

2009-10 External Audit Reports - Action Plan

Audit Report	Rec. no.	Reference	Category	Recommendation	Priority	Responsibility	Agreed?	Response / actions	Date to be achieved
Interim Audit Report	R1	IARR1	Journals	Ensure that the journal Accounting Instruction Note finalised in February 2010 is complied with consistently during 2010/11.	High	All Senior Finance Business Partners	Yes	<p>The procedures set out in the Journals Accounting Instruction Note were implemented with effect from April 2010.</p> <p>Internal Audit are currently undertaking a review to test compliance with this instruction note and this is scheduled for completion in early 2011.</p>	Complete
Interim Audit Report	R2	IARR2	Expenditure & income	Require budget holders to sign and date their transaction reports as evidence of review to compensate for control weaknesses elsewhere.	High	All Senior Finance Business Partners	Yes	In the majority of cases procedures have been introduced to ensure that budget holders confirm and sign-off their transactions. Where these procedures are not in place, plans are in hand to introduce although regular dialogue is still maintained with budget holders and so any issues should be picked up through this route.	Dec-10
Interim Audit Report	R3	IARR3	Payroll	Ensure that all establishment lists are independently reviewed on a monthly basis consistently in 2010/11 following the roll out of this procedure and that evidence is retained.	High	All Senior Finance Business Partners	Yes	All budget holders received monthly establishment control reports and arrangements have been introduced for addressing errors.	Complete
Interim Audit Report	R4	IARR4	Payroll	Extend sample checks of monthly gross to net pay calculations to cover more than the same eleven employees each month.	Medium	Head of Essex Shared Services	Yes	<p>The number of sample checks to be undertaken for Essex Business Group has been increased from 11 from 15. A further 4 are checked for the Adult Community Learning payroll and 10 for Schools.</p> <p>The lists of those staff checked are selected to ensure the max number of different scenarios are considered (e.g. in pension, out of pension, multiple jobs, alternative NI tables etc).</p> <p>The names will be reviewed and renewed as a minimum ½ yearly. However, there is a resource implication of finding a suitable sample for checking to ensure the different scenarios are included.</p> <p>This check is purely for assurance that the system is calculating correctly.</p>	Ongoing
Interim Audit Report	R5	IARR5	Expenditure & income	Ensure invoices raised are authorised or there is evidence to demonstrate transaction reports have been reviewed.	Medium	<p>Head of Essex Shared Services</p> <p>All Senior Finance Business Partners</p>	Yes	<p>Transaction reports are issued to budget holders on a monthly basis detailing all invoices raised in the period. Budget holders are asked to review the report for errors.</p> <p>Where Finance teams are raising invoices on behalf of their budget holders, arrangements are in place to ensure that they have been appropriately approved.</p> <p>See also response to R2 (Ref: IARR2).</p>	Complete
Interim Audit Report	R6	IARR6	Credit notes	All write-offs and credit notes should be approved in line with the Scheme of Delegation.	Medium	Head of Essex Shared Services	Yes	All write off's/credit notes are approved in line with the scheme of delegation.	Complete

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Interim Audit Report	R7	IARR7	Expenditure & income	All non-Market Place invoices should be authorised in line with the scheme of delegation.	High	Head of Essex Shared Services	No	Checks are carried out on all non-Marketplace place paper invoices to ensure they are authorised in line with the scheme of delegation and this is written into standard procedures.	Arrangements are in place
Interim Audit Report	R8	IARR8	Fixed Assets	Ensure that the data entered into the new fixed assets system is robust.	High	Head of Financial Compliance	Yes	The new Fixed Assets Register was implemented for closure of the 2009/10 Accounts; as a number of issues came to light during this process, and throughout the Accounts Audit, a review has been undertaken to identify improvements that will mitigate the impact of further problems in 2010/11. To this end, work is currently underway to re-configure the Fixed Assets Register (which is required as a consequence of adopting international financial reporting standards) and to improve reporting from the system.	Mar-11
Interim Audit Report	R9	IARR9	Fixed Assets	Ensure system guidance and robust handover arrangements are in place to retain knowledge on the fixed asset system.	High	Head of Financial Compliance	Yes	System guidance for the new Fixed Assets Register has been written and interim arrangements have been put in place to ensure the robust handover of work, following a change of staffing within the Team.	Ongoing
Interim Audit Report	R10	IAR10	Expenditure & income	Ensure that highways officers follow local procedures for segregation of duties between those officers raising a job and committing expenditure.	Low	Senior Finance Business Partner (ESH)	Yes	There is a defined process in place for raising and committing jobs in CONFIRM, and this provides for segregation of duties. This process has been reiterated to Highways Officers and subsequent testing has found that the arrangements are being complied with fully.	Complete
Interim Audit Report	R11	IAR11	Expenditure & income	Reconcile the general ledger and CONFIRM regularly. These reconciliations should be signed, counter signed, dated and retained.	Medium	Senior Finance Business Partner (ESH)	Yes	<p>2009-10 – reconciliation took place regularly during 2009-10 and the final reconciliation for the year was carried out and the summary signed off and retained.</p> <p>2010-11 – Monthly reconciliations are taking place throughout 2010-11 on an ongoing basis (not April or July – for closure of accounts and leave issues). The reconciliation process has been improved, but only the summary position from the reconciliation is being saved. The summary position is signed off and retained. Based on this audit report the reconciler will, for the end of August and any subsequent reconciliations, save a version of the reconciliation.</p> <p>Going forward – Reconciliations going forward to be addressed by IFS/CONFIRM system interface. The interface is currently being tested and is expected to go live in January 2011.</p>	Jan-11
Interim Audit Report	R12	IAR12	AHCW	Introduce a control to check that data input onto the A4W system agrees to information on panel spreadsheets. For example produce a report to check amendments made to care packages on A4W against approved changes.	Medium	Head of Essex Shared Services	No	A system interface to directly input into A4W is currently in development, which will address the current issue. Detailed analysis has been undertaken and no further errors were identified. Controls within the System ensure that invoices over commitment would not be paid.	Mar-11

