

DRAFT

To: Audit and Governance Committee

Date: 24 November 2009 **Item No:**

Report of: Chief Executive

Title of Report: Council Response to Review of 2008/09 Accounts Closure and External Audit Processes

Summary and Recommendations

Purpose of report: This report to the Committee summarises the response to the Interim Executive Director of Finance's report on the closure of 2008/09 accounts and external audit processes. It includes an action plan against which progress is also reported.

Report Approved by:

Finance: Jeremy Thomas
Legal: Sarah Fogden/Penny Gardner

Policy Framework:

Recommendation(s): The Committee is asked to consider the response and action plan outlined in this report and to consider how its own role might be developed.

COUNCIL RESPONSE TO REVIEW OF 2008/09 ACCOUNTS CLOSURE AND EXTERNAL AUDIT PROCESSES

Background

1. Earlier on this agenda is a report by the Interim Executive Finance Director on his review of the 2008/09 accounts closure and external audit processes.
2. That report concludes with a series of action points and recommendations to the Council. I have considered these with the Leader of the Council. Our response is shown below and actions taken to move the Council forward are summarised.
3. I have also discussed the Interim Executive Director's findings and my action plan with the District Auditor and with Internal Audit.

Overall Response

4. I accept the findings and recommendations contained in the Interim Executive Finance Director's report.
5. In drafting his recommendation the Interim Executive Finance Director has consulted widely with Group Leaders and I believe there is a consensus broadly supporting the action plan outlined below.

Action Plan

6. We are already moving forward as summarised below, and as shown in the appendix:

a) Corporate Leadership of Finance

- i. We have agreed the Council needs to recruit a Director of Finance & Efficiency, who will carry s151 responsibilities, the process to start as soon as possible. This requires a change to the senior management structure.
- ii. Internal consultation on the necessary senior management restructuring is due to finish on 10 November.
- iii. Line management arrangements will change immediately decisions are made.
- iv. We aim to have appointed the Director of Finance & Efficiency by Christmas, or very early January 2010 at the latest
- v. The interim Executive Finance Director (whose role continues meanwhile) specifically will be driving forward changes on internal control, financial administration, and closure and audit process management. He will also be reviewing the structure of finance early in 2010.

b) Head of Service, Finance

- i. A split of the duties of this role between the two post holders is due to be made, with their agreement, by 12 November.
- ii. For each key area of responsibility, there will be clear and measurable objectives and these are due to be agreed by 17 November.
- iii. Staff at the next level in the finance team are being informed of the changes made.

c) Closure planning

- i. The action points in the Interim Executive Director's report are being consolidated with the draft closure/statement/audit programme. The next report in this sequence sets this out in more detail.
- ii. I have instructed that monitoring of progress should be part of the remit of the Transformation Board and team. We will also be changing our statement of corporate priorities to reflect the significance to the council of this work.
- iii. There is a crucial milestone early in 2010. A trial closure is planned in January, once the December accounts are available. This will give us opportunity to review progress on the key outstanding issues from 2008/09 and obtain assurance that we are well on track for a clean 2009/10 audit.

d) Quality Assurance

- i. Work is beginning to introduce QA processes for the whole finance function. Priorities for this have to be set. This whole process will run well into 2010, but as a first step, those processes which are fundamentally linked with accounts closure will have to be in place in time for trial closure.

e) Internal Audit Plan

- i. The Interim Executive Finance Director has already begun discussions with the Chief internal Auditor (PWC) over the current year's audit plan. This is to ensure that we:
 - have reviewed all the major elements of internal control systems to be clear about areas of current weakness and risk.
 - are making strong progress on all the areas of weakness identified in the District Auditor's Annual Governance Report.
 - are able to give the council added assurance as to the robustness of the closure of accounts/external audit programme.
 - are adjusting and focusing the current year's internal audit plan accordingly.

f) Communications

- i. There is to be a meeting of the whole finance service at which the changes will be explained and the importance of moving forward re-emphasised.
- ii. Internal control processes and systems will be on the agenda for Wider Leadership Team meetings.
- iii. I will email the council's senior managers a summary of the high level messages and their own individual role in moving forward.
- iv. A copy of this report, along with the high level summary in the Interim Executive Finance Director's report will be sent to all Councillors.

g) Inter Departmental Responsibilities

- i. The Interim Director's report recommends that, as soon as possible, clarity is given to 3 areas where responsibilities are currently blurred.
 - Asset management - the Head of Property & Facilities is responsible for all asset management within the Council and I am intending transfer to his line management the delegated property functions within services wherever feasible. The delegated functions in HRA connected with asset management will also be made accountable corporately to the Head of Property & Facilities. Finally, the Head of Property & Facilities is accountable to the 151 Officer for ensuring proper records are maintained across the Council.
 - External audit relationship management - this will be resolved in the senior management restructuring referred to above. The new Director of Finance will be responsible for managing the relationships with external and internal auditors.
 - Departmental finance teams - from the schedule of actions attached it will be seen that the structure of the finance service is to be reviewed by the Interim Executive Director of Finance between now and the end of February 2010. The scope of that review will include departmental finance teams, their role and relationship to the central finance function.

Role of the Audit and Governance Committee

7. This Committee has a strong role to play in the whole system of internal control.

8. The Committee may therefore wish to work with the internal or external auditors on the development of its own effectiveness within that overall system, and may also want regular updates as the work on the action plan above progresses. You have already set up a small 3 member working group and this could also be involved in the monitoring and challenge of progress.

Appendix - Schedule of Actions Needed

Name and contact details of author:

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Background papers: None

Version number: