

Audit Committee – 21 June 2010

External Audit - Interim Audit Report 2009/10

1. Summary of report

- 1.1 This report sets out the external auditors' Interim Audit report 2009/10, covering use of resources, interim audit of the accounts, and follow up of the previous year's recommendations and includes recommendations and an action plan as the council's response.

2. Recommendations

- 2.1 Audit Committee is requested to note the Grant Thornton report and the measures being taken to ensure the council meets its obligations.



James Walsh
Chief Finance Officer
11 June 2010



Rory Borealis
Executive Director
11 June 2010

3. Governance

- 3.1 Each year the council's external auditors, Grant Thornton, are required to report to the Audit Committee on the Interim audit of the accounts. The report includes 6 recommendations and the council's action plan setting out how it intends to respond to these.

4. Resource and legal considerations

- 4.1 The external auditors have provisionally assessed the council as meeting the requirements for delivering economy, efficiency and effectiveness in its use of resources and expects to provide an unqualified value for money opinion.

5. Performance and risk management issues

- 5.1 The report provides a provisional score of "performing adequately" in respect of use of resources. Risk management is embedded in the final accounts process.

6. Equality implications

- 6.1 None directly associated with this report.

7. Consultation

7.1 The report is prepared in consultation with finance and senior officers across the council.

8. Background papers

8.1 Various financial working papers.

Author

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Walsall Metropolitan Borough Council

Interim Audit Report 2009/10

11 June 2010

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1 Executive Summary

Introduction

- 1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Scope

- 1.3 We have completed our interim audit at the Council in accordance with our agreed audit strategy as set out in the Audit Approach Memorandum, which was tabled at the Council's Audit Committee meeting of 13 April 2010. The scope of our interim audit covered:
 - Use of Resources
 - Interim Accounts Audit
 - Follow Up of Prior Year Recommendations.

Summary of findings

- 1.4 For the 2009/10 Use of Resources (UoR) conclusion we have provisionally assessed the Council as meeting at least minimum requirements for delivering economy, efficiency and effectiveness in all areas. Whilst the wider requirements of the UoR assessment have recently been abolished and won't be formally scored for this year, we have included provisional VFM conclusions and directions of travel at Section 2 of this report, based on the work we had completed at the time the arrangements ceased. This would have represented an improvement in performance in two areas and a deterioration in performance in two areas from 2008/09 but the Council would still have the minimum required levels of performance for our VFM conclusions.
- 1.5 During our interim accounts audit we have reviewed and updated our detailed risk assessment for our audit of the 2009-10 accounts, which reflects both national developments and issues as well as local risks that emerged during the course of our 2008-09 audit. This review concluded that appropriate action is currently being taken by the Council to address all of these risks. Furthermore our review of the risks facing the Council has not identified any new risk areas, although will continue to keep our risk assessment under review.
- 1.6 Our procedures indicate that the Council has made adequate progress implementing the recommendations made in our ISA 260 report issued last year. Based on discussions held, six of our previous seven recommendations have been fully implemented; this will be

verified as part of our forthcoming accounts audit. We have raised a further recommendation in Appendix A in respect of the one outstanding item.

Use of this report

- 1.7 This report has been prepared to advise you of the matters arising from our interim audit and should not be used for any other purpose or be given to third parties without our prior written consent.
- 1.8 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.
- 1.9 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of its having relied on anything contained within this report.

The way forward

- 1.10 We have set out our findings and recommendations in the appendices to this report. We have agreed action to implement the recommendations made with the Head of Corporate Finance.

Acknowledgements

- 1.11 We would like to record our appreciation for the assistance and co-operation provided to us during our interim audit by the Council's staff.

