



DERBY CITY COUNCIL

AUDIT AND ACCOUNTS COMMITTEE
24 SEPTEMBER 2009

Report of the Corporate Director Resources

ITEM 8

Interim Audit Action Plan Update 2009/2010

RECOMMENDATION

- 1.1 To note the progress made on the Interim Audit action plan 2009/2010.

SUPPORTING INFORMATION

- 2.1 The interim audit report from Grant Thornton, together with the action plan to address the observations/recommendations made in the report, was reported to this Committee in June 2009.
- 2.2 Appendix 2 provides a detailed update on progress made against the actions. The majority of actions have been completed, some in advance of the deadlines set in June 2009, and all outstanding actions are expected to be completed by December 2009.

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Background papers: None

List of appendices: Appendix 1 – Implications
Appendix 2 - Interim audit progress report

IMPLICATIONS

Financial

- 1.1 None directly arising

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

Equalities Impact

- 4.1 None directly arising

Corporate objectives and priorities for change

- 5.1 The areas that are to be subject to external audit or inspection are generally relevant to delivery of corporate objectives and priorities.

Interim Audit Action plan 2009/2010

Observation/Recommendation	Priority	Management Response	Progress Update September 2009	Responsibility / Timescale
<p>1 Cashiers - receipt books Testing identified:</p> <ul style="list-style-type: none"> instances whereby employees requesting receipt books had also signed to authorise the issue; and that guidance is not in place for the process of issuing receipt books. <p>As restricted stationary, we recommend that the Council introduces procedures which control the issue of receipt books.</p>	Low	Currently the role of Transitional Services following the restructure of the Financial Services division, but will be transferring to Customer Services. Sue O'Reilly and John Massey will look at receipt books and guidance.	The control and issue of receipt books was transferred to Customer Services in June 2009. New procedure notes have been written by the income and post manager, and are available for view.	John Massey Completed

Appendix 2

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<p>2 Cashiers - backup testing</p> <p>It was noted that periodic testing of backup data and recovery procedures is not performed.</p> <p>We recommend that this be undertaken on a regular basis to ensure that services can be quick reinstated.</p>	Medium	<p>The cash receipting application is able to work locally when the server is offline. If the server is unavailable, the system starts to save transactions locally and these are automatically transferred to the server as soon as it is back online. This means that even if the server goes down, transactional processing is not affected, we can continue to take payments off customers seamlessly, meaning no loss of service. Technically the server may go down and be rebooted but this is infrequent and might take around 5 minutes.</p> <p>A test will be undertaken to confirm the procedures will work in practice.</p>	<p>New procedures have been put in to place. A back up regime is being operated by Serco. This takes a full daily backup. Serco undertook a test restore on 30/06/09 and this will be done on a quarterly basis.</p>	<p>Lynda Innocent Completed</p>

Appendix 2

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<p>3 Creditors - Oracle guidance</p> <p>A walkthrough of systems identified that the guidance entitled 'How to use Oracle', which is available to employees on DerbyNet, is out of date. We understand that this document is part of a suite of documents being compiled into a collective Creditors and Payments manual.</p> <p>We recommend that 'How to use Oracle' is updated to reflect current processes and that any amendments are reflected in the Creditors and Payments manual.</p>	Medium	<p>Accepted with regard to team procedure notes.</p> <p>The Accounts Payable manual on Derbynet shows the current procedures to apply. We will be updating the manuals utilising an interactive training system (UPK) in the near future. This will take into account the changes to the Accounts Payable System that we will be implementing over the next few months.</p>	<p>Near completion. Team procedures are complete with the exception of cheque replacement. Target date for completion. 30/9/09.</p> <p>Procedures to be discussed at Team Meetings and subject to 6 monthly reviews.</p> <p>Interactive manuals have been made available on Oracle's help function since July 2009. All new changes and procedures will be put on line as and when produced</p>	<p>John Massey 30 September 2009</p>
<p>4 Creditors - one-off payments</p> <p>Checks should be introduced to ensure that one-off payments are not being made on a regularly basis to particular suppliers.</p> <p>In addition, our review identified that procedure documentation could set out more clearly:</p> <ul style="list-style-type: none"> • when it is appropriate to make a one off payment; • how these payments should be processed; • the checks that should undertake before officers process a one-off payment. 	Low	<p>Accepted. A manual has been written and circulated with form – form includes extra checks. Neil Day/ Rob Williams will be reporting regularly to departments on any issues – to begin end of May 2009.</p>	<p>Monthly payment reports highlighting one off payment are being circulated to departments.</p>	<p>John Massey Completed</p>

