

Closure of Accounts 2010-11 Action Plan

Ref	Issues	Action	Responsible Officer	Target Date	Update February 2012
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>	<i>Helen Edwards</i>	<i>January 2012</i>	<p>Action Complete. The timetable has been reviewed and tasks have been given appropriate time, weighted according to the scale of the task.</p> <p>The timetable was issued in January as an internal working document.</p> <p>The Statement of Accounts (SoA) will be closed by the end of June and presented to the Audit Committee on 9 July for scrutiny.</p>

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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 (see 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>	<p>Lynne Warburton</p>	<p>February 2012</p>	<p>Action Ongoing. The Asset Recovery Plan (ARP) is progressing well. Entries have been proposed to LCC and External Audit which resolve 100% of the 2010-11 issues. Progress is well underway on the 2011-12 tasks.</p> <p>Two extra consultants have been engaged by Mouchel to assist with the ARP – including the revaluation of assets and the capital balancing spreadsheet – this will improve the process for the future. Additional resource has also been acquired within Mouchel by reallocating resources and backfilling.</p>
1.3	<p>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>	<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>	<p>Ralph Frost, Helen Edwards</p>	<p>Continuous review from April 2012</p>	<p>Action Ongoing. Regular meetings have been held during January and February. Further meetings are planned for March to June.</p>

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1.4	<p>Restatement of Accounts 2009-10. The most significant issue was restating the 2009/10 accounts. 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	<p>Action Complete. Succession plans are strategies prepared to identify successors to roles within teams. These will often be linked to development plans to ensure that the individual can progress into their potential new role. It will allow for greater continuity in the future and wider coverage of skills. Succession plans were built into appraisal discussions. Need to ensure these follows through into individual's development.</p>

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2.2	Knowledge: Limited knowledge within Accountancy of Financial statements outside the Corporate team.	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.	Ralph Frost	February 2012	Action Ongoing. Individual IFRS champions have been identified and have been briefed on their new role. The next stage is that the role will becoming more involved in the process of preparing the accounts. Although this action point is effective from February, the enhanced role will not be required until April-May when the statements will be produced. The enhanced role means, individual champions will set up shared spreadsheets, determine the format of the information required, ensure all team complete details consistently and that the information is all populated correctly into the SoA.
	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.	Dave Simpson	March 2012	Action Ongoing. A plan to disseminate information to budget holders in now in place and communication of information will be included within the March edition of the Financial Strategy Newsletter.
2.3	Guidance: Guidance notes were not clear – for example grants	Action 7: Need to ensure any guidance is complete by	Helen Edwards	February 2012	Action Complete. Guidance is being reviewed to ensure it is clear and is fit for purpose.

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	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.	fully reviewing it, and ensure it covers all issues even if they only affect one team.			Specific examples where improvements have been made include: income, preparing working papers and capital settlement of assets. Where necessary, mini meetings will be held in the future to ensure all accountancy staff understand the requirements.
		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.	Helen Edwards	February 2012	Action Complete. A skills audit was conducted and a number of training sessions were arranged for all Mouchel Accountancy staff and Financial Strategy staff in LCC. These took place in Mill House in February 2012. Plans are being developed for further training initiatives.
2.4	Working papers: The feedback received on working papers, to support	Action 9: Request appropriate feedback from External	Dave Simpson	January 2012	Action Complete. This matter was discussed with External Audit and a Continuing

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	<p>the accounts, was that they were not of the usual high standard.</p> <p>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.</p>	<p>Auditors about the working papers, and examples of good and bad papers.</p> <p>Action 10: Issue examples of best practice to ensure all produce to the standard required in future.</p>	<p><i>Helen Edwards</i></p>	<p><i>February 2012</i></p>	<p>Professional Development session was arranged for 12 March where External Audit explained what they expect to see in a good working paper.</p> <p>Action Complete. Examples of best practice have been shared with all members of accountancy and where referred to in the training sessions (see Action 8 above).</p>
<p>2.5</p>	<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>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>	<p>Action Ongoing. Update to the Code of Practice has been received and circulated internally to key staff. Key staff in Mouchel and LCC Financial Strategy have also attended training provided by CIPFA and the Audit Commission. The year end LAAP Bulletin is expected in March. This will be reviewed and interpreted as soon as this is received.</p>