Grant Thornton UK LLP

11 June 2010

2 Use of Resources

Introduction

- 2.1 In providing our opinion on the statement of accounts, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Use of Resources conclusion).
- 2.2 Our Use of Resources (UoR) conclusion has historically been informed by our work on the UoR assessments, which considers how well the Council is managing and using its resources to deliver value for money against a number of Key Lines of Enquiry (KLoE). This was in accordance with the procedures for Comprehensive Area Assessment (CAA), which has recently been abolished with immediate effect.
- 2.3 Our statutory responsibility to come to an opinion on the adequacy of your use of resources for delivering economy, efficiency and effectiveness remains and we will use the work completed to date this year on our UoR assessment to inform this VFM opinion. As the opinion is essentially a 'pass or fail test', rather than a grading of arrangements, in most cases we have already obtained sufficient evidence to come to an unqualified opinion for the year ended 31 March 2010. This applies where we are satisfied that the Council is achieving the minimum required level of performance.
- 2.4 We have therefore ceased our audit enquiries in all these areas where we have already indicated our satisfaction that the Council is achieving the minimum required level of performance.
- 2.5 We have summarised at Exhibit One our provisional VFM conclusion for 2010 based on the assessment we had completed at the time the CAA framework was abolished. We have also included an indication of the direction of travel for the Council for each KLoE based on the work we had completed.
- 2.6 The UoR assessment was structured into three themes that focus on:
 - sound and strategic financial management - Managing Finances
 - strategic commissioning and good governance - Governing the Business
 - the management of natural resources, assets and people - Managing Resources.

Exhibit One: 2010 Value for money conclusion and direction of travel

Theme	KLoE	KLoE description	2010 provisional VFM conclusion (Pass/Fail)	2010 direction of travel
Managing Finances	1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Pass	Maintained
	1.2	Does the organisation have a sound understanding of its costs and performance and achieves efficiencies in its activities?	Pass	Maintained
	1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Pass	Maintained
Governing the Business	2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Pass	Improved
	2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Pass	Improved
	2.3	Does the organisation promote and demonstrate the principles and values of good governance?	Pass	Deteriorated
	2.4	Does the organisation manage its risks and maintain a sound system of internal control?	Pass	Deteriorated
Managing Resources	3.1	Is the organisation making effective use of natural resources?	Pass	Maintained
	3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	Pass	Maintained
	3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	Pass	Not assessed in 2009

2.7 The main areas where action is required by the Council include:

- to improve the effectiveness of internal control and ensure that overall Governance arrangements are fully effective, which should result in positive outcomes for the Council in 2010/11 for KLoE 2.3 and 2.4 respectively; and
- to develop further existing arrangements across the other KLoEs to ensure that the Council continues to deliver positive outcomes for local people in 2010/11.

Theme: Managing Finances

- 2.8 This theme focuses on assessing whether the Council has sound strategic and financial management, that is, whether it plans its finances to deliver its priorities, the extent to which it has a sound understanding of its costs and performance, and whether its financial reporting is timely, reliable and meets the needs of its population.
- 2.9 The Council is forecasting to end 2009/10 with its balances at a level consistent with the requirements of the Medium Term Financial Strategy, despite a challenging economic and financial environment, due to the economic downturn, and specific pressures including loss of significant levels of income for example in leisure and planning fees and charges, and significant cost pressures, specifically in the area of looked after children. Corrective action plans were put in place Council-wide to manage pressures, and the Council has succeeded in reducing the projected overspend from a high of £5m to an expected underspend of approximately £1.1m.
- 2.10 The Council can demonstrate appropriate measures in reining in overspend and dealing with loss of income from ERDF to result in an underspend of £1.1m (approx 0.46% of a net revenue budget requirement for 2009/10 of £237m). The actions that have been put in place to address the failings are commendable, as they have improved on the overspend position, but this does not negate the significance of the outcome in year of the £2.8 million clawback of ERDF/ESF funding.
- 2.11 We have provisionally assessed the Council as achieving the appropriate levels of performance for KLoEs 1.1, 1.2 and 1.3 to support our VFM conclusion.

Theme: Governing the Business

- 2.12 This theme focuses on strategic commissioning and good governance, in particular how well the Council governs itself and commissions services that provide value for money and deliver better outcomes for local people.
- 2.13 There was a deterioration in arrangements for KLoEs 2.3 and 2.4 during 2009/10. For KLoE 2.3 this was as a result of the governance implications of the clawback of European Funding and for KLoE 2.4 it was as a result of a number of findings relating to the work of internal audit, which, whilst fit for purpose, should be developed in future to be a more strategic risk assurance service for the organisation.
- 2.14 In addition, the Council has improved management arrangements for KLoEs 2.1 and 2.2, which should result in positive outcomes for local people being achieved in 2010/11.
- 2.15 Overall, we have provisionally assessed the Council as achieving the appropriate levels of performance for KLoEs 2.1, 2.2, 2.3 and 2.4 to support our VFM conclusion.

