

SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

March 2015



INTRODUCTION

Summary of progress

This report provides the Audit Committee with an update of the progress in delivering the 2014/15 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.

Audit Certificates

The audit certificates for the years 2011/12 to 2013/14 remain outstanding pending the conclusion of our response to an objector. The issues raised by the objector related to car parking and the use of vehicles with CCTV cameras.

The findings and conclusions have been reported to the representative of the objector. A Statement of Reasons has been prepared and passed through both our internal and the Audit Commission's quality assurance phases. We have now been provided with the final conclusions of a linked Internal Audit review and we are currently reviewing this before issuing our report.

Our certificates for the years 2011/12 to 2013/14 can only be issued once the full process of the objection has been concluded.

We have been notified by the representative that he will, before the certificates are issued, submit further objections relating to the Council's use of bailiffs covering the year 2011/12 and subsequent periods. We understand that these are linked to information requests that have been ongoing since the time of the original Car Parking questions and objections.

2014/15 Annual Audit Plan - progress summary as at 17 March 2015

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 2014/15 Reported to the Audit Committee in June 2014. Audit Plan 2014/15 To be presented at the March 2015 Audit Committee meeting.
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 2015.	Start date of 23 March agreed.	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 2015.	Start date of 29 June agreed.	Final Report to the Audit Committee Target issue date September 2015. Opinion on the financial statements Target issue date September 2015.
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 2015.	Start date to be agreed.	Opinion on the WGA Consolidation Pack Target date October 2015.
Use of resources	Review of use of resources based on: <ul style="list-style-type: none"> proper arrangements in place for securing financial resilience proper arrangements for challenging how the Council secures economy, efficiency and 	Start date to be agreed.	Final Report to the Audit Committee Target issue date September 2015. VFM conclusion Target issue date September 2015.

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Area of work	Scope / Associated deadlines	Status	Outputs / Date
	effectiveness. Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2015.		
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2015.	This will follow completion of the Audit.	Annual Audit Letter Target issue date October 2015.
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2015 deadline.	Start date to be agreed.	Housing Benefit grants claim and return to be audited by 30 November 2013 deadline.
Non Audit Commission grants and returns	To audit and submit Teachers' Pension grant claim and returns by the deadline. Deadline not yet finalised – expected to be end of November 2015.	Start date to be agreed.	Teachers' Pension grants claim and return to be audited by the deadline.
Grants Report	Summary of our certification work completed on 31 March 2015 claims, to be issued by February 2016.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2016.

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:



NC&O

Not completed and
overdue



NCNYD

Not yet completed, but
not yet due



CNYC

Reported as
completed, but not yet
checked



CCIP

Completed and
confirmed in place

2011/12 AUDIT RECOMMENDATIONS


Conclusions from work	Recommendations 2011/12	Management responses	Responsibility	Timing	Latest management update	RAG status
Internal controls						
<p>1. 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, which has resulted in a minimal balance for final reconciliation. Systems mapping work has been undertaken relating to the cash code on the general ledger. This has identified areas of further work to assist 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 now out to tender and will be upgraded for go-live April 2014.</p> <p>September 2013 The tender process is complete and the provider has been chosen. The contract is to be signed shortly and project planning and preparation work is underway for planned implementation by April 2014.</p> <p>December 2013</p>	<p>G CCIP</p> <p>R NC&O See note ¹</p>

¹ The reconciliations are now being performed on a timely basis with only trivial un-reconciled differences remaining. The final solution to achieve the automatic reconciliation sought is currently being developed by management.

