

## **PKF ANNUAL GOVERNANCE REPORT 2008/09 UPDATE OF RECOMMENDATIONS**

### **1 SUMMARY**

- 1.1 Recommendations from the Audit Commission, External Auditors, and Inspectors are monitored by Internal Audit and their review falls within the discretion of this Committee.

### **2 INTRODUCTION**

- 2.1 This report draws Members' attention to the recommendations from the "Annual Governance Report, 2008/09".
- 2.2 The Council's External Auditors, PKF, presented this report to the Audit Committee on 30 September 2009.

### **3 EXTERNAL AUDIT RECOMMENDATIONS**

- 3.1 The recommendations and management responses arising from the report have been included as Appendix 1, together with progress to date.

### **4 RECOMMENDATION**

- 4.1 It is proposed that the Committee **RESOLVES**

That the monitoring sheets for the External Audit recommendations be agreed.

Yvonne Woodward  
Head of Finance

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#### **Background Papers:-**

None.

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**MONITORING PROGRESS OF RECOMMENDATIONS RAISED IN ANNUAL GOVERNANCE REPORT, 2008/09**

**APPENDIX 1**

| Conclusions From Work  | Recommendations   | Priority    | Management Response   | Responsible Officer               | Timing  |
|--|---|-------------|---|-----------------------------------|---|
| <b>FINANCIAL STATEMENTS</b>  |   |             |   |                                   |   |
| <b>Fixed Assets</b>  |   |             |   |                                   |   |
| <p>The fixed asset register does not collate the information required as per the SORP guidance notes. This will make accounting for capital transactions in the future more difficult.</p> | <p>1. Amend the current Microsoft Excel based fixed asset register to ensure it keeps all the gross accounting information required to produce accurate accounts, or consider implementing an IT software solution.</p> | <p>High</p> | <p>Accepted. The Council will consider an IT software solution which will also address the new IFRS requirements.</p> <p><b>Update 9/11/2009</b><br/>A demonstration of fixed asset software has been arranged.</p> <p><b>Update 18/2/2010</b><br/>The Excel based fixed asset register is in the correct format. Alternative software solutions that would be more robust and easier to use are being evaluated but demos were delayed because of the adverse weather.</p> <p><b>Update 3/9/2010</b><br/>Excel version of fixed asset register has been agreed with External auditors for 2009/10.</p> <p>Consideration has been given to acquire appropriate software and timeline to be developed.</p> | <p>Financial Services Manager</p> | <p><del>End February 2010</del></p> <p><del>Revised to end March 2010</del></p> <p><b>Completed</b></p> |

| <b>Nominal Ledger</b>   |   |             |  |                                      |  |
|---|---|-------------|--|--------------------------------------|--|
| <p>The Council has had Dimensions (the main accounting system) in place since 2006/07. However, its full capability is not currently being utilised. Instead the Council is using a number of Microsoft Excel spreadsheets to manually amend the output from Dimensions at year end, increasing the risk of material misstatement due to human error.</p> | <p><b>2.</b> Use Dimensions to its full capability to produce the financial statements.</p>   | <p>High</p> | <p>Accepted. This had been the intention for 2008/09 but with the pressure to get the Accounts prepared before maternity leave commenced, it was necessary to continue with the current arrangements. Considerably more use was made of the Dimensions system for the preparation of the accounts this year than in previous years and this will continue to be developed for next year.</p> <p><b>Update: 4/5/2010</b><br/>Complete – Dimensions has been used to its full capability for the 2009/10 accounts.</p> | <p>Financial Services Manager</p>    | <p>End April 2010<br/><b>Completed</b></p> |
| <b>Annual Governance Statement</b>  |   |             |  |                                      |  |
| <p>The Annual Governance Statement does not clearly show the parts which form the Governance Framework and the arrangements in place to monitor the Governance Framework. Clearly defining these different parts of the arrangements will make it easier for the reader to understand the processes in place and their purpose.</p>                       | <p><b>3.</b> Review the structure and content of the Annual Governance Statement to ensure it clearly defines the Governance Framework and the arrangements in place to monitor the effective operation of the framework.</p> | <p>High</p> | <p>The Statement is reviewed annually and this recommendation will be considered for the 2009/10 Statement.</p> <p><b>Update 30/6/2010</b><br/>Annual Governance Statement was presented for approval to the Audit Committee 25/6/2010</p>   | <p>Audit and Performance Manager</p> | <p>End June 2010<br/><b>Completed</b></p>  |

