

INTERIM AND FINAL GOVERNANCE REPORT RECOMMENDATIONS

Interim Recommendation	Final Recommendation	Recommendation	Responsibility	To be completed by	Priority	Date for completion	Comments	Progress	Evidence	System Reconciliations	Bank Reconciliations	Balance Sheet Control	Governance - Policies	Risk
Recommendation 1: Control Environment		ICT related policies should be up-to-date and made available to staff. The Council should provide training to increase awareness of ICT related risks.	ICT - Keith Hollins		Medium	31-Mar-12	The Council has too many ICT policies following LGR and we are in the process of reviewing and replacing these via the Information Security Forum.						✓	
Recommendation 2: Control Environment		The Council should redesign the 'leavers' procedure to ensure the Council deletes all staff leavers with access to any Council IT systems as soon as they leave. In addition, the Council should also ensure they collect all IT equipment as soon as the employee leaves the Council.	ICT - Paul Sanderson		High	31-Oct-11	A new procedure has been developed and will be approved by the ICT Liaison Group, prior to roll out.						✓	
Recommendation 3: Control Environment		The Council should complete exception reports to ensure they have disabled all dormant network accounts.	ICT - Keith Hollins		High	31-Oct-11	This will be addressed in the same way as recommendation 2						✓	
Recommendation 4: Control Environment		The Council should develop disaster recovery arrangements to ensure they can recover data if there is a serious disruption. A restore of each key system should be carried out yearly using a full back up of all data, operating systems and application software.	ICT - Steve Hodgson		High	31-Dec-11	In line with our ICT Strategy, the Council is focussed on business continuity rather than disaster recovery. Full resiliency testing has been performed successfully at Tanfield but this remains a single point of failure. All key systems are backed up with tapes and data removed off site but we will introduce test restores on an annual basis.						✓	
Recommendation 5: Control Environment		The Council should develop a formal change control policy.	ICT - Bob Gibson		Medium	31-Oct-11	The Council has developed a formal change control policy which is in the process of being rolled out to all parts of the ICT Services.						✓	
Recommendation 6: Migration of former district Information Systems		Officers should try to reduce the number of material information systems in a timely and efficient manner. This will help increase the robustness of the control environment and reduce the likelihood of key control weaknesses arising.	Financial Systems Manager/ICT		High	31-Mar-12	There has been a major exercise to transfer day-to-day financial operations from former District systems (Agresso and Masterpiece) to the corporate Oracle E-Business Suite. In addition a new county-wide Income Management System (ICON) went live with effect from 16 <sup>th</sup> March, since when all income transactions have been processed through a common Income bank account and the former District bank accounts will begin to be phased out. Since 1 April 2011 only a very limited range of transactions are processed through the old financial systems.  •Housing Benefit cheque payments (Chester-le-Street and City of Durham). •Council Tax/NDR refunds (Chester-le-Street). • Posting of sundry debt payments. •Processing of sundry debt credit notes and write-offs. •Transaction matching for bank reconciliation purposes. •Journal entries to maintain control account accuracy. •The above will be phased out during the next few months as the implementation of the new OpenRevenues System progresses and outstanding sundry debts are transferred to Oracle. This will facilitate significant savings in the operating costs of the old systems. With effect from 1 April 2012 therefore all user access to the former District financial systems (ie Agresso and Masterpiece) will be amended to view only, with the exception of those staff identified as needing to process items in the list above. Processing of sundry debt payments, credit notes and write-offs will be centralised within Financial Systems Section.			✓		✓	✓	
Recommendation 7: General Ledger		The Council should introduce the review and approval of all journals by a senior officer before they are entered into the general ledger. This will help identify errors before the journal is entered, and as a result save officers time amending the error.	Hilary Appleton	Hilary Appleton	Medium	31-Mar-11	The volume of journals processed will require consideration of this process to ensure that the review and approval of journals is done efficiently. As appropriate, Strategic Finance will issue instruction to all service accounting teams to review and approve journals prior to entering into the General Ledger.							✓
