

# AUDIT AND GOVERNANCE WORKING GROUP

Wednesday 16 December 2009

**COUNCILLORS PRESENT:** Councillor Beverly Hazell (Chair), Councillors Clark Brundin and Bryan Keen.

**OFFICERS PRESENT:** Nigel Pursey, Sarah Fogden and Anna Winship (Finance), Maria Grindley and Allan Witty (Audit Commission), Chris Dickens (Pricewaterhousecoopers) and Sarah Claridge (Legal and Democratic Services)

## 1. APOLOGIES FOR ABSENCE

Councillor Simmons

## 2. COUNCIL WORKSHOP

In January 2010 the External Auditors want to offer a workshop for all Councillors explaining how their various streams of work fit together and specifically to raise awareness of the overall conclusions in their Annual Audit Letter.

Arrangement for workshop to be organised by Democratic Services – email to be sent out before Christmas.

Items to be discussed at the workshop:

- Overall building blocks of Audit Commission work
- CAA
- Annual audit letter

## 3. EXTERNAL AUDITORS' ORGANISATIONAL ASSESSMENT

Report included for background information.

## 4. ANNUAL AUDIT LETTER

The draft Annual Audit letter was presented to the working group by the External Auditors.

The letter remains in draft until it goes to the Audit and Governance Committee for further comment and adoption.

The working group went through the action plan in the draft report.

### Corporate commitment

Heads of Service are committed to the trial close down and are aware of the importance of internal controls has been raised.

Following consideration of the final version of the Letter by the Audit and Governance Committee in January, it will be made available to all Councillors and staff through the web site – as it shows where problems have been identified, where resources need to be concentrated and how this might affect the budget.

The working group felt that awareness of external audit conclusions needed to be raised. It felt that the Committee in January should consider making a report to Council - this will need to be added to the full Committee's next agenda

## **5. REVISED INTERNAL AUDIT PLAN**

The Internal Auditors (Pricewaterhousecoopers, PWC) presented a detailed report on suggested changes to the current year's audit plan - following on from the full Committee's discussion of the heat map at its November meeting.

Overall they propose an extra 15 days with a focus on core systems and work affecting the financial accounts. In total 50 days are suggested to be released from other planned work of lesser priority, particularly strategic reviews.

The changed programme includes a specific allocation of 10 days to be used auditing City Works due to concerns flagged in the heat map.

In addition, PWC have proposed an individual to be appointed to give external quality assurance on the Council's programme and plans for 2009/10 closure of accounts at a probable cost of around £1000 per day. The work is likely to be 2 days per month till May. The External Auditors want to meet the individual appointed to this role.

The Internal Auditors confirmed the revised programme is deliverable within the financial year.

The Audit and Governance Committee in January will formally be asked to agree to the revised Audit plan, including dates proposed for the reviews within it. At the same time, the Committee will be asked to agree an outline plan for 2010/11 thus enabling the Committee to look at internal audit programming over the two year period, propose two year audit plan –with resources and risks.

The External Auditors confirmed their general support for the revised plan. Specifically they also want to look at fixed assets and data quality. The Audit Commission and the Internal Auditors agreed to share their work on indicators to reduce possible duplication of work.

Councillors were happy with the proposal and confirmed they would like the revised programme to include a strong focus on core systems in the report to the January meeting.

## **6. PROGRESS ON OVERALL CLOSURE PROGRAMME, AND SPECIFICALLY ON INTERIM CLOSURE**

Verbal update included:

- Logotech fixed asset system – remains a key area of risk. Patchy response from Logotech to their required updating of fixed asset data. Officers are now happy with the figures for non Council dwellings but the updated figures for Council dwellings had yet to come through. Given this is an area of high risk, officers advised we will need to replace Logotech, but this will not be until next year, meanwhile it will continue to be the corporate asset register for the remainder of the year.
- Overall we are approximately a week behind on the trial close down due to issues around the ICT availability and support
- Good progress on capitalisation and fixed asset reconciliation (logotech apart)
- IFRS – Council waiting for advice and guidance on the treatment of leases, due by the end of January. Meanwhile necessary training is being given.
- Good corporate Buy in from service heads - regarding the trial close down and internal controls generally, especially following internal audit training on internal controls.

