSocius is undertaking password complexity work and will implement new policies in line with adopt best practice. It is recognised that financial management access requires additional security i.e. two factor authentications.</p> <p>CoSocius is reviewing a number of elements including Standardisation of Smartforms, and other improvements needed via increased automation. This will reduce errors. We will use Meta-compliance to communicate, train and test adherence to these policies.</p> <p>CoSocius has the access to carry out system administration and development. Segregation between these access rights is required and will be in place by March 2015. This work has started and assurance activities are ongoing.</p> <p>Managers are responsible for ensuring staff have the correct and appropriate permissions to perform their role and to keep that up to date. We are reviewing starters and leaver data to strengthen accountability and streamline processes. Staff are reminded of their responsibilities in a number of ways including Team Talk.</p> |

Value for Money

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| Financial Governance | Encourage focus of consideration and discussions of the Audit and Governance Committee to provide apolitical, effective oversight, support and challenge for the Council's financial management and the system of internal control. | Chief Operating Officer | March 2015 | <p>The Chief Operating Officer will continue to work with the Chairman/Vice-Chairman and the established Officer/Member groups to:</p> <ul style="list-style-type: none"> • develop the role of the Committee; • further develop the approach to agenda planning; • provide an appropriate focus for debate; and • implement the improvement actions agreed in June 2014 in response to the effectiveness self-assessment. |
| | Include key unit cost information within the performance management framework as a measure of financial performance alongside service delivery outcomes. | Chief Operating Officer | March 2015 | <p>The Chief Operating Officer will consider appropriate use of unit costs in performance reports. For example, indicators such as % spending on professional services and £m2 spending on assets could be included alongside appropriate targets.</p> <p>Financial data, which forms part of the Commissioning Plans, will continue to be analysed and compared during the medium term financial planning cycle.</p> |

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| | Demonstrate the improvements to the capital planning process, gateway reviews and managing the delivery of these projects to reduce the amount of slippage and inform accurate forecasting in 2014/15. | Chief Operating Officer | March 2015 | <p>The targets of remaining within a £14m Capital Financing Cap and also to restrict any new external borrowing will stay in place for 2015/16.</p> <p>The approach to the monitoring and management of capital profiling and forecasting will continue to be refined. This will provide a clear distinction between active management to re-profile expenditure and identification of genuine slippage against committed capital schemes.</p> |
| Financial Control | Reassess the governance and risk management arrangements for the new ASDVs and the Council's commissioning relationship with them, to make sure that they are operating as intended and they enable the Council to sufficiently identify and address any risks to service delivery or internal controls. | <p>Chief Operating Officer</p> <p>Executive Director of Strategic Commissioning</p> | Ongoing | <p>The Council will continue to:</p> <ul style="list-style-type: none"> • review and develop the governance framework for ASDVs in the light of experience, and as operational arrangements mature, in accordance with the approach set out in the report to Cabinet in March 2014; and • embed quarterly monitoring of the operational and financial performance of its companies, within its usual reporting processes. |

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| Prioritising Resources | The submitted Better Care Fund plans did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators. Throughout 2014/15, the partners need to work together to develop and apply the plans to integrate care and support services across the borough. | Executive Director of Strategic Commissioning Director, Adult Social Care | March 2015 | The Council is continuing to develop the BCF arrangements with its Clinical Commissioning Group partners. Further assessments of progress are being undertaken by the Department of Health. The Council, along with its partners is continuing to develop, discuss and assess progress in line with Department of Health Guidance. The more detailed plans will be submitted in September 2014. |
| Improving Efficiency and Productivity | Review the Data Quality Strategy and the associated measures as part of the Transparency Project to promote the importance of good quality data in effective information governance. | Chief Operating Officer | March 2015 | The current Data Quality Strategy will be reviewed to ensure that it remains fit for purpose and supports the Council's developing approach to increasing transparency. |
| | Continue to improve procurement arrangements, effectively linking these with contract management and commissioning activities to avoid duplication and maximise savings to be secured. | Chief Operating Officer | March 2015 | The Council's Procurement Improvement Plan is being implemented - overseen by the Procurement Board. The work includes a review of Contract Procedures Rules, introduction of Risk Based Sourcing, enhancing the ability of local suppliers to compete for Council contracts. A review of all commissioning activity is scheduled to ensure that the Council is able to maximise the savings and vfm of all contract renewals. |

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| | Continue to implement the recommendations arising from the OFSTED inspection and improvement notice regarding the arrangements for the protection of children. | Director of Children's Services | Next unannounced Ofsted Inspection (the Improvement Notice will not be lifted until the next inspection. As this will be unannounced, the date cannot be confirmed). | External evaluation, including the Ofsted improvement pilot and Local Government Association (LGA) Peer Review, has confirmed that good progress has been made in improving safeguarding arrangements for children in Cheshire East. As at the end of March 2014, a significant number of Ofsted and Improvement Notice recommendations have been 'signed off' by the Improvement Board. A new Children's Improvement Plan for 2014-15 has approved by the Improvement Board to meet the outstanding recommendations. Audit and other activity is also now monitored by the multi agency Local Safeguarding Children Board (LSCB). |