Theme: Managing Resources

- 2.16 This theme considers areas which have not previously been assessed on their own in detail. There are three elements to this theme, but only asset management (KLoE 3.2) and workforce management (KLoE 3.3) have been assessed in 2009/10. In addition, the Audit Commission's methodology states that organisations will carry forward scores for any KLoEs assessed in prior years that are not being assessed in the current. This applies to KLoE 3.1 (Managing natural resources) for the Council which was assessed at level 2 in 2008/09.
- 2.17 Overall we have provisionally assessed the Council as achieving the appropriate levels of performance for KLoEs 3.1, 3.2 and 3.3 to support our VFM conclusion.

3 Interim Accounts Audit

Introduction

- 3.1 We are required to evaluate the design of an entity's controls, including relevant control activities, over risks that could lead to material misstatement in the financial statements, and determine whether they have been implemented.
- 3.2 We undertake this work during our interim audit visit, which primarily focuses on our accounts audit responsibilities, under the Code of Audit Practice, but, where relevant, informs our Use of Resources responsibilities.
- 3.3 As part of the interim audit, and in advance of our final accounts audit visit, we considered:
- the key risks facing the Council;
 - the extent to which we can place reliance on the Council's Internal Audit function;
 - the adequacy of controls over financial reporting systems;
 - closedown procedures in preparation for the final accounts;
 - the Information Technology control environment;
 - employment tax control environment;
 - VAT control environment;
 - the National Fraud Initiative (NFI); and
 - emerging accounting issues.

Key risks

- 3.4 Our 2009/10 Audit Approach Memorandum was presented to the Audit Committee on 13 April 2010 and set out the following key risks for the audit of the 2009/10 accounts:
- the economic climate - impact on the Council's ability to manage its finances and risk of misstatement in the accounts related to asset valuations, treasury management, increased pension costs and debtor recoverability;
 - SORP 2009 - requirement to account for PFI schemes in accordance with International Finance Reporting Standards and the adaptation of IFRIC 12 'Service Concessions';
 - SORP 2009 - changes in accounting for National Non Domestic Rates and Council Tax;
 - asset valuations - appropriateness of the basis of valuation and formal consideration of impairment;
 - asset valuation - treatment of shares held by the Council in Birmingham City Airport with appropriate consideration of emerging issues during the year in determining whether they can be measured at fair value;
 - single status agreement - reasonableness of assessment of the likelihood of any claims resulting in financial settlement and associated treatment in the accounts;
 - voluntary redundancy programme - appropriateness of the provision in the accounts, if any; and
 - presentation and format of the accounts - compliance with financial reporting requirements as set out in the 2009 SORP.

- 3.5 As part of our interim audit, we have discussed each of these risks and, based on discussions with Council officers, consider that appropriate steps are being taken at this stage to address the matters identified. We will continue to work with the Council over the coming months to manage our audit risks and discuss any emerging issues. Our review of the risks facing the Council has not identified any new risk areas.
- 3.6 From these specific risks we have highlighted the following matters as being critical to our audit and it is in these areas that we focus much of our audit effort:

	Assertions ¹		
	Existence/ Occurrence	Valuation	Completeness
Council Tax Revenues	✓		
NNDR Revenues	✓		
Grant Revenues	✓		
Property, Plant and Equipment		✓	
Financial instruments		✓	
Debt			✓
Operating Expenses			✓

¹Assertions are used in assessing risks by considering the different types of potential misstatements that may occur:

- valuation - assets and liabilities are included in the financial statements at appropriate amounts.
- completeness - all transactions and events that should have been recorded have been recorded
- existence/occurrence - transactions and events that have been recorded have occurred and pertain to the Council. Assets & liabilities exist.

Internal Audit

- 3.7 The Council's Internal Audit function was reviewed against CIPFA's Standards for Internal Audit as part of our 2007/08 audit. Our review concluded that Internal Audit provides an independent service to the Council that substantially complies with the CIPFA Code of Practice for Internal Audit.
- 3.8 As we review the Council's Internal Audit function against CIPFA's Standards for Internal Audit on a triennial cycle, our next detailed review will be undertaken as part of our 2010/2011 audit.
- 3.9 Having established in 2007/08 that Internal Audit arrangements were sufficient for us to place reliance on relevant systems work, we have used Internal Audit's system documentation as a basis to assist in our evaluation of the design effectiveness of the Council's controls. Its work has also contributed to our understanding of the Council's control environment and assurance framework.
- 3.10 The Internal Audit files and reports we reviewed to assist our understanding of the Council's systems are detailed below:
- capital accounting;
 - commissioning;

- corporate governance;
- housing and council tax benefits;
- income management processing system;
- NNDR;
- payroll;
- treasury management; and
- VAT.

