

Appendix 3: Southend Adult Community College Action Plan

	Recommended action	Last audit assessment as at December 2013	Priority	Management assessment as at September 2015
Core Financial Governance Documents and Policies				
R1	<p>There are comprehensive operational financial procedures approved by the governing body setting out how the college will implement its delegated powers and apply the Council's Financial and Contract Procedure Rules.</p> <p>These procedures are approved by the governing body and the Council and set out:</p> <ul style="list-style-type: none"> • delegated authorisation limits (see R5) • the internal controls required to give senior management and governors confidence that financial transactions are genuine, appropriately authorised and financial information is complete and accurate • the approach to manage investments of surplus funds • responsibilities, allowed use of, reporting and auditing of the private fund • protocols for the production, approval and revisions of the budget 	<p>Substantial progress</p> <p>The Financial Regulations and Scheme of Delegation have been updated, approved by the governing body and are substantially in line with the recommended requirements. The Financial Regulations do not include detail on the management and use of surplus funds, clerking arrangements and production of minutes.</p> <p>The approved Financial Regulations did not include its appendices. However, many of the appendices are standard forms that already in use.</p>	1	<p>Substantial</p> <p>Pending Governing Body approval</p> <p>Revised implementation date: 2/12/15</p>

Appendix 3: Southend Adult Community College Action Plan

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	<ul style="list-style-type: none"> • the frequency, nature and recipients of financial information (including the Council) • the structure and terms of reference of committees • committee clerking arrangements • protocols for the production, approval and distribution of minutes. 			
R3	<p>The college has a defined “terms of doing business” setting out payment terms and that the college will not pay invoices unless in receipt of an official order / order number.</p> <p>This is publicised externally and internally to ensure suppliers and staff are aware of the requirements.</p>	<p>Partial progress</p> <p>The 'terms of doing business' have been circulated internally but this is still to be advertised externally.</p> <p>External communication is a key part of implementing this recommendation as; in particular, it enables the college to refuse payment if there is not a corresponding purchase order.</p>	2	<p>Full</p> <p>Implemented ‘No Purchase Order No Payment’ Policy as from 1.9.15</p>

Appendix 3: Southend Adult Community College Action Plan

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R6	<p>Clear and comprehensive instruction notes are in place to support the delivery of all key financial management tasks (e.g. the bank reconciliation, payroll reconciliation, processing of orders and payments, budget monitoring, production of VAT return).</p>	<p>The recommendation is not due for implementation until March 2014.</p> <p>Little progress has been made to produce the instruction notes to date. However, the college is potentially changing its accounting system in the near future. It is therefore sensible to wait until there is certainty in this regard before producing instruction notes as many of the instructions will describe how to use the accounting system.</p> <p>A decision on the college's accounting system will be confirmed in February 2014 and a revised implementation date of December 2014 has been agreed.</p>	2	<p>Partial</p> <p>There is a Manual covering the Basic Use of the Capita APTOS Accounting System which the college has decided to retain.</p> <p>An outline of the procedures and processes of the various duties that are the responsibility of the Finance Department is in place. These need to be developed to provide a comprehensive set of "How To" instructions covering all aspects of the work of the department.</p> <p>Revised implementation date: 31.3.2016</p>

Appendix 3: Southend Adult Community College Action Plan

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R11	<p>The college has a recent, approved and communicated student and sundry Debt Recovery Policy.</p> <p>This is approved as being in line with the Council's Financial Procedure Rules and any specific powers delegated to the college under the Scheme of Delegation and sets out:</p> <ul style="list-style-type: none"> • the measures to be taken with associated timescales to effectively and proportionately collect debts (i.e. an escalation policy) • the credit periods to be given before recovery measures begin • scenarios where collection may be temporarily postponed and how this is to be agreed • the stage at which debts can be proposed for write off • the reporting lines, frequency and detail of information to be reported regarding collection rates, outstanding debts and written off debt • who can agree the terms of debt repayment programmes. 	<p>Substantial progress</p> <p>The college have developed and approved a Debt Recovery Policy.</p> <p>The policy is substantially in line with the recommendation, however it does not specify:</p> <ul style="list-style-type: none"> • when collection may be postponed • the reporting lines of collection rates, outstanding debts • who can agree the terms of debt repayment programmes. 	1	Full

Appendix 3: Southend Adult Community College Action Plan

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Financial Reporting				
R2	<p>The Finance Manager compiles and reports to senior management the number of purchase orders received that have not had a prior approved requisition and order.</p> <p>The report sets out the staff who are persistent “offenders” and clear guidance is given to them to improve performance.</p>	<p>Substantial progress</p> <p>The purchase order schedule is reported to the senior management team. However, the minutes of these meetings need to provide a clearer trail of the issues raised by the schedule being discussed and acted upon.</p> <p>The schedule itself is good in that it enables clear identification of those purchase orders received without requisitions and orders.</p> <p>Approximately 8% of supplier invoices received in 2013/14 were not supported by a prior approved requisition however it should be noted that these represent only 2% of total spend with suppliers by value.</p> <p>Therefore, this has not been a significant, material risk to date but the potential risk does remain.</p>	2	Full