| <b>International Financial Reporting Standards</b>   |   |             |   |                                   |  |
|--|---|-------------|---|-----------------------------------|--|
| <p>The Council has begun to prepare for the adoption of International Financial Reporting Standards but does not yet have a comprehensive implementation plan in place. Good preparation will help ensure that the restated financial statements in 2010/11 are free from material misstatement.</p> | <p><b>4.</b> Prepare and monitor a formal timetable and action plan for implementing International Financial Reporting Standards.</p> | <p>High</p> | <p>The implications of IFRS for the Council have been identified and we have received feedback from PKF. A report on the timetable and action plan is on the agenda for the Audit Committee of 2/12/09.</p> <p><b>Update 4/7/2010</b><br/>                     Progress Reported to Audit Committee 2/12/2009. 2009/10 Financial Statements will be restated under IFRS following completion of the external audit and in time for PKF to inspect them in January 2011.</p> | <p>Financial Services Manager</p> | <p>End December 2009</p> <p><b>Completed</b></p> |

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|---|--|---------------|--|--------------------------------------|---|
| <b>Debtors</b>  |  |               |  |                                      |   |
| <p>Our review of benefit overpayments found that several debtors had repayment plans lasting an unfeasible length of time. For example, one debtor currently aged 67 has had a repayment plan agreed that lasts for 60 years.</p> <p>We considered the adequacy of the bad debt provision for benefit overpayments and overall are satisfied that this has no significant impact on the accounts. However, the Council should review its policy on the agreement of repayment plans and agree to write off uncollectable debt and place a maximum limit on the period over which repayment plans can be agreed.</p> | <p>5. Review the policy on agreement of repayment plans for benefit overpayments and set a maximum limit on the period of time over which repayment plans can be agreed.</p> | <p>Medium</p> | <p>Policy will be reviewed by 31st October and a maximum limit on repayment plans will be implemented<br/>Original Date 31/10/09.</p> <p><b>Response 6/11/2009</b><br/><i>Unable to implement at moment as additional work required to ensure not conflicting with other targets (See Recommendation 6).</i></p> <p><b>Response 5/1/2010</b><br/><i>Revised until end January 2010. Draft procedures to be produced</i></p> <p><b>Response 5/2/2010</b><br/><i>Proposed draft procedures have been developed that will encompass other elements of this Action Plan. Procedures to be placed before Head of Service as part of approval process.</i></p> <p><b>Response 6/7/2010 (Head of Finance)</b><br/>The Bad Debt Provision has been reviewed and increased but not specifically for long repayment plans, as not considered significant enough.</p> <p><b>SEE RESPONSE AT POINT 6</b></p> | <p>Revenues and Benefits Manager</p> | <p>End March 2010</p> <p><b>Completed</b></p> |

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|-----------------------|---|---------------|--|--------------------------------------|---|
|                       | <p>6. Consider each debt for which a repayment plan is being agreed and write off any amounts likely to be uncollectable.</p> | <p>Medium</p> | <p>Agree, however annual benefit overpayment write-offs are currently restricted to a maximum value of 4% of the total debt outstanding. This will need to be reviewed if the recommendation is to be implemented. In addition debts written off should not be notified to the customer, especially where fraud is involved. Any debts written off on the basis of a repayment plan exceeding the maximum repayment plan limit should have the capacity to be reinstated if the financial circumstances of the debtor change to their advantage.</p> <p><b>Outcome – July 2010</b></p> <p>An Executive Decision by the Portfolio Holder for Council Tax Collection, Benefits and Strategic Housing, 30/7/09, approved a policy for partial write-off where a payment programme for outstanding Housing Benefit &amp; Council Tax Benefit exceeds six years. If debtor circumstances change the Council retains the ability to pursue the debt in full.</p> | <p>Revenues and Benefits Manager</p> | <p>End March 2010</p> <p><b>Completed</b></p> |

| Conclusions From Work | Recommendations   | Priority      | Management Response   | Responsible Officer   | Timing  |
|-----------------------|---|---------------|---|---|---|
|                       | <p>7. Review the policy for bad debt provision for benefit overpayments to identify whether a more detailed provision is appropriate, taking into consideration the payment plans rather than a set percentage for those within 1 year and those over 1 year.</p> | <p>Medium</p> | <p>Policy will be reviewed and recommendation will be considered as part of that review</p> <p><b>Update: 18/2/10</b><br/> <i>The Bad Debt provision is reviewed by Finance annually as part of the closure of accounts so will have to be completed by the end of May 2010.</i></p> <p><b>Response; 6/7/10 (Head of Finance)</b><br/>                     The policy for bad debt provision was reviewed and the percentage based on historical recovery rates was considered as a reasonable basis bearing in mind the level of work that would be required for more detailed analysis.</p> | <p>Revenues and Benefits Manager</p> <p>And</p> <p>Financial Services Manager</p> | <p>End March 2010</p> <p><b>Completed</b></p> |