Review of financial reporting controls

- 3.11 Our work in this area evaluates the design of the Council's controls, including relevant control activities, over risks that could lead to material misstatement in the financial statements, and determine whether they have been implemented. Emphasis is placed on identifying and obtaining an understanding of control activities that address the areas where we consider that material misstatements are more likely to occur. This work assists us in developing an appropriate audit strategy for the Council's annual accounts, so that our subsequent testing is sufficient, but not excessive, to the overall level of audit risks.
- 3.12 Our work in this area considered the appropriateness of the Council's processes over the key accounting systems:
- cash;
 - income;
 - capital accounting;
 - payroll;
 - housing benefit and council tax benefit expenditure;
 - investments;
 - council tax revenues;
 - NNDR revenues;
 - grant revenues;
 - property, plant and equipment;
 - financial instruments;
 - debt, and
 - operating expenses.
- 3.13 In addition, for the areas identified as presenting a higher risk of material misstatement in the financial statements, as detailed at paragraph 3.6, we also evaluated the design of the Council's controls.
- 3.14 We found that the Council's processes over its key accounting systems and controls in the areas identified were generally sound with no material weaknesses. We have however made a few minor improvement recommendations, which are set out at Appendix A.

Closedown procedures

- 3.15 Our review considered the Council's timetable for closedown, and the arrangements for preparing the draft accounts, including guidance provided on working papers to be made available as part of the closedown process. The Council continues to closely monitor the timetable and expects to meet the statutory deadline of 30 June 2010, and also expects to provide detailed working papers to support the accounts at the start of our final accounts audit visit.

Information Technology Control Environment

- 3.16 We completed a high level review of the general Information Technology control environment as part of the overall review of the internal control system. We concluded that there were no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts.
- 3.17 The objective of the review was to assess the adequacy of the design of Walsall MBC's general controls over information systems for the following areas:

Security Administration

- Establish effective security environment
- Manage internal user access
- Manage remote and third-party access
- Monitor access to IT systems

Program Maintenance

- Establish effective maintenance environment
- Initiate change requests
- Design, develop and configure program changes
- Promote changes to the production environment

Program Execution

- Establish effective program execution environment
- Schedule batch programs
- Execute authorized programs
- Monitor execution of programs

- 3.18 Our findings are reported on an exception basis. Our work identified some minor improvement opportunities which are summarised below and included at Appendix A:
- The Council does not have a dedicated Information Security officer in place; and
 - There is a lack of segregation of access rights between the application development team and the live system which could result in new software being implemented before adequate testing has occurred.

Employment Tax Control Environment

- 3.19 As part of our planning, we have discussed employment tax opportunities and general compliance with Council officers. To widen our understanding of the Council's existing employee benefit arrangements, we have undertaken an initial review of the Council's expense policy and dispensation. We have also considered the operation of the Council's essential car users scheme.
- 3.20 This initial review identified that the Council was unable to locate, or confirm the existence of, a P11D Dispensation. The lack of a P11D dispensation, or incorrect application of the dispensation, could lead to the Council incurring penalties. We also noted that key members of staff responsible for employment tax struggled to answer questions relating to the essential car users scheme operated by the Council and these initial enquiries have led to concern over the Council's employment tax control environment.

- 3.21 As a result, we have outlined a scope of work to be undertaken in this area to provide assurance over the material employment tax obligations of the Council. This is currently being considered by the Council's S151 Officer to determine whether internal assurance can be provided or whether we will obtain the necessary assurance directly.

VAT Control Environment

- 3.22 We completed a high level review of the general VAT control environment as part of the overall review of the internal control system. This review, based on discussions with the Council's Principal Technical Accountant, was limited to the consideration of material VAT obligations of the Council and included:
- VAT return and payment compliance;
 - VAT return compliance and internal controls;
 - Capital spend;
 - Reclaim opportunities; and
 - VAT knowledge and training.
- 3.23 We concluded that there were no material weaknesses within the VAT arrangements that could adversely impact on our audit of the accounts and we have no improvement opportunities to raise.