IFRS training for Councillors - The Audit Commission proposed that IFRS training be offered to all Councillors in the County at a workshop. This would give the Councillors a change to meet Councillors from other organisations and to network.

If this all encompassing workshop didn't get a strong turnout the commission were also prepared to do the training at the next Audit and Governance meeting.

In their work looking at the trial close down, the Internal Auditors are checking controls, looking at current programme for close down process and looking back at the problems from last year. On the fixed asset system, their view was the Council needs a contingency plan if a new system cannot be in place.

Trial close down should be complete by the end of January. There will be an update report to the next Audit and Governance Committee.

## **7. PROGRESS AGAINST THE HIGH LEVEL ACTION PLAN IN CHIEF EXECUTIVE'S REPORT**

Went through the tabled report, updating on the action plan presented to the November Committee meeting. Points raised:

- Quality Assurance – Given a full QA review will take time, the finance team is introducing additional checking procedures as a quick win.
- Interim Director – Director's position has been advertised. Interim Director's contract is till the end of April and will include the induction period for the new Director.

## **8. FUTURE MEETINGS**

The Sub Group will continue to meet, between meetings of the full Audit and Governance Committee, as times suggested by the closure programme to be of particular importance - dates to be canvassed by Democratic Services after discussion with finance.

The meeting began at 3.00pm and finished at 4.15

# AUDIT AND GOVERNANCE WORKING GROUP

Thursday 25<sup>th</sup> February 2010

**COUNCILLORS PRESENT:** Councillor Beverly Hazell (Chair), Councillors Clark Brundin and Craig Simmons.

**OFFICERS PRESENT:** Sarah Fogden and Anna Winship, Kelly Whitehead (Finance), Jeremy Thomas and Mathew Metcalfe (Law and Governance).

## 1. APOLOGIES FOR ABSENCE

None received.

## 2. NOTE OF PREVIOUS MEETING

The Group agreed to note the note of the previous meeting (previously circulated) held on 16<sup>th</sup> December 2009.

Sarah Fogden informed the Group that the dates for the IFRS of 10<sup>th</sup> and 11<sup>th</sup> May 2010, were felt to be too close to the elections and so an alternative date was being looked at.

## 3. PROJECT SUMMARY – ACCOUNTS CLOSURE

Sarah Fogden had submitted details (previously circulated, now appended) which provided a summary of where the Council was now on the closure of the accounts.

Sarah Fogden said that Pricewaterhousecoopers (PWC) had conducted a review of close down and they were generally happy. There were some issues around fixed assets that both officers and PWC had picked up. Procedure notes needed updating to include these issues. Reconciliations were generally behind but extra resource had been identified to bring these up to date. With regard to Logotech there were still some issues, however Logotech and Agresso had now been reconciled as at April 1<sup>st</sup> 2009 and officers were now working on the 09-10 reconciliation.

Sarah Fogden said with regard to "Issue Resolution" that the Microsoft Project Planning training due to take place on 23<sup>rd</sup> February 2010 had not taken place. This was now being addressed.

In response to questions, Sarah Fogden said that she was confident that the Statement of Accounts could be produced, however there were still some issues on internal control that the Audit Commission might be concerned with. For example the draft City works internal report had raised a number of concerns that officers were crosschecking and dealing with.

#### **4. DATE OF NEXT MEETING**

The Group agreed not at this time to set another date, but to ask the Head of Law and Governance to make the necessary arrangements should a further meeting be required.

