

# SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

January 2016



## INTRODUCTION

### Summary of progress

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

## 2014/15 Annual Audit Plan - progress summary as at 12 January 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.	<b>Planning Letter 2014/15</b> Reported to the Audit Committee in June 2014. <b>Audit Plan 2014/15</b> Reported to 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.	Work is complete.	We report to management any deficiencies in internal control identified during the audit. Where such deficiencies are significant we also report them in our <b>Final Report to the Audit Committee</b> .
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.	Work is complete.	<b>Final Report to the Audit Committee</b> Reported to Audit Committee on 30 September 2015. <b>Opinion on the financial statements</b> Opinion issued on 30 September 2015.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion – deadline 2 October 2015.	Work is complete. The final DCT was not provided until the 30 September as a result the DCT was submitted late.	<b>Opinion on the WGA Consolidation Pack</b> Opinion issued on 11 November 2015.
Use of resources	Review of use of resources based on: <ul style="list-style-type: none"> <li>proper arrangements in place for securing financial resilience</li> <li>proper arrangements for challenging how the Council secures economy, efficiency and</li> </ul>	Work is complete.	Results reported in the <b>Annual Governance Report</b> to Audit Committee on 30 September 2015. <b>VFM conclusion</b> <b>VFM conclusion</b> Opinion issued on 30 September 2015.

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.	Final report agreed.	<b>Annual Audit Letter</b> Issued by the 31 October deadline. Being reported to the Audit Committee on 20 January 2015.
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2015 deadline.	Work is complete.	Housing Benefit <b>grants claim</b> certified in line with the deadline.
Non Audit Commission grants and returns	To audit and submit Teachers' Pension and the Housing Pooled Capital Receipts grant claims by the deadline. Deadline is 30 November 2015.	Work is complete.	Teachers' Pension <b>grants claim</b> certified in line with the deadline. There was a delay in certification of the Housing Pooled Capital Receipts Grant claim due to problems with the Logasnet system. This meant that auditors were unable to certify by the deadline.
Grants Report	Summary of our certification work completed on 31 March 2015 claims, to be issued by February 2016.	Report being drafted.	<b>Grants Report</b> to those charged with governance to be issued by February 2016.

## 2015/16 Annual Audit Plan - progress summary as at 12 January 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.	<b>Planning Letter 2015/16</b> Reported to the Audit Committee in June 2015. <b>Audit Plan 2015/16</b> Target issue date March 2016.
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.	Start date 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 <b>Final Report to the Audit Committee</b> .
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.	<b>Final Report to the Audit Committee</b> Target issue date September 2016. <b>Opinion on the financial statements</b> 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 to be agreed.	<b>Opinion on the WGA Consolidation Pack</b> Target date October 2016.
Use of resources	New approach for VFM Conclusion: One criteria:	Start date to be agreed.	<b>Final Report to the Audit Committee</b> Target issue date September 2016.

Area of work	Scope / Associated deadlines	Status	Outputs / Date
	<p>In all significant respects, the audited body had proper arrangements to ensure it took properly 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"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul> <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2016.</p>		<p><b>VFM conclusion</b> Target issue date 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.	<p><b>Annual Audit Letter</b> Target issue date October 2016.</p>
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2016 deadline.	Start date to be agreed.	Housing Benefit <b>grants claim and return</b> 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 <b>grants claim and return</b> to be audited by the 30 November 2016 deadline.</p> <p>Housing Pooled Capital Receipts <b>grants claim and return</b> 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.	<b>Grants Report</b> to those charged with governance to be issued by February 2017.

## Appendix A: Action Plan

### Summary of progress with implementing audit recommendations

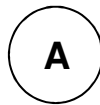
This report is intended to provide the Audit Committee with an update of the progress that the Council has made in implementing our recommendations.

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:



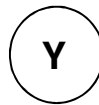
**NC&O**

Not completed and  
overdue



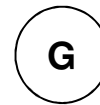
**NCNYD**

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
<b>Internal controls</b>						
<p><b>1. Reconciliations</b> 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 &amp; Control)</p>	<p>June 2016</p>	<p>January 2016:</p> <p>A lot of work has been done in this area with an upgrade to the cash receiving 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><b>G</b> CCIP</p> <p><b>Y</b> CNYC</p>



2012/13 GRANTS RECOMMENDATIONS



Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
<b>HOUSING AND COUNCIL TAX BENEFIT SUBSIDY</b>						
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"> <li>Income has been input correctly.</li> <li>Overpayments have been correctly classified.</li> </ul>	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	January 2016: Checking continues to be carried out on earned income as this remains an area with a high potential for errors to occur.  High value Admin delay overpayments continue to be checked. Management are discussing ways that checking on this area can be made more effective	 <b>CCIP<sup>1</sup></b>   <b>CCIP<sup>2</sup></b>
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.	 <b>CCIP<sup>3</sup></b>

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

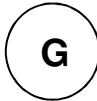

<sup>2</sup> We are satisfied that checks are in place however a number of errors were identified during the audit of the 2014/15 claim form. As a result management are revisiting this process. This recommendation will therefore remain.

