

Essex Countywide Traveller Unit Joint Committee meeting 19th June 2014

Report by David Poole, ECC Finance Business Partner Financial Report for the Essex Countywide Traveller Unit

Enquiries to David Poole, ECC Finance Business Partner. Tel. 07799 675892

1. Introduction

1.1. The Essex Countywide Traveller Unit formed as a Joint Committee from 1st October 2012. In accordance with schedule 2 of the Audit Commission Act 1998, Joint Committees are required to produce an Annual Return which is subject to external audit. This report presents for approval the Annual Return inclusive of the Governance Statement for the 12 months to March 2014.

1.2. The external auditors PKF Littlejohn have been appointed by the Audit Commission and the following dates have also been set: -

Key Information for the 2014/15 reporting season	
Annual Return and supporting documents to External Auditor	Initially 9th June 2014 (extended to 23rd June 2014 to allow Joint Committee sign-off)
Date by which Annual Return must be approved by the Joint Committee	30th June 2014
Date by which audited Annual Return must be published by the Joint Committee	30th September 2014

1.3. This report also sets out for members' consideration and approval, a proposed budget for the 2014/15 financial year together with indicative budgets for the following two financial years 2015/16 and 2016/17.

2. Decisions required

2.1. To approve the Annual Return for the 2013/14 financial year and for the Annual Return to be signed by the Chair of the Committee.

2.2. To approve the proposed budget for the 2014/15 financial year

2.3. To note the indicative budgets for 2015/16 and 2016/17

2.4. To approve the proposed approach to funding of the proposed and indicative budgets

2.5. To Note the ECC internal Audit costs that have been charged

2.6. To Note the estimated External Audit costs expected to arise

2.7. To confirm that, subject to no material issues being raised by the external auditor, the external audit report can be accepted, the management letter issued endorsed by the Chair of the Joint Committee and the decision to publish the accounts made without the need to reconvene the full committee before the end of September 2014.

3. The annual return is a document that serves several purposes:

- to report the annual statement of accounts as approved by the Joint Committee;
- to certify the Joint Committee has discharged its statutory duties in relation to its financial affairs; and
- to record that the external auditor has fulfilled their statutory responsibility

- 3.1. The Annual Return for the Essex Countywide Traveller Unit is shown in Appendix One and has been prepared on an income and expenditure basis, rather than on a receipts and payments basis, that contributions received exceed the £200,000 threshold.
- 3.2. Section 1 of the Annual Return is the Statement of Accounts. These show the total income received from members of the Joint Committee and the expenditure broken down between staff costs and "other payments".
- 3.2.1. The staff costs relate to the outreach workers and management of the Unit, whilst the "other payments" predominantly (63%) relate to mileage costs. The balance carried forward to 2014/15 was £92,655.77 compared to the previous year's figure of £109,742.49 which included an overpayment by Essex County Council of £73,643.19.
- 3.3. Section 2 of the Annual Return is the Annual Governance Statement which is made up of a number of statements which provide accountability and assurance that the public money has been properly accounted for and used economically, efficiently and effectively.
- 3.3.1. The Annual Governance Statement for the Joint Committee has one "No" response and a full explanation is provided within Appendix One to this report. This relates to a failure to publish the 2013/14 accounts before the deadline and is already known to the Joint Committee. These were subsequently published and available for public consumption as required.
- 3.3.2. The Annual Governance Statement also confirms that actions have been taken on all matters raised by either the Internal or External Auditor's reports. All issues raised in the reports relating to 2012/13 accounts were addressed completely. Any actions raised by the External Auditor relating to 2013/14 will be actioned promptly when this report is received. Comments relating to the 2013/14 Internal Audit are dealt with in section 3.5 below.

3.4. Section 3 of the Annual Return is the External Auditor's certification. This is completed following the Joint Committee's approval of the Annual Return and once completed the Joint Committee will be invited to endorse the management letter issued noting any recommendations and approve the Annual Return for publication (required no later than 30th September 2014).

