

2008/09 Audit Action Plan

Audit Report	Rec. no.	Reference	Category	Recommendation	Priority	Responsibility	Agreed	Original response	Update	Date to be achieved
Annual Governance Report	Ro1	AGRo1	Accounts preparation	The Council needs to critically review the process for producing final accounts in light of the errors identified in the 2008/09 financial statements. The highest priority areas that need to be addressed are fixed assets and education (particularly schools cash).	High	Chief Financial Officer	Yes	A closure 'lessons learnt' workshop was held for finance staff and discussions have been held with the External Auditors to consider the areas where improvements are required for 2009/10. A 2009/10 Closure Action Plan has been compiled and a project team has been put together to take these actions forward. In addition, the Council is in the process of recruiting a Project Manager to manage the closure improvement programme.	Project Manager has now been appointed to oversee closure process. Closure training is planned for all finance staff.	January 2010
Annual Governance Report	Ro2	AGRo2	Fixed Assets	The Council needs to make sure that the transfer of assets to the new asset system is subject to extensive testing and that the project is sufficiently resourced.	High	Corporate Finance	Yes	A significant element of the implementation project is the testing of the new system to ensure that it performs as required and that records are transferred correctly from existing spreadsheets. The Council has input additional resource to ensure that the new FAR is operational by mid December 2009.	FAR system went live December 2009 as planned.	December 2009
Annual Governance Report	Ro3	AGRo3	AGS	The Council should consider the level of detail set out in the AGS about significant governance issues with a view to increasing the level of disclosure.		Chief Financial Officer	Yes	It would be helpful if the Audit Commission could provide an example of a report setting out the desired level of detail, since the Annual Governance Statement (AGS) presented for 2008-09 replicated that of 2007-08, which was accepted. We will then review the AGS in light of this.	Discussions are underway with the external auditors to understand the issue here.	
Annual Governance Report	Ro4	AGRo4	Fixed Assets	The Council should ensure that the paperwork retained by legal provides a clear audit trail from tender to receipt for the sale of properties for the protection of officers and as a control to prevent deliberate or accidental error.	High	Asset Management & Legal Services	Partially	The work involved in the sale of assets starts well before, and extends beyond, the legal input. The Council does not therefore consider it appropriate to retain all related paperwork on the legal files. Improvements will however be sought in the records maintained by Asset Management.	No further update	March 2010
Annual Governance Report	Ro5	AGRo5	Fixed Assets	The Council should ensure that the accounting treatment for schools meets FRS 5 and is reconsidered annually to reflect any change of status for individual schools.	High	Corporate Finance & Asset Management	Yes	Arrangements are now in place to ensure that the status of individual schools is kept under review, to ensure adherence with the requirements of FRS 5.	No further update.	April 2010

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Annual Governance Report	Ro6	AGRo6	Accounts preparation	The Council should ensure that the accounts process allows sufficient time for a high level review prior to submission to members for approval to reduce the risk of material misstatement.	High	Corporate Finance	Yes	The Accounts are subject to internal review prior to their submission to Members for approval. However, delays in certain aspects of the 2008/09 closure programme meant that insufficient time was available to thoroughly review the accounting entries and disclosures in relation to fixed assets. A closure improvement programme is now under way for 2009/10, and this will help to ensure that sufficient time is allowed in the 2009/10 closure programme for a thorough internal review of the accounts, prior to their submission to Members.	Appropriate time for member scrutiny has been factored into the closure timetable.	June 2010
Annual Governance Report	Ro7	AGRo7	Schools	The Council should ensure that the accounts process allows sufficient time to check that schools income, expenditure and year end balances are not materially misstated.	High	SCF		The accounts process does not allow sufficient time to check that all schools income, expenditure and year end balances are not materially misstated. However, a sampling process will be used to determine the likelihood of such errors and every effort will be made to correct these before submission to external audit.	Sampling work to be undertaken post 31.3.10	March 2010
Annual Governance Report	Ro8	AGRo8	Journals	Journal controls should be improved to reduce the risk of material misstatement in the accounts.	High	Corporate Finance	Yes	Journal procedures have been drafted and are currently subject to internal review (see comments against item FAMo5). It is anticipated that the journal procedures will be issued in December 2009.	Formal issue of the Accounting Instruction Note has been delayed due to the number of comments received on the draft. These are now being review and the note will be issued shortly.	December 2009
Annual Governance Report	Ro9	AGRo9	Grants	The Council should ensure that the reconciliations on significant grant claims are signed, countersigned and clearly understood as well as being supported by clear audit trails.	High	Corporate Finance	Yes	The reconciliation and sign off of grants is recognised as an area where further improvements are required. The Council therefore produced and issued an Accounting Instruction Note on grants earlier this year. In accordance with this Instruction Note, Corporate Finance (via a Grants Coordinator) now reviews all grant claims prior to their certification and submission, including a review of working papers and reconciliations. Grant workshops for Finance were held in November to provide practical guidance on the requirements with regard to grant income.	All grant work shops have been delivered.	On-going