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



## 2013/14 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations 2013/14	Management responses	Responsibility	Timing	Latest management update	RAG status
<b>WHOLE OF GOVERNMENT ACCOUNTS</b>						
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	January 2016: Complete	 CCIP
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	Agreed	Ian Ambrose Group Manager – Financial Management	June 2015	January 2016: Complete	 CCIP

SOUTHEND-ON-SEA BOROUGH COUNCIL

Conclusions from work	Recommendations 2013/14	Management responses	Responsibility	Timing	Latest management update	RAG status
	is reconciled back to the accounts.					
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	January 2016: Complete	 CCIP
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	January 2016: Complete	 CCIP

## 2013/14 GRANTS RECOMMENDATIONS

Conclusions from work	Recommendations 2013/14	Management responses	Responsibility	Timing	Latest management update	RAG status
<b>TEACHERS PENSIONS</b>						
<p>Our testing identified some prior year refunds that had not been included in the claim form provided for audit.</p> <p>The Council had to review each of the HR files to identify if the refund related to the current or previous year.</p>	Record the details of the period the refund related to on the HR system.	Recording of refunds will be put in place.	Sue Putt Group Manager	February 2015	January 2016: A separate Payment and Deduction recording is in place for current year. Paperwork to be ready prior to audit visit.	 <b>G</b> CCIP
Our testing identified that the TLR3 payment was not taken into account when calculating the tier in which individuals were included within.	Set up Agresso to take account of the TLR3 payments. Ensure that any new pay scales set by Teachers' Pension are set up correctly on the system.	Agreed. Agresso will be amended accordingly.	Sue Putt Group Manager	April 2015	January 2016: Resolved to calculate correctly going forward.	 <b>G</b> CCIP

## 2014/15 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<b>FINANCIAL STATEMENTS</b>						
<p><b>School Title Deed</b></p> <p>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.</p>	<p>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.</p> <p>Review other schools under the Council's control and confirm that the title for each has been registered at the land registry.</p>	<p>Agreed</p> <p>The Council will work with the school to resolve this issue, and review other schools for registration</p>	<p>Alan Richards (Group Manager - Asset management) in conjunction with Peter Tremayne (Principal Solicitor)</p>	<p>March 2016</p>	<p>January 2016:</p> <p>A letter is being prepared by legal to send to Eastwood Primary School.</p> <p>An audit of all schools has been completed and a further 3 unregistered schools have been identified. All other schools are registered.</p> <p>Letters will also be sent to these additional unregistered schools, as for Eastwood Primary School</p>	<p><b>A</b></p> <p><b>NCNYD</b></p>
<p><b>School Trust Deed</b></p> <p>From our work completed over the control of school assets it was identified that the Trust Deeds for both Chase High and Futures College could not be obtained by the Council or the schools. Chase High has become an Academy in April 2015 and so is no longer a trust school. Having no Trust Deed could mean that there is not sufficient governance of the Trust in place and that Trustees are not aware of their responsibilities.</p>	<p>Liaise with the Trustees to either obtain the previous Trust Deed or have a new deed prepared to ensure that sufficient governance of the Trust is in place and that Trustees are aware of their responsibilities.</p>	<p>The Council will work with the trustees and the school to resolve this issue.</p>	<p>Head of Learning</p>	<p>March 2016</p>	<p>January 2016: Completed</p>	<p><b>G</b></p> <p><b>CCIP</b></p>

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p><b>Property, Plant and Equipment Existence</b></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 &amp; Control)</p>	<p>April 2016</p>	<p>January 2016: On target.</p>	<p style="text-align: center;">A</p> <p>NCNYD</p>
<p><b>Operating Leases</b></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.  Those errors identified through the Audit have been corrected.</p>	<p style="text-align: center;">Y</p> <p>CNYC</p>

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p><b>Insurance Provision</b></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>
<p><b>CONTROL ENVIRONMENT</b></p>						
<p><b>Payroll Amendments</b></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 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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