



INTERNAL AUDIT REPORT



FINANCIAL SYSTEMS KEY CONTROLS 2015/16

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FINANCIAL SYSTEMS KEY CONTROLS 2015/16

EXECUTIVE SUMMARY

1. INTRODUCTION AND INTERNAL AUDIT OPINION

The Council operates a number of financial systems designed to ensure that transactions are recorded in a timely, accurate and complete manner, free from fraud or error. These systems are often referred to as 'Key' or 'Fundamental' financial systems. The S151 Officer is required to include a statement in the Council's annual Statement of Accounts to certify that he has kept proper accounting records that are up to date. Internal Audit control evaluation and compliance testing supports the S151 Officer in exercising this duty.

Based on the audit testing, it was highlighted that key controls in relation to payroll are operating effectively and bank reconciliations are now completed on a monthly basis following a recommendation from the 2014/15 audit report.

Overall, the control framework includes key controls that promote the delivery of service objectives. There are, however, some lapses and inconsistencies, particularly with regards to the audit trails required to provide documentary evidence of key decisions made and activities undertaken. Two outstanding recommendations from the 2014/15 audit report will continue to be followed up as part of the standard Internal Audit process and no further recommendations have been made in these areas.

Based on these findings, the framework of controls currently in place provide **Sufficient Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2. The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in the table below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1: Weak or ineffective system access controls or failure of key financial systems	Sufficient Assurance	Sufficient Assurance	0	2	2
Risk 2: Unauthorised or inappropriate ordering and payment of goods and services via the eProcurement system	Sufficient Assurance	Sufficient Assurance	1	1	1
Risk 3: Inaccurate, incomplete or inappropriate payroll transactions	Substantial Assurance	Substantial Assurance	0	0	0
Risk 4: Bank reconciliations are not completed in a timely or accurate manner	Substantial Assurance	Substantial Assurance	0	0	0
Risk 5: Transactions in the main accounting system are inaccurate, incomplete or incorrectly classified	Sufficient Assurance	Sufficient Assurance	0	1	1
Risk 6: Failure to plan for implementation of new accounting requirements in respect of infrastructure assets	Substantial Assurance	Substantial Assurance	0	0	0
Risk 7: Ineffective debt recovery arrangements	Sufficient Assurance	Substantial Assurance	0	0	1
Total Number of Recommendations			1	4	5



2. SUMMARY OF FINDINGS

Risk 1: Weak or ineffective system access controls or failure of key financial systems

The ICT Security Policy includes matters in relation to system access controls and user responsibilities. System passwords must consist of at least eight characters and include a combination of uppercase and lowercase letters, numbers and non-alphanumeric characters.

The eFinancials system is a fully integrated suite of financial management applications used by HDC. With the exception of eProcurement, access to all eFinancials applications is predominantly restricted to Finance staff. Compliance testing was undertaken to establish whether password parameters for eFinancials were consistent with ICT Security Policy requirements. Testing identified that passwords must consist of at least six characters rather than eight; in addition, eFinancials does not currently enforce the use of uppercase letters or non-alphanumeric characters in passwords. At the time of the audit, it was not known whether such password parameters could be enforced via the current system.

Whilst it is noted that all users must comply with Council policies, standards and procedures when setting passwords, enforcement via system parameters mitigates the risk of non-compliance amongst users. A system upgrade is due to take place in 2016/17 and investigations will be undertaken to establish whether these controls can be implemented accordingly.

Controls are in place for granting and removing access to financial systems, however, a review of current users identified that these controls are not always consistently applied or evidenced in all cases. Fourteen new starters had been granted access to financial systems during the financial year to date, however, new user access forms and / or confirmation emails were not held on file for six of these new starters. It was noted that all access granted had been appropriate to the relevant roles.

eFinancials is reviewed to ensure that user access has been removed when required; however, evidence of this review is not currently retained on file. Furthermore, testing identified that access to the eProcurement system had not been revoked for two former employees. The Finance Systems Administrator had not been notified of these leavers and access has since been removed accordingly. At the time of the audit, it was not known whether a report of current users could be produced for the AIM Cash and Banking system, however, it is now known that such reporting is available. **Recommendation 1** addresses these findings.

Appropriate access rights were in place for the majority of users; however, an appropriate audit trail does not always exist, particularly with regards to eProcurement approval limits. eProcurement approval limits are set in accordance with pay grades, however, a review of current users confirmed that both Corporate Directors and the S151 Officer had been granted 'unlimited' approval limits. In addition, the approval limits for one Service Manager had been increased to £500k to allow them to approve invoices for FCC Environment (waste and resource management contract). The Auditor was advised that these limits had been agreed, however, evidence of a formal approval was not provided at the time of the audit. **Recommendation 2** addresses this finding.

A review of user access also confirmed that an increase in approval limits for two employees had been agreed verbally and it was noted that the list of eProcurement approval limits held on file by Finance required updating. **Recommendation 3** addresses this finding.

Six members of the Finance team had been granted 'Superuser' access for eFinancials. Whilst this access is deemed appropriate to their roles, privileged user monitoring does not currently take place, increasing the risk that adverse changes to the system could go undetected. It is understood that investigations will be undertaken by officers to establish whether such reporting functionality is available during the efinancials system upgrade which is due to take place in 2016/17. **Recommendation 4** addresses this finding.



Following a recommendation from the 2014/15 audit, it was agreed that financial system recovery plans would be finalised and communicated to staff accordingly. The Finance Services Manager advised that more work was required with regards to completing the financial system recovery plans following the restructure which had recently taken place. This action will continue to be followed up as part of the standard Internal Audit process and no further recommendation has been made.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Sufficient Assurance**.

Risk 2: Unauthorised or inappropriate ordering and payment of goods and services via the eProcurement system

Guidance in relation to the eProcurement system is available to staff via the intranet and refresher training sessions have been held since the system's launch in April 2015. During the 2014/15 audit, it was identified that the 'Basic guide to e-Procurement' was a 369 page document which could be difficult to read and understand. It was agreed that a streamlined guide would be produced and made available to staff via the intranet.

The Finance Services Manager advised that work had been undertaken on producing a streamlined guide and that this would be in place by 30th April 2016. This action will continue to be followed up as part of the standard Internal Audit process and no further recommendation has been made.

A report detailing all paid purchase invoices for the financial year to date confirmed that approximately 57% of all non-utility invoices had been paid without a purchase order as at 7th December 2015. The Finance Services Manager is aware that non-purchase order invoices are an issue and advised that a 'No Purchase Order, No Payment' policy would be implemented by 1st July 2016 to improve controls in this area.

Sample testing of twenty five paid purchase invoices confirmed that:

- Of the 25 payments, 24 related to the purchase of goods / services for which a purchase order should have been raised, of these, 20 had a corresponding purchase order which had been raised at the point of requisition;
- 19 invoices were agreed to the corresponding purchase order, one purchase order required amending prior to goods receipting (due to system issues in early stages of system implementation which no longer pose a risk);
- Confirmation of goods received was evidenced for all 25 invoices; and
- All 20 purchase orders and 5 invoices had been appropriately authorised.

Approval limits are set in accordance with pay grades and budget holders are responsible for ensuring that the correct cost centre has been allocated at the point of approval. The eProcurement system has an 'out of office' function which enables budget holders to automatically forward requisitions on to an alternative manager in their absence. This control mitigates the risk of a delay in the eProcurement process.

Agreed tolerance levels exist in order to allow staff to amend the value of purchase orders when required. During the rollout of eProcurement, tolerance levels were originally set at £1,000 or 10% (whichever was lower). Tolerance levels are now based on individual user requirements, for example, to take account of high value penalties imposed for waste contracts or postage and packing costs on low value orders. It should be noted that all amendments to purchase orders must be supported by a written explanation and authorised at the appropriate level.

Creditor invoices are received by post or via email. All invoices are scanned onto eFinancials and a weekly 'automatch' process is undertaken in order to match scanned invoices to corresponding purchase orders. Unmatched invoices (i.e. no goods received / variances) are investigated and resolved accordingly. Non-purchase order invoices are approved retrospectively and evidence of authorisation is retained on file.

An appropriate separation of duties exists between raising and approving requisitions and the invoice payment process, however, it was noted that management do not currently review the BACS Submission Summary report to confirm the accuracy of the total number and value of items processed. **Recommendation 5** addresses this finding.



New supplier forms are available via the intranet and all completed forms are saved electronically. The Auditor was advised that amendments to supplier details (bank / address) were verified by the Payables Assistant by telephone; however, a management check was not in place for the process of setting up new suppliers or amending supplier details. **Recommendation 6** addresses this finding.

Finance staff have their own notes in relation to creditor processes, however, documented procedures are not currently in place. The Auditor was advised that the recent restructure in the Finance team would provide more resilience moving forward and that documented procedures would be produced in the future.

Recommendation 7 addresses this finding.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Sufficient Assurance**.

