

Wolverhampton City Council

OPEN DECISION ITEM

Audit Committee

Date **19.12.2011**

Originating Service Group(s) **DELIVERY**

Contact Officer(s)/
Telephone Number(s) **PAT MAIN
4410**

Title/Subject Matter **2010/2011 STATEMENT OF ACCOUNTS LESSONS LEARNT**

Recommendations

That Audit Committee:

- (a) Note the progress on planning and delivering the Statement of Accounts for 2011/2012 in light of the recommendations in the *2010/11 Annual Report to Those Charged with Governance (ISA 260)* and also Members wishes expressed during the reporting of the 2010/2011 Statement of Accounts to Members.
- (b) Approve that the Audit (Final Accounts Monitoring and Review) Sub Committee receive regular reports providing updates on progress with the planning and delivery of the Statement of Accounts for 2011/2012 and that as a result additional meetings are arranged for April and May 2012 (Section 2).
- (c) Note the risks associated with a successful production and audit of the 2011/2012 Statement of Accounts, which at this stage is considered to be Amber (Section 6).
- (d) Note that the Assistant Director – Corporate Services (Section 151 Officer) is currently of the opinion that the Council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled but that this will be kept under review over coming months (Section 7).

RESPONDING TO THE 2011/2011 ISA 260 REPORT

1. PURPOSE OF REPORT

- 1.1. To inform the Audit Committee of progress on planning and delivering the Statement of Accounts for 2011/2012 in light of the recommendations in the *2010/11 Annual Report to Those Charged with Governance (ISA 260)* reported to the Audit Committee on 29 September 2011 and 7 November 2011 and also Members wishes expressed during the reporting of the 2010/2011 Statement of Accounts to Members.

2. BACKGROUND

- 2.1. The *2010/11 Annual Report to Those Charged with Governance (ISA 260)*, which was issued by PriceWaterhouseCoopers (PWC) the external auditors, and reported to the Audit Committee, included the following specific recommendation relating to the preparation of the statement of accounts and the related working papers:

The Council must learn the lessons from this year's accounts closedown and audit process. More disciplined project management measures should be put in place to ensure that the accounts closedown and audit timetable is planned and executed effectively. The capacity of the current Finance Team to deliver (in the context of other competing priorities) should be reassessed and more robust quality control procedures must be put in place prior to the accounts and working papers being made available to audit in future years.

- 2.2. In addition Audit Committee Members, at their meeting on 29 September 2011, made clear their wish to receive future statement of accounts with the agenda of the Audit Committee/Sub-Committee meeting at which they are to be considered/approved.
- 2.3. The Assistant Director – Corporate Services (Section 151 Officer) and the Finance Team have taken the ISA 260 recommendation and the wishes of Audit Committee Members very seriously and as a result work has already commenced to plan and deliver the Statement of Accounts for 2011/2012, further details are set out in the remainder of this report.
- 2.4. In order to provide Members with regular updates and therefore confidence that everything possible is being done to address the ISA 260 recommendations and the wishes of Members, it is recommended that the Audit Committee approve that the Audit (Final Accounts Monitoring and Review) Sub Committee receive regular reports providing updates on progress and that as a result additional meetings are arranged for April and May 2012.

3. WORK TO DATE

- 3.1. Since the end of the audit of the 2010/2011 statement of accounts, work has taken place in the following areas:
- Key members of the Corporate Accountancy Team have met on five separate occasions to plan and map out the critical path for the production of the 2011/2012 statement of accounts;

- Property Services have been commissioned to revalue some of the council's properties in accordance with the five-year rolling schedule;
- Strategic Directors and Assistant Directors have received a briefing relating to Heritage Assets in order that and more detailed work can take place to collate the information required to meet the new requirements for the 2011/2012 statement of Accounts. In addition detailed work has commenced with the Museums service on the heritage assets that they hold;
- Work has commenced to review the 2010/2011 accounting entries with a view to streamlining the processed relating to those entries in the future.

3.2. Appendix A provides a summary of the key milestones and critical activities relating to the preparation of the 2011/2012 Statement of Accounts. This reflects the outcome of discussions with PWC on the Council's response to the ISA 260 recommendations, including that three versions of the 2011/2012 statement of accounts will be prepared, those being:

- (i) Draft Statement of Accounts, prepared for the Assistant Director – Corporate Services (Section 151 Officer) to fulfil her statutory duty to sign and date the statement of accounts, and certify that they present a true and fair view of the financial position of the authority, by 30 June. This is a requirement of Section 8 (2) of the Audit and Accounts Regulations 2011
- (ii) Statement of Accounts to be Presented for Audit, which will reflect any minor amendments identified during a period of review, quality assurance and collating of working papers. These will be provided to PWC by mid July for the purpose of completing their statutory audit and will also be presented to the Audit Committee for information.
- (iii) Final Audited Statement of Accounts, the final set of accounts including any adjustments identified during PWC's audit. As required by Section 8, paragraph 3 of the Accounts and Audit Regulations 2011, these will be approved by resolution of the Audit Committee and re-certified by the Section 151 Officer as required by Section 8, paragraph 4 of the Accounts and Audit Regulations 2011, prior to the 30 September.