It is recommended that, unless there are material issues raised by the External Auditor, rather than reconvene the whole Committee the ability to accept the External Auditor's report, endorse the management letter and approve the publication of the accounts is delegated to the Chair of the Joint Committee.

3.5. Section 4 of the Annual Return is the annual Internal Audit report. Of the 10 Control Objectives to be assessed 7 have been "Agreed", 2 are not considered applicable and 1 has been given a "No" response.

Details are provided in Appendix Two to this report for completeness but the main issue regarding the need for a risk assessment has now been completed and was discussed at the Operations Board on 15th May. This is an agenda item for the Joint Committee's approval.

Discussions with the Internal Auditor have revealed, that whilst they are not concerned from a financial perspective some processes could be improved and these too have also now been addressed.

3.6. The Joint Committee is invited to approve the Annual Return and the Chair of the Committee is invited to sign the approved Annual Return. The Chair and the Clerk are also invited to sign the Annual Governance Statement.

3.7. The underlying financial transactions making up the figures on the Accounting Statements are available upon request should any member of the Joint Committee require more detail on either the income or expenditure.

4. Proposed Budget for 2014/15

4.1. The preparation of the budget is a key statutory task to be undertaken by the Joint Committee. It provides the basis for monitoring progress throughout the year by comparing actual spending against the planned expenditure.

4.2. The proposed budget for 2014/15 is shown in Appendix Three and has been developed with Essex Countywide Traveller Unit Manager. The budget takes into consideration: -

- Planned activity
- 2012/13 actual costs
- Known items of additional expenditure planned for 2014/15
- The fact that to date there has only been one full year of operation
- Expected inflationary pressures
- The need for a degree of delegated power to prevent the need for minor overspends to be referred to the Joint Committee even when they are absorbable within the current reserves and annual funding

4.3. It is proposed that the budget for 2014/15 be agreed at £284,786 (£294,951), a reduction of £10,165 but still £50,648 in excess of 2013/14 expenditure. This allows for inflation at 2%, £25,000 of expected one-off IT costs and allows a degree of contingency without the need to return to the Committee for further agreement.

4.3.1. The majority (81%) of the budget (£230,606) is again proposed for employee costs in relation to outreach workers and management of the Unit. There may be a desire to increase staff numbers but any such proposal can be assessed by the Committee and the budget amended accordingly.

4.3.2. The next largest element (12%) relates to supplies and services (£34,731). This line has provision for internal and external audit costs, normal office running costs (excluding premises costs) and IT expenditure. Expected IT costs for building the new database did not arise in 2013/14 and have been allowed for within the 2014/15 budget at a reduced level of £25,000.

4.3.3. Finally there is a proposed budget of £19,447 to cover employee mileage and travel costs, predominantly incurred whilst travelling between sites.

4.4. The Income budget is set at £294,285.

4.4.1. This represents a reduction of £14,362 recognising the fact that Braintree and Epping did not in fact join the Committee as expected.

4.4.2. Whilst, at the end of 2013/14 there was a reserve of £92,656, and the proposed budget with maintains levels of contribution would see this reserve rise by £9,499 to £102,155 in 2014/15 with a further possible surplus in future years of ca £25,000 p.a.

Balances are required to protect the Joint Committee from a significant event or events which would have a significant effect such as the loss of revenues or a sudden increase in expenditure. It is difficult to accurately predict such occurrences and given that a) there has only been a single full year of operation, b) risks to expenditure and income levels are considered low and c) the current reserve represents less than 5 months of average operational expenditure it is proposed: -

- That the current contribution levels be maintained for 2014/15
- In light of the 2014/15 actual costs the Committee is presented with proposals in the 2014/15 Financial Report to either amend future contributions, and / or reduce the reserve by returning funds to members in the proportion to which it was contributed.