Risk 3: Inaccurate, incomplete or inappropriate payroll transactions

Leicester City Council (LCC) is the payroll provider for HDC, with delegated responsibility for statutory and pension related deductions. An audit undertaken in 2014/15 was able to provide full assurance over the controls in place within LCC to effectively mitigate the risks associated with the payroll system.

LCC was able to provide documentary evidence to confirm that appropriate checks were carried out on all changes to the payroll system. Furthermore, the HDC Payroll Officer advised that spot checks had been undertaken on the April 2015 payroll analysis report to confirm the accuracy of transactions. Auditor review of an employee payslip confirmed that the gross, net pay and deductions had been calculated accurately.

The payroll Masterfile is not circulated to budget holders in order for them to confirm the factual accuracy of employee details. However, this does not currently represent a risk as reliance is placed on the effectiveness of controls with regards to new starters, leavers, monthly budget monitoring and review and approval of the monthly payroll analysis report.

Additional payments to employees are verified for accuracy and authorised at the appropriate level prior to payment. Sample testing of 15 additional payments confirmed that all had been calculated accurately and approved accordingly; in addition, all 15 payments were agreed to the monthly payroll analysis report.

Appropriate checks are undertaken to confirm the accuracy of the payroll prior to processing payments and uploading transactions to the General Ledger. Exception reports are not provided by LCC as they state that no such reporting functionality is available, this issue has been identified in previous year's audits.

The Payroll Officer conducts a number of on-screen validity checks before the payroll is processed and, for reasonableness, reviews the monthly payroll analysis report provided by LCC. In addition, the monthly payroll analysis report is reviewed by the Finance Services Manager before payments are processed. This management check is now evidenced following a recommendation from last year's audit.

All data is checked accordingly prior to loading onto the General Ledger and Collaborative Planning. In addition, monthly payroll reconciliations are completed by the Finance team. A review of the August 2015 and January 2016 payroll reconciliations confirmed that all figures agreed to supporting documentation and both reconciliations had been signed off accordingly.

LCC is responsible for processing payroll BACS payments on behalf of HDC and has appropriate BACS procedures in place. BACS payments to LCC are processed accordingly by HDC.

Appropriate controls are in place to ensure that additions to the establishment and payroll can only be made on receipt of a suitably authorised instruction. The Payroll Officer undertakes appropriate checks to ensure that all details have been input accurately into the payroll system. An appropriate separation of duties is in place, in that all processes undertaken by Human Resources (HR) are checked by the Payroll Officer and vice versa.



Sample testing of five new starters confirmed that in all but one case, appointments had been formally approved. The HR Assistant advised that one post had been created via a restructure and would have been approved by CMT.

For the remaining sample testing, in all five cases:

- Signed offer confirmations were held on file;
- Appointment details were consistent with payroll records; and
- Salary payments were accurate and in accordance with the relevant appointment.

The Payroll Officer is notified of leavers via HR to ensure that final salary payments can be processed accurately and in a timely manner. Sample testing of five leavers confirmed that in all cases:

- Leaving dates had been recorded accurately on the payroll system;
- Final salary payments were accurate; and
- Employees had been removed from the payroll system accordingly.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Substantial Assurance**.

Risk 4: Bank reconciliations are not completed in a timely or accurate manner

The following two bank account reconciliations are completed on a monthly basis:

- Consolidated banking control account reconciliation; and
- Disbursement account reconciliation.

Documented procedures are in place for both reconciliations.

The disbursement account clears through HSBC on a daily basis and is therefore signed off as part of the consolidated bank account reconciliation process. A review of the July and December 2015 bank reconciliations confirmed that all figures agreed to supporting documentation and the consolidated bank account reconciliation paperwork had been signed off accordingly.

The reconciliation paperwork for July 2015 had not been signed off until October 2015; however, it was noted that the December 2015 reconciliation paperwork had been signed off in a timely manner.

As at 31st December 2015, seven unrepresented items (exceeding six months) totalled £303.28. Some of these items are several years old and are currently being investigated to ensure that the correct treatment is applied.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Substantial Assurance**.

Risk 5: Transactions in the main accounting system are inaccurate, incomplete or incorrectly classified

Budgets are prepared in Collaborative Planning and loaded into eFinancials upon completion. Management checks are undertaken to confirm that all budgets are accurate and consistent with the originating data. Budgets are profiled during the budget setting process and are detailed accordingly in Collaborative Planning to aid managers with their budget monitoring responsibilities. Furthermore, appropriate controls are in place to ensure that budgets are consistently accurate and up-to-date.

