

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

29 June 2012

Report of: Strategic Director (Corporate Services)

Title: Grant Thornton's Interim Report for 2011-12

Ward: Citywide

Officer presenting report: Melanie Henchy-Mccarthy and Alison Mullis, Chief Internal Auditors

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee note, and comment as appropriate, on Grant Thornton's Interim Audit report for 2011-12.

Summary

Attached to this report is Grant Thornton's Interim Audit report. This summarises the work completed at their interim audit visit in accordance with the agreed strategy set out in the Audit Plan presented to the Audit Committee in February 2012. This report considers:

- their audit approach;
- an update on their accounts audit risk assessment;
- results of their interim work undertaken in preparation for their audit of the Council's financial statements.

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Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton consulted with Senior Officers before finalising the Interim Report and Update to Financial Audit Strategy.

External: not applicable.

1 Introduction

- 1.1 Grant Thornton is required to form an opinion on the Council's annual financial statements. This report summarises the work completed at their interim audit visit.
- 1.2 They have discussed the report and recommendations with the Service Director of Finance. They will report the actions management have taken at the conclusion of their audit in their annual report to those charged with governance (ISA260) at the completion of the audit. They will also follow up the previous years recommendations at this time.
- 1.4 Grant Thornton's partner, John Golding, the appointed auditor responsible for the Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Grant Thornton's Interim Report and Update to Financial
Audit Strategy 2011-12

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None



Bristol City Council

Accounts Audit Approach Memorandum

June 2012

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Our accounts audit approach

This memorandum is intended to provide additional detail regarding our audit approach, as set out in our Audit Plan 2011/12 issued in February 2012, as well as an update on our response to key risks from the results of interim audit work carried out to date.

Audit approach reminder

We will:

- work closely with the finance team to ensure that we meet audit deadlines and conduct the audit efficiently
- plan our audit on an individual task basis at the start of the audit, and agree timetables with all staff involved; and
- consider the materiality of transactions when planning our audit and when reporting our findings

The logistical details of our annual accounts audit, as agreed with the Service Director - Finance, are detailed in Appendix A to this memorandum.

Planning	<ul style="list-style-type: none"> • Updating our understanding of the Council through discussions with management and a review of in year internal financial reporting • Identifying and resolving specific accounting treatment issues
Control evaluation	<ul style="list-style-type: none"> • Reviewing the design effectiveness and implementation of internal financial controls including IT, where they impact the financial statements • Assessing audit risk and developing and implementing an appropriate audit strategy • Testing the operating effectiveness of selected controls • Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements • Assessing the effectiveness of internal audit
Substantive procedures	<ul style="list-style-type: none"> • Reviewing material disclosure issues in the financial statements • Performing analytical review • Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate
Completion	<ul style="list-style-type: none"> • Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view • Determining an audit opinion • Reporting to Finance, Audit and Risk Committee through our ISA 260 report and Annual Audit Letter

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true or fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements.

These are assessed individually and in aggregate, communicated to you and, if you agree with any management decisions to not adjust for such items, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be separately judged to be material by its nature, for example any item that affects the disclosure of directors' emoluments. An item of higher value may equally be judged not material if it does not distort the truth and fairness of the financial statements.

Reliance on internal audit

We work with the internal audit function to ensure our audit approach takes account of the risks identified from reviews they have conducted relevant to the financial statements, subject to our review of the effectiveness of the internal audit function.

Where significant risks to the financial statements are identified from our own work, it may be possible to coordinate with the work of internal audit to avoid unnecessary duplication of effort. Where such reliance takes place this will be specifically detailed in the reporting of our results.

Review of IT

Our audit approach assumes that our clients utilise complex computer systems and accounting applications to routinely process large numbers of transactions. These may be used either directly or indirectly in preparing financial reporting information, including the annual accounts. Accordingly, our approach requires a review of the internal controls in the Council's information technology (IT) environment.

