Interim governance report

Durham County Council

Audit 2010/11

DRAFT

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Contents

Introduction

1   The Audit Commission's Code of Audit Practice requires that I give an opinion on the Council's annual financial statements. I am required to plan and perform my work to meet International Standards on Auditing (UK and Ireland) (ISAs).

2   My work on Durham County Council's (the Council's) annual financial statements is split into two parts.

■   Pre statements audit (interim audit):
   –   updating, documenting and walking through your systems;
   –   identifying and testing key controls, where applicable;
   –   reviewing the implementation of IFRS; and
   –   any early substantive testing.
■   Post statements audit:
   –   testing material balances and ensuring the financial statements are in line with accounting standards.

3   I undertake my pre statements audit work from January to June 2011. This report summarises my preliminary findings on work so far. The work is substantially complete although I have yet to complete my walkthrough tests on the:

■   new cash receipting system (ICON) introduced in mid-March 2011; and
■   fixed assets register due to the processing of many transactions in April and May 2011.

4   I will undertake my post statements work from July to September 2011 and will report on this separately in September 2011.

Audit approach

Pre statements audit

5   There are two stages to my audit approach for considering the controls within material information (financial and non-financial) systems.

- understanding the entity; and
- addressing identified risks in the audit.

6   Understanding the entity includes gaining an understanding of the Council's control environment, information systems and their control procedures. The information systems include the general ledger and all the subsystems (both financial and non-financial) that produce material entries in the financial statements.

7   The work I have completed is as follows.

- Stage 1: carry out a risk assessment of the general environment within which the Council's information systems work.
- Stage 2: map the interfaces of all information systems to the general ledger to find which systems provide the data for the material balances within the accounts.
- Stage 3: document the processes and controls in place within each system and undertake a walkthrough to ensure the system is working as stated.
- Stage 4: identify the key controls that ensure the integrity of the accounting entries and get evidence that they are working as intended.
- Evaluate the risks of material misstatement from the results of the steps above.

8   This work identifies the extent to which I can gain assurance from the controls the Council has put in place, and informs the testing strategy for the financial statements presented for audit.

9   I assess whether I intend to rely on key controls or undertake substantive testing, whichever is the most effective and efficient. Obviously for some risks of material misstatement, for example around year-end cash balances, substantive third-party confirmation provides more assurance than relying on controls within the cash and bank system.

10   My first testing strategy, as reported in my audit plan earlier this year, showed that as last year it was likely that I would carry out a largely substantive audit. This is because it would be more effective until all former systems are transferred to one common system.

11   As last year, I have again identified many material information systems (62), because of the number of legacy systems still in use following Local Government Reorganisation (LGR). I have set these out below.

- General Ledger (8).
- Payroll (1).
- Accounts Payable (8).
- Accounts receivable (8).
- Schools Information Management System - SIMS (1).
- Social services information Database - SSID (1).
- Treasury Management - Loans and Investments (1).
- Oracle projects (1).
- Fixed Asset Register IPF and Spreadsheets (1).
- Business rates - NNDR (7).
- Housing benefits (7).
- Cash and bank systems including cash receipting and bank reconciliations (7).
- Council tax (7).
- Housing rents (3).
- Repairs and Maintenance (1).

12   Officers are well aware of the implications of this largely substantive approach (more work for both officers and auditors over a concentrated period of time July to September 2011). Regular reports to Members have highlighted progress to date in migrating systems.

Opinion risks

13   My opinion audit plan set out the significant and specific risk areas for review during the audit as:

- Achieving IFRS implementation (significant).
- Improving reconciliation controls, including bank accounts (specific).
- Improving journal authorisation (specific).
- Producing group accounts (specific).
- Addressing internal control weaknesses reported 2009/10 (specific).

Early Substantive testing

14   The plan also outlined possible areas where we could carry out early substantive testing at the interim stage to try to reduce the burden in the July to September period:

- Year-end feeder system reconciliations.
- Income and expenditure testing.
- Payroll predictive analytical review and testing.