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Interim Audit Report	R13	IAR13	AHCW	Ensure that there is an annual review of every care package in Adult Social Care as required by Putting People First: A whole system approach to eligibility for social care Guidance on Eligibility Criteria for Adult Social Care, England 2010 published by Department of Health.	High	Deputy Executive Director, AHCW	Yes	Robust performance management is in place to ensure operational teams are reviewing people in receipt of "on-going" support. The performance of each team is reported to the Social Care Delivery Management Board on a monthly basis. The Workflow Support Team has instigated a programme of work in the current year to support operational teams to meet their targets, including providing training & support.	Mar-11
Interim Audit Report	R14	IAR14	IT	Regularly review activity logs on IT networks and generate exception reports highlighting unusual activity. Review logging and monitoring tools and techniques.	High	Acting Chief Information Officer	Yes	We currently perform a minimal level of monitoring although logs are frequently overwritten. We are undertaking a complete review of intruder detection, logging and monitoring anomalous activity. The output from this review will then inform the development of a detailed action plan.	Ongoing
Interim Audit Report	R15	IAR15	IT	Obtain and review information on control standards, such as SAS70 statements or BS7799 agreements, from all external suppliers who host financial systems. Follow-up on any issues identified.	High	Acting Chief Information Officer	Yes	IS contact suppliers who host financial system to request seek independent assurance of controls accreditation (27000, 27001, 27004, 9001). It is hoped that an initial set of responses will be available for review by January 2011, after which the scale of ongoing management will be determined.	Jan-11 (for review of responses) and ongoing thereafter
Annual Governance Report	R1	AGRR1	Fixed Assets	Review the errors on fixed assets, determine the causes and address them prior to producing the 2010/11 financial statements.	High	Head of Financial Compliance	Yes	Work has been undertaken to review the errors on fixed assets in 2009/10 and, where appropriate, these errors will be corrected in 2010/11.	Mar-11
Annual Governance Report	R2	AGRR2	Expenditure & income	Ensure the control weaknesses identified on journals, review of care packages and authorisation of non market place invoices are addressed or adequate compensating controls are in place for 2010/11.	High	All Senior Finance Business Partners Deputy Executive Director, AHCW Head of Essex Shared Services	See Interim Audit Report recommendations 1, 7 and 12.	See Interim Audit Report recommendations 1, 7 and 12.	See Interim Audit Report recommendations 1, 7 and 12.
Annual Governance Report	R3	AGRR3	AGS	Ensure the 2010/11 Annual Governance Statement is well balanced reflecting areas of weaknesses that need to be addressed as well as those that have already improved.	Medium	AGS Working Group	Yes	The auditors comments will be given appropriate consideration when we prepare the 2010-11 AGS to ensure that this provides a balanced view of the authority's governance arrangements.	Jun-11
Annual Governance Report	R4	AGRR4	Accounts preparation	Ensure the external audit opinions for companies owned by the Council are available in accordance with the agreed timetable.	Medium	Essex Cares Head of Financial Compliance	Yes	Discussions are underway between Essex Cares Ltd and the Council to ensure that the problems encountered in 2009/10 are not repeated in 2010/11.	Timetable for provision of audit opinions to be agreed by Feb-11.