Appendix 2

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<p>5 Creditors - one-off payment authorisation Testing identified that:</p> <ul style="list-style-type: none"> • two out of three one off payment requests sampled had not been signed by an authorised signatory; and • a consolidated list of authorised signatories is not in place. Authorisation is instead recorded on a large number of individually signed pages in paper file. <p>We recommend that a single record of authorised signatories be created and periodically reviewed. We also recommend that controls are enhanced to ensure that one-off payments are not made without appropriate authority.</p>	High	<p>Accepted.</p> <p>We will engage with departments to assist them with developing their own internal checks, plus working to improve our own checks.</p>	<p>Procedure to be drafted for implementation by the earlier deadline of 30/9/09.</p> <p>Invoice approval hierarchy within Oracle is now in place. This improves controls by the setting and maintaining within the system of approval officers and limits.</p>	<p>Rob Williams 30 September 2009 (revised from 31/12/09).</p>
<p>6 Creditors - review of one-off payments We would expect a report of one off payments to suppliers to be reviewed on a regular basis by the Accounts Payable Manager. This control is not currently in place and we recommend that it be introduced.</p>	Low	In place.	In place – see point 4 above	<p>Rob Williams Completed</p>
<p>7 Council Tax - procedures documentation We noted from discussions that the procedures manual in this area does not reflect current working practice as it is out of date. We recommend that this be updated to reflect current procedures and that an annual review is introduced to ensure this is maintained.</p>	Medium	<p>Accepted with regard to team procedure notes.</p> <p>The procedures manual will be completed and maintained.</p>	<p>Near completion. Deadline for completion 31/10/09</p>	<p>Noreen Akhtar 31 October 2009. (revised from 31/12/09).</p>

Appendix 2

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<p>8 Council Tax - segregation of duties Council Tax officers assist Derby Direct during busy periods. We noted from discussion that this could result in Council Tax officers who action discounts and exemptions on Academy also taking payments on the Derby Direct system.</p> <p>We recommend that formal procedures are introduced to ensure segregation of duties is maintained between establishing the charge and collection/recovery.</p>	High	<p>Partially accepted.</p> <p>Staff need to retain the permissions to be able to process discounts, exemptions and take payments so that we can ensure agility within the service to manage our peaks in demand.</p> <p>We will be undertaking sample checking of payments taken to check on the integrity of transactions received onto customers' accounts.</p>	<p>Team leader have been put in place to check on transactions and on average, 5 out of 20 are checked.</p> <p>Formal procedure notes documenting the processes and checks will be produced. Deadline for completion 31/12/09.</p>	John Massey 31 December 2009
<p>9 Council Tax - suspense account We would expect the Council Tax suspense account and to be reviewed regularly by a senior member of staff who does not have direct responsibility for clearing the account. This control is not currently in place and we recommend that it be introduced to prevent the account from building up without adequate investigation.</p>	Medium	<p>Accepted.</p> <p>Sample checking of transactions in the suspense account will be done.</p>	A monthly check is completed. by the income and post manager.	Rob Strang Completed

Appendix 2

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<p>10 Council Tax - access levels User access levels have not been reviewed on Academy since the former Revenues Manager left post in August 2008.</p> <p>We recommend that reviews of user access be undertaken on a regular basis, such as quarterly, to minimise the risk of unauthorised amendments to data.</p>	Low	<p>Accepted.</p> <p>This activity will be resumed.</p>	In place	John Massey Completed
<p>11 Sundry debtors and income - procedures documentation We noted that the debtor's procedures manual has not been updated for sometime. We recommend that this be brought up to date and that a schedule be established for subsequent period reviews/updates.</p>	Medium	<p>Accepted with regard to team procedure notes.</p> <p>We will compile a procedure manual for the section, including a procedure for write-off reconciliation.</p> <p>The Accounts Receivable manual on Derbynet shows the current procedures to apply. We will be updating the manuals utilising an interactive training system (UPK) in the near future.</p>	<p>Team procedure notes have been updated and in some cases new procedures compiled</p> <p>Team Manager to put in place a schedule for regular review.</p> <p>Interactive training have been made available on Oracle, since July 2009. All new changes and procedures will be put on line as and when produced.</p>	Julie Sadler 30 September 2009