National Fraud Initiative

- 3.24 The National Fraud Initiative (NFI) matches electronic data within and between audited bodies to prevent and detect fraud and is operated by the Audit Commission. As part of our planned programme of work for 2009/10, we reviewed the procurement matches identified by the 2008/09 NFI exercise.
- 3.25 We have reviewed the one procurement report included for Walsall Metropolitan Borough Council and, following initial investigation, are content that the matches are not high risk. We have granted access to the report to the Council, as the audited body, in order that it can review, investigate and make comments as it sees fit.

Emerging accounting issues

International Financial Reporting Standards (IFRS)

- 3.26 The Council is required to prepare its accounts in accordance with International Financial Reporting Standards from 2010/11. As part of our interim audit, we considered the Council's progress to implement IFRS and in particular, how it plans to account for its leases, PFI schemes and employee benefits.
- 3.27 The Council experienced initial slippage on its IFRS implementation timetable due to resources having to be redeployed to deal with the ERDF matter. Originally, the restatement of balances was to be completed by 31 December 2010. This has now been revised to a later date but, based on our discussions with Council Officers, good progress is being made towards convergence.

Asset Valuations

- 3.28 For the 2009/10 financial statements the Council needs to evidence that it has ensured its asset valuations are up to date and has considered the impact of impairments.

- 3.29 We understand that, where valuations are being carried out, these are being undertaken as at 31 March 2010. For those assets, which are not being formally revalued, a review will be carried out as part of this year's final accounts to consider potential impairments.

Private Finance Initiative (PFI)

- 3.30 The 2009 SORP requires PFI contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 (Service Concession Arrangements) contained in the government's Financial Reporting Manual (FReM) bringing local authority accounting in line with central government bodies.
- 3.31 The Council has appointed financial advisors to assist with determining the appropriate accounting treatment for service concession arrangements in its 2009/10 statement of account.
- 3.32 We have met with officers to discuss the likely accounting treatment of each arrangement but have yet to be provided with the detailed proposals as to how the accounting entries, being modelled by the financial advisors, are being determined to meet the requirements of the 2009 SORP.

4 Follow Up of Prior Year Recommendations

Progress in implementing recommendations

- 4.1 As part of our planned programme of work, we have followed up our recommendations made last year. Our work indicates that the Council has made some progress in implementing the seven recommendations raised in prior year interim and ISA 260 reports, although is yet to fully implement all of the agreed actions.
- 4.2 Four recommendations were being actioned as at the time of our update discussion during the interim audit and are expected to be fully implemented by July 2010. These are in relation to:
- debtors historic balances
 - payroll exception reports
 - fixed asset residual values
 - capital accounting - fixed asset register

- 4.3 Progress made against all seven recommendations is documented below:

Debtors historic balances

- 4.4 Our 2008/09 review identified historic balances within debtors which are up to 20 years old. We acknowledged that they had been fully provided against, but recommended that the Council consider whether these amounts should be written off, as they were inflating both debtor and provision figures.
- 4.5 All items over 6 years old have now been reviewed by the Debtors control team. Some old debts will not be written off as they are under county court judgements where the public pay back debt at a small weekly rate. Where payments are being made, these debts are still valid.
- 4.6 This recommendation was to be implemented by 31 March 2010 and will be reviewed as part of the final accounts audit process this year.

Payroll exception reports

- 4.7 The payroll exception reports for January 2009 had not been signed to confirm completion by the transaction team. In addition, we noted that the exception reports are not subject to review at a senior level. It was recommended that completion and review should be evidenced.
- 4.8 This was being followed up as at the time of our discussions. Implementation of the recommendation will be determined during the final accounts audit process.

Fixed assets - residual values

- 4.9 It was identified that the Council does not currently identify the residual value of assets, which should then be used to inform depreciation calculations. This results in a risk of overstatement of depreciation charges. It was recommended that the Council should identify residual values for relevant assets and use these to calculate its depreciation charges.

- 4.10 This recommendation has not yet been implemented. We advise the Council to undertake preliminary work in this area which may demonstrate that the effect of implementing residual values is not significant. If this is the case, then no adjustment would be required to the accounts.