Based on our assessment of the complexity of the overall IT environment, we have involved specialist Technology Risk Services (TRS) team members in our audit work in order to undertake a review of the overall IT control environment. Where significant systems are outsourced, or new systems or applications introduced in year, additional review work may be undertaken on this risk assessed basis.

Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

In order to assess whether controls have been implemented as intended, we will conduct a combination of inquiry and observation procedures, and, where appropriate, transaction walkthroughs. Where further assurance or audit efficiency may be gained, we will consider directly testing any controls that we may consider to be key in relation to the identified risk.

However, our controls work cannot be relied upon to identify all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

Update on accounts audit risk assessment

As part of our planning and control evaluation work we have reviewed the key audit risks identified in our Audit Plan 2011/12 and have set out below the outcome of work completed to date and further work planned.

We will report our full findings and conclusions in respect of each risk identified in our Annual Report to Those Charged with Governance (ISA 260) on completion of our final accounts audit.

Our updated review of the key risks facing the Council has identified additional risks, which are detailed in Table 2 alongside our planned audit response.

Table 1: Key accounting risks and planned assurances

Key audit risk	Audit areas affected	Work completed	Further work planned
Accounting for Property, Plant and Equipment	Accounting for Schools	<ul style="list-style-type: none"> No work has been undertaken during our interim audit on this area. We will be addressing this issue at the final accounts audit stage. Further guidance is awaited from CIPFA as to the appropriate treatment 	<ul style="list-style-type: none"> As part of the final accounts we will review the judgments applied in determining the appropriate accounting treatment We will review disclosures within the financial statements in relation to Schools to ensure that the requirements of the Code have been met

Table 1: Key accounting risks and planned assurances (continued)

Key audit risk	Audit areas affected	Work completed	Further Work Planned
Accounting for Property, Plant and Equipment	Heritage Assets	<ul style="list-style-type: none"> We have discussed the change in accounting requirements and undertaken an initial review of the Council's arrangements for the identification of heritage assets to ensure compliance with the principles of FRS30 which are adopted by the Code for the first time in 2011-12 	<ul style="list-style-type: none"> As part of the final accounts audit we will review the judgments applied in determining the appropriate classification and valuation of assets We will review the disclosures within the financial statements in relation to heritage assets to ensure that the requirements of the Code are met
Accounting for Property, Plant and Equipment	Valuations	<ul style="list-style-type: none"> We have discussed the accounting methodology for ascertaining the value of Property, Plant and Equipment with the appropriate officer 	<ul style="list-style-type: none"> As part of final accounts we will review the valuations of fixed assets entered on the fixed asset register for accuracy and completeness We will review disclosures within the financial statements in relation to additions, disposals and impairments to ensure that these have been calculated on an appropriate basis and in line with the Code
Journals	All areas of the financial statements	<ul style="list-style-type: none"> A list of all journals was requested and has been reviewed for those with a value greater than materiality to form a sample for final accounts testing 	<ul style="list-style-type: none"> As part of final accounts we will review the arrangements put in place to ensure that there is appropriate control over the posting and authorisation of journals

Table 1: Key accounting risks and planned assurances (continued)

Key audit risk	Audit areas affected	Work completed	Further Work Planned
Financial Performance Pressure	All areas of the financial statements	<ul style="list-style-type: none"> We have performed walk through testing of the operating expenditure cycle and updated our understanding of the controls that are operated by the Council. 	<ul style="list-style-type: none"> We will review the Council's financial performance for the year against its agreed budget and prior year at the year end We will consider the use of general reserves during the year and at year end
Use of Estimates and Judgments	All areas of the financial statements	<ul style="list-style-type: none"> We have discussed the use of Estimates and considered the arrangements in place at the Council in line with the requirements of ISA 540 which have been clarified by the IASB 	<ul style="list-style-type: none"> We will review all judgments used by the Council, including those used by professionals, such as property valuers, that impact the financial statements to ensure they have been clearly documented and evidenced
Issues arising from the 2010/11 accounts audit	All areas of the financial statements	<ul style="list-style-type: none"> Prior year recommendations outlined in the ISA 260 report have been discussed with management and responses noted. No testing of the response has been carried out but these will be considered as part of final accounts work 	<ul style="list-style-type: none"> Responses received from management in relation to issues raised in the Financial Year 2010/11 ISA 260 Audit Report will be reviewed and considered within the detailed testing carried out as part of final accounts Impact of changes in policy and process on the statement of accounts will be reviewed as part of detailed testing