An appropriate coding structure has been established in line with the Service Reporting Code of Practice (SeRCOP) and is monitored accordingly by Finance. A 'Request for new GL Cost Centre Code' form is in place and has to be completed and appropriately authorised for any additions to the coding structure. A section detailed 'Other requirements if applicable' is included on the form to account for any other modifications. All codes and associated budgets are allocated to a named budget holder and Collaborative Planning will only allow budget managers to access budget codes for which they are responsible.



Control account reconciliations are undertaken, however, it was noted that reconciliations were not always completed on a monthly basis; furthermore, an appropriate audit trail was not always in place to confirm who had completed the reconciliation or who had undertaken a management check. **Recommendation 8** addresses this finding.

Following a project which was undertaken in 2013, all journals are now processed electronically. Journals which exceed £1,000 require management authorisation prior to posting and appropriate system controls are in place to ensure that journals are processed accurately (journal entries must zero balance). Working papers and documentary evidence can be attached to the journal and a written narrative is also required.

A journal authorisation report for the financial year to date confirmed that 14,690 journals had been processed as at 16th February 2016, of these:

- 9,772 journals had been authorised; and
- 4,918 journals had not been authorised (1,444 of which exceeded £1,000).

With the exception of eight journal transfers, all journals in excess of £1,000 had been suitably authorised or were in fact automatic system generated journals. It was confirmed that the eight journal transfers related to posting errors and all were supported by an appropriate narrative.

15 journal transfers were selected for sample testing, of these:

- All journals had been authorised accordingly;
- All journal lines included a detailed description; and
- Two journals were supported by additional evidence / documentation.

It should be noted that additional evidence / documentation is required for 'non-standard' journal transfers in order to add value to the electronic journal process. A detailed description is sufficient for standard journal transfers, for example, when correcting posting errors.

Two suspense accounts are in place, one of which should have a nil balance and is therefore monitored on a monthly basis. The other active suspense account is in relation to unidentified cash receipting. A review of the suspense account confirmed that monthly reconciliations had been undertaken from September 2015. Responsible officer details had been recorded in the electronic reconciliation paperwork but there was a lack of documentary evidence to confirm that a management check had been undertaken in October, November and December 2015.

The balance carried forward on the suspense account as at 31st January 2016 was £33,977. Of this balance £7,145 was in relation to unidentified items from October 2012 to March 2015. The Team Leader (Accounts) advised that some work will be undertaken to ensure that financial records are aligned to simplify the suspense account reconciliation process in the future. **Recommendation 9** addresses this finding.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Sufficient Assurance**.

Risk 6: Failure to plan for implementation of new accounting requirements in respect of infrastructure assets

A Local Authority Accounting Panel (LAAP) bulletin published in July 2014 advised Local Authorities of a change in accounting policy from 1st April 2016. The change in policy required Local Authorities to identify and value all transport infrastructure assets for inclusion in the 2016/17 Statement of Accounts.

The change in policy would also require a restatement of the balance sheet as at 1st April 2015, an indicative timescale for completion of this task was 31st December 2015. Local Authorities were provided with an outline project plan in order to prepare for the implementation of the new accounting requirements.



A further CIPFA Highways Network Asset Briefing Paper published in December 2015 confirmed that the new accounting policy would be applied from 1st April 2016, with no requirement to restate the information in the preceding year (i.e. from 1st April 2015). CIPFA indicated that the Highways Network Asset should only be recognised in Local Authority financial statements if it met the definition of a Network and specifically the Highways Network Asset. Furthermore, it was not anticipated that District Authorities would have an asset meeting the definition of the Highways Network Asset. However, Local Authorities would need to make their assessment against the definition as detailed in the 2016/17 Code.

An assessment undertaken by Finance was able to confirm that Harborough District Council (HDC) does not have any Highways Network Assets to report.

Based upon these findings, the assurance rating for the controls in respect of this risk is **Substantial Assurance**.

Risk 7: Ineffective debt recovery arrangements

A Corporate Debt Policy is in place and includes matters in relation to the following:

- Debt Strategy;
- Policies common to all types of debt;
- Principles of enforcement (sundry debts);
- Write-offs (sundry debts only);
- Policies specific to sundry debtors; and
- Use of enforcement agents.

The Auditor was advised that the Corporate Debt Policy was not currently available to staff via the intranet. **Recommendation 10** addresses this finding.