Recommendation 8: General Ledger		Officers should be able to provide evidence to support the existence of user access controls within the legacy systems. This will provide the Council with assurance that no inappropriate users have the ability to manipulate information within the general ledger without authorisation from a senior officer.	Hilary Appleton	Financial Systems	Medium	31-Dec-11	In Oracle, only users with superuser, ledger manager and General Ledger standard users can enter/change journals. These users, when granted the responsibility, have their access approved by their line manager and service accountant. User access in the legacy systems is reducing with the de-commissioning of the legacy systems.							✓
Recommendation 9: General Ledger		Officers should review all users with access to the legacy systems. All users who no longer need to use the legacy systems or who left the Councils employment should have their access removed.	Michael Ross	Financial Systems	High	Complete	- From March 2011 a monthly list of payroll leavers is being received from the Payroll process in section and compared with current Oracle users and any who have left are having their access terminated. A monthly check is also done on users who have not accessed Oracle in the last 12 months and they also have their access terminated. A review of access to Agresso was performed earlier in the year and it is expected that by 30 September 2011 all update access to Agresso will be removed for all users.							✓
Recommendation 10: General Ledger		The Council should review all opening balances to ensure the general ledger carries them forward accurately. Documentation of the review and approval by a senior officer should be kept on a hard copy file to provide clear evidence of the reviews completion.	Hilary Appleton	Strategic Finance	Medium	31-Dec-11	Agreed. This is a process that will be documented by Ledger Management and Systems Support teams.			✓		✓		
Recommendation 11: General Ledger		The Council should complete regular trial balances, for example quarterly. Officers should then review the trial balances to ensure the general ledger nets to zero.	Hilary Appleton	Strategic Finance - Ledger Management	High	Completed - 30 -Apr-11	Agreed. Being undertaken weekly, daily during the final accounts period. In addition, trial balances are provided by Systems Support as part of the Balance Sheet Control exercise.			✓		✓		
Recommendation 12: General Ledger		The Council should complete the payroll dataset to general ledger reconciliation for the period April to August 2010. Suitable assurance will then be gained over the completeness of payroll transactions within the general ledger for all 2010/11.	Hilary Appleton	Strategic Finance - Ledger Management	Medium	Completed - 30 -Jun-11	Completed - Completed to 31 March 2011. Resourcelink dataset being reconciled to Oracle at the point of processing.			✓				
Recommendation 13: General Ledger		The Financial System Support team should undertake a review of the general ledger interface file to identify whether it is possible to lock the upload file.	Hilary Appleton	Financial Systems	Medium	30-Sep-11	Agreed. This will be investigated to investigate whether this is possible.							✓

Interim Recommendation	Final Recommendation	Recommendation	Responsibility	To be completed by	Priority	Date for completion	Comments	Progress	Evidence	System Reconciliations	Bank Reconciliations	Balance Sheet Control	Governance - Policies	Risk	
<b>Recommendation 14: Payroll</b>		The Council should introduce an approved signatories list, either the payroll department or individual service departments could complete the signatories list. Officers should then use the signatories list to verify that approved signatories are approving both hard copy time sheets and expense claims. This would reduce the risk of fraudulent time sheets and expense claims being paid.	Nick Orton	Nick Orton	Medium	asap	Given the number of forms that are processed, combined with the large number of authorised signatories, it would be very difficult to implement and to maintain such a list and it is not clear how effective it would be in any case. Electronic spreadsheet submission option is an area that is under consideration that would answer the authorised approval issue, provided the auditors were satisfied that information coming from a known e-mail address was effectively 'signed'. Electronic submission is a route Payroll wants to encourage, however it is not something that can be implemented very quickly. As an interim resolution, line managers will route the claim forms through the next tier of management to be countersigned. It would add an extra step into the process and probably would be unpopular as it would delay claim processing but it would reduce the number of authorised signatories and payroll would have increased confidence that the forms had been