Main conclusions

Control environment

15   I undertook an IT risk assessment to assess whether I could rely on the IT control environment. This helps to identify IT issues that could impact on my opinion testing plan. I decided the Council has an effective overall IT control environment. However, my review has identified areas that should be addressed to strengthen the arrangements in place at the Council:

- ICT policies are out-of-date and awareness among staff seems weak.
- Staff that leave the Council's employment do not have their access to business systems and the network removed quickly. This is in part because of poor communication between line managers, HR and ICT. I was unable to find any policy document that defines how long a user account should remain idle before deletion. A network report of all user accounts not used for 6 months has been sought several times and has not yet been provided.
- Disaster recovery arrangements appear weak. No disaster recovery arrangements are currently in place for the main server room at Tanfield, although discussions are being held with a neighbouring authority to do this. It is a single point of failure. Its loss would reduce all ICT systems service to zero. Officers state that 'The only part of business continuity we have is a tape library at County Hall that could be used in a disaster recovery scenario as well as the offsite tapes from Tanfield'. In addition ICT officers have confirmed that they do not carry out testing.
- No overall change control policy is in place. However, there are procedures for staff to follow but a policy would make them compulsory.

Recommendations

R1   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.

R2   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.

R3   The Council should complete exception reports to ensure they have disabled all dormant network accounts.

Recommendations

R4 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.

R5 The Council should develop a formal change control policy.

Migration of former Information Systems

16 I have identified many material information systems (62) in use during 2010/11 at the Council. The vast number of material information systems continue to perpetuate control weaknesses. Officers are aware of this position and are reporting regularly to Members on progress .

Recommendation

R6 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.

Material information systems

17 My review of the material information systems identified several key control weaknesses. For the general ledger there are issues that may lead to a material misstatement of the financial statements. My review focused on confirming that systems are performing as described (and documented). Several of the weaknesses identified were also highlighted in 2009/10.

General Ledger

18 I identified 3 issues that could result in a possible material misstatement within the financial statements. I have documented these below:
- The review and approval of manual journals by independent officers does not take place.
- Officers could not provide assurance that controls exist over journal entry and the ability to amend account codes within the legacy systems.
- Several general ledger users with the ability to post journals and amend account codes have left the Council. However, they still have access to the legacy system general ledgers.

19 I also identified the following key control omissions and weaknesses:
- The general ledger automatically carries forward opening balances. However, officers do not review or test opening balances to ensure the carried forward balances are accurate.
- The Council does not perform regular trial balances. The resulting risk is the general ledger does not net to zero and that is not identified until the year-end.

- It is possible to alter the payroll dataset upload file before it's uploaded to the general ledger. Officers have introduced a reconciliation between the payroll dataset and the general ledger to provide assurance over the accuracy of the upload. However, officers have only performed this reconciliation since September 2010.
- It is possible to alter the general ledger interface files received from the former district council's general ledgers before they are uploaded to the Oracle general edger.

Recommendations

R7 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.

R8 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.

R9 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.

R10 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.

R11 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.

R12 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.

R13 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.

Payroll

20 The payroll walkthrough identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:
- The payroll department do not keep an approved signatories list to help ensure that only approved officers are approving hard copy time sheets and expense forms.

R14 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.

Accounts Payable

21 The accounts payable walkthrough identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:

■ Several non-purchase order invoices were verified and certified for payment by the same officer. The roles of verifying and certifying the invoice for payment should be split between two officers, to try to reduce the risk of fraudulent invoices being processed.

■ The BACS payment file is not reviewed by an independent senior officer. Instead the individual who creates the payment file approves it for payment. This increases the risk of the Council paying inappropriate invoices.

R15 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.

R16 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.

School Information Management System (SIMS)

22 The SIMS walkthrough identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:

■ The School raised a purchase order after they had received both the invoice and the goods. This is therefore evidence of employees bypassing the procurement system.

R17 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.

