

Closure of Accounts 2010-11 Action Plan

| Ref | Issues | Action | Responsible Officer | Target Date |
|------------|---|---|---------------------------------------|--|
| 1 | <u>Conversion to accounting under International Financial Reporting Standards (IFRS).</u> | | | |
| 1.1 | This was new work and resulted in changes to known working practices, and as a result gathering information and processes in SAP was different. | <p>Action 1: Conversion is now completed and IFRS will be built into the closedown processes.</p> <p>We will work with LCC to review the Closure of Accounts (CoA) timetable to ensure all appropriate tasks are given appropriate recognition in terms of work required to deliver them.</p> | Helen Edwards | January 2012 |
| 1.2 | <p>The work was completed within existing resources and no additional cost but we underestimated the amount of work that IFRS would present, which led to a delay in preparation for closure of accounts especially regarding capital accounting.</p> <p>The Statement of Accounts were amended to reflect some capital accounting changes but there were a number of unadjusted items that need resolution within SAP.</p> | <p>Action 2: The work needed to update the capital accounting issues will all be addressed in a detailed action plan, which is currently being prepared (Action 1 above). This will identify all the tasks that need to be resolved for firstly ensuring 2010-11 issues are fully addressed and the new challenges for 2011-12 are similarly resolved.</p> | Lynne Warburton | February 2012 |
| 1.3 | Additional resources were sourced to assist with some of the technical changes – Assets held for Sale and Investment properties – but in hindsight this was sourced too late to achieve the desired end September deadline. | <p>Action 3: Mouchel will work with LCC to monitor progress of CoA closely, especially high risk areas, to identify at an earlier stage if further assistance is required.</p> | Ralph Frost, Helen Edwards | Continuous review from April 2012 |

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| 1.4 | <p>Restatement of Accounts 2009-10. The most significant issue was restating the 2009/10 accounts.</p> <p>This exercise was <u>very</u> time intensive.</p> <p>This resulted in a lot of investigation work and checking and rechecking of entries and identification of any corrections necessary.</p> | <p>The accounts will not need to be restated in 2011-12 - - unless a prior period adjustment – which would be much less substantial than the IFRS changes.</p> | n/a | |
| 2 | <u>Staffing and Technical Skills.</u> | | | |
| 2.1 | <p>Staffing: Various staffing changes occurred in Accountancy whilst IFRS work was being progressed. This resulted in less experienced people carrying out the work.</p> <p>Former expertise was reallocated within Accountancy to assist when difficulties were experienced, and junior staff assisted and become more involved and experienced.</p> | <p>Staff have now been in place for some time and are reinforcing their skills and knowledge.</p> <p>Action 4: Key objective for staff is to review successions plans and how we develop, train and invest in our staff for them to move on to the next level.</p> | Ralph Frost | February 2012 |
| 2.2 | <p>Knowledge: Limited knowledge within Accountancy of Financial statements outside the Corporate team.</p> | <p>Action 5: Wider involvement of Accountancy will be achieved by increasing the responsibility of IFRS champions within Accountancy so they determine what information needs to gathered, in a consistent way, to supplement the Financial Statements. This will alleviate pressure on the corporate team.</p> | Ralph Frost | February 2012 |

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| | Limited engagement with LCC budget holders and financial support. | Action 6: Communication and further engagement with LCC finance and budget holders to re-enforce the importance of close down issues. | <i>Dave Simpson</i> | <i>March 2012</i> |
| 2.3 | Guidance: Guidance notes were not clear – for example grants and settlement of capital expenditure. Need to ensure all understand what is required, why it is required and in what format so all teams provide consistent data, perhaps brief meeting to ensure all understand. | Action 7: Need to ensure any guidance is complete by fully reviewing it, and ensure it covers all issues even if they only affect one team. Action 8: Conduct a skills audit in December for the Statement of Accounts/Financial Statement within Accountancy to identify shortfalls of knowledge, and as a result training events will be organised to ensure all are aware of what is required by February. Flow charts will be prepared to provide further guidance. | <i>Helen Edwards</i> <i>Helen Edwards</i> | <i>February 2012</i> <i>February 2012</i> |
| 2.4 | Working papers: The feedback received on working papers, to support the accounts, was that they were not of the usual high standard. The Audit Commission's view of what an exemplary working paper looks like was not issued within Accountancy and as a consequence best practice was not always followed. | Action 9: Request appropriate feedback from External Auditors about the working papers, and examples of good and bad papers. Action 10: Issue examples of best practice to ensure all produce to the standard required in future. | <i>Dave Simpson</i> <i>Helen Edwards</i> | <i>January 2012</i> <i>February 2012</i> |