Documented procedures are in place for the debt recovery process, however, it was noted that some procedures required updating and / or consolidating. **Recommendation 7** addresses this finding.

Invoice payment terms are 14 days and appropriate actions are undertaken to recover debt in a timely manner. Debt recovery procedures include the issue of reminder letters, service suspension letters (if deemed appropriate) and the use of enforcement agents. Monthly aged debt reports are reviewed to ensure that appropriate recovery procedures are undertaken on all outstanding debt. In addition, all payment arrangements are monitored accordingly and recovery procedures are followed if arrangements go into default.

The established monthly target for sundry debt arrears is £0.2 million. Sundry debt arrears are in relation to debts greater than 30 days and do not include Section 106 debt or payment plans. Monthly Performance Indicator reporting confirmed that the established target of £0.2 million had been achieved for 50% of the financial year to date as at 29th February 2016. This target has not always been achieved due to individual high value invoices moving into debt greater than 30 days. It was noted that the established target had been achieved in November and December 2015 and January 2016. Furthermore, three high value invoices totalling £189k were no longer outstanding as at 29th February 2016.

An aged debtor list was obtained for the financial year to date and sample testing was undertaken on 25 debts. Of these, recovery procedures were required for 21 debts and testing confirmed that appropriate recovery procedures had been undertaken in all cases.

A policy on write-offs is included in the Corporate Debt Policy, which is not currently available to staff via the intranet. **Recommendation 10** addresses this finding.



The Council's Financial Procedure Rules state that:

- Debts up to and including £1,000 are to be written off by the Chief Finance Officer or nominated Deputy; and
- Debts over £1,000 are to be written off by the Executive.

A write-off procedure document is held on file by the Finance team, however, it was noted that this required updating in line with current practice and Financial Procedures. **Recommendation 7** addresses this finding.

At the time of the audit, 24 debts totalling £1,385.37 had been written off during 2015/16. Testing confirmed that the reason for all write-offs was documented and reasonable and all write-offs had been approved in accordance with established procedures.

Based upon the audit findings, the assurance rating for the design of controls in respect of this risk is **Sufficient Assurance** and the rating for compliance with these controls is **Substantial Assurance**.

3. LIMITATIONS TO THE SCOPE OF THE AUDIT

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

4. ACTION PLAN

The following Action Plan provides a number of recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.



Action Plan

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>Fourteen new starters had been granted access to financial systems during the financial year to date, however, new user access forms and / or confirmation emails were not held on file for six of these new starters.</p> <p>eFinancials is reviewed to ensure that user access has been removed when required; however, evidence of this review is not currently retained on file.</p>	<p>An audit trail should exist to confirm that appropriate controls have been applied in the allocation of access rights for all financial systems.</p> <p>The audit trail should include all stages of user access, from the initial registration of new users to the final deregistration of users who no longer require access to financial systems.</p> <p>In order to achieve this, new user access forms and user access emails should be retained on file.</p> <p>Documentary evidence should be retained on file to confirm that user access rights have been reviewed for each key financial system.</p>	<p>Finance will keep a record of all new starter forms received from IT going forward. Also, a regular reconciliation of staff numbers will be performed as a further control.</p>	Low	Finance Services Manager	April 2016 onwards



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
2	<p>Appropriate access rights were in place for the majority of users; however, an audit trail does not always exist, particularly with regards to eProcurement approval limits.</p> <p>eProcurement approval limits are set in accordance with pay grades, however, a review of current users confirmed that three members of CMT had been granted 'unlimited' approval limits and the approval limits for one Service Manager had been increased to £500k. The Auditor was advised that these limits had been agreed, however, evidence of a formal approval was not provided at the time of the audit.</p>	Approval limits should be clearly defined and formally approved at the appropriate level and evidence of this should be minuted.	Exception forms will be set up and signed off by CMT if limits are outside the normal patterns.	Medium	Corporate Director – Resources Head of Finance and Commercial Services and S151 Officer	June 2016
3	An increase in approval limits for two employees had been agreed verbally and it was noted that the list of eProcurement approval limits held on file by Finance required updating.	The eProcurement approver list which is held on file by Finance should be updated.	Noted.	Low	Finance Services Manager	June 2016