Table 1: Key accounting risks and planned assurances (continued)

Key audit risk	Audit areas affected	Work completed	Further Work Planned
<p>Housing Rents</p>	<p>Revenue</p>	<ul style="list-style-type: none"> We have performed walk through testing of Housing rents to ensure that the controls operated by the Council are effective and appropriate 	<ul style="list-style-type: none"> We will review disclosures in both the HRA and the Comprehensive Income and Expenditure statement to ensure these have been made in line with the related accounting policies We will review entries in the HRA and the Comprehensive Income and Expenditure statement to ensure entries are consistent

Table 2: Additional key accounting risks and planned assurances

Issue	Audit areas affected	Audit approach
<p>Unaddressed variances in the Bank Reconciliations</p>	<p>Bank Reconciliations</p>	<ul style="list-style-type: none"> Bank reconciliations are currently being undertaken by Shared Transaction Services (STS) and various unreconciled items were identified through testing carried out by Internal Audit raising the possibility that the cash position of the Council may be inaccurate. Discussion with management ascertained that bank reconciliations are being carried out by Corporate Finance, over and above that being carried out by STS, and will be tested as part of final accounts work for accuracy and completeness
<p>Subsystems are not being reconciled to the General Ledger</p>	<p>Employee Remuneration Cash & Bank General Ledger</p>	<ul style="list-style-type: none"> Subsystems operated by STS are not being reconciled to the General Ledger and therefore revenue, capital accounts and cash balances may not reconcile. Testing undertaken by Internal Audit has been reviewed to identify the issues and testing of reconciliations will be undertaken as part of final accounts work.

Table 2: Additional key accounting risks and planned assurances (continued)

Issue	Audit areas affected	Audit approach
Urgent notice issued by Internal Audit for the Expenses system	Employee Remuneration	Testing of the Selima Expenses system by Internal Audit revealed that the back button on Internet Explorer allows re-entry into the system without having to login. The user can also enter the system through the browser history cache without entering login details. Since the issue of this notice a fix has been provided by the supplier which has been reviewed by Internal Audit and provides adequate assurance. Employee remuneration will be reviewed as part of final accounts testing
Urgent notice issued by Internal Audit for the Payroll System	Employee Remuneration	<ul style="list-style-type: none"> During Internal Audit testing of the Envoy Payroll system it was discovered that by logging into the training module it was possible to change other users passwords on the live Payroll system. Since the issue of this notice a fix has been provided by the supplier and was implemented immediately to internal audits satisfaction, but no evidence was available to this effect. Employee Remuneration will be reviewed as part of final accounts testing
Overpayment of leavers due to late notification to Payroll	Employee Remuneration	<ul style="list-style-type: none"> A review of leavers, by internal audit, from the Neighbourhoods Service found that management do not notify the Employee Life Cycle Team of leavers in a timely manner, resulting in salary overpayments. Sample testing has been undertaken as part of the Interim Audit process on a Council wide basis and found no further issues but Employee remuneration will be reviewed as part of final accounts testing.

Table 2: Additional key accounting risks and planned assurances (continued)

Issue	Audit areas affected	Audit approach
Internal Audit follow up of the Corporate Online Procurement System	Creditors	<ul style="list-style-type: none"> Follow up of a previous internal audit report found that from 16 recommendations raised only one had been addressed. The main issues that have not been addressed, in a manner that provides sufficient assurance, relates to the potential for fraudulent payments via the automated processing of orders below £300. With two known frauds perpetrated through the procurement system it is a weakness that needs addressing promptly. Creditor testing will be undertaken as part of the final accounts audit
Expiration of licenses for Capita AXIS AIM and ACR systems	Debtors Cash Management	<ul style="list-style-type: none"> As part of an Internal Audit review, it was noted that there was a potential loss of service provision as a result of licenses for the system expiring and no continuity plan having been undertaken to ensure continuity of service. Discussion with Head of Internal Audit confirmed that this issue had been resolved, without a loss of services, and therefore no further work will be required at final accounts

Results of Interim Audit Work

Scope

As part of the interim audit work, and in advance of our final accounts audit fieldwork, we considered:

- the effectiveness of the Internal Audit function;
- internal audit's work on the Council's key financial systems;
- the work of valuation experts employed during the accounting period;
- walkthrough testing and tests of controls to confirm whether controls are implemented as per our understanding in areas where we have identified significant accounting assertion risk; and
- a review of Information Technology controls

The internal audit function

We have reviewed internal audit's overall arrangements against the 2006 CIPFA Internal Audit Standards. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council. We also review work performed in areas we assess as representing an accounts risk to establish the issues and whether we can place reliance on the work.

We conducted a review of Internal Audit against the CIPFA standards and overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council. We noted however, that the internal audit follow up reports suggests that there is a weakness in the control environment as not all of the recommendations issued in the audit reports have been implemented by the time the follow up audit is undertaken.

In preparation for our final accounts audit, we sought to review internal audit's work on the financial systems.

We have noted that there are significant pressures being applied to the Internal Audit function to provide savings, in line with the Council's overall saving target, which has led to slippage in the agreed work plan. These cost saving pressures will also be applicable in 2012/13.

In assessing the effectiveness of internal audit work, we reviewed a sample of internal audit files against the CIPFA standards to ensure that:

- systems were adequately documented;
- key controls have been identified and evaluated;
- key controls have been tested; and
- weaknesses have been reported to management

We chose two files at random to review and in both cases, Bank Reconciliations and Cheque Control and Main Accounting System, the findings were consistent with the work carried out.

We noted from an overall review of audit recommendation ratings that the number of high risks identified did not always equate to a similar overall conclusion. Two reports had eight high risk recommendations but one was rated as 'needs improvement' and the other as 'poor'.

From review of Internal Audit reports and further discussion with the relevant officers a number of issues were identified that may have an impact on final accounts work. A review of bank reconciliation found that there were a number of variances that were not being investigated and a roll forward effect was produced on a month by month basis.

During discussion with management it was stated that the issues raised had now been addressed and that these would no longer be an issue going forward.

A similar issue was raised through Internal Audit review of feeder system reconciliations. Again it was found that these were not being completed and that unreconciled differences were not addressed. Again through discussion with management assurances have been provided that the issues raised have been addressed and will not exist in the coming financial year.

Payroll and expenses were also reviewed and two urgent notices were issued, one in relation to system access and one in relation to password control. Review and discussions found that the system access issue had been addressed and assurance provided to Internal Audit that this was the case. Management stated that the password issue had been addressed but no evidence has been provided to support this. Both of these issues have been reviewed as part of our IT audit work. See "Review of Information Technology Controls" for further information.

All these issues will be considered as part of final accounts and any follow up work undertaken by Internal Audit will be reviewed to ensure appropriate actions are being taken.

We reviewed a follow up report for the COPS procurement system and noted that from the original five audit conclusions rated as 'Needs Improvement' only one had been addressed and could now be classified as 'Satisfactory'. This is further supported by a number of recommendations that had not been implemented although it was noted that some mitigating factors existed. It is not the remit of Internal Audit to implement the recommendations, however it is within their role to ensure that the Council is addressing the issues. Internal Audit have therefore reported these recommendations as outstanding and plan to complete a follow up review to identify whether the recommendations have since been implemented. Failure to implement the recommendations means that control risks are not being rectified leading to potential fraud and misstatement. We have discussed the timing of the follow up review with Internal Audit and this will be completed before the conclusion of our final audit work.