					<p>The implementation is progressing well and export files that disaggregate the cashbook information have been tested successfully. Further testing will be carried out with go-live on schedule for 1st April 2014.</p> <p>March 2014</p> <p>The disaggregation of the cashbook went live on 1st April 2014 as planned. Work is currently underway to set up the auto-matching rules within the Agresso bank reconciliation module. When this work has been completed the module will be used with effect from 1st April 2014 to reconcile cash to bank</p> <p>June 2014</p> <p>Testing of the Agresso bank reconciliation module has been completed and the relevant data loaded into the live system with the module going live in August. Many auto-matching rules have been set up and the module is being used to reconcile case to bank, starting from 1 April 2014. Work is currently underway to catch up the backlog from April to the present and to set up more auto-matching rules.</p> <p>September 2014</p> <p>Work is continuing to catch up the backlog from April to the present and to set up more auto-matching rules where possible.</p> <p>December 2014</p>	
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					<p>Work is progressing well to catch up the backlog, with staff time being re-directed to this in the short term wherever possible.</p> <p>March 2015</p>	
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2012/13 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
Title Deeds We identified that two of the land and buildings selected in our sample do not currently have title deeds registered with the land registry. If the assets are not registered it could leave other parties to make a claim that the asset belongs to them.	Put in place programme to review all land and buildings over the next few years to ensure that they are registered. This will ensure that there are no future legal implications regarding the ownership of council assets.	<p>Many of the land and building assets have been owned by the Council for a great many years, before it was a requirement to register them with the Land Registry.</p> <p>The legal department have confirmed that the title deeds should be sufficient to prove ownership and the Council's interest will stay intact. However, if land is not registered it can affect the ease and speed of proving title, but not generally in proving ownership.</p> <p>The legal team have been undertaking a registration project and so far most of the Council's title has been registered. They have limited resources but are reviewing and dealing with this on an on-going basis.</p>	Peter Tremayne (Acting Principal Solicitor)	On-going	<p>The process is continuing and the Land Registry are currently examining titles passed over to the Southend-on-Sea Borough Council by Essex County Council on the 1998 reorganisation and registering where required.</p> <p>All registered deeds are being entered on the Atlas Mapping system along with general ownership.</p> <p>The project is on-going. December 2013</p> <p>Project is on-going March 2014</p> <p>Project is on-going June 2014</p> <p>All deed packets were sent to the Land Registry for registration and the land has been registered and the details additionally incorporated on the property database. (Complete)</p>	 CNYC

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Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
					<p>Details of all properties transferred to SBC by ECC on reorganisation have been sent to the land Registry to compare against Land Registry records.</p> <p>The Land Registry is raising requisitions on title and these discrepancies are being dealt with as they arise (predominantly complete).</p> <p>September 2014</p> <p>The land registry project has now been closed with the Land Registry having dealt with all initial registrations.</p> <p>December 2014</p>	



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Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
<p>Adult Social Care Debt</p> <p>Through our testing of adult social care income it was identified that the property value used as a cap when calculating the debt to be recognised is based upon the representations of the client about the property value and is not verified to an external valuer's opinion.</p> <p>This could mean that the council is unable to reclaim all of the debt if the property cannot be sold for as much as the client is claiming. It could also mean that the value of debt may be understated if the value of the property is more than the client claims it is worth.</p>	<p>Obtain a valuation of the property when the client first enters the care system and subsequently review this valuation every 5 years on a rolling basis, in accordance with the suggestions from the Group Manager (Department for People).</p>	<p>We are now requesting those who have been on a deferred payment for more than a year for a valuation from an estate agent and we will continue to ask for them on an annual basis thereafter.</p>	<p>Sarah Baker (Group Manager: Department for People)</p>	<p>Immediate</p>	<p>We continue to request an estate agent valuation for those who have been on a deferred payment for more than a year and on an annual basis thereafter.</p> <p>At the start of the deferred payment period, an estimated valuation is obtained from the Zoopla website which gives us an idea of what the value of like properties are in the area. December 2013</p> <p>As above re deferred payments. At the start of the deferred payment period, an estimated valuation is obtained from the family and we may compare this valuation with other like properties in the area. We ask for the professional valuation at the first year review, as by then families/service users/the authority will know more what is happening and things are more settled. With property values in Southend we are not at risk of reaching property value within one year. March 2014</p> <p>No further action required. June 2014</p>	<p>Y</p> <p>CNYC²</p>

² Progress in implementation was checked during the 2013/14 audit, but further action was found to be required. This will be followed-up during the 2014/15 audit.

Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
					<p>The next of kin are asked to provide a valuation of the property that the debt is being accrued against every 12 months. The documentation received from the next of kin will be compared to valuation sites such as Zoopla as a method of verifying the figure provided. Every quarter the clients are advised of the amount of debt currently accrued against their property, we intend to raise quarterly invoices but are waiting for some set up work to be completed in Agresso before commencing this.</p> <p>If no valuation is received then we intend to advise the family that we are unable to accrue any further debt against the property without knowing the value. This will be in the form of a letter signed by the Group Manager.</p> <p>September 2014</p> <p>We are asking for a valuation at the end of the first year and invoices will be raised at the end of the financial year for all outstanding deferred payments. A new debt type has been set up so that they can be identified. We have not had anyone unable to provide a valuation to date.</p> <p>December 2014</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						
This has only been in place since Jan 2014. As a result errors were still found in the 2013/14 claim form. The full effect will not be evidenced until the 2014/15 claim. This recommendation will therefore remain.	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 Team leaders to check high value Admin Delay overpayments to check correctly classified. To be reviewed regularly by Asst. Benefit Manager.	Asst Benefit Managers Team Leaders & Asst Benefit Manager	Implemented January 2014 Implemented January 2014	Completed in January 2014 & Ongoing Action December 2014 Completed in January 2014 & Ongoing Action December 2014	 CCIP ³
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	On target June 2014 Checking has continued throughout the year and business as usual. December 2014	 CCIP ⁴

³ This has only been in place since Jan 2014. As a result errors were still found in the 2013/14 claim form. The full effect will not be evidenced until the 2014/15 claim. This recommendation will therefore remain

⁴ Testing had been carried out to ensure that all items included had been stopped in the financial year. However, other errors were identified with uncashed cheques. This recommendation will therefore remain.

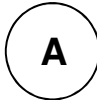
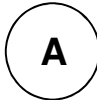
2013/14 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations 2013/14	Management responses	Responsibility	Timing	Latest management update	RAG status
FINANCIAL STATEMENTS						
Pension figures When assessing the work of the actuary we identified that the Council did not have a copy of the engagement letter in place between Essex County Council and the actuary. The Council are relying on the figures provided to include within their accounts. It is best practice for the Council to obtain a copy of the letter in order to understand what the actuary has been engaged to do.	Obtain a copy of the engagement letter between the County Council and the Actuary. Ensure that the letter includes all required information.	Agreed	Ian Ambrose Group Manager – Financial Management	February 2015	Action not yet due. December 2014 Engagement letter received. March 2015	 CNYC



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Transfers out of Assets Under Construction The Forum, which is recognised at the cost of construction, was transferred from Assets Under Construction (AUC) to Other Land and Buildings (OLB) during the year as the lease has yet to be signed, but was not revalued before the transfer. Newly constructed items being transferred out of AUC should be revalued before transfer. As generally buildings valued at cost are between 10% and 15% higher than those valued at fair value	Revalue all buildings, following completion, before they are transferred out of Assets Under Construction.	Agreed	Caroline Fozzard Group Manager – Financial Planning & Control	May 2015	This will be completed as part of the year end process. December 2014 Comment unchanged at March 2015. March 2015	<div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> A </div> NCNYD </div>
Northgate year-end NNDR debtor report The report from the Northgate system which provides a detailed breakdown of the NNDR receivable recognised in the financial statements must be run as at 31 March. This was not done as part of the closedown process for the 2013/14 accounts and the report was therefore unavailable to support our audit work (it cannot be run retrospectively).	Run Northgate transaction-level report supporting NNDR receivables on 31 March as part of accounts closedown process.	Agreed	David Cumming Group Manager – ICT	March 2015	A report will be run on the 31 March 2015. December 2014	<div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> A </div> NCNYD </div>


