

SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

June 2016



INTRODUCTION

Summary of progress

This report provides the Audit Committee with an update of the progress in delivering the 2015/16 audit.

Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns.

2015/16 Annual Audit Plan - progress summary as at 13 June 2016

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	First phase of work completed.	Planning Letter 2015/16 Reported to the Audit Committee in June 2015. Audit Plan 2015/16 Reported to the March 2016 Audit Committee.
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in July 2016.	Work in progress.	We report to management any deficiencies in internal control identified during the audit. Where such deficiencies are significant we also report them in our Final Report to the Audit Committee .
Financial Statements audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2016.	Start date agreed as June 2016.	Final Report to the Audit Committee Target issue date September 2016. Opinion on the financial statements Target issue date September 2016.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion – deadline not yet finalised – expected to be early October 2016.	Start date agreed in line with Financial Statements audit.	Opinion on the WGA Consolidation Pack Target date October 2016.
Use of resources	New approach for VFM Conclusion: One criteria: In all significant respects, the audited body had proper arrangements to ensure it took properly	Start date July 2016.	Final Report to the Audit Committee Target issue date September 2016. VFM conclusion Target issue date September 2016.

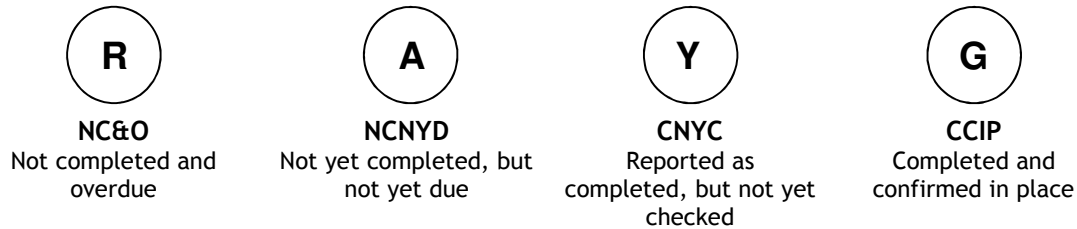
Area of work	Scope / Associated deadlines	Status	Outputs / Date
	<p>informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>The overall criterion is supported by three sub-criteria:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2016.</p>		
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2016.	This will follow completion of the Audit.	Annual Audit Letter Target issue date October 2016.
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2016 deadline.	Start date 5 th September 2016.	Housing Benefit grants claim and return to be audited by 30 November 2016 deadline.
Non Audit Commission grants and returns	<p>To audit and submit Teachers' Pension and the Housing Pooled Capital Receipts grant claims and returns by the deadline.</p> <p>Teachers' Pensions: Deadline to issue reasonable assurance report is 30 November 2016.</p> <p>Housing Pooled Capital Receipts: Deadline TBC.</p>	Start date to be agreed.	<p>Teachers' Pension grants claim and return to be audited by the 30 November 2016 deadline.</p> <p>Housing Pooled Capital Receipts grants claim and return to be audited by the deadline.</p>
Grants Report	Summary of our certification work completed on 31 March 2016 claims, to be issued by February 2017.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2017.

Appendix A: Action Plan

Summary of progress with implementing audit recommendations

This report is intended to provide the Audit Committee with an update of the progress that the Council has made in implementing our recommendations.

We have received an update on progress from management and assessed whether the action taken by the Council addresses the expectations of the recommendation. This is included as a “RAG” assessment in the report with the following definitions:



2011/12 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations 2011/12	Management responses	Responsibility	Timing	Latest management update	RAG status
Internal controls						
<p>1. Reconciliations Our audit work identified that the bank and payroll reconciliations were not being completed on a monthly basis. This resulted in a delay in receiving the year end reconciliations for these areas and adjustments being required to be made to the financial statements as a result.</p> <p>We also identified that, since the implementation of Agresso, Officers have not been utilising the reconciliation / checks between the feeder modules as the system intends. Instead manual reconciliations were being used.</p>	<p>Ensure that all reconciliations are completed on a monthly basis and that the year end reconciliations are completed in time for the closure of the 2012/13 financial statements.</p> <p>Ensure that reconciliations within the Agresso system are completed as the system intended, making use of the automated reconciliation controls within the system.</p> <p>We are aware that significant progress has been made by management into this recommendation and we have received balancing bank reconciliation of the year end 31 March 2015 during September 2015 which has yet to be subject to audit.</p>	<p>Agreed.</p> <p>We are working towards that position, however there needs to be changes to systems outside of Agresso so that the cashbook information can be disaggregated in a way that enables automated reconciliation. Until automation can be successfully enabled, reconciliations will continue to be manually compiled.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	<p>June 2016</p>	<p>January 2016: A lot of work has been done in this area with an upgrade to the cash receipting system and the implementation of the bank reconciliation module in Agresso to enable the bank reconciliations to be completed within the system. Significant progress has been made with catching up the backlog of monthly reconciliations and so the year-end reconciliations will be completed in time for the closure of the statement of accounts in line with normal timescales.</p> <p>June 2016: The year-end reconciliation has been completed in time for the closure of the statement of accounts in line with normal timescales.</p>	<p>G CCIP</p> <p>Y CNYC</p>

2012/13 GRANTS RECOMMENDATIONS

Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
A number of errors were identified during our testing on the input of income and the classification of overpayments.	Carry out regular checking of a number of claims to ensure that: <ul style="list-style-type: none"> Income has been input correctly. Overpayments have been correctly classified. 	Additional resource introduced on checking claims 5 days a week to support quality assurance team and increase the volumes checked	Asst Benefit Managers	Implemented January 2014	January 2016: Checking continues to be carried out on earned income as this remains an area with a high potential for errors to occur. June 2016 Complete and on-going	G CCIP ¹
		Team leaders to check high value Admin Delay overpayments to check correctly classified. To be reviewed regularly by Asst. Benefit Manager.	Team Leaders & Asst Benefit Manager	Implemented January 2014	January 2016 High value Admin delay overpayments continue to be checked. Management are discussing ways that checking on this area can be made more effective June 2016 Complete and on-going	G CCIP ²

¹ Reduced number of errors in respect of earned income in qualification letter – satisfied implemented this part of recommendation.

² We are satisfied that checks are in place however a number of errors were identified during the audit of the 2014/15 claim form. As a result management are revisiting this process. This recommendation will therefore remain.

³ Although checking was undertaken during the audit for the 2014/15 grant claim errors were still identified. This recommendation will therefore remain.

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Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
Our testing identified a number of uncashed cheques that should not have been included in Cell 179 as they had not been stopped during 2012/13.	Review a sample of uncashed cheques included within cell 179 to ensure that they are appropriately included in this cell.	Agreed will be added as a task for the QA team.	Asst Benefit Manager & Quality Assurance Team	June 2014	January 2016: All uncashed cheques were reviewed. There were a number of cases that could not be reconciled due to their complex nature and one error. A full review of all uncashed payments will be made after April 2016 to ensure that all payments are reconciled prior to the next audit. June 2016 Complete and on-going	G CCIP ³

2014/15 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
FINANCIAL STATEMENTS						
School Title Deed From review of title deeds in our testing of school assets it was identified that one foundation school, Eastwood Primary School, has not had its title registered with Land Registry. Not having the title deed registered could lead to potential disputes over the ownership of the land.	Liaise with the school to apply to have the title for the site registered at the land registry in the name of the governing body in order to avoid any potential disputes over ownership of the land. Review other schools under the Council's control and confirm that the title for each has been registered at the land registry.	Agreed The Council will work with the school to resolve this issue, and review other schools for registration	Alan Richards (Group Manager - Asset management) in conjunction with Peter Tremayne (Principal Solicitor)	March 2016	January 2016: A letter is being prepared by legal to send to Eastwood Primary School. An audit of all schools has been completed and a further 3 unregistered schools have been identified. All other schools are registered. Letters will also be sent to these additional unregistered schools, as for Eastwood Primary School	Y CNYC