4.4.3. Proposed individual contributions are: -

Authority	Full Year Payment	% contribution
Essex County Council	£147,286.38	50.05
Essex County Fire & Rescue	£25,720.00	8.74
Basildon Borough Council	£7,181.00	2.44
Colchester Borough Council	£7,181.00	2.44
Maldon District Council	£7,181.00	2.44
Rochford District Council	£7,181.00	2.44
Tendring District Council	£7,181.00	2.44
Thurrock Council	£7,181.00	2.44
Uttlesford District Council	£7,181.00	2.44
Mid Essex CCG	£14,202.40	4.83
North East Essex CCG	£14,202.40	4.83
South east Essex CCG	£14,202.40	4.83
South West Essex CCG	£14,202.40	4.83
West Essex CCG	£14,202.40	4.83
Total Cash Contributions *	£294, 285.38	
In Kind Contribution for Essex Police	£75,000	

* It is anticipated that whilst overall Health contributions will meet their obligation the actual make-up of the contributions may differ

4.5. The Joint Committee is invited to approve the proposed budget. An update of the actual expenditure will be presented at the next Joint Committee meeting.

5. Indicative budgets for 2015/16 and 2016/17

5.1. An indicative budget has been developed to provide the Joint Committee with assurance that it has sufficient cash resources / contributions to continue as a going concern.

5.2. The budgets have been developed using an incremental budgeting process which identifies "one-off" items any year and allows for an inflationary effect to try and ensure predictions are as realistic as possible. Given the overall levels of expenditure under the control of the Joint Committee it has not been considered efficient to break down all aspects of cost and understand the possible differing levels of inflation.

UK inflation was running at 1.7% in March 2014 and the Bank of England has a 2% target. A generic 2% inflation factor has therefore been used when calculating the indicative budget figures.

- 5.3. Although the current Joint Committee agreement comes to an end in September 2015 this budget has been prepared on the assumption that the Joint Committee continues to operate for the full financial year and furthermore continues to operate for the whole of 2016/17.
- 5.4. The main difference between the proposed 2014/15 budget and that for subsequent years is the removal of the £25,000 one-off expenditure on IT for the database.
- 5.5. Current indications are that if inflation is at or below the 2% figure used to predict budgetary requirements and if membership remains constant with current contribution levels maintained, in 2015/16 and subsequent years an annual surplus of ca £25,000 may be generated. In the event that the Joint Committee agreement is extended it may be prudent to review contribution levels and determine whether an annual contribution to reserves of in excess of 10% of expenditure remains prudent, when considered in light of the existing reserve. This area will be the subject of a further proposal as part of the 2014/15 financial report once more operational experience has been gained.

Appendix One

Small Bodies in England

Annual return for the financial year ended 31st March 2014

Small Bodies in England

Annual return for the financial year ended 31 March 2014

Small relevant bodies in England with an annual turnover of £6.5 million or less must complete an annual return in accordance with proper practices summarising their annual activities at the end of each financial year.

The annual return on pages 2 to 5 is made up of four sections:

- Sections 1 and 2 are completed by the person nominated by the body.
- Section 3 is completed by the external auditor appointed by the Audit Commission.
- Section 4 is completed by the body's internal audit provider.

Each body must approve this annual return no later than 30 June 2014.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all sections highlighted in red. Do not leave any red box blank. Incomplete or incorrect returns require additional external audit work and may incur additional costs.

Send the annual return, together with your bank reconciliation as at 31 March 2014, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your external auditor by the due date.

Your external auditor will identify and ask for any additional documents needed for audit. Therefore, unless requested, do not send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3. You must publish or display the audited annual return by 30 September 2014.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Accounting statements 2013/14 for:


Enter name of reporting body here:

ESSEX COUNTYWIDE TRAVELLER UNIT JOINT COMMITTEE

	Year ending		Notes and guidance
	31 March 2013 £	31 March 2014 £	
1 Balances brought forward	0	109,742	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year including funding from a sponsoring body.
3 (+) Total other receipts	213,574	217,052	Total income or receipts as recorded in the cashbook less the taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	- 87,414	-205,532	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) All other payments	- 16,418	-28,606	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	109,742	92,656	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	116,348	96,563	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets plus other long term investments and assets	0	0	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the body as at 31 March
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2014 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:



Date 21/05/2014

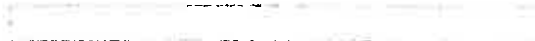
I confirm that these accounting statements were approved by the body on:



and recorded as minute reference:



Signed by Chair of meeting approving these accounting statements:



Date

Essex Countywide Traveller Unit Joint Committee
Annual Return for the year ended 31st March 2014
Explanatory Note for Section 1 – Annual Governance Statement

Reconciliation between Box 7 and Box 8

Box 7: Balances carried forward £92,655.77

Add Creditors

Employees Expenses & Overtime £1,006.94

Employee leave not taken at 31st March 2014 £

Sundry creditors £2,900.00

£3,906.94

Receipts in advance £

£3,906.94

£96,562.71

Section 2 – Annual governance statement 2013/14

We acknowledge as the members of Essex Countywide Traveller BHMS Joint Committee our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2014, that:

Agreed		Yes means that the body:
Yes	No	
1 We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓	prepared its accounting statements in the way prescribed by law.
2 We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	✓	has only done what it has the legal power to do and has complied with proper practices in doing so.
4 We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.		* X during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓	considered the financial and other risks it faces and has dealt with them properly.
6 We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	✓	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7 We took appropriate action on all matters raised in reports from internal and external audit.	✓	responded to matters brought to its attention by internal and external audit.
8 We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	✓	disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

dated

Signed by:

Chair

dated

Signed by:

Clerk

dated

***Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the body will address the weaknesses identified.**

Essex Countywide Traveller Unit Joint Committee
Annual Return for the year ended 31st March 2014
Explanatory Note for Section 2 – Annual Governance Statement

1. Introduction

1.1. Where the Joint Committee has given a 'No' response on the Annual Return, Section 2 Annual Governance Statement, it is required to give explanatory notes for this response. This document provides these notes.

2. Explanatory Notes

2.1. Statement 4 of the Annual Governance Statement reads as follows:

2.1.1. "We provided proper opportunity during the year for the exercise of elector's rights in accordance with the requirement of the Accounts and Audit Regulations"

2.1.2. By selecting "Yes" the Joint Committee would be conforming that it had arranged for the 2012/13 accounts to be published and available to the public by 30th September 2013. The accounts were accepted by the reporting body on 23rd October, externally audited by 25th November and only available for public inspection after this point in time. Therefore the response to this question must be "No".

2.1.3. It should be noted that once approved and externally audited the accounts were published and the remainder of the requirements of the Accounts and Audit Regulations were adhered to and arrangements have been made to ensure that following the first full year of operation the accounts will be approved, audited and published to meet all of the timescales required.

Section 3 – External auditor certificate and opinion 2013/14

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2014 of:

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2014; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor report

(Except for the matters reported below)* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

(*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor signature

External auditor name

Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission's publication entitled Statement of Responsibilities of Auditors and of Audited Small Bodies.

Section 4 – Annual internal audit report 2013/14 to

Essex Countywide Traveller Unit Joint Committee

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2014.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A Appropriate accounting records have been kept properly throughout the year.	✓		
B The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		✓	
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.			✓
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	✓		
H Asset and investments registers were complete and accurate and properly maintained.			✓
I Periodic and year-end bank account reconciliations were properly carried out.	✓		
J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	✓		

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Control A+I - assurance taken from annual manage key fundamental systems audits of General ledger and Cash & Bank
Control F+H - Not covered as none exist.

Name of person who carried out the internal audit: SUE WEST

Signature of person who carried out the internal audit: S. L. West Date: 30.04.2014

*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Continued.

Control C - No formal risk management process in place. Risks have now been identified and will be reported to the Joint Committee at the next meeting. This will then be an ongoing process.

Control G - Yes given for this control, however, some minor immaterial issues were identified with the accuracy and coding of overtime and standby payments. Actions are being to address these. Note: these payments are still made through Payroll and therefore were approved and PAYE/NI requirements properly applied.