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Annual Governance Report	R5	AGRR5	Accounts preparation	<p>Improve the arrangements for group accounting so:</p> <ul style="list-style-type: none"> • there is sufficient information to support consolidation entries; • amendments made to the company accounts post audit are reflected in the group accounts; and • it is clear how the Council has decided which disclosure notes are required. 	Medium	Head of Financial Compliance	Yes	Essex Cares Ltd began operating in 2009/10, at the end of which it had to produce its first formal set of accounts. 2009/10 was also the first year in which the Council had to produce Group Accounts. Inevitably, a number of issues / problems came to light for both parties. These issues have subsequently been discussed, and arrangements are being put in place to ensure a smoother and more robust process for 2010/11.	Mar-11
Annual Governance Report	R6	AGRR6	AGS	Ensure that the governance arrangements at the Council continue to improve and that the ongoing improvements implemented through the Corporate Governance Group Action plan secure a change of culture in the Council.	High	Corporate Governance Group	Yes	<p>The Council is in the process of carrying out a fundamental review of its constitution. The existing Constitution is to be replaced by a Code of Corporate Governance incorporating a Constitution and the review has included research into best practice from across the country. The purpose will be to improve the democratic process and transparency generally whilst ensuring that legal due process is observed. The draft of the new Code is currently under consideration by the Leader, Cabinet, many of the Committees of the Council and by the Chairman. The Code will be presented to Council for approval at its meeting in December.</p> <p>Following the approval of the code, there is a comprehensive communications programme designed to ensure that the new Code is drawn to the attention of all Members and employees and this will be accompanied by training and development opportunities.</p> <p>The work on the draft code has been undertaken by a discrete project group working to the Corporate Governance Group and then to a steering group of senior members and the statutory officers.</p> <p>Recommendations in the Council's Corporate Governance Action Plan have been either completed or are incorporated in the work on the new Corporate Code of Governance.</p>	Dec-10
Final Accounts memo	R1	FAMR1	Fixed Assets	Resolve the current issues with fixed asset accounting before producing the 2010/11 accounts.	High	Head of Financial Compliance	Yes	We have been working with the software provider of our Fixed Assets Register system to resolve some of the issues that arose whilst closing the 2009/10 accounts, and this has culminated in the installation of an upgrade to the software. In addition, we have continued to develop our knowledge of the system, and of the processes required in order to determine and support the accounting entries made at year end.	Mar-11

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Final Accounts memo	R2	FAMR2	Fixed Assets	Take full ownership of material estimates provided by external parties, including asset valuations and consider the robustness of these estimates before including them in the accounts.	High	Head of Financial Compliance	Partially	The Council employs specialists to provide their opinion on matters that we do not have sufficient internal expertise or capacity to perform ourselves, including the valuation of our fixed assets. In the event that estimates provided by these specialists are challenged by the External Auditor, it is inevitable that we will want to defer to these specialists before responding to the queries raised, to ensure that we do not mis-represent the advice they have given to the Council. We believe we took reasonable steps to understand and substantiate the nature of the estimates provided by these specialists for the purposes of the 2009/10 Statement of Accounts and confirm that we will continue to challenge and understand such estimates provided to the Council in the future.	Ongoing
Final Accounts memo	R3	FAMR3	Accounts preparation	Review the various current accounting treatments for schools against the requirements of the 2010 SORP.	Medium	Head of Financial Compliance	No	Nationally, there is a lack of clarity and consensus regarding the accounting treatment by local authorities of academy, voluntary aided, voluntary controlled and foundation schools. In the absence of further national guidance, the Council is not inclined to revise its current accounting treatment of such schools.	N/A
Final Accounts memo	R4	FAMR4	Accounts preparation	Continue to improve the quality and timeliness of audit deliverables. This will provide assurance to the Council that the financial statements are complete and accurate prior to approval as well as helping the audit process. In particular a clear audit trail between the debtors and creditors reconciliations and the statement of accounts should be provided for 2010/11.	High	Head of Financial Compliance	Yes	Arrangements were put in place to improve the quality audit deliverables in 2009/10. Whilst improvements were made in a number of areas, it is acknowledged that there was further scope for improving the timeliness and quality of some of the audit deliverables. Arrangements are therefore being put in place for 2010/11 to sustain the improvements achieved in 2009/10, and to address the areas of weaknesses that remained.	Jun-11
Final Accounts memo	R5	FAMR5	Journals	Ensure the new journal procedures are applied consistently.	Medium	All Senior Finance Business Partners	See Interim Audit Report recommendation 1.	See Interim Audit Report recommendation 1.	See Interim Audit Report recommendation 1.
Final Accounts memo	R6	FAMR6	PFI	Establish the reason for changes in the amounts paid for the A130 and Tendring PFI schemes and ensure that these are accounted for correctly.	Medium	Head of Financial Compliance	Yes	The Council did not hold sufficient records to be able to determine why the payments made to PFI operators' in 2009/10 and earlier years differed from the sums assumed in the original Operators' financial models. The Council will however determine the reasons for any variance between the two sums from 2010/11 onwards, to ensure that the future payments are accounted for correctly.	Jun-11
Final Accounts memo	R7	FAMR7	Fixed Assets	Complete a full reconciliation between RAM and the general ledger as part of the closedown process before producing the Financial Statements. The Council should reconsider the structure and format of the reconciliation for 2010/11 to make it easier to follow.	High	Head of Financial Compliance	Yes	It is acknowledged that some difficulties were experienced with production of the reconciliation between the RAM fixed assets register and the general ledger for 2009/10. Work has been undertaken subsequently to resolve the differences remaining upon conclusion of the external audit review of the 2009/10 accounts. In addition, the RAM software has been upgraded, and this has given us access to a wider range of reports that will provide greater clarity regarding the balances held within the Statement of Accounts.	Mar-11

