



Accountants &
business advisers

Southend-on-Sea Borough Council

Progress report to those charged with governance

March 2013

2011/12 Annual Audit Plan – progress summary as at 8 March 2013

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the annual audit and inspection plan. Annual Audit Fee Letter 2011/12 to be issued by April 2011. Detailed audit plan to be issued following completion of the 2010/11 audit.	First phase work completed. Second phase completed following completion of the 2010/11 audit of the financial statements.	Annual Audit Fee Letter 2011/12 issued to management April 2011 and reported to Audit Committee in June 2011. Annual Audit Plan issued in December 2011 and reported to Audit Committee in January 2012. Updated risk assessment letter issued 4 September 2012.
Accounts			
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 2012.	Work complete. Report of issues and progress to date provided to Audit Committee on 28 March.	Interim audit progress report to those charged with governance reported to Audit Committee in March 2012, with further information on progress provided at the meeting in June 2012. Final position reported in the Annual Governance Report to those charged with governance reported to Audit Committee in September 2012, with further update in January 2013.
Statement of accounts audit	Audit of the draft statement of accounts 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 2012.	Work complete.	Annual Governance Report to those charged with governance reported to Audit Committee in September 2012, with further update in January 2013. Opinion on the statement of accounts Accounts publication deadline 30 September 2012.
Use of Resources			
	VFM conclusion significant risks identified in the Annual Audit Plan: <ul style="list-style-type: none"> • medium term funding gap • new Health and Wellbeing Board arrangements • financial support arrangements in place for the housing revenue account. 	Work complete.	Results reported in the Annual Governance Report in September 2012.

Area of work	Scope / Associated deadlines	Status	Outputs / Date
VFM conclusion	Review to support a conclusion on whether the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012. Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2012.	Work complete.	VFM conclusion VFM conclusion issued in accordance with target date of 30 September 2012.
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. Target issue date 31 October 2012.	Work complete.	Annual Audit Letter Annual audit letter issued in accordance with target date of 31 October 2012 and being reported to Audit Committee in January 2013.
Grants Report	Summary of our certification work completed on 31 March 2012 claims.	Work complete.	Grants Report to those charged with governance being reported to Audit Committee in January 2013.

The audit certificate remains outstanding pending the conclusion of our response to an objector and their request for the provision of access to requested information. The objector submitted their objection on 15 February 2013. We are working to assess the impact of the issues raised by the objector and what further action we need to take with the Council.

Our certificate can only be issued when we have completed the work necessary to consider and respond to that objection.

2012/13 Annual Audit Plan – progress summary as at 8 March 2013

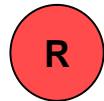
Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued following completion of the 2011/12 audit.	Initial work completed – planning will continue throughout the period until the completion of the audit.	Annual Audit Plan issued in December 2012 and reported to Audit Committee in January 2013.
Accounts			
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 2013.	Audit start date agreed – March 2013.	No specific output. Commentary will be included in the Annual Governance Report to those charged with governance as part of the completion of the statement of accounts audit.
Statement of accounts audit	Audit of the draft statement of accounts 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 2013.	Audit start date to be agreed – expected to be July 2013.	Annual Governance Report to those charged with governance to be reported to Audit Committee in September 2013. Opinion on the statement of accounts Accounts publication deadline 30 September 2013.
Use of Resources			
	VFM conclusion significant risks identified in the Audit Plan: <ul style="list-style-type: none"> government funding and impact on medium term financial plan development of Health and Wellbeing Board arrangements 	Discussions on the development of arrangements to be held with management.	Results to be reported in the Annual Governance Report in September 2013.
VFM conclusion	Review to support a conclusion on whether the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2013.	Discussions on the development of arrangements to be held with management.	VFM conclusion VFM conclusion issued in accordance with target date of 30 September 2013.
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. Target issue date 31 October 2013.	To be drafted following completion of other work.	Annual Audit Letter Target issue date 31 October 2013.
Grants Report	Summary of our certification work completed on 31 March 2013 claims.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2014

Appendix A: Action Plan

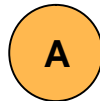
Summary of progress with implementing audit recommendations

This report is intended to provide the Audit Committee with an update of the progress that the Council has made in implementing our recommendations from the 2011/12 audit.