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
4	<p>Six members of the Finance team had been granted 'Superuser' access for eFinancials. Whilst this access is deemed appropriate to their roles, privileged user monitoring does not currently take place, increasing the risk that adverse changes to the system could go undetected.</p> <p>It is understood that investigations will be undertaken by officers to establish whether such reporting functionality is available during the efinancials system upgrade which is due to take place in 2016/17.</p>	As part of the eFinancials upgrade, establish controls for reporting and management review of super-user activity such as changes to system parameters.	The superuser role is considered acceptable by the S151 Officer for the nominated Finance staff to allow efficient and effective use of the Council's core financial system. Audit trails are built into the system. This functionality will be explored in the scheduled upgrade.	Medium	Finance Services Manager	April 2017
5	An appropriate separation of duties exists between raising and approving requisitions and the creditor invoice payment process, however, it was noted that management do not currently review the BACS Submission Summary report to confirm the accuracy of the total number and value of items processed.	A management check should be carried out on the BACS Submission Summary report to confirm the accuracy of the total number and value of items processed. Evidence of this check should be retained on file.	Authorisation check of the actual bacs submission against the proposed batch will now be completed on a weekly basis.	Medium	Finance Services Manager	May 2016



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
6	<p>The Auditor was advised that amendments to supplier details (bank / address) were verified by the Payables Assistant by telephone; however, a management check was not in place for the process of setting up new suppliers or amending supplier details.</p> <p>Bank mandate fraud currently poses a high risk to Councils; therefore, appropriate controls must be in place for the maintenance of supplier details.</p>	<p>An exception report which details all new suppliers and amendments to supplier details should be produced on a weekly basis. The report should be checked by an independent officer to ensure all cases are supported by the relevant forms and that verification checks have been evidenced.</p> <p>In addition, all Council officers should be reminded of the importance of verifying the validity of any requests received to amend supplier details using known contact information. Management should ensure that all independent checks are consistently exercised.</p>	<p>There is an existing check report for bank changes with any changes for suppliers with a value over £10K being verified by the Finance Service Manager or S151 Officer.</p> <p>During the audit we now run a report on all bank changes for a month which provides additional assurance.</p>	High	Finance Services Manager	Actioned as at May 2016

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
7	<p>Finance staff have their own notes in relation to Creditor processes, however, documented procedures are not currently in place. The Auditor was advised that the recent restructure in the Finance team would provide more resilience moving forward and that documented procedures would be produced in the future.</p> <p>Documented procedures are in place for the debt recovery process, however, it was noted that some procedures required updating and / or consolidating.</p> <p>A write-off procedure document is held on file by the Finance team, however, it was noted that this required updating in line with current practice / Financial Procedures.</p>	<p>Documented procedures should be prepared and made available to the relevant staff members to assist them in fulfilling their responsibilities efficiently and effectively.</p> <p>Furthermore, procedures should be consistent with current practice and financial procedure rules.</p>	As part of the finance system restructure a standard creditors process will be documented to ensure a consistent approach.	Low	Finance Services Manager	September 2016
8	Control account reconciliations are undertaken, however, it was noted that reconciliations were not always completed on a monthly basis; furthermore, an appropriate audit trail was not always in place to confirm who had completed the reconciliation or who had undertaken a management check.	<p>Control accounts should be reconciled on a monthly basis and an appropriate audit trail should be in place for all control account reconciliations undertaken.</p> <p>All officer details should be recorded (prepared by / checked by) in addition; the date should be recorded to confirm when a management check was undertaken.</p>	A project is underway to split the balance sheet recs into categories that require monthly, quarterly or yearly reconciliations. This will improve our control process and resources can be split appropriately.	Medium	Finance Services Manager	September 2016

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
9	<p>A review of the suspense account confirmed that monthly reconciliations had been undertaken from September 2015. Responsible officer details had been recorded in the electronic reconciliation paperwork; however, there was a lack of documentary evidence to confirm that a management check had been undertaken in October, November and December 2015.</p> <p>The balance carried forward on the suspense account as at 31st January 2016 was £33,977, of this balance; £7,145 was in relation to unidentified items from October 2012 to March 2015.</p> <p>The Team Leader Accounts advised that some work will be undertaken to ensure that financial records are aligned to simplify the suspense account reconciliation process in the future.</p>	Suspense accounts should be reconciled on a monthly basis, signed off and cleared in a timely manner.	See notes above, suspense accounts will be reconciled monthly in future.	Low	Finance Services Manager	September 2016
10	The Auditor was advised that the Corporate Debt Policy was not currently available to staff via the intranet.	The Corporate Debt Policy should be made available to all staff via the intranet.	The Corporate Debt Policy was agreed by the Council's Executive on 1 st December 2014. This has now been loaded onto the intranet.	Low	Finance Services Manager	Actioned as at May 2016

Glossary

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.