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Final Accounts memo	R8	FAMR8	Fixed Assets	Reconsider the treatment of fixed asset restatements and write-offs in the accounts.	Medium	Head of Financial Compliance	Yes	In the event that a downward adjustment is required to the historical cost of fixed assets previously recognised, this will be categorised as a restatement in future, and will not be offset against fixed asset 'additions'.	Jun-11
Final Accounts memo	R9	FAMR9	Fixed Assets	Consider in year revaluations before applying impairments.	Medium	Head of Financial Compliance	Yes	It is acknowledged that assets revalued in 2009/10 should only have been impaired from the date of the revaluation, and not from the start of the financial year. In the event that a further impairment is necessary in 2010/11, the impairment will be applied from the date of revaluation only.	Jun-11
Final Accounts memo	R10	FAM10	Fixed Assets	Ensure all issues identified during testing of fixed assets are corrected for 2010/11	Medium	Head of Financial Compliance	Partially	We are in the process of reviewing the errors identified during testing of fixed assets in 2009/10 and will either restate balances, where considered appropriate, or put arrangements in place to mitigate the likelihood of repeating these errors in 2010/11.	Jun-11
Final Accounts memo	R11	FAM11	Accounts preparation	Disclose cash assets and liabilities separately unless there is a contractual right to offset.	Medium	Head of Financial Compliance	Yes	The Council acknowledged that cash assets and liabilities should be separately disclosed where no contractual right to offset exists and duly amended its Balance Sheet to this effect prior to formal publication of the 2009/10 Statement of Accounts. The Council will disclose cash assets and liabilities on this basis moving forward.	Ongoing
Final Accounts memo	R12	FAM12	Schools	Continue to work with schools to ensure the errors in year-end balances identified by Internal Audit are minimised in future years. Year-end closure guidance for schools should be reviewed to ensure that treatment of capital creditors and debtors, charitable fund accounts and consortium cluster funds is clarified further.	Medium	Senior Finance Business Partners (SCF)	Yes	<p>The Schools Finance Team intends to build upon the success of the new style Closure Guidance Notes, introduced for 2009-10 closure in response to previous Audit recommendations and a general desire to improve the quality of schools accounting within the Corporate framework. Error rates were substantially reduced in 2009-10 (Internal Audit gave a “substantial assurance” opinion for the 2009-10 review of schools balances) and it is intended to ensure that this trend continues into the 2010-11 closure process.</p> <p>Initial consultation on content was undertaken with three main “finance support” teams in Essex, namely the Finance Monitoring Team, the Schools Finance Support Team and the Consortium Support Managers. These three teams, to varying degrees, have an active role in undertaking and supporting the closure process within schools and are aware of the impact of schools accounting upon the consolidated accounts of the council. Further consultation with these teams will take place this year.</p>	Closure Guidance Notes are to be made available to schools in mid February so the formation and guidance consultation will take place to that date, with clarification available to schools from that date to the end of the closure process.

