

---

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	14th DECEMBER 2011	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) CHIEF FINANCE OFFICER <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	DOC: u/ks/finalaccounts1112/action plan 1112
SUBJECT:	ACCOUNTS CLOSURE 2011/12: WORK PLAN UPDATE	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 05

---

### 1.0 Recommendation

1.1 That progress on the work plan in preparation for the 2011/12 accounts closure is considered and noted.

### 2.0 Purpose of Report

2.1 Following the External Auditor's Annual Report on 28<sup>th</sup> September 2011, the Committee agreed to monitor a work plan in order to ensure that the Council was prepared in presenting its 2011/12 accounts in a proper and timely manner. Under its terms of reference, the Committee agreed to receive regular update reports at each of its subsequent meetings.

### 3.0 Detail

3.1 The Council's appointed auditor (Grant Thornton) made 4 key recommendations in their Annual Report. This was a consequence of highlighting several issues from their audit work on the 2010/11 accounts and financial statements.

3.2 An analysis of the agreed actions and progress to date is detailed in **Appendix 1**. The main action since the previous Committee in September has been progress on implementing a new solution to calculate the accounting entries required for the Council's capital assets.

#### **Capital Accounting System**

3.3 The Council's system is predominantly an asset database which records details of the council's property holdings. This includes details of maintenance liabilities, values and contains plans of the buildings themselves.

- 3.4 It is computer based and is supplied by the Institute of Public Finance. It is used for operational purposes and is the Council's system for asset management purposes.
- 3.5 The capital accounting module is a separate part of the system although it draws on information contained in the wider database. It is this part of the system that has caused problems for the Council's accounting requirements.
- 3.6 Basically, following the issues encountered in compiling the accounts for 2010/11, it was decided to seek an alternative solution to replace the capital module. It is considered that the asset database itself is adequate for the Council's purposes and will be maintained.

### **Alternative Solutions**

- 3.7 There are several alternative asset management systems on the market. If the complete system (including capital) were to be replaced, it could address the capital element but could potentially lead to an inferior asset database.
- 3.8 In addition, following research and investigation, these alternative systems still need to have some manual input to address the specific requirements for IFRS. The cost of alternative systems is estimated at anywhere between £10,000 and £30,000 depending on what is procured. There is then an annual license/support/maintenance fee.
- 3.9 The Council purchased the current asset system in 2008 and pays an annual license of £8,000 per year for annual support and maintenance. This includes the capital module and access to a help desk.
- 3.10 Consultation with other councils confirmed that many download information onto spreadsheets to calculate the accounting transactions required for IFRS capital accounting.
- 3.11 To achieve a balance of maintaining the current asset database without incurring a significant cost, it was decided to develop a bespoke spreadsheet to meet the Council's needs. This will operate a fully reconcilable dataset between the asset system and the year end accounts.
- 3.12 Therefore, a technical accountant was commissioned to develop the solution. This work has been substantially completed and will provide a solution to meet IFRS requirements. This work will include training for the accountant and property teams.
- 3.13 In addition, the system will be tested by replicating the 2010/11 accounts and financial statements and a "dummy run" undertaken for audit testing. This will ensure that the Council is in a strong position to meet the account deadlines for 2011/12. The new system will also be updated for capital accounting changes applying from 1<sup>st</sup> April 2011.

#### **4.0 Financial Implications**

- 4.1 The cost of developing and implementing the spreadsheet solution is £12,500. Although based on the standard Microsoft Excel platform, the spreadsheet requires specialist development to meet the accounting requirements, provide an interface to the main asset system, together with satisfactory security and audit arrangements.
- 4.2 Including training and testing, the solution will take around 20 man days to complete. There will be no on-going costs apart from internal maintenance.
- 4.3 A letter of complaint has also been sent to the Institute of Public Finance regarding the unresolved issues for 2010/11; this includes a request for a compensatory adjustment to the current maintenance agreement.

#### **5.0 Corporate Implications**

- 5.1 None directly.

#### **6.0 Community Implications**

- 5.1 None directly.

#### **7.0 Background Papers**

None