processed through the correct  Payroll get the majority of timesheets in large batches so we will explore the practicality of introducing a cover sheet to be enclosed that effectively authorises everything within the batch. Payroll will choose the wording on the cover sheet and the designated Manager/Clerk will sign that. This would not cover everything as there are lots of claims that arrive in small batches, we would also have to make sure the batches weren't split up before we got them. Checking signatures will be a time-consuming option and we could still end up with a very long signatory list so the process will be kept under review. When MyView (ResourceLink's self-service web based facility) is introduced in the schools (by 31.03.12 for the secondary schools) they will all be inputting directly into ResourceLink. School business managers could potentially input claims direct onto MyView. This could be rolled out to Home Care clerks etc as well. This would result in a paperless authorisation process with the security resting on system access.							✓	
<b>Recommendation 15: Accounts Payable</b>		Different officers should verify and certify for payment non-purchase order invoices. The accounts payable section should refuse to pay invoices where this segregation of duties has not taken place.	Accounts Payable Manager	Accounts Payable Manager	High	Complete - immediate effect	Non-order invoices which are not verified and certified by different officers are being returned to Services by Accounts Payable staff in order to be appropriately completed prior to processing.							✓	
<b>Recommendation 16: Accounts Payable</b>		The Council should introduce a formal procedure for approving the pay run. This should involve an independent senior officer reviewing the payment file to ensure that all amounts within the pay run appear reasonable.	Accounts Payable Manager	Accounts Payable Manager	High	31-Mar-12	Only 5 senior officers are set up to process pay runs independently of data input processing. However for operational reasons and only in exceptional circumstances, the same staff have been required to input payments into the Accounts Payable system – this is kept to a minimum. Generally payment files are not reviewed due to the high volume of transactions.							✓	
<b>Recommendation 17: School Information Management System (SIMS)</b>		The Council should ensure that only an appointed member of staff or appointed team can order goods or services within Schools. This would then ensure that employees cannot bypass the procurement controls in place within the SIMS system.	Paul Turgoose	Paul Turgoose	Medium	Completed - 31-Mar-11	Schools are advised of the need to have appropriate 'division of responsibilities' within their ordering/invoicing procedures and this is reiterated at regular Internal Audit visit stage. A senior staff member has to authorise invoice batches processed by office staff. In addition, orders are to be placed in all cases unless a valid reason for not doing so e.g. telephone/utility bills. Schools are also told that any emergency verbal orders must be followed up as soon as possible with a printed SIMS order confirmation. Very occasionally, a teacher may have ordered goods unbeknown to office staff until the goods/invoice suddenly appear but this is not recommended. Within schools in County Durham, ranging from 15 pupils to 1,400 pupils, logistics sometimes prevent a full division of responsibilities but this is not condoned and schools are informed accordingly if we find out about it.							✓	
<b>Recommendation 18: Oracle Projects</b>		The Council should introduce an approved signatories list for use at Service Direct. Officers should then use the signatories list to verify that only approved signatories are approving hard copy extraction forms.	Philip Curran	Philip Curran	Medium	30-Sep-11	Agreed							✓	
<b>Recommendation 19: Oracle Projects</b>		The Council should document Surveyors inspection and approval of completed jobs either in Oracle Projects or in a hard copy report format.	Philip Curran	Philip Curran	Medium	30-Sep-11	Agreed							✓	
<b>Recommendation 20: Oracle Projects</b>		The use of the former Highways system is mainly a technical issue that Systems support should address.	Philip Curran	Philip Curran	Medium	30-Sep-11	Former Highways system is still used by Estimating teams within Highways Operations for technical/ design issues rather than Financial Management, but Philip Curran to discuss this issue with Neil Harrison (Financial Support Manager – Neighbourhoods) and to determine what assistance is required by Systems Support.							✓	
<b>Recommendation 21: Business Rates (NNDR)</b>		The Council should introduce monitoring schedules at all Council sites to ensure regular visits to all unoccupied properties. This will help ensure that all properties that should be paying NNDR are.	Angela Searle	Angela Searle	Medium	01-Apr-12	Re-structure being undertaken during the summer of 2011 to resolve staffing shortages.							✓	