Our review of the Internal Audit Function against the CIPFA standards revealed no significant issues and we were pleased to note from these files that no issues were identified with internal audit's work.

Closedown procedures

Our review considered the Council's timetable for closedown and the arrangements for preparing the draft accounts, including guidance provided on working papers required to be made available as part of the closedown process.

The Council has established a suitable timetable and expects to meet the deadline for submission of the accounts. The Council also expects to be able to provide detailed working papers to support the accounts at the start of our final accounts audit fieldwork, which is scheduled to commence on 2 July 2012, as well as providing the draft Annual Governance Statement and explanatory foreword in advance of this date.

Walkthrough testing and tests of controls

Walkthrough tests and tests of controls were completed in relation to the specific accounts assertion risks which we consider to present a significant risk of material misstatement to the financial statements.

We were able to complete the walkthrough and documentation of the following process

- Operating expenses
- Payroll
- Plant Property and Equipment
- Housing Benefits

We have been unable to complete the walkthrough of the following process as we are awaiting documentation to support the controls tested:

- HRA Revenues

We will review the documentation as part of our ongoing final accounts work and any significant issues identified will be subject to the normal audit process.

No significant issues were noted where walkthrough testing was able to be completed as planned, outside of those outlined in the Internal Audit review, and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Review of information technology controls

Bristol City Council makes use of a bespoke financial package, Corporate Finance System ('CFS'), to administer its accounts. The Council's Information Technology (IT) network is maintained internally by the Business change and ICT department.

Our information systems specialist reviewed the general IT control environment as part of our overall review of the internal control system and concluded that there were no material weaknesses which could adversely impact on the Council's financial statements.

The review also included a high level assessment of the Envoy payroll system upgrade process. No exceptions were noted.

We have, however, identified one area for improvement during the course of our work in this area. We do not consider it to pose a significant risk to the accounts, and have reported it to management.

CFS User access review;

No review of users access and permissions within CFS have been documented in the last 12 months.

In response to this area for improvement, ICT Information Management have sent a list of current CFS users to the CFS custodians requesting them to review and advise if current access is appropriate. If not, ICT have removed access. Management have confirmed that this has been implemented and on a monthly basis going forward payroll will advise ICT of all leavers so that IT can disable these accounts.

Journal entry controls

Journal testing carried out in previous years noted that officers and staff members creating and entering journals could do so without any further authorisation irrespective of the value of the journal. This has not been addressed for 2011/12 and therefore

detailed testing of any journal over the materiality level will be carried out as part of final accounts. We also reviewed journal entries for any unusual items or for those posted at weekends or late at night but no issues were identified. We will therefore gain assurance through testing of material journals to ensure that these are valid and that a reasonable explanation of why they have been raised is provided.

We also reviewed non-authorised journals that had been posted but none were above materiality. Therefore testing will look to see the reason why the journals have been posted to ensure that this is in line with Council policy.

Additional assurance work

To support the audit opinion for 2011/12, we have undertaken brief reviews in the following areas:

- VAT - a review of the Council's current arrangements will be completed to identify whether they are appropriate and to ensure VAT is accounted for correctly and in accordance with current legislation will be undertaken as part of the final audit work
- PAYE - in light of the overpayment issues identified by internal audit, we are in discussions with management for additional work to be performed in this area by our Employer Solutions Team

Appendices

Appendix A - Logistics

Timetables and milestones

The following proposed timetable and deadlines have been set and agreed with management:

Event	Date
Pre year end fieldwork including internal controls review	Mar 2012
Completion of outstanding internal controls reviews	June 2012
Statutory accounts emailed to auditor	21 June 2012
Commence accounts audit fieldwork	2 July 2012
Partner visit to review work	Late July 2012
Clearance meeting to discuss our findings	Late July 2012
Draft ISA 260 report to be issued by	31 Aug 2012
Report to Finance Audit and Risk Committee (ISA 260)	28 Sept 2012

The audit process is underpinned by effective project management to ensure that we coordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable. An agreed format and schedule of informal update arrangements will be maintained throughout the course of our audit fieldwork in support of this aim.