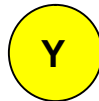
We have received an update on progress from management and assessed whether the action taken by the Council addresses the expectations of the recommendation. This is included as a "RAG" assessment in the report with the following definitions:



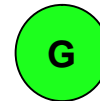
NC&O
Not completed and
overdue




NCNYD
Not yet completed, but
not yet due, or

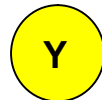



CNYC
Reported as
completed, but not yet
checked

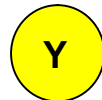
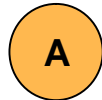



CCIP
Completed and
confirmed in place


Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
Financial statements						
<p>1. Fixed asset register</p> <p>As reported in the prior year, the Real Asset Management system (RAM) had not been fully operated and kept up to date through the 2011/12 financial year, because of resourcing issues faced by the finance team at the Council. As a result the information contained within the system had become out of date and needed additional work at the year end, resulting in a delay in providing the information for audit.</p>	<p>The RAM system should be used throughout the year to record the transactions undertaken relevant to the Council's fixed assets.</p> <p>This will ensure that the year end production of the financial statements is less time consuming and can more easily demonstrate that all assets and transactions have been included within the financial statements.</p>	<p>Agreed - as each asset event (e.g. revaluations, depreciation, additions etc.) is undertaken throughout the year, the RAM system and the general ledger will be updated at that time.</p> <p>The RAM system and the general ledger will be reconciled after each of these events to ensure they remain in balance.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	<p>September 2012</p>	<p>The revaluations as a result of the five year rolling programme have been updated on the Fixed Asset Register (FAR) and the general ledger. The depreciation for 2012/13 has been run on the FAR and posted to the general ledger. The FAR and general ledger has been reconciled after these asset events and they remain in balance.</p> <p>The FAR and the general ledger have also been updated for transfers of asset category (following the review in recommendation 2) and for impairments identified to date. The FAR and general ledger has been reconciled after these asset events and they remain in balance.</p>	<div style="text-align: center;">  G CCIP </div>



Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>2. Fixed assets classification</p> <p>Our testing identified some assets that were categorised within other land and buildings, when they were fixtures and fittings and therefore should have been classified as vehicles, plant and equipment. The Council should ensure that all assets are correctly classified on the fixed asset register to ensure correct inclusion in the financial statements.</p>	<p>Ensure that all assets recorded on RAM are correctly classified to ensure correct inclusion in the PPE notes within the financial statements.</p>	<p>Agreed - a review of the fixed asset register will be undertaken during 2012/13 and a sample of assets will be checked each financial year.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	<p>March 2013</p>	<p>The review has been completed as part of the identification of the assets to be re-valued in 2013/14.</p>	<p> CNYC</p>


Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>3. Fixed asset register</p> <p>Our testing identified that additions amounting to £3.6m were again added to the grouped infrastructure assets in the fixed asset register.</p> <p>Grouping of assets is no longer appropriate and makes it impossible to identify the specific assets that are recorded in the fixed asset register, and therefore the financial statements. It is also not possible to identify whether the register is correctly recording all of the assets that are owned by the Council and whether the assets recorded on the register continue to exist.</p>	<p>We recommend that as far as possible the Council populate the RAM system with accurate records on each individual asset held by the Council to ensure the FAR is fully complete and that the assets recorded continue to exist.</p>	<p>It would not be practical or possible to do this for assets already recorded on the RAM system – for example we do not have the information to disaggregate the infrastructure asset that relates to the road network transferred to the Council when it became a Unitary Authority.</p> <p>We accept the recommendation but wish to avoid a situation where the RAM system records every individual road link and piece of street furniture separately, as this would become unwieldy to administer. A pragmatic approach has been agreed whereby broad asset types within infrastructure assets will be identified and used from the 2012/13 financial year. For example, 'road network', 'street furniture' etc.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	<p>March 2013</p>	<p>The broad asset types within infrastructure assets have been passed to PKF for review and agreement as part of their early audit work on fixed assets. They will be in place for the 2012/13 closure of accounts.</p>	<p style="text-align: center;"> CNYC</p>


Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>4. Related Party Transactions</p> <p>Our testing identified some that five members had not returned the documents requesting disclosure of relationships that may impact on their work as Members.</p>	<p>Ensure that all Members return their disclosure forms declaring potential relationships that should be disclosed as related party transactions, to ensure the completeness of the notes within the financial statements.</p>	<p>Agreed – guidance to Members will be updated to further stress the need to provide this information</p>	<p>Ian Ambrose (Group Manager – Financial Management)</p>	<p>March 2013</p>	<p>Guidance reviewed and updated prior to RPT letters being sent to Members and Senior Officers in March 2013. Tracking of responses in place and escalation process in place to Head of Finance & Resources.</p>	<p> CNYC</p>
<p>5. Debtor with DCLG for Business Rates</p> <p>As in the prior year, there is a difference between the debtor recorded in the financial statements for business rates compared to that expected to be recorded as a debtor under the NNDR agency arrangements. In the prior year, this amounted to £482k, however this difference has now increased to £1,129k (including the prior year difference). The difference has arisen within the Northgate system. However, the Council is unable to identify exactly what this relates to. The Council is working with Northgate to resolve this difference.</p>	<p>Liaise with Northgate to resolve the recurring difference within the Northgate system to ensure that this is rectified before the compilation of the 2012/13 financial statements.</p>	<p>Agreed.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control) Ian Ambrose (Group Manager – Financial Management)</p>	<p>March 2013</p>	<p>The collection fund working papers for NNDR have been obtained from another local authority in the area that uses the Northgate system. These show the Northgate reports and the method of reconciliation used.</p> <p>These working papers have been recreated using Southend's figures and this has highlighted areas for further investigation. When this has been completed a working paper of corrections will be provided to PKF for review and agreement before any changes are made to the accounts.</p>	<p> NCNYD</p>


Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>6. Car Park Income</p> <p>Our testing identified that the Council do not complete a reconciliation between the amount of income received from the company which runs the credit card services for the Council's parking machines, and the amount of credit card payments made per the audit ticket from the individual parking machines.</p> <p>This means that the Council could be losing income if the correct amount is not being paid over by the credit card company.</p>	<p>Complete a reconciliation on a regular basis between the actual income received and the income per the receipts (minus any fee taken by the company) to ensure that income received through this means is at the level expected.</p>	<p>Agreed – ETE will carry out a monthly reconciliation of electronic car parking payments.</p>	<p>Derek Kenyon (Car Parking Manager)</p>	<p>October 2012</p>	<p>The car park office are supplying a monthly audit sheet to confirm payments made by credit / debit card on Pay & Display machines. This is cross checked to the card handling companies statement on a monthly basis.</p>	<p style="text-align: center;"> CNYC</p>


Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>7. Analysis of Debtors and Creditors</p> <p>Our testing identified instances where debtors and creditors were misclassified in the analysis notes within the financial statements. In particular, the accounts receivable and payable codes were all posted as 'general' debtors and creditors without being appropriately analysed into the sub-headings within their associated notes. Some receipts in advance with central government were included as central government creditors and some were classified as receipts in advance. The differences arise due to Group Accountants treating items differently when they post items to the ledger codes.</p> <p>Although the Council did amend for all misclassifications above triviality, the Council should endeavour to ensure that the classifications within these notes are accurate.</p>	<p>Ensure that Group Accountants use a consistent approach when posting debtor and creditor balances on the ledger to ensure that they are correctly classified within the debtor and creditor analysis notes.</p> <p>Complete a check on the amounts included within the accounts payable and receivable codes to ensure that they are re-analysed in the debtor and creditor notes as appropriate.</p>	<p>Agreed - year end guidance to the finance teams will be updated to stress the necessity of consistent analysis of debtor and creditor balances to ensure correct treatment in the analysis notes of the Financial Statements.</p>	<p>Ian Ambrose (Group Manager – Financial Management)</p>	<p>June 2013</p>	<p>Training session on year-end processes including consistent approach to Debtors and Creditors have been held in January and March 2013.</p>	<p> NCNYD</p>


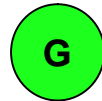
Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
Internal controls						
<p>1. Change management</p> <p>The use of the change request forms has ceased with a more informal process adopted. This increases the risk that unauthorised and untested changes to the system lead to unnecessary disruption or affect data integrity.</p>	<p>Document and enforce formal change control procedures when amending the Agresso software.</p> <p>Ensure all changes to systems are specified, approved, tested and authorised for implementation.</p>	Agreed - this has already been implemented	N/A	N/A	N/A	 CCIP
<p>2. Audit trail</p> <p>The disablement of the audit trail of activities performed on the system means that the audit trail of changes being made to the system is not adequate and there is a risk that unauthorised and inappropriate changes are made to the system and cannot be subsequently identified.</p>	The system audit trail amendment log should be enabled and monitoring processes established to detect unauthorised changes to the system.	Agreed – appropriate audit trails will be established and implemented through the Change Control procedure, and suitable monitoring arrangements put in place via the Change Advisory Board (CAB).	<p>Andy Mardon</p> <p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	October 2012	System audit trails have been re-enabled and the relevant management reports for detecting unauthorised and inappropriate changes made to the system are available within the Agresso system for review by the Agresso Support Team only.	 CNYC

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>3. Reconciliations</p> <p>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>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>March 2013</p>	<p>Monthly reconciliations are being undertaken and work is on-going to ensure timely completion for the 2012/13 financial statements.</p> <p>Systems mapping work has been undertaken relating to the cash code on the general ledger. This has identified areas of further work to facilitate the reconciliation process.</p> <p>To enable the cashbook information to be disaggregated in a way that enables automated reconciliation, changes are needed to the cash receipting system. This system is due to go out to tender and will be upgraded in 2013/14.</p>	<div style="text-align: center;">  <p>A</p> <p>NCNYD</p> </div>

