

## **AUDIT COMMITTEE**

**12 JANUARY 2016**

### **ANNUAL GOVERNANCE REPORT – PROGRESS ON IMPLEMENTING RECOMMENDATIONS**

Report from: Phil Watts, Chief Finance Officer

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#### **Summary**

The BDO Final Report to the Audit Committee, also referred to as the Annual Governance Report, and presented to Audit Committee on 24 September 2015 contained a number of recommendations. The Committee resolved to monitor progress on implementing the recommendations.

The Chairman is asked to accept this report as urgent because the next meeting of this Committee will not take place until 22 March 2016 and the Committee have previously asked for regular reports on this issue. In addition, it was not possible to include this report in the main agenda to enable it to reflect the outcome of a meeting between Council officers and BDO staff following the main agenda publication.

#### **1. Related Party Transactions**

- 1.1 Recommendation: Following over disclosure in 2014/15, review the methodology for disclosing related party transactions to ensure that the transactions disclosed are compliant with the Code and fully meet the definition of a related party per IAS24.
- 1.2 Progress: Officers will review the Code and further discussions are to be held with BDO to ensure compliance.

#### **2. Senior Officers Remuneration Note**

- 2.1 Recommendation: Following over disclosure in 2014.15, review the content of the Senior Officers' Remuneration Note to ensure that the disclosures are in line with the Code. Consider the Council's Management Structure and identify those officers who report directly to the Head of Paid Service as part of this process.

- 2.2 Progress: Only officers who meet the definition of a statutory Chief Officer or Head of Service that reports directly to the Head of Paid Service will be included in the disclosure.

### **3. HRA Assets Within the Fixed Asset Register**

- 3.1 Recommendation: Consider splitting out the individual HRA assets on the fixed asset register going forward to ensure all of the individual assets are identifiable, including any related gains and losses on revaluations.
- 3.2 Progress: The Council is acquiring new fixed asset software and the practicality of this approach will be considered as part of the implementation. Any change will be implemented in 2016/17.

### **4 Housing Benefit Overpayments**

- 4.1 Recommendation: In 2014/15 and prior years the Council accounted for Housing Benefit Overpayments on a cash basis and therefore, unlike similar authorities, no debtor balance was shown in the year end balance sheet. The recommendation is to review the accounting treatment of housing benefit overpayments and ensure that the debtor balance is correctly accounted for on an accruals basis on the balance sheet. A reasonable provision value to off-set the debtor balance based on collection rates and known collection agreements with housing benefit claimants should be calculated.
- 4.2 Progress: Recommendation accepted, however a more sophisticated methodology for calculating the provision will be developed, which takes into account the age and classification of the debt.

### **5. Review of Financial Statements**

- 5.1 Recommendation: Ensure a detailed review of the draft financial statements is carried out with evidence of review by the Chief Finance Officer. The review should incorporate high level sense checks to ensure that items included in disclosure notes agree to the main statements and that known errors that have arisen in previous years have been addressed.
- 5.2 Progress: A revised timetable for the production of the Statement of Accounts has been agreed by the finance team which will provide the Chief Finance Officer with a draft Statement of Accounts earlier to enable the review to take place.

### **6 Preparation of the Financial Statements**

- 6.1 Recommendation:
- a) Management should review and revisit current resources and timetables in place to ensure that they are prepared for the earlier deadline that will be imposed in two years' time.

b) Complete and annotate a disclosure checklist which cross references to the items disclosed within the financial statements to confirm that all items have been correctly disclosed before being passed to audit.

## 6.2 Progress:

a) No additional resources are available for preparation of the financial statements, however the timetable for preparation has been agreed and provides for completion one month earlier than in previous years, which should provide sufficient time for review by the Chief Finance Officer. Procedure notes are to be prepared, and knowledge shared amongst finance staff to increase flexibility and reduce time spent producing the accounts.

b) The working papers for the accounts provide a cross reference to the Disclosure Checklist.

## 7 Recommendations

7.1 Members are asked to note the contents of the report and the progress addressing the issues raised in the Annual Governance Report.

### **Lead officer contact**

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### **Appendices**

None

### **Background papers**

Annual Governance Report 2014/2015

Report to Audit Committee, 24 September 2015 (item 359 refers)

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=121&MId=3212&Ver=4>