Appendix 3: Southend Adult Community College Action Plan

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R12	<p>In addition to the balance sheet figures of accounts receivable and student debtors, there is regular reporting to senior management, governors and, where agreed, to the Council of:</p> <ul style="list-style-type: none"> • an aged debt profile • debtor collection rates • the number and value of debts written off as uncollectable • the number and value of debts not currently being collected. 	<p>Not Implemented</p> <p>The volume and value of bad debt write offs and the other wider debtor-related information is not currently reported to the Senior Management Team, governors or the Council, where applicable.</p>	1	Full
R15	<p>Results of reconciliations and suitable supporting evidence are reported to the Principal to demonstrate the reconciliation's:</p> <ul style="list-style-type: none"> • occurrence • outcome including demonstration of appropriate review and challenge. 	<p>Not Implemented</p> <p>Whilst summary reconciliation sheets are produced, they are not yet reported to the Principal or any other senior manager outside of the Finance team.</p>	1	Full

Appendix 3: Southend Adult Community College Action Plan

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R18	<p>Management accounts set out for each heading and overall:</p> <ul style="list-style-type: none"> • any revisions to original budgets with a clear trail of any virements • a profiled current position to provide insight whether income and expenditure is where anticipated • projected outturns (where possible including an optimistic and pessimistic forecast) • variances of current and projected year end positions in monetary and percentage terms. 	<p>Partial progress</p> <p>The management accounts format has been updated, but not to include all the recommended features.</p> <p>The format of management accounts is currently being reviewed by the F&GP chair and its co-opted member (who is a qualified accountant) and will be agreed at its next meeting.</p>	2	<p>Substantial</p> <p>Pending Governing Body approval</p> <p>Revised implementation date: 21/10/15</p>
R19	<p>Management accounts are accompanied by graphical trend analysis (including future forecasts where useful) regarding:</p> <ul style="list-style-type: none"> • bank balance / cash on hand • accounts payable • accounts receivable • debtors • VAT refunds. 	<p>Not implemented</p> <p>The management accounts do include the relevant information, however graphs should be included to aid interpretation and effective analysis.</p>	2	<p>Partial</p> <p>Pending Governing Body approval</p> <p>Revised implementation date: 21/10/15</p>

Appendix 3: Southend Adult Community College Action Plan

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R20	<p>There are a comprehensive set of financial performance targets reported as part of the management accounts. For example:</p> <ul style="list-style-type: none"> • target surplus (as is already reported) • level of income from students • level of income from other “business”, non-government agency sources. 	<p>Not Implemented</p> <p>New, specific financial performance targets have not yet been developed as separate measures of the college’s financial health.</p> <p>However, in the widest sense, setting and adhering to an annual budget means the college has an expected / required amount of income needed.</p> <p>Financial performance targets will be discussed by the F&GP at its next meeting and proposed for adoption by the governing body.</p>	2	<p>Partial</p> <p>Pending Governing Body approval</p> <p>Revised implementation date: 21/10/15</p>
R21	<p>The governing body receive a summary of the college’s financial position and key financial indicators in addition to a summary of the Finance and General Purposes Committee’s (F&GP) work.</p>	<p>Partial progress</p> <p>The governing body receive the full management accounts that detail the college’s financial position and the minutes of the F&GP Committee’s meetings.</p> <p>The governing body have discussed the format and detail of financial information it would like to receive and will be confirmed at its next meeting.</p>	1	<p>Partial</p> <p>Pending Governing Body approval</p> <p>Revised implementation date: 21/10/15</p>

Appendix 3: Southend Adult Community College Action Plan

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		<p>The information received by the governing body should succinctly inform it of the college's financial position, assure it that the F&GP has effectively scrutinised in detail the college's financial position and therefore enable it to make effective financial decisions.</p> <p>A wider set of key financial indicators still have to be developed.</p>		
Management oversight and authorisation				
R4	Before requisitions are approved, orders are spot checked to assess whether required alternative quotes etc were obtained as per Contract Procedure Rules	<p>Not Implemented</p> <p>There is no check before requisition approval to confirm the required number of alternative quotes have been obtained or action taken to confirm the purchase is best value.</p>	2	Full
R7	There is a formal, regular and frequent process in place to chase suppliers who had previously submitted pro-forma invoices, to submit proper VAT invoices so the VAT can be reclaimed.	<p>Substantial progress</p> <p>Pro-forma invoices are identified and recorded in the invoice logging record.</p> <p>The record is a live document and therefore does not provide a clear</p>	2	Full