<b>Recommendation 22: Business Rates (NNDR)</b>		The Council should keep a confirmation of the review and approval of the NNDR system parameters upload on file.	Alan Weddle / Angela Searle	Alan Weddle / Angela Searle	Medium	01-Apr-12	To be checked at the annual billing process.							✓	
<b>Recommendation 23: Council Tax</b>		The Council should introduce monitoring schedules at all Council sites to ensure regular visits to all unoccupied properties. This will help ensure that all properties that should be paying Council Tax are.	Angela Searle	Angela Searle	Medium	01-Apr-12	To be resolved during the re-structure being undertaken during the summer of 2011.							✓	
<b>Recommendation 24: Council Tax</b>		The Council should keep a confirmation of the review and approval of the Council Tax system parameters upload on file.	Alan Weddle / Angela Searle	Alan Weddle / Angela Searle	Medium	01-Apr-12	To be checked at the annual billing process.							✓	
<b>Recommendation 25: Housing Benefits</b>		Processors should use and keep on file the Councils pro forma to document how they have identified claimants were receiving either Income Support or Job Seekers Allowance.	Cate Blackburn	Cate Blackburn	High	01-Aug-11	Staff have been trained to fully complete the pro-forma.							✓	
<b>Recommendation 26: Housing Benefits</b>		The Council should introduce a formal procedure for approving the pay run. This should involve a senior officer reviewing the payment file to ensure that all amounts within the pay run appear reasonable.	Michelle Waters	Michelle Waters	High	01-Jan-12	Pay runs will be the responsibility of the Support team following the restructure. Processes will be put in place at this point.							✓	
<b>Recommendation 27: Housing Benefits</b>		The Council should keep confirmation of the review and approval of the Housing Benefit system parameters upload on file.	Alan Weddle / Lisa Salkeld	Alan Weddle / Lisa Salkeld	Medium	01-Apr-12	To be checked at the annual billing process.							✓	
<b>Recommendation 28: Housing Benefits</b>		The Council should review the weaknesses identified and satisfy themselves there is no risk of subsidy implications arising because of the weaknesses.	Tracey Robinson	Tracey Robinson	High	01-Apr-12	Agreed and complete.							✓	

Interim Recommendation	Final Recommendation	Recommendation	Responsibility	To be completed by	Priority	Date for completion	Comments	Progress	Evidence	System Reconciliations	Bank Reconciliations	Balance Sheet Control	Governance - Policies	Risk
<b>Recommendation 29: Bank Reconciliations</b>		The Council should produce all bank reconciliations punctually to ensure effective control in this area.	David Watchman	David Watchman	Medium	01-Jan-12	Agreed				✓			
<b>Recommendation 30: Bank Reconciliations</b>		The Council should produce bank reconciliations for all bank accounts.	David Watchman	David Watchman	Medium	01-Jan-12	Agreed				✓			
<b>Recommendation 31: Bank Reconciliations</b>		The Council should ensure that all former district bank reconciliations are reconciled to both the former district general ledger and the Oracle general ledger. The Council should inspect and resolve all differences.	David Watchman	David Watchman	High	30-Sep-11	Agreed				✓			
<b>Recommendation 32: Bank Reconciliations</b>		The Council should ensure the review and approval of all bank reconciliations by a senior officer. This will then highlight any errors and incompleteness. The Council should document the review on the reconciliation.	David Watchman	David Watchman	High	30-Sep-11	Agreed				✓		✓	
<b>Recommendation 33: Bank Reconciliations</b>		The Council should formalise the control of former District Council chequebooks.	Hilary Appleton	David Watchman	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items.							✓
<b>Recommendation 34: Housing Rents</b>		The Council should keep confirmation of the review and approval of the new housing rents calculation and system parameters upload on file.	Azhar Rafiq	Azhar Rafiq	Medium	30-Sep-11								✓
<b>Recommendation 35: Material Information System Reconciliations</b>		The Council should ensure the review and approval of all reconciliations by an independent senior officer. The Council should document this review on the reconciliation.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items.							✓
<b>Recommendation 36: Material Information System Reconciliations</b>		All reconciliations should disclose the name of the reconciliation preparer. This will then clearly evidence a segregation of duties between the roles of preparer and reviewer.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items.							✓
