

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: External Auditors: ISA 260 Report – 2013/14:
Implementation of Recommendations

Meeting/Date: Corporate Governance Panel
28 January 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Head of Resources

Ward(s) affected: All Wards

Executive Summary:

Following the external audit of the 2013/14 Annual Financial Report, the Council's external auditor, PricewaterhouseCoopers, issued their ISA 260 Report. Within this report, the auditors:

- Made four recommendations in respect of the 2013/14 Annual Financial Report:
 - 3 in respect of accounting adjustments; 1 was not implemented and 2 were implemented.
 - 1 in respect of Internal Control, this is yet to be implemented.

Management continues to progress with implementing all the accepted recommendations by the latest date of 30th June 2015.

- Noted the progress in respect of implementing recommendations that were made following the 2012/13 Annual Financial Report. Of the 35 recommendations made at the time, three remained outstanding and all have now been implemented.

Recommendation(s):

The Panel is requested to comment on the status of implementation of the recommendations included within external audit's ISA 260 report in respect of the 2012/13 and 2013/14 Annual Financial Report.

1. PURPOSE

- 1.1 At the conclusion of the audit of the 2013/14 Annual Financial Report, the Councils external auditor, PricewaterhouseCoopers issued their ISA 260 Report. Within this report the auditors made four recommendations to the Council that would improve both the disclosures within the 2013/14 Annual Financial Report and the internal control framework.
- 1.2 In addition, the auditors also commented on the implementation of the outstanding recommendations that had been made the previous year following the audit of the 2012/13 Annual Financial Report.

2. BACKGROUND

- 2.1 The Panel is designated as “those charged with governance”. Members will recall that at the meeting of the 25th September 2014 they received a draft ISA 260 report. Within this report the auditors had made four recommendations.

3. Implementation of Recommendations

2013/14 ISA 260

- 3.1 Of the four recommendations included in the 2013/14 ISA 260, three had an implementation date prior to this meeting and one has a date after this meeting. The table below gives a summary of the current implementation position.

| IAS 260 (2012/13) - Recommendations Implemented | | Accounts | Internal Control |
|--|-------------------|----------|------------------|
| Implementation date before September 2014 Corporate Governance Panel | - Not implemented | 1 | 0 |
| | - Implemented | 2 | 0 |
| Implementation date after January 2015 Corporate Governance Panel | - Not Implemented | 0 | 1 |
| | - Implemented | 0 | 0 |
| Total | | 3 | 1 |

- 3.2 Of the two recommendations not currently implemented:

- One recommendation was in respect of an accounting adjustment in respect of Section 106 grants, the reason for non-implementation was notified to the Panel in September 2014.
- One recommendation in respect of Internal Control was in respect of the procedures in determining Related Party Transactions. It was noted to the Panel in September 2014 that:

“Management will seek views from other practitioners in preparation for the 2014/15 accounts closure process to determine if “member representations” are fair disclosures in respect of Related Party Transactions.”

The accounts team will be undertaking their programmed Accounts Closure Training in February and March 2015 and this item will be discussed with peers during this time.

2012/13 ISA 260

3.3 In January 2014, the Panel were informed that there were three recommendations that had been included in the 2012/13 ISA 260 report that not been implemented. In the 2013/14 ISA 260 the auditors commented on the outstanding 2012/13 recommendations. The Panel can be assured that all recommendations have now been implemented (the detail is shown in the attached Appendix).

3.3 It is expected that the external auditors will undertake their independent review of the implementation of all recommendations either at the Interim Audit (February/March 2015) or during the audit of the 2014/15 accounts (summer of 2015). They will then report back to the Panel in September 2015 with their conclusions as part of their 2014/15 ISA 260 report.

4. LEGAL IMPLICATIONS

4.1 As the Auditors recommendations are considered and addressed by this report, there are no specific legal implications arising.

5. RESOURCE IMPLICATIONS

5.1 No additional resources are required to ensure that these recommendations are implemented.

LIST OF APPENDICES INCLUDED


Appendix – Implementation of ISA 260 (2012/13) Recommendations

BACKGROUND PAPERS


Working papers in Financial Services.

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Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

| Issue | Commentary <small>(extract from ISA 260)</small> | Management Response | HoS | Activity Manager | Deadline for achievement | UPDATE |
|-------|---|---------------------|-----|------------------|--------------------------|--------|
|-------|---|---------------------|-----|------------------|--------------------------|--------|

28th January 2015

Recommendations not yet implemented as at 29th January 2013

| | | | | | | | | | |
|------------|--|-----|--|---|---|--|---------------------|--|---|
| Accounting | Cut off treatment for housing and council tax benefit (page 8 of ISA 260 Report) | 1 | On the basis that there is no clear guidance, a variety of options are being used by Authorities, the amount is below materiality, any impact on the general fund would be trivial and the improvement of the information provided to the users of the accounts would be negligible, it has been deemed reasonable for the authority to continue to account on a paid basis. We have agreed this will be included as a critical accounting judgement in the Annual Financial Report which has already been amended by management. We recommend that management monitor the value year on year and consider whether adjustments should be made in future years. | > | For 2013/14 and future years financial reporting, the value of benefit payments paid in the following year that are applicable to the year of account will be determined and a consequential creditor accrual produced. To negate any impact on the General Fund Balance an equal and opposite debtor accrual will be made to reflect the amount that will be reimbursed by government. | Assistant Director (Finance & Resources) | Accountancy Manager | 30 June 2014 (not possible to do prior to the financial year-end as this is an Accounts Closure task) | This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action. |
| Accounting | Estimated economic useful lives of property, plant and equipment and intangible assets (page 10 of ISA 260 Report) | 5 | The Authority does not depreciate additions and enhancements in the year of acquisition. We confirmed that the impact of depreciating in the year of acquisition is not material. We recommend that management ensures that they continue to review the reasonableness of applying this policy on an annual basis. | > | Agreed | Assistant Director (Finance & Resources) | Accountancy Manager | 30 June 2014 (not possible to do prior to the financial year-end as this is an Accounts Closure task) | This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action. |
| Governance | Financial position (continued) (page 15 of ISA 260 Report) | 7.5 | Some items are held on central codes pending allocation to individual services so that the net budget is achieved but all of the budget may not be allocated to services at that time. | > | This relates to certain shared items that are often technical or cross service. For example the provision for inflation before it is allocated at detailed budget level or a restructuring where it is not yet clear what the impact will be on the individual service budgets. It will only be used where unavoidable and only for as long as necessary. | Assistant Director (Finance & Resources) | Accountancy Manager | 30-Apr-14 | This approach was implemented during the 2014/15 accounts closure process. There were no negative audit comments in respect of this action. |