

Progress Report for Audit Committee - Recommendations from the External Auditor's ISA 260 Report 2013/14

At the September 2014 Audit Committee, the External Auditors KPMG, presented their Report to Those Charged with Governance ISA260 2013/14. The purpose of this briefing is to update the Audit Committee on the progress made by the Council to implement the recommendations from that report.

There are two outstanding recommendations; one reported for 2013/14 and the other reiterated from a prior year report. Both are given a Priority Two rating, which KPMG defines as *“issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part, or reduce (mitigate) a risk adequately, but the weakness remains in the system.”*

2013/14 Key Issues & Recommendations

Source: KPMG ISA260 2013/14, Appendix 1, page 17

Issue reported by KPMG	KPMG recommendation	SCC Progress - December 2014
<p>Pensions data flows</p> <p><u>Sept 2014</u> Some progress has been made in improving the timeliness and accuracy of pensions data passed to SY pensions Council since 2010, particularly in immediate past, and officers are optimistic that progress has been made in addressing the underlying issues. However this remains an area where improvements are required, so further work remains to be done.</p>	<p>The Council should liaise with SY Pensions Authority to ensure that continuing action is taken to address the issues in respect of data flows, and take further action if performance does not improve.</p>	<p>Significant work by SCC and HR Connect (Capita) has taken place during 2014. This has seen the clearance of over 8000 back log cases and improvements to Pensions data report submissions by Payroll. It is envisaged that further improvements will take place now SYPA have introduced a new pensions system (23/11/14).</p> <p>Governance arrangements are in place through the Regional Pensions Group and Service Operations Board to monitor and improve performance.</p>

Follow Up of Prior Year Recommendations

Source: KPMG ISA260 2013/14, Appendix 2, page 18

Issue reported by KPMG	KPMG recommendation	SCC Progress - December 2014
<p>Credit Clearing</p> <p><u>Sept 2012</u> Our review (in 2011/12) identified that there had been delays reconciling the Credit Clearing Account and there were £2.8m of uncleared items at December 2011. We recommend that the Director of Finance should ensure that reconciliation processes are being maintained despite staff turnover and reductions.</p> <p><u>Update Sept 2013</u> The Council reviewed its reconciliation processes over the Credit Clearing Account and has identified improvements in the process. Reconciliations are now carried out on a monthly basis. Since 2011/12 progress has also been made in clearing the backlog of uncleared items. This balance has now reduced to £0.8m and officers are working to clear the remaining items.</p>	<p><u>Status as at Sept 2014</u> The balance remains at £0.8m. Prompt action is needed to clear this balance.</p>	<p>The reconciliation difference on the Credit Clearing Account was caused by a one-off internal error in 2011/12, which resulted in £2.8m of transactions incorrectly crediting debtor codes. Work has been ongoing to correct the transactions, but has to be undertaken carefully where customer accounts are involved.</p> <p>By September 2013, the uncleared items had been reduced to £800k.</p> <p>By December 2014, a further £633k credit balances have been identified to assist with managing the issue, with work ongoing to tackle the remaining £167k.</p> <p>Reconciliations are regularly carried out and no further differences have been reported.</p>

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