Appendix 3: Southend Adult Community College Action Plan

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		audit trail of all actions taken.		
R14	<p>An appropriately senior member of staff independent to the Finance team is provided with sufficient training and information to understand and proportionately check reconciliations to confirm they have been undertaken correctly and there is sufficient evidence to support the reported position.</p> <p>The outcome of these checks are reported to the Principal and appropriate governors to provide assurance of the robustness of the process.</p>	<p>Not implemented</p> <p>The reconciliation and review thereof is undertaken entirely within the Finance team and not independently checked, reported on or reviewed.</p>	1	Full
R16	<p>A report of all payments made by direct debit is regularly produced and reviewed by the Finance Team and the relevant budget holder to ensure the payment is accurate and remains necessary.</p>	<p>Partial progress</p> <p>The bank reconciliation process looks at direct debits and has identified cases where direct debits have been erroneously taken.</p> <p>However, there has not been a specific review of all direct debits. The Finance Manager has recently asked all budget holders to review reoccurring commitments to confirm their ongoing necessity and accuracy but is still awaiting responses.</p>	1	Full

Appendix 3: Southend Adult Community College Action Plan

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R17	<p>There are periodic (e.g. quarterly) budget monitoring statements produced for budget holders' to review and formally confirm as an accurate position by signing them off.</p> <p>The statements set out:</p> <ul style="list-style-type: none"> • original budget and any revised budget • a profiled current position to assess whether income and expenditure is where it is anticipated it should be • actual spend to date • optimistic and pessimistic end of year forecasts including: <ul style="list-style-type: none"> • estimated future expenditure for goods or services not yet ordered • amounts committed for goods or services ordered but not yet paid • estimated future income to be generated but not yet invoiced for • income due from debtors invoices raised but where payment has not yet been received 	<p>Not implemented</p> <p>There is no formal, evidenced process for budget holders to confirm the accuracy, completeness and validity of their budget position and thereby confirm they have discharged their responsibilities properly.</p> <p>This is also important to help forecast budgets to yearend thus enabling effective service and college-wide budgetary control.</p>	2	<p>Substantial</p> <p>To be discussed with the senior leadership team at the next meeting</p> <p>Revised implementation date: 23/9/15</p>

Appendix 3: Southend Adult Community College Action Plan

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	<ul style="list-style-type: none"> • variances of current and projected year end forecast in monetary and percentage terms. (Applicable where budget are not just expenditure budgets).			
R24	A report of any debts where collection is temporarily postponed is produced and independently reviewed to confirm any suppressed recovery action is appropriate and supported by relevant documentation.	The college's approach to temporarily postponing collection (as part of the Debt Recovery Policy) is yet to be formally approved (see R11). Once the policy agrees the scenarios where collection may be temporarily postponed and who can approve postponements, this recommendation can be implemented.	2	Full
R25	All assets (IT and non-IT) are recorded on an inventory describing the assets': <ul style="list-style-type: none"> • location • nature • condition • original cost, any depreciation and current net book value • ownership (i.e. leased or owned). Assets are given a consecutive reference number and this is recorded	<p>Partial progress</p> The updated asset register format requires all the recommended information and is being updated to include both IT and non-IT assets. However, a number of assets remain 'untagged' with suitable markings.	1	<p style="text-align: center;">Substantial</p> Tagging of IT assets has been completed Tagging of Non-IT assets currently underway <p style="text-align: center;">Revised implementation date: 31.12.15</p>

Appendix 3: Southend Adult Community College Action Plan

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	in the inventory.			
R28	The private fund is audited annually and the results reported to governors.	<p>Not implemented</p> <p>The F&GP committee and governing body have agreed in principle to close the fund and transfer the balance to the college's general current account.</p> <p>Before this happens the college needs to confirm this is practicable and desirable given private funds technically belong to the college rather than the Council therefore needing to be held separately.</p>	1	<p>Full</p> <p>Private Fund closed and transferred into College accounts</p>
R29	<p>The authoriser of all payroll-related forms has sufficient prime documentation in their possession to be able to authorise the form.</p> <p>For example this should include:</p> <ul style="list-style-type: none"> • for starters, evidence that the starting salary and bank account details are correct and belong to the new starter • for amendments, evidence to support the need for a change • for leavers, evidence of the resignation letter received from the member of staff. 	<p>Partial progress</p> <p>Required substantiating information was held to support some of the key payroll forms sampled, however, there were some instances where evidence retained was not sufficient.</p>	1	<p>Full</p>

Appendix 3: Southend Adult Community College Action Plan

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R30	All payments to staff, other than salary, are independently reviewed and authorised and appropriate supporting evidence is retained to confirm the payment is necessary and genuine.	<p>Partial progress</p> <p>Whilst this has not yet been fully implemented, good progress has been to redesign the required process and implement the recommended action.</p> <p>The Finance Manager is currently awaiting final confirmation of mileage rates for all members of staff given their employment status to confirm the accurate rate of reimbursement.</p>	1	Full