

UPDATE ON THE INTERNAL AUDIT RECOMMENDATIONS SEPTEMBER 2013

18/09/2013

INTERNAL AUDIT					GCC	GCC		GCC			
No.	Year	Priority	Risk	Recommendation	Accepted	Action to be taken	Current Status	RAG	Current Priority	Target Date	Owner
			Budgetary Control								
1	2012/13	3	Cost centre managers are unclear on their obligations. Budget monitoring is not consistent	Consideration should be given to preparing a budget manual or detailed guidance setting out in detail how cost centre managers should fulfil their budget monitoring obligations	Y	The 13/14 budget has been prepared with more involvement and accountability from service managers. Regular monthly meetings will be held to review performance in a timely manner and place corrective action plans into operation. WIP currently - rollout of training and system use by Service Managers.		G	WIP	01/12/13	KB / JP/ JT/New Management Accountant
2	2012/13	2	Unallocated budgets are not being monitored	Cost centres assigned to former staff should be promptly reallocated to current staff.	Y	HR / BT&T have been requested to inform Cedar finances administrator when staff leave. A review of all cost centre managers is being undertaken with the revised management structure implementation. The result will be that all cost centres will have a current named individual. September 2013 - Ongoing process.		G	WIP	01/12/13	JP

3	2012/13	2	Officers, Members and the Public are not able to engage with the budget setting process.	Consideration should be given to reintroducing a detailed Budget Book and Money Plan from 2014/15	Y	The production of the 13/14 budget has re-visited the disciplines of traditional budgeting methodology. The involvement of budget holders and review of the budgets by GLT with a system of monitoring budget saving initiatives, has significantly moved on the process from a one page summary. The budget is available by business unit/department/ cost centre and expense code. This will be the basis for monthly management accounts that will be presented to GLT / Cabinet / Audit & Governance and if required at Council . Budget consultation sessions were held with members of the community during February 2013.		G	WIP	01/04/13	PG / KB - Ongoing Improvement process.
4	2012/13	1	The Council will not achieve the budget set by Members.	The annual budget should be loaded into Cedar from 1 April and should agree to the net budget requirement as agreed by Members.	Y	Completed for 13/14 Systems are in place to enable monitoring of CC		B		01/04/13	KB/JP
5	2012/13	1	Cost centre managers are unable to monitor their budgets.	The CP system needs to be rolled out to all cost centre managers.	Y	Ongoing Rollout program to all managers - process tested and partial implementation		G		01/12/13	JP

6	2012/13	3	The audit trail from the original budget to the final budget is unclear.	Virement requests and approvals should be retained in a folder on the finance drive.	Y	The preparation for 13/14 includes a summary of movement from original budget to final, with individual savings programs and monitoring mechanisms.	Ongoing Rollout program to all managers - process tested and partial implementation	G	WIP	01/12/13	KB/JP
7	2012/13	1	Members are unable to scrutinise actual performance during the year.	Management accounts should be provided to GLT and Cabinet on a quarterly basis.	Y	Included in the budget monitoring process for 13/14, supported by monthly management accounts.	Evolving and renewable process. To be issued to members for Q2 2013/14.	G		Sept 2012 ongoing April 2013	KB
			Capital Accounting								
8	2012/13	2	The Council will not achieve the capital budget set by Members	There should be a reconciliation between the capital budget approved by Members and the budget being monitored on the Capital Monitoring Spreadsheet to demonstrate that the projects being monitored have been appropriately approved.	Y	Actual spend is reported and monitored on a monthly basis for 13/14. This report will form part of the management accounts pack which is available to GLT / Cabinet .		B		01/04/13	KB / KPL
9	2012/13	2	Budget managers are not monitoring their budgets. Project expenditure is not adequately controlled.	There has been a lack of formal budget monitoring in 2012/13 as budget managers have provided either bland or no explanations to support variances/ expected outturn on projects and virements.	Y	The CPSG was formed to approve, monitor and report on capital projects. The control disciplines offered by this group will ensure project managers are fully informed of any variance to budget. The projects are monitored on a chronological lifecycle.		B		01/11/12	CPSG / KPL

