

EXTERNAL AUDITOR REPORT UPDATES FOR 2011/12

1 INTRODUCTION

- 1..1 Recommendations from the Council's external auditors and other inspectors are monitored by Internal Audit for progress of implementation and their review falls within the discretion of this Committee.

2 ANNUAL GOVERNANCE REPORT 2011/12

- 2..1 This report draws Members' attention to the recommendations arising from the annual governance report 2011/12. This report was presented to this Committee by PKF, the Council's external auditor, on 26 September 2012.
- 2..2 The outstanding recommendations, management responses and progress to date have been included as appendix 1
- 2..3 From April 2013 PKF merged with BDO (LLP) and now operates under that name.

3 GRANTS CLAIMS AND RETURNS CERTIFICATION 2011/12

- 3..1 This report draws Members' attention to the recommendation arising from the grants claims and returns certification 2011/12. This report was presented to this Committee on 26 March 2013.
- 3..2 The outstanding recommendation, management response and progress to date have been included as appendix 2.

4 RECOMMENDATION

- 4..1 It is proposed that the Committee **RESOLVES**
- (1) That the monitoring sheet for the BDO recommendations arising from the annual governance report 2011/12 be agreed.
 - (2) That the monitoring sheet for the BDO recommendation arising from the grants claim and returns certification 2011/12 report be agreed.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

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BDO RECOMMENDATIONS ARISING FROM ANNUAL GOVERNANCE REPORT 2011/12

APPENDIX 1

Conclusions From Work	Recommendations	Management Response	Responsibility	Status
<p>The Council has derecognised amounts in respect of heating and electrical capital works based on the percentage of the total asset that the component makes up, rather than the actual capitalised cost of these works as recommended by the Code. The Council’s methodology for calculating derecognitions may lead to the value of the Council’s assets being understated.</p>	<p>1 Review the methodology for calculating the value of derecognised additions and enhancements, ensuring that this is compliant with the code</p>	<p>Initial Response Agreed</p> <p>Response 21/5/13 A review has confirmed no derecognised items for 2012/13. Future requirements are understood</p>	<p>Financial Services Manager</p>	<p>Agreed End Date June 2013</p> <p>IMPLEMENTED</p>
<p>The Council received its first instalment of the 2012/13 New Homes Bonus in March 2011/12. As the grant has no conditions attached, the Code requires that the income be recognised immediately in 2011/12. Instead, the Council has recognised the income in 2012/13.</p>	<p>2 Review each grant received for any attached conditions against the accounting treatment specified in the Code</p>	<p>Initial Response Whilst accepting that we have not followed the strict interpretation of the Code, for such a high profile grant stream as the New Homes Bonus, it is felt to be important that the amount shown in the Accounts agrees to the amount published in various documents including the budget and grant</p>	<p>Financial Services Manager</p>	<p>Agreed End Date March 2013</p> <p>IMPLEMENTED</p>

Conclusions From Work	Recommendations	Management Response	Responsibility	Status
<p>Failure to establish whether or not a grant has conditions attached may result in an accounting treatment that does not comply with the Code and subsequent misstatement of the Council's income.</p>		<p>determination. We will amend our accounting policies to reflect this.</p> <p>2/4/2013 Will monitor for any receipt of grant payment as part of sundry creditor / debtor process. Now aware of requirements so should not arise</p>		
<p>A report to support the penalty charge notice debtor included in the financial statements at the year end could not be provided as this is a live system.</p> <p>There is a risk that this debtor may be misstated in the financial statements.</p>	<p>3 Retain a hard copy of the penalty charge notice report at the year end to support the debtor figure included within the financial statements</p>	<p>Agreed</p>	<p>Transportation Manager</p>	<p>Agreed End Date March 2013 IMPLEMENTED</p>
<p>The prior year misstatement identified in relation to REFCUS will have an on-going impact on the net book value of property, plant and equipment unless the relevant</p>	<p>4 Review the expenditure historically capitalised as a REFCUS and capitalise where appropriate</p>	<p>Initial Response Agreed</p> <p>2/4/2013 Journal has been agreed with external auditors and will be</p>	<p>Financial Services Manager</p>	<p>Agreed End Date March 2013 IMPLEMENTED</p>

Conclusions From Work	Recommendations	Management Response	Responsibility	Status
assets are correctly capitalised and depreciated. Community assets that are not depreciated will remain a misstatement if not corrected. The misstatement in relation to other assets that are subject to depreciation will reduce over time.		adjusted in the accounts		

BDO RECOMMENDATION ARISING FROM GRANTS CLAIM AND RETURNS CERTIFICATION 2011/12

APPENDIX 2

Conclusions From Work	Recommendations	Management Response	Responsibility	Status
<p>A number of errors were identified as part of the testing for non-HRA claimants. These were predominantly in relation to start and end dates being incorrectly applied and the input of eligible rent. 100% testing was carried out by the Council to quantify these errors. The error types are similar to the types identified in the prior year</p>	<p>Advance the timing of the 100% checks for non-HRA claimants to before the claim is signed by the Responsible Office so that any amendments identified can be reflected in the claim submitted for Audit.</p>	<p>The Senior Benefit Officer and Principal Auditor will undertake 100% testing on start and end dates on all non-HRA claims. In addition 100% testing will be undertaken on the eligible rent figure</p>	<p>Senior Benefit Officer and Principal Auditor</p>	<p>March / April 2013 COMPLETED</p>