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| 2.5 | <p>Late circulated guidance: Late guidance was issued by CIPFA on capital grants in 'Closure of the 2010/11 Accounts and Related Matters' in the Local Authority Accounting Panel (LAAP 88). This changed the guidance with respect to the 'conditions' of a grant and appropriate accounting treatment.</p> <p>Voluntary controlled schools were treated as leases, then changed to freehold.</p> <p>Such change creates lot of duplicated work.</p> | <p>Action 11: Early decisions, where they can be influenced, are required to ensure duplicated work is minimised.</p> | <p><i>Helen Edwards, Claire Pemberton,</i></p> | <p><i>March 2012</i></p> |
| 3 | <p><u>Technical difficulties with SAP.</u></p> | | | |
| 3.1 | <p>Number of changes were made to SAP to reflect new transaction types, categories, reports and configuration changes required.</p> <p>Changes were extremely complex and led to limited testing.</p> | <p>Action 12: Need full understanding of entries in SAP, and able to identify all the entries processed in the system.</p> <p>Action 13: We are currently working together with colleagues in SAP Support to address these challenges. This forms part of the detailed action plan referred to in Action 2 above).</p> | <p><i>Jackie Allen</i></p> <p><i>Helen Edwards, Jackie Allen, Stuart James,</i></p> | <p><i>February 2012</i></p> <p><i>February 2012</i></p> |

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| 4 | <u>Issues arising.</u> | | | |
| 4.1 | Accruals: Not all accruals were identified. | <p>Action 14: Reinforce Budget holder responsibilities through training and guidance (including the identification of and requesting that accruals be processed).</p> <p>Action 15: Ensure Accountancy check revenue and capital payments in new year to make sure all accruals are identified.</p> | <p><i>Ralph Frost, LCC Heads of Finance</i></p> <p><i>Ralph Frost</i></p> | <p><i>April 2012</i></p> <p><i>April 2012</i></p> |
| 4.2 | Valuations: In 2010-11, a number of revaluations were missed, which needed to be adjusted in the Financial statements. | <p>Action 16: Build in checks to ensure significant revaluations are not missed in future as any one could make a material difference to the accounts. This forms part of the Capital Accounting issues identified in Action 2.</p> | <i>Helen Edwards</i> | <i>February 2012</i> |
| 4.3 | Journals folder: The narrative did not make it easy to understand the purpose of some journals. | <p>Action 17: Keep file with journals in, and clear explanations for why the journals have been processed.</p> <p>Action 18: A reminder will be included in the CoA guidance that all journals processed need to provide a detailed narrative that is meaningful to the user of the accounts.</p> | <p><i>Ralph Frost</i></p> <p><i>Ralph Frost</i></p> | <p><i>March 2012</i></p> <p><i>February 2012</i></p> |

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| 4.4 | IFRS leave: Calculation of IFRS leave accrual was reviewed post audit. | Action 19: Need to validate the calculation for reasonableness. The Accountancy Technical Improvement Group will review this. | Steve Ferrett | February 2012 |
| 4.5 | Settling of capital assets: If a capital scheme is not correctly settled (this is the process whereby the asset is identified that relates to the Capital investment), this creates an imbalance in the accounts which can be very difficult and time consuming to find. | Action 20: This is a training issue. Need to make sure that all those 'settling' understand the bigger picture and the implication of what they do and the need to get it correct. | Helen Edwards | January 2012 |
| 4.6 | Checking of work: Given the challenges in capital, a number of people were involved in assisting to resolve issues raised. | Action 21: More checking of work will be carried out to ensure it is correct and complete. | Jackie Allen | April 2012 |
| 4.7 | External Audit: External Audit questioned whether the response times to queries were appropriate. | Action 22: A protocol will be agreed between Mouchel, External Audit and LCC addressing response times, named contacts, working papers required and timing of the audit. | Ralph Frost, Dave Simpson, Mike Wood | March 2012 |
| 4.8 | Comprehensive Income and Expenditure feeder systems: External Audit has requested improvements to the mapping of information in order to establish which feeder systems the CI&ES information has come from. | Action 23: We will work together with colleagues in SAP support to deliver the changes required. | Helen Edwards | February 2012 |

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| 6.4 | The Council is changing its bank account in April 2012, which will have a direct impact on the people directly involved in the capital accounting issues. | Action 29: Will consider how resources can be managed to address the Council's additional demands. | <i>Ralph Frost</i> | <i>February 2012</i> |
| 7 | <u>Co-location.</u> | | | |
| 7.1 | There were some difficulties in completing tasks due to the physical split between Mouchel Accountancy and LCC Financial Strategy. | Action 30: Consider the potential for co-locating staff to enable the smooth completion of key tasks during closedown. | <i>Ralph Frost, Dave Simpson,</i> | <i>March 2012</i> |