Appendix 2

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<p>12 Sundry debtors and income - authorisation From discussion, we noted that the Head of External Payments does not maintain a list of authorised users and their approved access levels. We would recommend that this be introduced and that a regular review is undertake to ensure it remains current.</p>	Low	<p>Accepted.</p> <p>We will compile, maintain and review the list of authorised users.</p>	<p>A list of all users is maintained for all modules.</p> <p>For a user to have access to a module, a user access form must be signed by their manager and principal accountant. Same applies to changes in access rights.</p> <p>List reviewed regularly for changes</p>	<p>Rob Williams Completed</p>
<p>13 Sundry debtors and income - suspense account A review of the suspense account identified amounts from 2007/08 which have yet to be cleared. From discussion, we understand that suspense items that remain unidentified following investigation are transferred to a miscellaneous account, suggesting that these amounts have yet to be investigated.</p> <p>We recommend that these old balances are reviewed and action taken to allocated them. We also recommend that a monthly review of the suspense account by a senior member of staff is introduced to ensure that amounts are investigated on a timely basis.</p>	Medium	<p>Accepted.</p> <p>We will review and re-allocate these old payments.</p>	<p>Unidentified items are reviewed daily and allocated and cleared.</p> <p>Old balances identified at the audit have been reviewed and cleared.</p>	<p>Julie Sadler Completed</p>

Appendix 2

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<p>14 Sundry debtors and income - debt recovery procedure The Council has a generic debt recovery procedure in place which specifies the type of action required with timescales. From discussion, we noted that for some sections, such as nurseries and markets, this procedure does not reflect current working practices leading to a lack of consistency.</p> <p>We recommend that the Council reviews the appropriateness of these procedures and, where necessary, introduces additional procedures to cover specific areas of debt recovery.</p>	Medium	<p>Accepted.</p> <p>We will be developing action plans for the debt management of each individual department.</p> <p>Debt recovery write-offs and bad debt provision is also on the Accountants Process Improvement group (APIG) agenda for review and implementation of best practice.</p>	<p>Meeting to be held in October 2009 on 12/10/09 regarding the functionality within the Debtors module.</p> <p>Implementing debt action plans is subject to Oracle having the functionality to support different debt profiles.</p> <p>To be considered at the meeting on 22 September 2009</p>	<p>Rob Williams</p> <p>31 December 2009</p>
<p>15 Sundry debtors and income - debt collection targets We noted that formal debt collection targets are not currently in place. We recommend that these be introduced to encourage improvement in recovery rates.</p>	Medium	<p>Accepted. This has now been addressed for the current financial year.</p>	Completed	<p>Julie Sadler</p> <p>Completed</p>

Appendix 2

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<p>16 Fixed assets register - accuracy of schedules Estates document revaluations on an asset spreadsheet which is used to update the Fixed Asset Register. Walkthrough testing of the asset spreadsheet to supporting documents identified one asset value that had been overstated by £70,000 and another that had an inconsistent narrative description.</p> <p>We recommend that the Council reviews procedures in this area and considers introducing additional checks to the integrity of the data captured.</p>	Medium	<p>Estates and Accountancy have worked together and now use a joint spreadsheet to ensure correct valuations and no duplicate entries or missing entries. A member of the team has been checking the accuracy.</p> <p>We are working on the specification and project plan for a new integrated asset management system to be used by Estates Accountancy and Property maintenance.</p>	<p>Completed:</p> <ol style="list-style-type: none"> 1. Unique reference number on the Register 2. One common file on a shared drive with restricted access 3. Monthly reconciliation to financial and Estates data and sign-off by the Group Accountant(capital) <p>Action in progress - documented procedure on the maintenance of the FAR including responsibilities.</p> <p>Business Case and project plan to be developed for the introduction of an integrated Asset Management system to include FAR.</p>	<p>Nicola Goodacre in conjunction with Estates Completed</p> <p>Nicola Goodacre in conjunction with Estates 30 October 2009</p> <p>This will be progressed through the Transformation programme</p>

Appendix 2

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<p>17 Fixed assets - authorisation</p> <p>We would expect that access to the asset register be restricted to a limited number of specified employees, according to seniority, to prevent unauthorised amendments. We recommend that such restrictions be introduced to allow only allow senior members of the finance function and capital accountants access.</p>	Low	Lead accountant to maintain the asset register and a back-up copy to be taken at the sign-off of each monthly reconciliation	Completed See comment at item 16 above	Nicola Goodacre completed
<p>18 Housing benefits - procedures manual</p> <p>The benefits office procedures manual has not been updated since July 2004.</p> <p>We recommend that this be updated and that a regular scheduled review be undertaken to keep it current.</p>	Medium	Partly accepted. The Benefits Team has procured an on-line training product which covers legislation, procedural guidance and advice. Once the procedure is in place we will ensure local procedures are documented and circulated.	The procurement of the on line training product has been delayed. In the meantime the section's electronic procedures manual has been updated and will be periodically reviewed and updated as both legislation and internal procedure changes. When the on line product is procured it will be updated by the software provider for legislative changes. Internal policy changes will be updated on the Council's electronic manual using version control	Mark Holmes Completed