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Annual Governance Report	R10	AGR10	Audit working papers	The Council should ensure that the accounts process is significantly resourced so that the agreed timetable for working papers and audit deliverables is adhered to. Progress against the deliverables timetable should be monitored carefully and where there is slippage the Council should invest sufficient resource to recover that slippage so that the agreed deadlines are met.	High	Corporate Finance	Yes	A significant number of the audit working papers were provided and available at the start of the audit review of the 2008/09 accounts. However, it is acknowledged that a number of working papers were also provided late. A review of the audit working paper requirements for 2009/10 will be undertaken during December and dates agreed for the provision of those working papers. Arrangements will be put in place to ensure that these are compiled and delivered to the Auditors in accordance with agreed timelines.	Draft list of audit deliverables received from the auditors. Corporate Finance are currently in the progress of reviewing this and agreeing submission dates.	December 2009 - July 2010
Annual Governance Report	R11	AGR11	Pooled budgets	The Council should account for pooled budgets in accordance with FRS 9 and ensure that there are signed legal agreements to support all such arrangements.	Medium	SCF, Adults, Health and Community Wellbeing, Environment, Sustainability and Highways, Corporate Finance	Yes	A review of partnerships in 2008/09 identified a number of arrangements that probably satisfied the definition of a pooled budget, although this is a complex area and difficult to reach a definitive view. None of the arrangements were considered to be material, either in the context of the Council's own accounts or those of the partner bodies though. The Council acknowledges the need to undertake further work in this area, and is currently considering how to take this forward.	Still under consideration.	To be determined.
Annual Governance Report	R12	AGR12	AHCW	The Council should ensure that suspended cases on A4W are resolved promptly.	Medium	Adults, Health and Community Wellbeing	Yes	Process has been revised so that Senior Operations Managers received a full list of suspended packages on a monthly basis. An SLA has been developed and signed (October 2009) between Essex Shared Services and AHCW placing obligation on AHCW to resolve suspended cases promptly. Monthly SLA performance meetings are scheduled where key performance indicators and action plans will be discussed.	Work is progressing to try and address this issue: Report are being sent out on a monthly basis, both to BPAs (low level data) and Senior Managers (High level data) detailing suspended cases. SLA meetings have recently started between the Income Manager and Deputy Executive Director for AHCW.	March 2010
Annual Governance Report	R13	AGR13	PFI	The Council should ensure that the accounting treatment for its PFI schemes is in line with FRS 5. The value of deferred consideration should be adequately supported and the assets transferred should be removed from the Balance Sheet but recognised over the period of the contract so that the balances at the end reflect the residual value.	Medium	Corporate Finance	Yes	The 2009 SORP introduces IFRS based accounting for PFI schemes a year ahead of the date for transition to IFRS-based accounting. As a consequence, the Council is reviewing the arrangements for accounting for its PFI schemes; it is anticipated that it will no longer be possible to account for any of the existing PFI schemes off-balance sheet though and hence that the accounting arrangements will need to be reconsidered for 2009/10.	No further update - accounting treatment still under review	June 2010

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Annual Governance Report	R14	AGR14	Fixed Assets	The Council should review the arrangements for Assets under Construction, including the transfers out.	Medium	Corporate Finance	Yes	Previously, the Council has assumed that minor works, capitalised building maintenance, DDA works and other schemes which are 'block' coded are completed in the year after they are started (eg: 2008/09 schemes will be completed in 2009/10). As part of the new Fixed Assets Register project, work is in hand to review such schemes so that transfers from FAUC are undertaken when individual projects are completed, rather than as a blanket transfer in the year after the schemes started.	No further update - work still in hand to ensure that this is achieved	April 2010
Annual Governance Report	R15	AGR15	Fixed Assets	The Council should ensure that the new fixed assets register meets the SORP requirements for infrastructure.	High	Corporate Finance & Environment, Sustainability and Highways		Currently, the Council is only required to account for infrastructure assets on a historical cost basis. Thus, an aggregated historic cost balance is held within the FAR that is written down annually for depreciation. It is the Council's understanding that this is in line with the approach currently adopted by many other Councils. However, the Council recognises the need to compile an infrastructure FAR, particularly in view of the changes likely to be required as a consequence of the CIPFA Transport Infrastructure Assets Code, which has been issued in draft. Insufficient records are available to enable historic cost to be identified for individual infrastructure assets, but capital projects reaching practical completion are now being attributed to individual infrastructure assets so that, over time, the Council will build a record of the depreciated historic cost of individual infrastructure fixed assets. The Council is currently considering the implications of the CIPFA Transport Infrastructure Assets Code.	No further update	December 2009 and on-going thereafter
Annual Governance Report	R16	AGR16	AHCW	The Council should ensure that there are adequate controls operating over payments made to care providers for Supporting People.	High	Adults, Health and Community Wellbeing	Yes	Process to be reviewed to ensure that services provided are appropriately financially controlled.	Verbal update to be provided at meeting	January 2010