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								<p>In addition, consultation on the content and format of the guidance notes was undertaken with both Internal and External Audit and Corporate Finance. Proposals on the detailed accounting treatment of capital creditors and debtors, charitable fund accounts and consortium cluster funds, in addition to other accounting adjustments will again be shared with these stakeholders to ensure precise, practical guidance is produced for all schools.</p> <p>There will again be engagement with schools through the Finance Information Network Sessions (FINS) and the Consortium Support Managers schools briefings to ensure that the guidance is effectively cascaded. The Closure Guidance Notes will be available on the Essex Schools Infolink and a newline will also be published on ESI and communicated to school associations.</p>	
Final Accounts memo	R13	FAM13	Expenditure & income	Review all significant debtors regularly for collectability and consider the correct accounting treatment where there is doubt.	Medium	Head of Financial Compliance (in conjunction with Asset Management)		Whilst the Council regularly reviews the status of debts recorded on its debtors' ledger, it is acknowledged that the collectability of deferred capital receipts was not considered. Arrangements will be put in place to ensure that the status of such debts is considered throughout 2010/11.	Ongoing
Final Accounts memo	R14	FAM14	Expenditure & income	Delete inactive supplier accounts from the purchase ledger on a timely basis.	Medium	Head of Essex Shared Services		<p>At present, reports are run periodically to identify those suppliers which have not been paid for 13 months; such suppliers are 'disabled' on the system, rather than deleted, to ensure that payments history is retained.</p> <p>It is intended to run these reports on a quarterly basis in future (i.e. with effect from January 2011).</p>	Jan-11 (and ongoing thereafter)
Final Accounts memo	R15	FAM15	AHCW	Review residential care outstanding balances on a timely basis to ensure the correct accounting treatment at year-end.	Medium	Senior Finance Business Partner (AHCW)	Yes	<p>Following the year end process a dormancy review was carried out for all types of care within the Learning Disabilities specialism [which is where an issue arose leading to this recommendation] prioritising those commitments of over £20,000 and then those less than £20,000. This was reviewed by the service and a number of records were removed from the system which had been proved to be dormant.</p> <p>A process has now been implemented where the dormancy within the Learning Disabilities specialism is reviewed on an on going basis & is discussed & then reviewed by the service.</p>	Complete
Final Accounts memo	R16	FAM16	Accounts preparation	Review and prove the fair value of assets and liabilities transferred to Essex Cares Ltd.	Medium	Head of Financial Compliance	Yes	The Council considered historical cost to be a proxy for fair value in 2009/10 but, in light of the comments made by the External Auditor, will consider this further in 2010/11.	Mar-11

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Final Accounts memo	R17	FAM17	Accounts preparation	Reconsider the timetable for production of the group accounts to ensure that in future amendments to the subsidiary accounts post audit are reflected in the Council's group accounts.	Medium	Head of Financial Compliance	Partially	Although changes were made to Essex Care's accounts after June 2010, none of the amendments materially altered the Council's Group Accounts. In the event that late changes are made to Essex Care's accounts for 2010/11, the Council will make a similar judgement, and will only be minded to amend the Group statements if the amendment is considered material. As indicated in response to recommendatin AGRR5, arrangements are being put in place to ensure a smoother and more robust process for production of the Group Accounts in 2010/11.	Mar-11 (for finalisation of timetable for production of the 2010/11 Group Accounts).
Final Accounts memo	R18	FAM18	Accounts preparation	Formally consider SORP and IFRS group accounting disclosure requirements to ensure that all required disclosures are in included in the group accounts.	Medium	Head of Financial Compliance	Yes	The Council included those notes that it considered to be relevant to providing an understanding of the Group Statements, and will do likewise in 2010/11.	Mar-11 (for determination of the notes to be included within the Group Accounts).
Final Accounts memo	R19	FAM19	Accounts preparation	Ensure that services are clear about the required accounting treatment for Area Based Grant.	Medium	Head of Financial Compliance	Yes	The accounting requirements with regard to general government grants will be reiterated to finance officers to ensure that such grants are accounted for in compliance with the CIPFA Code of Practice on Local Authority Accounting.	Mar-11
Final Accounts memo	R20	FAM20	Expenditure & income	Carry out the recommendations for improved controls in A4W and Accounts Payable as reported to officers in the Interim Audit Report.	High	Senior Finance Business Partner (AHCW) Head of Essex Shared Services	See Interim Audit Report recommendations 7 and 12.	See Interim Audit Report recommendations 7 and 12.	See Interim Audit Report recommendations 7 and 12.
Final Accounts memo	R21	FAM21	Accounts preparation	Ensure minor issues reported identified during the 2009/10 audit are corrected for 2010/11.	Medium	Head of Financial Compliance	Yes	Arrangements for mitigating a reoccurrence of the minor errors identified in 2009/10 will be considered and put in place, as deemed necessary.	Mar-11