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
					<p>June 2016</p> <p>An audit of all schools has been completed and 4 unregistered schools have been identified the land for one of which is in the Council's control. All other schools in the borough are registered.</p> <p>The latest position is below:</p> <ul style="list-style-type: none"> • Blenheim Primary School – Community – Title now all registered • Sacred Heart School – Community School – Land now registered (Diocese of Brentwood) • Eastwood Primary School – Foundation school – not registered at 13/6/2016 - they will register their land but when they convert to an academy (last update 13/4/16) • Westborough School – Academy – no answer to date. Chased several times, no response (last chased 14/04/16) <p>The two remaining schools are not in SBCs control. They have been advised of the situation, asked to register their interests and chased.</p> <p>No further action planned.</p>	

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p>Property, Plant and Equipment Existence</p> <p>From the work we have completed on the existence of fixed assets we have identified a number of items on the Council's fixed asset register which no longer exist and should be removed. This means that the Council's balance sheet is overstated which if left unchanged could lead to a material difference.</p>	<p>Undertake an annual review of a sample of assets to test for existence. Completing this and following up on any specific asset types identified which may not exist. As a result the Council will ensure that over time any out of date assets are identified and removed from their balance sheet.</p>	<p>This will be actioned by checking a sample of assets each year and extending the sample if this leads to the identification of defined types or groups of assets that need further investigation.</p>	<p>Caroline Fozzard – Group Manager (Financial Planning & Control)</p>	<p>April 2016</p>	<p>January 2016: On target.</p> <p>June 2016: Completed for the 2015/16 year end.</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>
<p>Operating Leases</p> <p>Our testing identified a number of instances where the end dates on the schedule of leases prepared by the Asset Management team have not been accurately recorded compared to the actual lease end date. We have also identified one instance where an asset was disposed of but not removed from the lease schedule. This means that the Council is not reporting the correct value of lease commitments which if left unchanged could lead to a material difference.</p>	<p>Review the lease schedule against the supporting lease documentation and update where relevant so that accurate end dates are recorded. The listing should also be checked against the listing of disposals and any relevant items removed.</p>	<p>Agreed</p> <p>On-going process of review and data improvement will continue</p>	<p>Alan Richards (Group Manager - Asset management)</p>	<p>March 2016 and on-going</p>	<p>January 2016: All lease data is continually updated and checked on an on-going basis.</p> <p>Those errors identified through the Audit have been corrected.</p> <p>June 2016 Complete</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p>Insurance Provision</p> <p>Our testing identified two cases where full recovery was achieved for the claim from a third party during the year and as such did not represent a valid provision at the year end. These claims were included in the provision because the insurance database, which is used to generate the main part of the provision, must be held open for several months after they have been settled in order to comply with the terms of the Council's insurers. These claims are no longer provisions in line with the code.</p>	<p>Complete a review of cases where potential third party recovery could be possible, such as building claims, as part of the year end closedown procedures with the Insurance Manager and any unresolved cases should be manually adjusted in the figure recognised in the financial statements.</p>	<p>Only a small minority of claims against the Council present an opportunity to seek recovery against a third party. The two cases identified relate to old claims. Methods of recording recovery action have since been changed which should minimise the risk of a mismatch between the amounts provided against the Council's insurance liabilities, and its potential recovery from third parties.</p>	<p>Ian Ambrose Group Manager – Financial Management</p>	<p>Already implemented</p>	<p>January 2016: Complete</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>
CONTROL ENVIRONMENT						
<p>Payroll Amendments</p> <p>This point was previously reported by Internal Audit:</p> <p>Evidence to support amendments to the Payroll system (including starters, leavers and amendments to staff records) could not be found for a number of amendments during testing completed by Internal Audit.</p>	<p>Fully implement the recommendations raised by Internal Audit in their final payroll report.</p>	<p>Agreed</p> <p>Anticipated all recommendations will be fully implemented by December 2015</p>	<p>Sue Putt (Group Manager HR Services)</p>	<p>December 2015</p>	<p>January 2016: Amendment log in place. Actions in relation to this recommendation are completed as of December 2015.</p> <p>June 2016 Completed December 2015</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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