<b>Recommendation 37: Material Information System Reconciliations</b>		The Council should produce all reconciliations punctually. This will ensure the quick identification and correction of errors.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items.			✓				✓
<b>Recommendation 38: Material Information System Reconciliations</b>		The Council should ensure the completion of all reconciliations listed above. This will provide officers with assurance over the completeness of the financial statements.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items.			✓		✓		✓
<b>Recommendation 39: Material Information System Reconciliations</b>		The Council should provide supporting documentation for all reconciliation balances.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items			✓		✓		
<b>Recommendation 40: Material Information System Reconciliations</b>		The Council should ensure that both the accounts payable and accounts receivable control account balances for the Derwentside site are split in the Oracle general ledger.	Hilary Appleton	Various - see list of reconciliations	High	31-Dec-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items			✓		✓		
<b>Recommendation 41: Material Information System Reconciliations</b>		The Council should ensure that all reconciliations include the opening balances from the general ledgers. As otherwise the reconciliation is incomplete.	Hilary Appleton	Various - see list of reconciliations	High	30-Jun-11	Agreed. The importance of this is recognised and formal processes have been established for control accounts and balance sheet items			✓		✓		
<b>Recommendation 42: Early Substantive Testing</b>		The Council should ensure that cost centres are included only once in the financial statements as well as allocated to the correct BVACOP heading	Hilary Appleton	Strategic Finance	High	30-Jun-11	Comments At the time the Auditor's did their interim testing, the downloads that were provided for the hierarchy was a work in progress, and provided with that 'health warning'. Although there should not be duplicates, Systems Support will create a check to do this weekly as well as identifying any omissions from the hierarchy.							✓
<b>Recommendation 43: IFRS Restatement</b>		Officers should provide the IFRS restated opening balances as soon as possible.	Hilary Appleton	Strategic Finance	High	30-Jun-11	.Provided as part of the Statement of Accounts and working papers.							✓
<b>Recommendation 1</b>		Ensure sufficient resource is devoted to completing the transition to a single assets register as a matter of urgency.	Don McLure	Capital Team / Assets Team	High	31-Dec-11	A project team has been put in place to ensure this is completed by the end of 2011. A project plan has been established and work is underway. Progress against this plan is being closely monitored and update reports will be taken to future Audit Committee meetings.			✓		✓		✓
<b>Recommendation 2</b>		Ensure quality control and internal review processes are strengthened as part of the close down process for 2011/12.	Don McLure	Strategic Finance	High	31-Jan-12	This will be revisited as part of a review of lessons learned from this year. Good practice has been identified and will be used to inform this.							✓
<b>Recommendation 3</b>		Ensure the draft financial statements include all relevant accounting entries for the year under review.	Don McLure	Strategic Finance	High	30-Jun-12	This will be incorporated into revised quality control and internal review processes as part of arrangements for producing the 2011/12 financial statements.							✓
<b>Recommendation 4</b>		Ensure closedown arrangements are managed against a close down plan, clearly identifying roles, responsibilities and target dates.	Don McLure	Strategic Finance	High	31-Jan-12	This will be revisited as part of a review of lessons learned from this year. Good practice has been identified and will be used to inform this.							✓
<b>Recommendation 5</b>		Ensure working papers used to prepare the financial statements are collated and maintained to support the audit and financial statements on a timely basis.	Don McLure	Strategic Finance and Financial Services	High	30-Jun-12	This will be incorporated into revised closedown procedures for producing the 2011/12 financial statements.							✓
<b>Recommendation 6</b>		Complete reconciliations for accounts receivable and payable to the ledger for all former districts on a monthly basis and evidence this review.	Don McLure	Strategic Finance and Financial Systems	High	Complete	This has already been addressed for 2011/12.			✓		✓		✓
<b>Recommendation 7</b>		Perform a self review of compliance against disclosure requirements using the CIPFA disclosure checklists as part of future years' quality assurance processes.	Don McLure	Strategic Finance	High	30-Jun-12	This will be incorporated into revised quality control and internal review processes as part of arrangements for producing the 2011/12 financial statements.							✓