Assurance taken from annual managed key fundamental systems audit of Payroll

S. L. West

Guidance notes on completing the 2013/14 annual return

- 1 You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guides* which are updated from time to time and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines if you want to talk through any problem you may encounter.
- 2 Make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are drawn to the attention of and approved by the body, properly initialled and an explanation is provided to the external auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it to the external auditor.
- 4 Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must notify the external auditor of any change of Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your body holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the Accounting statements. You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guides*.
- 6 Explain fully significant variances in the accounting statements on page 2. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guides* to assist you.
- 7 If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2013) equals the balance brought forward in the current year (Box 1 of 2014).
- 9 Do not complete section 3. The external auditor will complete it at the conclusion of the audit.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	✓
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	✓
Section 1	Approval by the body confirmed by signature of Chair of meeting approving the accounting statements?	
	An explanation of significant variations from last year to this year is provided?	✓
	Bank reconciliation as at 31 March 2014 agreed to Box 8?	✓
	An explanation of any difference between Box 7 and Box 8 is provided?	✓
Section 2	For any statement to which the response is 'no', an explanation is provided?	✓
Section 4	All red boxes completed by internal audit and explanations provided?	✓

***Note:** Governance and Accountability for Local Councils in England – A Practitioners' Guides, is available from NALC and SLCC representatives or Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.

Appendix Two

ECC Internal Audit Report for the financial year ended 31st March 2014

Internal Audit

Final Report

Essex Countywide Traveller Unit (ECTU) Joint Committee

Audit Plan Reference: GRT1.1

May 2014

Distribution List:

Julie Ellis, Director of Delivery Transition

Anna Lambert, Head of Delivery Transition

Margaret Lee, Executive Director for Corporate Services and Customer Operations

David Poole, Senior Financial Analyst

Stephen Andrews, Essex Countywide Traveller Unit Manager

Cllr John Jowers, Cabinet Member for Libraries, Communities and Planning

Essex Countywide Traveller Unit Joint Committee

Prepared by: Sue West – Audit Manager
Mark Parirenyatwa – Auditor

1. Executive Summary

Introduction and Ownership

This review was undertaken as part of the 2014/15 Internal Audit Plan agreed by the Audit Committee (Audit Plan Reference GRT1.1).

Scope

Internal audit work was undertaken as required by the Audit Commission in respect of the Small Bodies in England Annual Return for the year ended 31 March 2014 and as specified in our agreed Terms of Reference. Section 4 of the Annual Return has been completed and signed.

2. Work Undertaken

The following work was undertaken:

- Relevant documentation was examined relating to the control objectives specified in Section 4 of the Annual Return;
- Sample testing was undertaken on transactions relating to purchase and overtime payments.

Audit Note: *As the Council's key financial systems are used for the accounts of the Joint Committee, assurance was taken from the annual managed systems audit work of Payroll, General ledger and Cash and Bank.*

3. Findings



It was found that with the exception of the assessment of risks, in all significant respects, the control objectives in Section 4 of the Annual Return were being achieved throughout the financial year to an adequate standard.

Although control objective G relating to salaries to employees/allowances to members was assessed as being achieved, some 'moderate priority' issues were identified relating to the accuracy and coding of overtime and standby payments.

Audit Note: *Control objectives relating to petty cash and asset/investments registers were not covered as the Joint Committee does not have these.*

4. Conclusion

Four recommendations have been included in the action plan below for consideration by the Joint Committee, to ensure that the weaknesses identified relating to overtime/standby payments are addressed and that the control objective relating to the assessment of risk is achieved during the 2014/15 financial year.





Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
Control Objective C – Assessment of Risks				
1. It was identified that the Joint Committee has not assessed the significant risks that may adversely affect Essex Countywide Traveller Unit (ECTU) in achieving its objectives and reviewed the adequacy of arrangements to mitigate these risks throughout the 2013/14 financial year. Audit Note: It is acknowledged that the Head of Delivery Transition has identified two high level risks and has indicated that these will be presented to the Joint Committee in June 2014 for consideration.	Failure to identify significant risks and to regularly review adequacy of arrangements in place to mitigate these risks may result in ECTU failing to achieve its objectives, potentially resulting in financial loss and reputational damage to the Joint Committee.	The Joint Committee should formally assess and record the significant risks associated to achieving its objectives and regularly review the controls in place to mitigate these risks. Minutes from Joint Committee meetings should fully reflect this.	 Moderate	Agreed: Yes Action to be taken: Risk assessment completed and approved by Operations Board on 15 May 2014 and Joint Committee on 19 June 2014 Additional Resources Required for Implementation: No Responsible Officer: Anna Lambert, Head of Delivery Transitions. Target Date: 19 June 2014
Overtime Claim Process				
2. A review of the overtime claim process identified the following weaknesses: <ul style="list-style-type: none"> There is inadequate audit trail to demonstrate that all overtime claims have been pre-approved by the ECTU Manager. In addition, there is no evidence to confirm that the hours claimed have actually been worked; Audit Note: The ECTU Manager informed that claimants send him emails advising the additional hours	Fraudulent and/or incorrect overtime claims may be submitted and processed without detection resulting in financial loss to ECTU and potential reputational damage to the Joint Committee. Human errors may go undetected	An overtime claim form should be introduced. The claim form should have provision to show that the additional hours claimed have been pre-approved by the ECTU Manager. In addition, each claimant should complete and sign and submit their overtime claims. It should be explored as to whether it is possible that the Oracle Payroll system can be set to use the date entered to	 Moderate	Agreed: Yes Action to be taken: Overtime and standby forms now established and being used by ECTU staff and submitted to Steve Andrews. Steve cross references overtime/standby claims to pre-agreed rota to confirm submission. It is then subject to further senior management approval through the ePayroll system. ePayroll discussions commenced to enquire whether the current system

Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
<p><i>worked. However, during audit testing, the emails from claimants could not be retrieved.</i></p> <ul style="list-style-type: none"> Although the rates of pay are in-built within the ECC Oracle Payroll system, the ECTU Manager manually inputs whether the claimant is to be paid at time and half or double pay, despite inputting the date; and The ECTU Manager also manually inputs amount to be paid on standby duties. 	<p>resulting in over / under payments of overtime. This may result in financial loss to the Joint Committee and potential reputational damage.</p>	<p>determine whether the overtime is to be paid at time and half or double pay.</p> <p>In addition it should be explored as to whether parameters can be set on the system so that the system can determine whether standby claims are to be paid at the summer or winter rate.</p>		<p>has the capability suggested or whether there are any modifications planned.</p> <p>Additional Resources Required for Implementation: No</p> <p>Responsible Officer: Steve Andrews, ECTU Manager.</p> <p>Target Date: 7 June 2014</p>
Overtime Transactions				
<p>3. A report of overtime transactions for the ECTU from 01/04/13 to 31/03/14 was obtained from IFS, the Council's General Ledger system and reviewed. It was identified that 17 overtime transactions totalling £1,174 were processed. All the overtime transactions were examined and checked against the ePayroll system. The following issues were identified:</p> <ul style="list-style-type: none"> For seven payments amounting to £66.35 it could not be established what they related to. Although they appeared as staff overtime on the General ledger report, they did not appear on individual employees' payslips; 	<p>Fraudulent and/or incorrect overtime claims may be submitted and processed without detection resulting in financial loss to ECTU and potential reputational damage to the Joint Committee.</p> <p>Where payments are not recorded promptly and/or correctly onto the accounting system, this may lead to</p>	<p>The seven payments and the numerous standby payments not appearing on the General ledger report should be investigated and appropriately coded.</p> <p>Adequate records should be maintained to ensure transparency and a clear audit trail for all overtime claims submitted and paid.</p> <p>The £200 paid as standby overtime for November / December 2013 should be fully investigated to confirm that the standby duties were actually undertaken and paid at the correct rate and corrective</p>	<p> Moderate</p>	<p>Agreed: Yes</p> <p>Action to be taken:</p> <p>Overtime and standby forms now established and being used by ECTU staff and submitted to Steve Andrews. Steve cross references overtime/standby claim to pre-agreed rota to confirm submission.</p> <p>Finance reports and submissions will be cross referenced and any discrepancies treated in accordance with ECC Finance guidelines.</p> <p>Overtime will now be submitted for</p>

Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
<ul style="list-style-type: none"> Numerous standby payments appeared on the ePayroll system but did not appear on the IFS download; A staff member was paid £200 for November/December 2013 standby duties. However, examination of the calendar rota (used to input standby overtime onto the ePayroll system) could not reconcile the standby duties claimed and paid. It could also not be confirmed which rate of pay was used as the winter rate is £25 per day; The staff member was also paid £405.57 for 18 additional hours worked on 22/09/14. <p>Audit Note: Without a claim form and originating emails from the claimant, it was not possible to confirm whether the 18 hours overtime claim was worked on one day or over several days.</p> <p>The ECTU Manager advised that there are instances where, a claimant could have worked additional hours on several days but he uploads the hours onto the system as having been worked on one day.</p>	<p>ineffective budget monitoring, which could result in cost centre overspends or underspends at year-end and/or a potential budget deficit situation. Furthermore, spending decisions may be based on inaccurate budgetary information.</p>	<p>measures taken, if applicable. Since not all overtime is paid at the same rate, additional hours should be entered onto the ePayroll system separately i.e. total hours worked on each day and not aggregated and entered as having been worked on one day.</p> <p>Audit Note: Saturday overtime is paid at time and half, while Sunday's is at double pay rate.</p>		<p>individual days and not aggregated in accordance with Internal Audit recommendation.</p> <p>Additional Resources Required for Implementation: No</p> <p>Responsible Officer: Steve Andrews, ECTU Manager.</p> <p>Target Date: 7 June 2014</p>

Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
Approval of Overtime Claim Rates				
<p>4. Two types of overtime payments are made to ECTU staff being:</p> <ul style="list-style-type: none"> • Call out at weekends (Saturdays are paid at time and half, while Sundays and bank holidays at double pay); and • Standby (paid at £50 per day in summer and £25 per day during winter). <p>However, there is no evidence to demonstrate that these rates have been approved by the Joint Committee. In addition, there are no definitive dates for when the summer and winter standby rates are applicable from and to.</p>	<p>Where overtime claim rates and definitive summer / winter periods have not been appropriately approved, fraudulent, incorrect and inconsistent rates and periods may be applied, resulting in financial loss to ECTU and reputational damage to the Joint Committee.</p>	<p>Overtime claim rates for call outs at weekends and standby should be regularly reviewed and appropriately approved by the Joint Committee at least annually. Review and approval of the rates should be clearly documented in the relevant Joint Committee meeting minutes. In addition, the summer and winter periods for standby should be clearly defined.</p>	<p>● Low</p>	<p>Agreed: Yes, however, no action is required from the Joint Committee.</p> <p>Action to be taken: The Joint Committee Agreement states in section 13.4 that such decisions are made by the Unit Manager within the constraints of the ECTU budget, therefore no approval for this is required by the Joint Committee. The rates will be reviewed by the ECTU Manager and summer/winter periods clearly defined.</p> <p>Additional Resources Required for Implementation: No</p> <p>Responsible Officer: Steve Andrews, ECTU Manager.</p> <p>Target Date: 7 June 2014</p>