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	Such change creates lot of duplicated work.				
3	<u>Technical difficulties with SAP</u>				
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>	<p>Action Complete. Officers within the Mouchel corporate accountancy team have been instrumental in completing the Asset Recovery Plan (Action 2) and this has given more time to consolidate their learning.</p> <p>A mapping exercise to clarify all entries in SAP has taken place, new transactions codes/keys have been created as necessary.</p> <p>Action Complete. As part of the Asset Recovery Plan (Action 2) we have worked closely together with colleagues in SAP support who have provided the assistance required.</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>	<p>Action Ongoing. This will be picked up as part of action six.</p> <p>This action will be completed in the second week in April.</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>	<p>Action Complete. This has been addressed as part of the Asset Recovery Plan (Action 2).</p> <p>SAP document numbers are being recorded on individual revaluations, as they are input to SAP.</p>
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>	<i>Ralph Frost</i>	<i>March 2012</i>	<p>This action will be completed when year end journals are posted.</p>

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		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.	<i>Ralph Frost</i>	<i>February 2012</i>	Action Complete. A reminder was issued during the training (see Action 8) and will be further reinforced when journals are processed at year end.
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.	<i>Steve Ferrett</i>	<i>February 2012</i>	Action Complete. Validation checks have been built into the calculations.
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.	<i>Helen Edwards</i>	<i>January 2012</i>	Action Complete. Training sessions on the settlement of capital assets were carried out to explain the context, and ensure members of accountancy understand the process. Improvements to the process through 'componentisation' of assets will improve the process.
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.	<i>Jackie Allen</i>	<i>April 2012</i>	This action will be undertaken in April.

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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	Action Complete. The protocol between LCC, Mouchel and External Audit has been agreed. This has been circulated to finance staff at LCC and Mouchel.
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	Action Ongoing. We are currently working with colleagues in SAP support to deliver this change. This action will not delay Closure of Accounts, and will be completed before the start of the External Audit.
5	<u>Planning</u>				
5.1	Because of the deadline for the Statement of Accounts, a significant difficulty was working to a series of short deadlines which meant it was difficult to plan and meant a more reactive than proactive process.	Action 24: Mouchel will work together with LCC to ensure adequate time is built into the tasks within the CoA timetable (Action 1 above) and better contingency planning will ensure that this is not an issue.	Ralph Frost	January 2012	Action Complete. This has been addressed – see action 1 above. Four days has been set aside for Mouchel to validate the accounts and four days for LCC to carry out quality assurance work.

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		Action 25: Mouchel will work together with LCC to ensure the draft accounts are published.	Ralph Frost	June 2012	Action Ongoing. The Statement of Accounts (SoA) will be closed by the end of June and presented to the Audit Committee on 9 July for scrutiny.
6	<u>2011-12 New challenges (await the detailed guidance for 2011-12 to be issued by CIPFA)</u>				
6.1	Accounting for Heritage assets is changing in 2011-12. This will involve 50 assets, a new asset class, transfers, revalue within SAP.	Action 26: Changes will need to be made within SAP to address these changes.	Jackie Allen	February 2012	Action Ongoing. This is part of the Asset Recovery Plan (Action 2). Transaction keys have been created and entries calculated to be entered into SAP.
6.2	Infrastructure assets - An issue for 2012-13, but need to make sure highways are collecting the information needed and that the asset system works as required and provide accounting data necessary.	Action 27: Will liaise with Highways to ensure they are collecting data which will meet the needs of the authority in respect of capital accounting in 2012-13.	Tracy Phillips	February 2012	Action Ongoing. This is part of the Asset recovery plan (Action 2). The implementation of infrastructure assets has been delayed by CIPFA until 2013/14. This action has been deliberately delayed as guidance may change nearer the time, so this will avoid duplication.

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6.3	There is a further change to component accounting, that started in 2010-11 for fire stations and admin' buildings. This year school assets will transfer to component accounting – 20% of the school assets bases for next 5 years.	Action 28: Changes will need to be made within SAP to address these changes.	Jackie Allen	February 2012	Action Complete. This is part of the Asset recovery plan (Action 2). All asset values have been transferred.
6.4	The Council is changing it's 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.	Ralph Frost	February 2012	Action Ongoing. This is being achieved by reallocating resources and backfilling as necessary.
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.	Ralph Frost, Dave Simpson	March 2012	Action Ongoing. An initial meeting between LCC and Mouchel has been held to agree a way forward.