Engagement team

In accordance with our Audit Plan 2011/12 issued February 2012, the main engagement team for the accounts audit will include:

Name	Role	Contact details
John Golding	Engagement Partner	T: 0117 305 7802 E: john.golding@uk.gt.com
Gail Turner	Audit Manager	T: 02920 347 546 E: gail.turner@uk.gt.com
Emma Dowler	Executive	T: 0117 305 7619 E: emma.dowler@uk.gt.com
David Johnson	Executive	T: 0117 305 7727 E: david.a.johnson@uk.gt.com

Information requirements

The information and working paper requirements that would assist us in an efficient and timely audit of the year-end financial statements have been communicated to the finance team within our Arrangements Letter, issued in February 2012.

Appendix B – Action Plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	<p>CFS User access review</p> <p>There has not been a user access review of CFS users by the application custodians in the year. If user access is not reviewed by management on a regular basis, there is a risk that access granted to users becomes disproportionate to the users job roles and responsibilities over time. Such issues would not currently be identified in a timely manner.</p> <p>Furthermore, there is an increased risk of inadequate segregation of duties as individuals transfer roles within the business and their access rights are amended without due consideration of conflicting system privileges.</p> <p>It is our experience that over time, users will accumulate access privileges to areas they no longer require access to. As result, there is a need to ensure that user access reviews are undertaken at least once a year.</p> <p>We recommend that IT sends a list of access rights of staff to the CFS custodians and request them to state if the current access is appropriate.</p> <p>Where access is no longer required IT should remove it accordingly.</p>	Medium	<p>Management response:</p> <p>Payroll advise ICT on a monthly basis all BCC leavers and IT disable these accounts. ICT Information Management have sent a list of current CFS users to CFS Custodians requesting them to review and advise if current access is appropriate. ICT will remove access.</p>	<p>Responsible Officer: Systems and Data Manager</p> <p>Implementation Date: Completed</p>
2	<p>Bank Reconciliations</p> <p>During the financial year, the Bank Reconciliation process was moved from</p>	High	<p>The whole Finance department is undergoing a full review as part of the Council's Finance Change Programme. This includes the</p>	<p>Responsible Officer: Head of</p>

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
	<p>Corporate Finance into Shared Transaction Services (STS). Internal Audit reviewed the Bank Reconciliation process and issued eight high level risks and five medium level risks. The overall audit opinion issued was "needs improvement".</p> <p>We recommend that Management review the Bank Reconciliation process and determine an appropriate location for the work. From our discussions with Corporate Finance, it would appear that the most suitable location for this work would be within the Corporate Finance Department, where this could be supervised by the individual who has the knowledge and experience of the work. However, if this is to remain within STS, training needs to be undertaken so that staff have the appropriate level of knowledge. The Reconciliation and review process must be documented.</p>		<p>implementation of a new financial ledger and management system which will require the Council to fully review its financial processes and procedures. The initial review has indicated that all control and system reconciliation work including bank reconciliation is a corporate activity and should be undertaken within the Corporate Finance team.</p> <p>Arrangements are underway to transfer the work back to the Corporate team from STS.</p>	<p>Corporate Finance</p> <p>Implementation Date: September 2012.</p>
3	<p>Change Control Procedures</p> <p>During discussions with Corporate Finance and STS regarding the relocation of the Bank Reconciliation process there appeared to be a difference of opinion regarding the initial discussions and the proposals made. No change control procedure was in place controlling the move of the Bank Reconciliation Process from Corporate Finance to STS and thus there is no audit trail to identify the terms and conditions of the move or the subsequent impact to the Council.</p> <p>The current informal change control procedure adopted by the Council failed to deliver the desired outcome and therefore we recommend that the Council consider implementing a formal change control process to ensure that future movement of processes and services are adequately planned and the subsequent risks to the Council are identified and mitigated. The change control procedure should include the following elements as a minimum:-</p> <ul style="list-style-type: none"> • details of the situation before the proposed move; including the job titles, location, grades of staff completing the work, detailed notes surrounding how the work is currently being carried out and the current review and approval mechanism • the details surrounding the proposal including the specific reasons for change; including the job titles, location, grades of staff completing the work, detailed notes surrounding how the work is to be carried out and the 		Noted	