5. Risk Rating Rationale

Risk rating	Assessment rationale
 Critical	<p>Critical and urgent in that failure to address the risk could lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Significant financial loss (through fraud, error, poor value for money) ▪ Serious safeguarding breach ▪ Life threatening or multiple serious injuries ▪ Catastrophic loss of service ▪ Failure of major projects ▪ Critical Information loss leading to ICO referral ▪ Reputational damage - Intense political and media scrutiny i.e. front-page headlines, TV. ▪ Possible criminal, or high profile, civil action against the Council, Members or officers. ▪ Intervention by external agencies <p>Remedial action must be taken immediately</p>
 Major	<p>Major in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ High financial loss (through fraud, error, poor value for money) ▪ Safeguarding breach ▪ Serious injuries or stressful experience requiring medical treatment, many work days lost ▪ Significant disruption to service (Key outcomes missed, some services compromised. Management action required to overcome medium term difficulties) ▪ Major Information loss leading to internal investigation ▪ Reputational damage - Unfavourable external media coverage. Noticeable impact on public opinion. ▪ Scrutiny required by external agencies <p>Remedial action must be taken urgently</p>
 Moderate	<p>Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Medium financial loss (through fraud, error or poor value for money) ▪ Significant short-term disruption of non-core activities ▪ Scrutiny required by internal committees. ▪ Injuries or stress level requiring some medical treatment, potentially some work days lost ▪ Reputational damage - Probable limited unfavourable media coverage. <p>Prompt specific action should be taken</p>
 Low	<p>Low in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Low financial loss (through error or poor value for money) ▪ Minor errors in systems/operations or processes requiring action or minor delay without impact on overall service delivery schedule. Handled within normal day to day routines. ▪ Reputational damage - Internal review, unlikely to have a wider impact. <p>Remedial action is required</p>

Appendix Three

ECTU proposed budget for 2014/15 and Indicative budget for 2015/16 and 2016/17

Essex Countywide Traveller Unit

Proposed 2014/15 and Indicative 2015/16 and 2016/17 Budgets

Revenue Account *

	2014/15	2015/16	2016/17
Employees	£230,607	£235,219	£239,923
Supplies & Services **	£34,732	£9,926	£10,125
Transport & Mileage	£19,447	£19,836	£20,233
Gross Expenditure	£284,786	£264,982	£270,281
Partner Contributions	£294,285	£294,285	£294,285
Gross Income	£294,285	£294,285	£294,285
Net Expenditure (surplus)/deficit	(£9,499)	(£29,304)	(£24,004)

* Annual inflation assumed at 2% and 2014/15 budget assumes 2013/14 actual costs plus inflation plus 10% contingency

** 2014/15 Supplies & Services includes an additional £25k for IT costs not spent in 2013/14

Balance Sheet: General Balance

	2014/15	2015/16	2016/17
Opening Balance (credit)	(£92,655.77)	(£102,155.11)	(£131,458.72)
Current Year Net Expenditure (surplus)	(£9,499.34)	(£29,303.62)	(£24,003.98)
Closing Balance (surplus) / deficit	(£102,155.11)	(£131,458.72)	(£155,462.70)

Essex Countywide Traveller Unit

Proposed 2014/15 and Indicative 2015/16 and 2016/17 Funding

Partner Contributions

	2014/15	2015/16	2016/17
Essex County Council	£147,286.38	£147,286.38	£147,286.38
Essex County Fire and Rescue Service	£25,720.00	£25,720.00	£25,720.00
Basildon Borough Council	£7,181.00	£7,181.00	£7,181.00
Colchester Borough Council	£7,181.00	£7,181.00	£7,181.00
Maldon District Council	£7,181.00	£7,181.00	£7,181.00
Rochford District Council	£7,181.00	£7,181.00	£7,181.00
Tendring District Council	£7,181.00	£7,181.00	£7,181.00
Uttlesford District Council	£7,181.00	£7,181.00	£7,181.00
Mid Essex CCG	£14,202.00	£14,202.00	£14,202.00
North East Essex CCG	£14,202.00	£14,202.00	£14,202.00
South East Essex CCG	£14,202.00	£14,202.00	£14,202.00
South West Essex CCG	£14,202.00	£14,202.00	£14,202.00
West Essex CCG	£14,202.00	£14,202.00	£14,202.00
Total contributions	£294,285.38	£294,285.38	£294,285.38

*Health contributions will total £71,012.00 but actual make-up of contributions may vary

** Figures exclude the contribution in kind from Essex Police of £75,000 per annum