Oracle Projects

23 The Oracle Projects walkthrough identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:

- Service Direct does not keep an approved signatories list. It is therefore not possible to verify that extraction forms, which Site Supervisors sign to confirm the quantity of goods received before payment of the invoice, have been completed by a suitable employee.
- Service Direct does not keep evidence of Surveyors inspecting and approving completed jobs. The risk is the surveyors do not inspect and approve completed jobs which will affect the valuation of the work completed, which may either over or under state the value of Durham County Council assets in the financial statements.
- The Neighbourhoods Financial Support Team is using both Oracle projects and the Highways System (System used before the introduction of Oracle). This is because they are finding it difficult to record non-financial information such as dates in Oracle.

R18 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.

R19 The Council should document Surveyors inspection and approval of completed jobs either in Oracle Projects or in a hard copy report format.

R20 The use of the former Highways system is mainly a technical issue that Systems support should address.

Business Rates (NNDR)

24 The NNDR walkthroughs identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:

- Due to staffing issues there is no monitoring schedule for unoccupied properties.

- The Council do not keep evidence of the senior officer review of the annual NNDR system parameters. The review would help ensure that NNDR system parameters are accurate. Inaccurate parameters would result in inaccurate NNDR charges.

Recommendations

R21 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.

R22 The Council should keep a confirmation of the review and approval of the NNDR system parameters upload on file.

Council Tax

25 The Council Tax walkthroughs identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:
- Due to staffing issues there is no monitoring schedule for unoccupied properties.
- The Council do not keep evidence of the senior officer review of the annual Council Tax system parameters. The review would help ensure that Council Tax system parameters are accurate. Inaccurate parameters would result in inaccurate Council Tax charges.

Recommendations

R23 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.

R24 The Council should keep a confirmation of the review and approval of the Council Tax system parameters upload on file.

Housing Benefits

26 The Housing Benefits walkthroughs identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:
- For several of the claims tested the Council had not kept enough supporting documentation on which to prove the claimant's right to Housing Benefit, based on their right to Income Support and Job Seekers Allowance. This is because the processing officers had not documented (by using the authority wide pro forma) how they had proved the claimant's were receiving either Income Support or Job Seekers Allowance.
- The Council has not kept evidence of review by an independent senior officer of the BACS payment file before the payment is made.

- The Council do not keep sufficient evidence of the senior officer review of the annual housing benefit system parameters. The review would help ensure that housing benefit system parameters are accurate. Inaccurate parameters would result in inaccurate Housing Benefit calculations.

27   In addition, control weaknesses that have no impact on the financial statements audit, but that will impact on the Housing Benefits Grant claim audit, have been identified and are detailed below:

- A Housing Benefit calculation tested used an inaccurate eligible rent figure. This has resulted in an overpayment to the claimant. This is a Local Authority error and is ineligible for subsidy.
- The assessor has used an inaccurate income figure when calculating a Housing Benefit claim. This has resulted in an underpayment to the claimant. The outstanding Housing Benefit claim would be eligible for subsidy if the error was identified.
- A Housing Benefit calculation tested used an inaccurate Local Housing Allowance (LHA). This has resulted in an underpayment to the claimant.
- Due to staffing shortfalls, in part caused by work undertaken for the Housing Benefits audit, no accuracy checks were undertaken during October 2010. Given the errors found on the accuracy checks for the rest of 2010/11, the Council should satisfy itself there will be no subsidy implications.

Recommendations

R25 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.

R26 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.

R27 The Council should keep confirmation of the review and approval of the Housing Benefit system parameters upload on file.

R28 The Council should review the weaknesses identified and satisfy themselves there is no risk of subsidy implications arising because of the weaknesses.

Bank Reconciliations

28   The bank reconciliation walkthroughs identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:

- As at February 2011, bank reconciliations at several former district sites had not been completed punctually. Three former district sites had only just completed bank reconciliations for November 2010. The reconciliations are now up to date with the exception of two districts.