10	2012/13	1	The GCH budget agreed by members is significantly overspent.	The 2012/13 HRA budget of £2.9m does not have any supporting analysis and significantly differs from the budget actually used by GCH. Procedures should be agreed with GCH whereby they submit a detailed annual budget request which is scrutinised by CPSG and then approved by Council.	Y	See response as in item 2.	A detailed expenditure forecast is prepared by GCH for approval by GCC at the beginning of the year. This budgeted expenditure is monitored monthly as is the GCC capital project spend with a paper being discussed at GLT.	B	01/11/12	CPSG / KPL
11	2012/13	2	The asset register is not kept up to date.	The asset register opening balances need to be reconciled to the general ledger and the final 2011/12 accounts. Thereafter there should be a monthly/ quarterly reconciliation to the general ledger.	Y	The opening balances were subject to last minute final audit adjustments relating to revaluation and prior year adjustments. This has been rectified for the 12/13 closure. The FAR is updated monthly for additions and depreciation, albeit, not reconciled in detail to the GL. This will be rectified for 13/14.		B	01/04/13	KPL / SL
			Cash To Bank							
12	2012/13	1	Bank reconciliations are an important control which if completed effectively ensures that all transactions have been processed and that income has not been lost or misappropriated	Bank reconciliations should be: - Completed by an Independent Officer. - Reviewed and signed off by the Finance Manager - Long standing differences and old reconciling items on the Expenditure Account and the Cashiers Account need to be resolved.	Y	The in year bank transactions for 12/13 have been reconciled on a monthly basis. The reconciliation is now being performed by an independent officer; who has corrected the identified differences at March 2013. These reconciliations have been approved by the FCM and this process will continue on a monthly basis.		B	01/03/13	JB / KB
13	2012/13	3	Amounts posted through the interface do not agree with actual income received.	It would assist in management review and control if reasons for any differences/ adjustments with the interface were noted on the Flex reconciliation spreadsheets.	Y	To be included for 2013/14	This is included in the monthly management accounts process, as a review item.	B	01/04/13	VH

14	2012/13	2	Amounts posted through the interface do not agree with actual income received.	Further action/ resources are needed to resolve the Aspire Trust Flex interface differences to provide assurance that income reported in the general ledger is complete and accurate.	Y	Investigation into all interface files has begun to ensure that with the implementation of the next version of Cedar that interface files will collect data from the correct sources and be posted correctly within Cedar GL.	New interfaces are being written and tested as a component of the v4 Cedar upgrade	G	01/10/13	VH
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15	2012/13	1	Income is not completely and accurately recorded in the general ledger. Possible loss of income through not pursuing unpaid debts.	Further action/ resources are needed to resolve unallocated cash suspense transactions before the year end. Identification of unpaid cheques and direct debits could result in losses to the Council if the debtor is not promptly identified and pursued for payment. Letters to the Bank of the payee in respect of unidentified receipts are more likely to be effective if sent out promptly. A monthly review of the unallocated transactions by the Finance Manager would also be beneficial in identifying suspense transactions or further action that needs to be taken.	Y	This is related to the review of the Ash debtors audit together with the work being performed by RCL into the Civica contract.	Awaiting final reconciliations and process notes from RCL.	A	01/10/13	RCL
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Creditors