The meeting began at 3.00pm and finished at 4.15

Headlines Status report against strategy				
Focus areas	Prior Status (R/A/G)*	Current Status (R/A/G)*	Commentary	Critical actions / recommendations
<b>Quality and timeliness:</b> Improving the quality of accounts closedown	R	A	Trial closedown raised a number of issues and has taken longer than expected, however, good learning for real closure.	Incorporate new task areas for more detailed actions in real closedown timetable. Deadlines need to be tightly managed.
<b>Issue resolution:</b> Resolving the issues previously identified by external audit	R	A	Good progress on car parks, and fixed costs (logotech).	Closedown plan written to include all key action points.
				Fixed assets procedures updated
<b>Defence:</b> Proactively manage other potential critical issues	A	R	New risks of corporate services modernisation board + finance office move.	Need corporate understanding of effort required to produce accounts.
<b>Credibility:</b> Rebuild the credibility of the Finance Team in the eyes of external audit	R	A	Good progress in issue resolution perceived by Finance.	Interim Director of Finance & Efficiency to meet with District Auditor.

Period: **January 2010**      **1) Quality and Timeliness (A/Cs Closedown)**

Author: **Sarah Fogden**      Last period: (R/A/G)\*      N/A      This period: A

**1 - Status Update**

**2 - Status report against key criteria**

	Status (R/A/G)*	Commentary	Planned actions / recommendations
1. Stakeholders are committed		Apathy around some aspects of accounts closure. Lack of commitment and ownership.  Audit & Governance committee – last meeting, officer attendance poor	Build in extra review dates for real closure. Closedown needs to be a key target in appraisals. Encourage deadline culture from top  Raise with CMT, need attendance from CExec or Director of Finance & Efficiency
2. Trial closedown plan		Review of working papers has shown areas that need concentrated effort.  Trial accounts behind by 2 weeks.	Need the review dates scheduled as soon as individuals are due to finish tasks to ensure actions happen  Trial accounts to be completed 26th Feb
3. Final Closedown plan		Informed by trial, more detailed & improved	Closedown meeting – all finance (10/2/10) Timetable to Service Heads 17/02/10  Closedown Seminars fronted by Chief Exec on March 1 <sup>st</sup> & 8th
4. Team is high performing		Issues around lack of checking and lack of understanding emerging from trial	Checks need to be built in. Senior managers need to be more involved. Financial Accountant may need to take a more proactive role in seeking out issues
5. Risks are managed			

**3 – Key activities completed in this reporting period**

Fixed asset entries complete  
 Skeleton accounts complete  
 Review of working papers  
 Audit dates confirmed

**4 – Key activities for next period**

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Review internal + external audit comments.  
 Build into timetable + processes.  
 Review procedure notes and checks + balances.  
 Complete draft accounts  
 Timetable issued + key dates noted  
 Leave resolved

**5 – Top risks**

Description	Probability (H/M/L)	Impact (H/M/L)	Risk Rating (H/M/L)	Mitigating actions
Understanding / Commitment in some areas	M	H	M	Proactive management by Line Managers

**6 – Progress against work plan (see attached milestone plan)**

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**Note:**

*Need high level milestone plan which adequately summarises position and key targets and which sits above the detailed task plans.*




Period: Jan 2010 2) Issue Resolution				
Author: Sarah Fogden	Last period: (R/A/G)*	N/A	This period: A*	
<b>1 - Status Update</b>				
<b>2 - Status report against key criteria</b>				
	Status (R/A/G)*	Commentary	Planned actions / recommendations	
1. Logotech		Reconciliation to April 2009 complete. Training received. Variety of transactions put through for trial.	Awaiting feedback for audit. Will start running depreciation in real.	
2. Car parking income		PWC audit offers "moderate" assurance	Need to pick up recommendations around ECNs etc for regular feed to Agresso and inclusion in debts o/standing and bad debt provisions	
3. Payroll	?	PWC audit ongoing	Await PWC audit report.	
4. Audit Working papers	?	To be reviewed with Audit commission 11 <sup>th</sup> Feb 2010, delayed by 2 weeks. Best practice working papers shared with Finance team	Await audit feedback and share with finance team.	
5. Robust project plan		Overview plan summarising key dates in place. Detailed closedown and IFRS plan exist	Microsoft project planning booked for Feb 23. Tailored to Finance requirements	
6 Documentation	?	PWC audit determined missing rent files. Audit noted missing data in a number of services.	Corporately need to check that backing documentation exists. If reason for no backing documentation i.e. longstanding Council tenant then need to document reasons why	
<b>3 – Key activities completed in this reporting period</b>				
Logotech visit managed successful to ensure outcomes achieved. Car park "Ring go" reconciliation complete Logotech tested fully.				
<b>4 – Key activities for next period</b>				
Load live data to Logotech.. Full reconciliation of asset registers Audit working paper signoff Resolve reporting issues on Logotech.				
<b>5 – Top risks</b>				
Description	Probability (H/M/L)	Impact (H/M/L)	Risk Rating (H/M/L)	Mitigating actions
Lack of backing documentation in Services	H	H	H	Needs corporate buy-in.