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>4. Authorisation of Journals</p> <p>Six officers are able to raise and process their own journals. These are: the three Group Accountants, two finance Group Managers and the Head of Finance of Resources.</p> <p>There is a risk of management override as any of these officers is able to raise and post their own journal without a secondary check. A mitigating control should be put in place to prevent unauthorised journals being processed.</p>	Amend the parameters within the Agresso system to ensure that these six officers are unable to raise and authorise their own journals.	Agreed and actioned - parameters within Agresso have been updated such that senior finance staff can no longer load journal files into Agresso.	N/A	N/A	N/A	 CCIP

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>5. Accounts Receivable</p> <p>- Invoice / credit notes</p> <p>Testing identified that all staff that have access to the Agresso system are able to request that an invoice is raised using the E-Form provided by Agresso. The E-Form is processed by Accounts Receivable officers, who check to confirm the appropriateness of that invoice, but may not have the detailed knowledge of the workings of the Council to properly make that check. This creates a risk that invoices are inaccurately raised or that income is incomplete.</p> <p>This also applies to credit notes, which can be requested by any member of staff that has access to Agresso and is processed by accounts receivable, with only reasonableness checks being completed. Stronger controls were present when the Council used Cedar as the invoice request forms and credit note requests were restricted to authorised officers only.</p>	<p>Review user access to the invoice request module on Agresso and ensure that access is limited to appropriate officers or introduce checks within individual departments on the invoice request forms before they are processed by the accounts receivable department.</p>	<p>Agreed – a review will be undertaken to establish an appropriate control arrangement.</p>	<p>Christine Lynch (Revenues Manager)</p>	<p>December 2012</p>	<p>Invoices – Procedure Note now in place regarding raising One Off invoices with guidance on challenging requests and seeking approval from authorised signatory if necessary.</p> <p>Credit Notes – Procedure Note now in place, all requests must be agreed by authorised signatory.</p>	<p style="text-align: center;"> CNYC</p>

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>- Refunds The accounts receivable Manager is able to authorise all refunds irrespective of their value. Previously stronger controls were in place and the S151 Officer had to authorise refunds over a certain value.</p> <p>In 2011/12 the value of refunds processed was not material, however this is a weakness in the control design which should be addressed.</p>	<p>Enforce authorisation limits on the processing of refunds to ensure that they are appropriately authorised by Senior Officers at the Council.</p>	<p>Agreed – a review will be undertaken to establish an appropriate control arrangement.</p>	<p>Christine Lynch (Revenues Manager)</p>	<p>December 2012</p>	<p>Refunds – authorisation levels being enforced manually, this cannot be limited within the system. Therefore email authorisation for the respective limits are obtained by Revenues Manager or Head of Service and are saved on a folder for verification.</p>	<p style="text-align: center;"> CNYC</p>
<p>- Segregation of duties Our testing identified that there are 19 officers who can raise invoices on the Agresso system and can also receipt income via the paye.net system. This results in a lack of segregation of duties in the income receipting function. As this is a telephone payment system the risk of misappropriation is minimal, however this is a weakness in design which should be addressed.</p>	<p>Ensure that there is adequate segregation of duties in place between the requesting and receipting function within accounts receivable.</p>	<p>Agreed – a review will be undertaken to establish an appropriate control arrangement.</p>	<p>Christine Lynch (Revenues Manager)</p>	<p>December 2012</p>	<p>Segregation of Duties – the Income Manager is In discussion with PKF on the best way to proceed with this recommendation.</p>	

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Management update March 2013	RAG status
<p>6. Accounts Payable</p> <p>Officers continue to process a large number of orders outside of the electronic Agresso E-Procurement system. This results in an additional workload for the Accounts Payable team as all orders then have to be input on the Agresso system. The Council should work towards using the E-Procurement system to its full potential.</p>	Remind staff the importance of using the Agresso E-Procurement system for raising orders and work towards restricting staff from raising orders outside of this system.	Agreed – continued action around the cultural shift, training and guidance throughout the organisation for compliance with E-Procurement system.	Joe Chesterton (Head of Finance and Resources)	March 2013	<p>Agresso launch – for next stage of developments (November 2012) to Heads of Services, Group Managers and Senior project and budget managers.</p> <p>This included launch of No PO no Pay project with a move to an all organisational approach of raising PO's through Agresso from March onwards.</p> <p>Project is on target.</p>	 A NCNYD
<p>7. Progress with recommendations</p> <p>Progress with the implementation of external audit recommendations is not routinely reported to the Audit Committee.</p> <p>As a result the Audit Committee is not provided with ongoing assurance that agreed external audit recommendations are being implemented appropriately.</p>	Progress with the implementation of external audit recommendations should be reported to the Audit Committee on a regular basis.	Agreed – progress with implementing external audit recommendations will form part of the regular progress report to those charged with governance from PKF.	Joe Chesterton (Head of Finance and Resources)	January 2013	Completed - This progress report provides regular updates to Audit Committee, which will now occur regularly to each following Audit Committee.	 G CCIP