- Bank reconciliations have not been completed for all bank accounts. For example, at Easington only three out of six bank accounts have been reconciled to the general ledger.
- All former district bank reconciliations reconcile the bank balance back to the former district general ledger. However, no reconciliation reconciles the bank balance back to the Oracle general ledger. This has resulted in differences occurring between the bank balance and the balance in the Oracle general ledger.
- The former district council's bank reconciliations are submitted centrally every month. However, there has not until recently been any review of the reconciliations, leading to errors and incompleteness.
- At all former district sites there has been no control over the existence, location or use of 'emergency payments' chequebooks. This increases the risk of unauthorised transactions occurring.

Recommendations

R29 The Council should produce all bank reconciliations punctually to ensure effective control in this area.

R30 The Council should produce bank reconciliations for all bank accounts.

R31 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.

R32 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.

R33 The Council should formalise the control of former District Council chequebooks.

Housing Rents

29 The housing rents walkthroughs identified no inherent or specific risks of material misstatement. However, the following key control omissions and weaknesses were identified:
- The Council do not keep enough evidence of the senior officer review of the annual housing rents new rent calculation and system parameters upload. The review would help ensure that housing rents system parameters are accurate. Inaccurate parameters would result in inaccurate housing rent charges.

R34 The Council should keep confirmation of the review and approval of the new housing rents calculation and system parameters upload on file.

Material Information System Reconciliations

30 The Council undertakes the following material information system reconciliations:

- Accounts Payable Control Account to General Ledger.
- Accounts Receivable Control Account to General Ledger.
- Council Tax system to General Ledger.
- Business Rates (NNDR) to General Ledger.
- Housing Rents to General Ledger.
- Housing Benefits to General Ledger.
- Payroll to General Ledger.
- Oracle Projects to General Ledger.
- Schools Information System (SIMS) to Accounts Payable.
- Schools Information System (SIMS) to Accounts Receivable.
- Social Services Information Database (SSID) to Accounts Payable.
- Council Tax property band report to VOA schedule.
- Business Rates (NNDR) property band report to VOA schedule.
- Housing Benefits to Council Tax.
- Housing Benefits to Housing Rents.
- Treasury Management Investments Schedule to General Ledger.
- District General Ledger (Legacy systems) to Unitary General Ledger (Oracle General Ledger).

31 I have reviewed all reconciliations undertaken by the Council, and I have identified the following general weaknesses which apply to most of the reconciliations:

- The Council has not provided evidence of the review and approval by an independent senior officer for several reconciliations.
- The Council has not provided evidence of the reconciliation preparer for several reconciliations. As a result it is not possible to gain assurance there has been a segregation of duties between the roles of preparer and reviewer.
- The Council has not prepared reconciliations punctually. This has resulted in officers having difficulties reconciling old balances. In addition, the Council has not completed some reconciliations during 2010/11. Therefore resulting in officers having limited assurance over the completeness of some material information systems.
- The Council has not provided supporting documentation to support all balances included in the reconciliations. In addition, several large reconciling items have no supporting documentation.

- During the original mapping of accounts payable and accounts receivable control accounts from the Derwentside legacy systems to Oracle an error occurred. This has resulted in both the accounts payable and accounts receivable control account balances being included in the same Oracle account.
- Some reconciliations have reconciled all in year balances during 2010/11. However, they have not reconciled the opening balances brought forward from the former district sites as at April 2009 as well as the opening balance within Oracle for April 2010.As a result the reconciliations do not reconcile the total balance.

Recommendations

R35 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.

R36 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.

R37 The Council should produce all reconciliations punctually. This will ensure the quick identification and correction of errors.

R38 The Council should ensure the completion of all reconciliations listed above. This will provide officers with assurance over the completeness of the financial statements.

R39 The Council should provide supporting documentation for all reconciliation balances.

R40 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.

R41 The Council should ensure that all reconciliations include the opening balances from the general ledgers. As otherwise the reconciliation is incomplete.

Systems no longer in use after 2010/11

32 As part of my pre statements audit it was necessary to walkthrough material information systems in use during 2010/11, which the Council will not use in 2011/12. The systems no longer used by the Council belong to the former district council's with all sites now moving on to one central package for the accounts payable and accounts receivable systems. The walkthroughs identified no specific or inherent risks of material misstatement. However, several control weaknesses were identified. I have included the main weaknesses overleaf.