16	2012/13	2	Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.	Further action is required to remove very old orders 'stuck' in the accruals system and to action old current year open orders – these could be emailed to CCM's on a quarterly basis	Y	Liasing with Cedar financials to resolve issue. Once resolved will be included in monthly review process for the production of management accounts.	Relates to upgrade of Cedar	G	Initially Oct 2012, then monthly following Cedar release 4.1	HB
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17	2012/13	2	Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.	It would be beneficial to run a quarterly report of orders not receipted (similar to the accruals report). Orders over 6 months old could then be sent to CCM's to investigate further. This would improve the reliability of commitments as shown in the Budget Monitoring reports.	N	Eproc users to be reminded formally regarding their responsibility to review all outstanding orders for possible completion. Also, finance currently review the report annually; this will be changed to a Bi – annual frequency.	Monthly Process	G	WIP	01/04/13	HB
18	2012/13	2	Procurement rules are not being complied with.	Consideration should be given to implementing a third approval for orders over £5,000 to ensure that quotation/ tender requirements have been met and that orders clearly specify the price, quantity, quality and delivery requirements.	Y	Additional level of approval is included with Cedar upgrade, the process is being tested in the 'test' environment for rollout ASAP.	Relates to upgrade of Cedar	G	WIP	01/10/13	HB
19	2012/13	3	Old cheques are not being promptly reversed in the general ledger.	Prior year unrepresented cheques on the unreconciled cheques report need to be investigated and appropriate corrections made to the General Ledger.	Y	Actioned – to be included in bank reconciliation process from March 2013		B		01/03/13	JB
20	2012/13	2	The Council are not complying with best payment practice.	The Council should sign up to the Prompt Payment Code and disclose payment terms in a user friendly/ readily accessible form on the website.	Y	GCC make payments to suppliers on a weekly basis, following a stringent approval process. Investigations will be undertaken to comply with the code during 2013.		A	WIP	01/11/13	SL

21	2012/13	2	The Council are not complying with best payment practice.	Financial Services should report actual payment performance on a monthly/ quarterly basis and take action where particular CCM's are causing delays in payment.	Y	Will be included in the improvement register for 2013/14.	Review following upgrade of Cedar.	A		01/03/14	HB / SL
22	2012/13	1	The Council are not complying with the DCLG Code of Practice on Transparency.	Financial Services should disclose on the website payments over £500 since March 2011 on a monthly basis in accordance with the DCLG Code of Practice on transparency.	Y	Reports are being specified for publication through business objects, which is included in the Cedar solution upgrade.	All data uploaded to website and a subject of regular review and update. Will move to blue in October.	G	Complete	01/09/13	HB / DM
General Ledger											
23	2012/13	2	Erroneous or incorrect interface/ journal entries are being posted in the GL.	It would improve the level of internal control if responsibility for control/ suspense account reviews were allocated to the Financial Planning Accountants and when each monthly/ quarterly reconciliation is carried out; this should be noted on the control sheet held on the shared drive.	N	The interface / source coding files must be re-engineered to minimise errors. This is included in the upgrade in September, key interfaces have been reviewed by Cedar, changes logged and scheduled for testing from June 2013.	Review following upgrade of Cedar.	G		01/10/13	HB / Cedar
24	2012/13	2	Income is not completely and accurately recorded in the general ledger. Possible loss of income through not pursuing unpaid debts.	The unidentified income suspense accounts ZX100-901 and ZX100-902 should be reconciled and cleared on a monthly/ quarterly basis.	Y	Process adopted following 12/13 Annual accounts. On a daily basis		B		01/04/13	VH / IP