Capital Grants and Contributions Capital grants are all currently disclosed under the heading "Capital grants and contributions unapplied" in note 7 of the accounts and only REFCUS (Revenue Expenditure Funded From Capital Under Statute) income amounts are disclosed under the heading "Capital grants and contributions applied". From testing completed most capital grants have been applied during the year and the current presentation within this note could be misleading for users of the accounts. The current year treatment does not give rise to any misstatement on the total amount charged to the capital grants unapplied reserve.	Disclose capital and REFCUS grants in note 7 of the accounts based upon whether they have been applied during the year in line with the heading descriptions.	Agreed	Caroline Fozzard Group Manager – Financial Planning & Control	April 2015	This will be completed as part of the year end process. December 2014 Comment unchanged at March 2015. March 2015	<div style="text-align: center;">A</div> NCNYD
CONTROL ENVIRONMENT						
Carefirst and Agresso Interface There are no checks completed over the data into Agresso from the Carefirst system to ensure that the data uploaded on Agresso is complete and agrees to the original data from Carefirst.	Data uploaded to Agresso from the Carefirst system should be checked to confirm that the amount of income/expenditure and number of items agrees between the two systems.	Agreed	Sarah Baker Group Manager – Business Support	October 2014	As part of the budget monitoring process all external purchasing Agresso codes are now reconciled to the amount extracted from Carefirst to ensure that there are no differences. This has been in place for a few months. December 2014	<div style="text-align: center;">Y</div> CNYC

GOVERNANCE REPORTING						
Annual Governance Statement Our review noted that the section under "Review of Effectiveness" is a combination of both commentary on the Governance Framework and review of effectiveness. If these were split out the statement would be easier to follow.	Create two sections within the governance statement: <ul style="list-style-type: none"> • Governance Framework • Review of effectiveness 	Agreed	Tim MacGregor Policy & Governance Manager	March 2015	To be undertaken for the 2014/15 AGS December 2014	 NCNYD
WHOLE OF GOVERNMENT ACCOUNTS						
The management review checklist was not completed on a timely basis.	Complete the management review checklist before the submission of the WGA to the DCLG. Provide this to the audit team when the WGA is submitted. Include the key milestones for the WGA within the closedown timetable, ensuring that this includes the completion of the management review checklist.	Agreed	Ian Ambrose Group Manager – Financial Management	March 2015	On target December 2014 On target. March 2015	 NCNYD

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There were a number of instances where it was difficult to reconcile the WGA to the accounts. It was time consuming for the audit team to establish why these differences occurred.	Ensure that all numbers in the WGA agree to the draft accounts approved by the S151 Officer before submission to the DCLG. Provide a list of all differences which are identified as a result of mapping at the start of the audit. Where the information required for the WGA is not derived directly from the accounts ensure that supporting documentation is provided. Where relevant ensure that the analysis is reconciled back to the accounts.	Agreed	Ian Ambrose Group Manager – Financial Management	June 2015	On target December 2014 On target. March 2015	 NCNYD
A number of errors and omissions were identified within the CPID data tab	Ensure that the CPID tab includes counter party transactions for significant components eg South Essex Homes. Perform a comparison of the amounts included in the CPID tab in the prior year to those included in the current year. Ensure significant variances only occur where expected.	Agreed	Ian Ambrose Group Manager – Financial Management	June 2015	On target December 2014 On target. March 2015	 NCNYD

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Some of the explanations included on the validations error tab did not fully or accurately describe why the validation error had occurred.	Ensure appropriate explanations are placed on all validation errors which explain what the validation error is and why the validation error has occurred, rather than simply entering 'not material'.	Agreed	Ian Ambrose Group Manager – Financial Management	June 2015	On target December 2014 On target. March 2015	
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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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