Appendix 2

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<p>19 Housing benefits - overpayments The overpayments recovery strategy has not been updated since 2004 and, from discussion with staff, no longer reflects current working practices.</p> <p>We recommend that this be updated and that a regular scheduled review be undertaken to keep it current.</p>	Medium	Accepted. The overpayments recovery strategy has now been signed off by the Benefits Manager. A handover meeting between the Benefits Manager and the Revenues Manager to discuss new working practices is in place. Revenues will then manage all elements of debt recovery. A review of the strategy will take place annually.	Current working practices have been reviewed and tasks relating to overpayments recovery allocated to appropriate staff. This has been reviewed by a cross service management team to ensure all tasks are undertaken and to highlight any issues. The team will meet at least yearly to ensure the recovery strategy, working practices and tasks are appropriate	Mark Holmes Completed.
<p>20 Main Accounting Systems - Oracle procedures Following Oracle implementation, the Council has been updating procedures to reflect the change in processes. The main area that has yet to be completed is in relation to Control Accounts. We recommend that procedures be introduced in relation to control accounts and that a schedule be established for procedures to be regularly reviewed.</p>	Medium	A key objective in our 2009/10 business plan is the review of control accounts and reconciliation procedures. Through APIG we will be developing a best practice guide and deliver training. Oracle procedures will then be updated.	<p>The review is nearly complete and guidance and up to date documented procedures are being drawn up. Once in place this will form part of the Accountants Manual and training package being developed.</p> <p>A Financial Controls Review Group has been set up of key officers within the Resources department to provide internal scrutiny and take forward actions and improvements on an on-going basis.</p>	Chloe Bowes 31 December 2009

Appendix 2

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<p>21 Main Accounting Systems - bank reconciliation Reconciliations are performed to feeder systems on regular basis but are not subject to manager review. We recommend that these reconciliations are subject to review as this represents a key control and will ensure timely performance and that any reconciling items are being investigated.</p>	Low	<p>Now that we are back to full staffing on the corporate team, the regular review and sign-off of reconciliations by a senior officer together with the prompt correction of reconciling items will be undertaken .</p> <p>The Corporate Group Accountant did review the 2007/08 bank reconciliation at close-down in May 2008 but omitted to sign the summary working paper as evidence of the review.</p>	<p>Individual officers duties and responsibilities have been reviewed and re-allocated to ensure capacity is in place.</p> <p>Regular review and sign-off and prompt correction in place.</p>	Chloe Bowes Completed
<p>22 Main Accounting Systems - suspense accounts Suspense accounts should be cleared on a regular basis to ensure that at year end there is not a backlog of reconciling items to clear.</p> <p>At the time of our interim audit in March 2009 the income suspense account showed a balance of £3.5million and was last cleared in Period 10. The expenditure suspense account had not been cleared since Period 3.</p>	Medium	<p>Accepted. It will be a monthly task to clear the suspense accounts during 2009/10.</p> <p>Key absences and change in responsibilities during 2008/9 led to an unusually high level of income suspense postings. As at the year-end the suspense account stands at £0.2m.</p> <p>APIG is to review the procedures to reduce the number of postings to the suspense account in the first place.</p>	<p>Suspense accounts are being reviewed and action taken to clear balances is a key routine weekly task. Accountants are now taking a more active role in helping identify income for allocation.</p> <p>The current balance in the Income suspense account for items yet to be allocated stands at £50k.</p>	Alex Carnell completed

Appendix 2

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<p>23 Main Accounting Systems - bank reconciliations We recommend that bank account reconciliations are reviewed by a senior member of the finance function as currently they have not been subject to independent review since the new system went live in April 2007.</p>	Medium	<p>Now that we are back to full staffing on the corporate team, the regular review and sign-off of reconciliations by a senior officer together with the prompt correction of reconciling items will be undertaken.</p> <p>The Corporate Group Accountant did review the 2007/08 bank reconciliation at close-down in May 2008 but omitted to sign the summary working paper as evidence of the review. The bank reconciliation has been reviewed as part of the 2008/09 closure.</p>	<p>Completed See comments at 21 above</p>	<p>Chloe Bowes completed</p>