25	2012/13	2	VAT is being incorrectly accounted for.	The posting of VAT on employee parking permits to account ZX100-924 should be reviewed and an appropriate adjustment made to the payroll interface journal	Y	All payroll controls and the processes are currently being re-visited following more detailed data being made available from the payroll provider. Any changes to the costing file to be implemented as identified but no later than July 2013.	All controls are agreed and approved on a monthly basis.	G	June 2013	ST/HB/KPL
26	2012/13	2	Erroneous or incorrect journal entries are being posted.	Consideration should be given to producing exception reports for significant journals particularly between revenue/capital, journals relating to the HRA, journals processed by new staff which should then be retrospectively reviewed by a senior member of Financial Services on a monthly/ quarterly basis.	Y N	The journal listing report will be made available for senior financial review commencing June 2013 for the April and May management accounts, and then weekly thereafter.		B	June 2013	RS / KB
Sundry Debtors										
27	2012/13	2	Management not being aware of Financial irregularities between the ASH and Cedar systems. Reconciliation not being satisfactorily concluded.	The reconciliation process is to include a review by a third party, preferably a senior officer / manager	Y	Sign-off by a Senior Manager at the Financial year end and monthly thereafter.		B	31/03/13	KB
28	2012/13	2	Not readily demonstrable that the reconciliation has been reviewed by an officer independent of the reconciliation process	The reconciliation front sheet is to be formatted in such a way that Financial Services can readily demonstrate who the reconciling and reviewing officers' were, and when these actions were performed.	Y	A new account reconciliation format has been prepared and implemented from 31/03/13		B	31/03/13	KB

29	2012/13	3	Inability to perform the reconciliation to a satisfactory conclusion due to lack of guidance.	Procedure notes to be drafted in order to assist other Finance Officers with reconciling the Sundry Debtor System (ASH) to the General Ledger (Cedar).	N	Inability to carry out a complete reconciliation, is due to a failure to capture sufficient information in the interface between Ash & Cedar, in relation to cash. This is a result of the interface specification. All interfaces are scheduled for review and re-write during the implementation of the upgraded Cedar system.		A	01/10/13	RCL
30	2012/13	2	Inability to perform administrative actions within the software.	Consideration should be given to obtaining client side administration rights for each of the key software applications being used by Civica for the provision of the managed services	Y	This will be addressed by the Client team at the next formal meeting.		A	November 2013	ST
Treasury Management										
31	2012/13	1	Oversight by Members of treasury management decisions is an important control to ensure that investment limits have not been exceeded, the treasury management strategy is being followed and that the potential for financial losses is minimised.	Positive confirmation has not been provided to the Audit and Governance Committee on a quarterly basis during 2012/13 that lending to/from counterparties has been maintained within the limits set by the Treasury Management Strategy Statement.	Y	It would be good practice to update the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.		B	April 2013	SL / KB
32	2012/13	3	Staff may not be fully aware of the approved processes and their responsibilities resulting in financial losses.	It would be good practice to update the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.	Y	To be done during 2013/14		A	March 2014	SL / JT

33	2012/13	2	No documentation is in place to confirm who holds the investment risk of the GCH/Council inter company loan account.	A documented agreement should be drawn up between GCH and the Council that clearly states which organisation is exposed to risk should inter company loan account investments fail.	Y	The Management Agreement requires legal review.		A	December 2013	Sue Mullins / Peter Gillett / Rob Wharton
34	2012/13	2	Inappropriate inter company loan account transactions could take place.	A treasury management service level agreement (or other form of document) with GCH, to ensure that both parties are aware of the agreed appropriate treasury management approach (to include processes and controls e.g. the names of Council/ GCH officers who have the authority to deal with inter company transactions).	Y	The Management Agreement requires legal review.		A	December 2013	Sue Mullins / Peter Gillett / Rob Wharton
35	2012/13	3	Contractual obligations with the brokers are unclear.	It would be good practice to obtain current versions of contracts/ service agreements from the brokers so that contractual obligations are clear to the Council	N	We don't have a contractual obligation with a Broker. I have however provide Terms of Agreements from both Brokers and sent them to Audit		B	N/A	SL
36	2012/13	2	A misstatement of investments may result in excessive exposures going unnoticed and possible financial losses.	The Investment/ Loan Record Sheet should always be signed by the person checking the accuracy of the deal details. The Authorised box should also be completed by the Finance Manager as a check that the loan/ investment is with an approved counterparty and the amount is within appropriate limits.	Y	Loan Records to be signed by Kevin Buckerfield		B	IMM	SL