Former Accounts Payable Systems

I identified several weaknesses in the accounts payable systems used by the former district council's during 2010/11. These weaknesses include:

■ A lack of segregation of duties resulting in the same employee raising a requisition, approving a requisition, receipting the goods, and approving the invoice for payment. I raised this in 2009/10 as well.

■ The inability to walkthrough the former Market place requisitioning system at Easington as officers no longer had access to the system.

■ The creation of Purchase Orders after the invoice and goods were received. This is therefore evidence of employees bypassing the procurement system.

■ The use of an officers' BACS transmission card who no longer worked at the site to send invoice payments.

Former Accounts Receivable Systems

I identified several weaknesses in the accounts receivable systems used by the former district council's during 2010/11. These weaknesses include:

■ No evidence of the approval of Invoice request forms, which departments use to request the raising of invoices, by a senior officer.

■ Two sites did not restrict the ability to add new customers to the accounts receivable system. Instead all departments had the ability to add new customers. This increase the risk that identical accounts and inappropriate invoices are raised.

■ Several sites had poor debt recovery procedures, caused largely by staffing problems.

■ Departments were not reviewing Aged Debtor reports.

Early substantive testing

33 I have undertaken some early substantive testing on income and expenditure to reduce pressure on officers at one of their busiest times of the year. I am commenting early on this testing so officers can take suitable action to prevent errors in the financial statements.

34 The work is continuing but I have identified several cost centres allocated to multiple BVACOP headers in the Oracle general ledger. For example, Housing Benefits income transactions were coded to both Central Services to the Public and Children's and Education Services. I understand that officers have now corrected this. However, officers need to ensure there are no other instances of duplication.

35 I have also undertaken some early substantive testing on payroll. To carry out my predictive analytical review work on payroll, I have requested Full-Time Equivalent (FTE) data by month or quarter from the Payroll section. Details have now been received but need to be checked.

36 I compared gross pay data from general ledger reports with data from payroll reports and found the totals between the two sources to be consistent for the first 11 months of the year as expected. However, in month 12 the general ledger report exceeded the payroll report by £1.3 million. Officers have provided an explanation which will be checked during the audit.

Recommendation

The Council should ensure that cost centres are included only once in the financial statements as well as allocated to the correct BVACOP heading.

IFRS Restatement

IFRS restated opening balances were to be completed by Officers and provided to me by the 31 March 2011 for audit. However, as at 6 June 2011 officers have not provided the restated balances for audit. This will impact on the financial statements as well as possibly extending the audit.

Recommendation

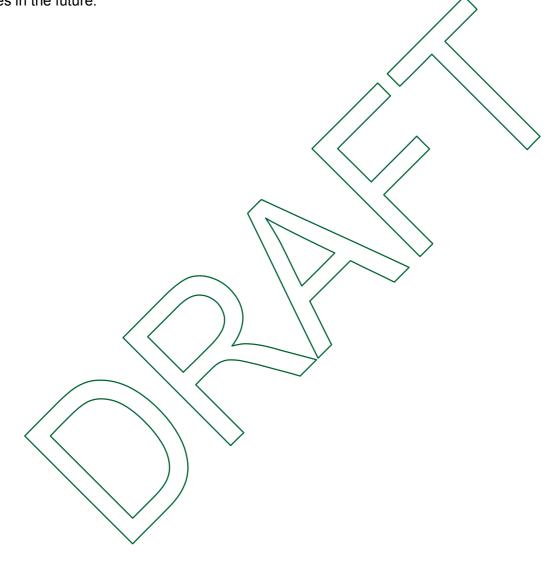**R42** Officers should provide the IFRS restated opening balances as soon as possible.

The way forward

37 The Audit Committee has a key role in ensuring that officers take suitable action to address the weaknesses identified. Successful implementation of actions to address these weaknesses will not only strengthen the Council financial systems, it should lead to reduced audit fees in the future.