4. **CORPORATE ACCOUNTANCY TEAM STRUCTURE**

- 4.1. In addition to undertaking the work detailed above, further resources are in the process of being approved to strengthen the Corporate Accountancy Team in order to achieve the challenging timetable for the 2011/2012 Statement of Accounts. These additional resources are a Principal Accounting Officer and an Accounting Technician.
- 4.2. Resources within the department are also being reassigned so that additional Finance Manager capacity is available to plan, monitor, report and action work relating to the Statement of Accounts.

5. **EXTERNAL AUDIT LIAISON**

- 5.1. At a recent meeting with PWC an update on the work undertaken by the Corporate Accountancy Team to date, in response to the ISA 260 recommendations, was provided and the feedback from PWC was very positive. It is the intention that PWC, key members of the Corporate Accountancy Team, the Financial Controller (Deputy Section 151 Officer) and the Assistant Director – Corporate Services (Section 151 Officer) will meet regularly as work on the 2011/2012 statement of accounts develops to discuss progress against plans, accounting estimates, progress on new and additional Accounting Code requirements and any other issues as required.

6. **RISK MANAGEMENT**

- 6.1. Whilst every effort is being made to address both the ISA 260 recommendations and Members wishes it is important that Members are aware of the risks associated with the production and audit of the 2011/2012 Statement of Accounts, these include:
- Failure to learn the lessons from the production and audit of the 2010/2011 Statement of Accounts process.
 - Failure to secure corporate ownership and commitment to the production and audit of the 2011/2012 statement of accounts.
 - Failure of financial systems.
 - Failure to recruit suitably experienced and qualified staff to the two new posts.
 - Failure to ensure that existing key personnel are sufficiently well trained.
 - Loss of key personnel.
 - Competing high profile pressures for key personnel.
 - Failure to plan effectively and treat and manage this as a project.
 - Failure to manage the work and tasks required within the planned timescales.
 - Key information required to produce international financial reporting standards compliant accounts unavailable.
 - Significant errors included in the accounts.
 - Requirements of the Code of Practice on Local Authority Accounting in the UK 2011/2012 not adhered to.
 - Breakdown of effective working relationship with PWC.
- 6.2. A detailed risk management exercise will be undertaken in the near future and the results will be reported to Members in the next update to the Audit (Final Accounts Monitoring and Review) Sub Committee. At this stage the overall risk associated with a successful production and audit of the 2011/2012 Statement of Accounts is considered to be Amber, which reinforces the importance of continuing to proactively manage and resource this critical piece of work.

7. **FINANCIAL IMPLICATIONS**

- 7.1. The costs of the new posts within the Corporate Accountancy Team will be funded from the General Fund. These posts and the further actions outlined in this report will make a direct contribution to supporting the fulfilment of the Section 151 Officer's legal responsibilities under the Local Government Act 1972, in particular the requirement to prepare and certify financial statements in accordance with International Financial Reporting Standards (Local Government and Housing Act 1989 and Accounts and Audit Regulations 2011).

- 7.2. The authority is required under law and its own constitution to “*provide the...Section 151 Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed*” (Constitution part 2/22). As a result of the creation of the new posts and the further actions outlined in this report, the Assistant Director – Corporate Services (Section 151 Officer) is currently of the opinion that the Council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled. However, the position will continue to be monitored very closely and should things change this will be brought to Members attention at the earliest opportunity.

[JH/28112011/M]

8. **LEGAL IMPLICATIONS**

- 8.1. Relevant legislation is contained in the body of the report.

[MW/29112011/J]

9. **EQUALITY IMPLICATIONS**

- 9.1. There are no equality implications arising from this report.

10. **ENVIRONMENTAL IMPLICATIONS**

- 10.1. There are no environmental implications arising from this report.

BACKGROUND PAPERS

International Financial Reporting Standards - Introduction and Overview – Audit (Final Accounts Monitoring and Review) Sub Committee, 30 November 2009

International Financial Reporting Standards - Introduction and Overview – Audit (Final Accounts Monitoring and Review) Sub Committee, 22 February 2010

International Financial Reporting Standards (IFRS) – Update on Progress – Audit (Final Accounts Monitoring and Review) Sub Committee, 19 July 2010

International Financial Reporting Standards (IFRS) – Update on Progress – Audit (Final Accounts Monitoring and Review) Sub Committee, 29 November 2010

International Financial Reporting Standards (IFRS) – Update on Progress – Audit (Final Accounts Monitoring and Review) Sub Committee, 21 February 2011

Draft Statement of Accounts 2010/2011 – Audit (Final Accounts Monitoring and Review) Sub Committee, 30 June 2011

2010/11 Draft Statement of Accounts – Audit Committee, 18 July 2011

Audited Statement of Accounts 2010/2011 – Audit (Final Accounts Monitoring and Review) Sub Committee, 19 September 2011

2010/11 Audited Statement of Accounts – Audit Committee, 29 September 2011

2010/11 Annual Report to Those Charged with Governance (ISA 260) – Audit Committee, 29 September 2011

Audited Statement of Accounts 2010/2011 – Audit Committee, 7 November 2011

2010/11 Report to Those Charged with Governance– Audit Committee, 7 November 2011

Code of Practice on Local Authority Accounting in the UK 2010/2011 and 2011/2012 (CIPFA)

Preparation of 2011/2012 Statement of Accounts – Key Milestones and Critical Activities

Key:

Key
MilestoneSFS
Proforma
deadlines
(internal)PWC
audit workVersion of
Statement
of
Accounts