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
	<p>updated review and approval mechanism</p> <ul style="list-style-type: none"> • the plan of how the proposed move is to take place; including any proposed training, handover procedures and physical relocation of staff and equipment • identification of any potential impact to the Council and appropriate mitigation of risks • there should be a mechanism to store the change control documentation in order to periodically assess the cumulative impact of any changes • all change control documents should be approved by three signatures; the instigator of the change, the recipient of the change and a senior level approval. The senior level approval signatory should be identified as part of the change control procedure such that this officer has appropriate vision across the Council (ie the Director of Finance) 			
4	<p>Subsystems not being reconciled to the general ledger</p> <p>During the financial year the main accounting system reconciliations were transferred to STS. Internal audit completed a review of this area and issued a "poor" overall conclusion, highlighting the following risks:-</p> <ul style="list-style-type: none"> • Revenue and Capital Accounts and Cash Balances will not balance and the integrity of the system may be compromised • Feeder systems are not properly reconciled during the year and therefore significant demands will be put on staff at the year end • The accounts will not be completed within the statutory deadlines with implications for year end staffing resources <p>We recommend that Management review the Main Accounting Systems Reconciliations process and determine whether this is to remain in STS or be brought into Corporate Finance. From our discussions with Corporate Finance, it would appear that the most suitable location for this process would be within the Corporate Finance Department, where this could be supervised by staff who have the experience and knowledge of the work. However, if this is to remain in STS, training needs to be undertaken so that staff have the appropriate level of knowledge.</p>	High	This issue will be addressed as part of the response to issue 2 above.	<p>Responsible Officer: Head of Corporate Finance</p> <p>Implementation Date: September 2012.</p>

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
5	<p>Corporate Online Procurement System</p> <p>We reviewed a follow up report for the COPS system and noted that from the original five audit conclusions rated as 'Needs Improvement' only one had been addressed and could now be classed as satisfactory.</p> <p>We recommend that the recommendations issued by internal audit should be implemented to ensure that the potential for fraudulent activity is minimised.</p>	High	<p>Management response: The five audit conclusions are:-</p> <ul style="list-style-type: none"> • Fraudulent payments via the automated processing of orders < £300 A report is available for departments to enable them to check these payments. • Adding of fraudulent delivery addresses A number of users have the ability to add delivery addresses due to the nature of their work for example Events and deliveries that go to our housing stock. However budget managers would have sight of this. • Prices charged by contractors on web site not in accordance with agreed contract prices We would not be aware if contractors changed the prices on their website. • Ability to amend master data Initially the sourcing team and support team had the same access. Sourcing has now been transferred to the support team and access has been removed from the remaining team in Procurement. Only the support team have the ability to amend master data. • Inability to manage system access The support team are unable to remove access or delete users without authorisation this comes from ICT it would be more beneficial for this information to come from Payroll. 	<p>Responsible Officer: Systems and Data Manager</p> <p>Implementation Date: Completed</p>

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
			<p>Auditor Note: We are following up on two of the managements comments (Prices charged by contractors on web site not in accordance with agreed contract prices and Inability to manage system access) as we would like further clarification on these.</p>	