Appendix 1 Action plan

Recommendations
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.

Responsibility	
Priority	
Date	
Comments	

Recommendations
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.

Responsibility	
Priority	
Date	
Comments	

Recommendations
Recommendation 3: Control Environment
The Council should complete exception reports to ensure they have disabled all dormant network accounts.

Responsibility	
Priority	
Date	
Comments	

Recommendations
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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 5: Control Environment

The Council should develop a formal change control policy.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 14: Payroll

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 15: Accounts Payable

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 16: Accounts Payable

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 17: School Information Management System (SIMS)

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 18: Oracle Projects

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 19: Oracle Projects

The Council should document Surveyors inspection and approval of completed jobs either in Oracle Projects or in a hard copy report format.

Responsibility	
Priority	
Date	
Comments	

Recommendation 20: Oracle Projects

The use of the former Highways system is mainly a technical issue that Systems support should address.

Responsibility	
Priority	
Date	
Comments	

Recommendation 21: Business Rates (NNDR)

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 22: Business Rates (NNDR)

The Council should keep a confirmation of the review and approval of the NNDR system parameters upload on file.

Responsibility	
Priority	
Date	
Comments	

Recommendation 23: Council Tax

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 24: Council Tax

The Council should keep a confirmation of the review and approval of the Council Tax system parameters upload on file.

Responsibility	
Priority	
Date	
Comments	

Recommendation 25: Housing Benefits

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 26: Housing Benefits

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 27: Housing Benefits

The Council should keep confirmation of the review and approval of the Housing Benefit system parameters upload on file.

Responsibility	
Priority	
Date	
Comments	

Recommendation 28: Housing Benefits

The Council should review the weaknesses identified and satisfy themselves there is no risk of subsidy implications arising because of the weaknesses.

Responsibility	
Priority	
Date	
Comments	

Recommendation 29: Bank Reconciliations

The Council should produce all bank reconciliations punctually to ensure effective control in this area.

Responsibility	
Priority	
Date	
Comments	

Recommendation 30: Bank Reconciliations

The Council should produce bank reconciliations for all bank accounts.

Responsibility	
Priority	
Date	
Comments	

Recommendation 31: Bank Reconciliations

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 32: Bank Reconciliations

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 33: Bank Reconciliations

The Council should formalise the control of former District Council chequebooks.

Responsibility	
Priority	
Date	
Comments	

Recommendation 34: Housing Rents

The Council should keep confirmation of the review and approval of the new housing rents calculation and system parameters upload on file.

Responsibility

Priority

Date

Comments

Recommendation 35: Material Information System Reconciliations

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.

Responsibility

Priority

Date

Comments

Recommendation 36: Material Information System Reconciliations

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.

Responsibility

Priority

Date

Comments

Recommendation 37: Material Information System Recoonciliations

The Council should produce all reconciliations punctually. This will ensure the quick identification and correction of errors.

Responsibility

Priority

Date

Comments

Recommendation 38: Material Information System Reconciliations

The Council should ensure the completion of all reconciliations listed above. This will provide officers with assurance over the completeness of the financial statements.

Responsibility

Priority

Date

Comments

Recommendation 39: Material Information System Reconciliations

The Council should provide supporting documentation for all reconciliation balances.

Responsibility	
Priority	
Date	
Comments	

Recommendation 40: Material Information System Reconciliations

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.

Responsibility	
Priority	
Date	
Comments	

Recommendation 41: Material Information System Reconciliations

The Council should ensure that all reconciliations include the opening balances from the general ledgers. As otherwise the reconciliation is incomplete.

Responsibility	
Priority	
Date	
Comments	

Recommendation 42: Early Substantive Testing

The Council should ensure that cost centres are included only once in the financial statements as well as allocated to the correct BVACOP heading.

Responsibility	
Priority	
Date	
Comments	

Recommendation 43: IFRS Restatement

Officers should provide the IFRS restated opening balances as soon as possible.

Responsibility	
Priority	
Date	
Comments	