6 – Progress against work plan (see *attached milestone plan*)

Period: Jan 2010 3) Defence				
Author: Sarah Fogden	Last period: (R/A/G)*	N/A	This period: R	
<b>1 - Status Update</b>				
<b>2 - Status report against key criteria</b>				
	Status (R/A/G)*	Commentary	Planned actions / recommendations	
1. Cash Receiving System		Cash system went live successfully. Residual issues taking up time of Payments manager and Financial Accounting Manager. Knock on impact on reconciliations	Resolve outstanding issues ASAP. Escalate lack of progress with ICT issues	
2. Reconciliations		Key reconciliations complete on risk basis. Slower progress on others	Additional resource brought in.	
3. Capital / Revenue classification		Work substantially complete. Not put through for trial closedown	Target completion on this by end of Feb 2010	
4. Office Move		Corporate Office Move programme. Timing is difficult (mid April), already proving to be distracting	Decision needs to be made to defer move until after closedown	
5. Corporate Services Review		Corporate project to review corporate services and possibly centralise processes. BPI in creditors. Large impact in Technical finance team.	Timescales for all projects need managing to ensure Accounts closure is delivered.	
<b>3 – Key activities completed in this reporting period</b>				
Cash system go-live Some reconciliations complete				
<b>4 – Key activities for next period</b>				
All reconciliations up-to-date Manage expectations of technical team workload in light of office move, creditors BPI. Amend capital/revenue budgets following categorisation of spend.				
<b>5 – Top risks</b>				
Description	Probability (H/M/L)	Impact (H/M/L)	Risk Rating (H/M/L)	Mitigating actions
Office move	H	H	H	Seek agreement to defer move.
<b>6 – Progress against work plan (see attached milestone plan)</b>				

Period: Jan 2010 4) Credibility				
Author: Sarah Fogden	Last period: (R/A/G)*	N/A	This period: A	
<b>1 - Status Update</b>				
<b>2 - Status report against key criteria</b>				
	Status (R/A/G)*	Commentary	Planned actions / recommendations	
1. Audit Commission Engagement		Staff attended audit training on year end and IFRS. Good interaction at fortnightly meetings (Audit Commission want these to continue). Positive engagement from Audit Commission on valuations	Continue with fortnightly meetings. Next meeting Feb 25 <sup>th</sup> for Interim Audit kick-off meeting.	
2. No surprise audit				
3. Interim Audit		Kick-off meeting Feb 25 <sup>th</sup>	This needs to be managed with kick-off and issue resolution meetings. Key problem last year was lack of management of Interim Audit.	
4. Issue Resolution		Good – see above	Continue dialogue	
5. Quality and Timeliness (A/Cs closedown)		Audit dates received from Alan Witty	More detailed workplan to be requested so that key personnel can be available.	
6 Risks are managed				
<b>3 – Key activities completed in this reporting period</b>				
Building a better relationship				
<b>4 – Key activities for next period</b>				
Interim Audit management				
<b>5 – Top risks</b>				
Description	Probability (H/M/L)	Impact (H/M/L)	Risk Rating (H/M/L)	Mitigating actions
	M	H	M	
<b>6 – Progress against work plan (see attached milestone plan)</b>				
Need to set out in broad terms what the plan is on this. Key milestones needed re Interim / working papers / ongoing assurance re project board etc etc.				

**\*Key:**

-  Significant issues have arisen and urgent, corrective action is required immediately.
-  Warning. Significant issues are emerging which will require corrective action in the near future.
-  No issues. Progressing according to plan.