Capital accounting - fixed asset register

- 4.11 The reconciliation of the fixed asset ledger to the general ledger was not formally retained, rather the print outs were signed by officers, to evidence that a reconciliation had taken place. Given the importance of this control we would expect the reconciliation to be formally presented and signed by the preparer and reviewer, noting any anomalies identified and action taken.
- 4.12 We understand that the reconciliation will be formally presented for the year ended 31 March 2010. We will review this as part of the audit process.

Payroll - review of reconciliations

- 4.13 The payroll reconciliation sampled (week 52) had been signed by the preparer but there was no evidence to show that it had been reviewed. In addition, we noted that whilst the payroll reconciliation was initialled by the Oracle Finance team to confirm receipt, it was not signed to show that the payroll data had been uploaded onto the Oracle system.
- 4.14 We understand that this has been addressed by the Council and the procedures have been strengthened. We will review this as part of the audit process.

Debtors bad debt write off

- 4.15 Our testing during 2008/09 identified a bad debt write off request which had not been signed by an authorised signatory but was still actioned. It was recommended that the debtors control team should ensure that they are only accepting bad debt write off requests from authorised signatories.
- 4.16 This item was investigated by Council officers who concluded that the write off was appropriate despite procedures regarding an authorised signatory not being followed. In addition, the debtors control team have been reminded of this requirement and procedures have been resent.

Bad debt provision

- 4.17 It was identified that the Council did not undertake a formal review of current debt collection rates against the percentages used to calculate bad debt provisions to ensure it still reflects a best estimate of recoverability. This therefore led to a risk of overstatement of debtors.
- 4.18 We understand that this has been addressed by the Council. We will review the revised percentages as part of the audit process.

A Action Plan - Interim Accounts Audit

No.	Matter arising	Recommendation	Priority H/M/L	Council response	Implementation date and responsibility
1.	<p>Information systems</p> <p>Walsall MBC does have a dedicated IT Security Officer. We have identified the absence of a number of controls that we would expect an IT Security Officer to implement and monitor:</p> <ul style="list-style-type: none"> i Regular reviews of audit trails from the firewalls and servers, or events such as failed access attempts, or system shut downs ii Security sign off as part of the change management process for infrastructure and applications changes. <p>There is a risk that without a member of staff specifically responsible for IT security, issues may not be adequately considered and could impact negatively on the control environment.</p>	The Council should consider the appointment of a dedicated IT Security Officer.	Medium	A growth bid to be put forward for new post as stated.	Martin Sadler 30 June 2010

2.	<p>Information systems</p> <p>There is a lack of segregation of access rights between the development and production environments of interfaces between the critical applications.</p> <p>Members of the Application Development team have a separate environment to develop interfaces. However, they have also been granted access to the production environment to release patches and bug fixes and to provide support.</p> <p>There is currently a risk that development users can make unauthorised amendments to the production environment that have not been subject to the required change process. This could result in service disruption if the change has not been tested properly, or even malicious releases to the live environment.</p>	<p>Best practice would be to restrict developers access to the live environment to READ only, and ensure that either separate users performed patch and bug releases, or a temporary account was used by developers, with the access levels monitored.</p>	Medium	<p>A change process exists within ICT for all infrastructure changes.</p> <p>We are aware that this is not an ideal situation and our current resource levels do not include a configuration management team or responsibilities.</p> <p>We manage by good individual practice but not rigid enforcement.</p> <p>Action 1. We will create a process for data fixes and corrective adjustments and ensure that this is followed.</p> <p>Action 2. We will review access to this system and control update access through our change implementation process.</p>	<p>Martin Sadler</p> <p>Action 1 – 30 Sept 2010</p> <p>Action 2 – 31 July 2010</p>
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3.	<p>Credits to council tax accounts</p> <p>There is no approval process for the application of reliefs and exemptions in the council tax system for national non domestic rates (NNDR) and council tax. Therefore the onus is on the tax payer to inform the council of any mistakes.</p> <p>A review of all refunds is made on a daily basis for council tax and twice weekly for NNDR and authorised by the Head of Service. However this will only pick up any errors in reliefs/exemptions that have been reported by the tax payer therefore there may be mistakes that have not been reported within the Northgate.</p>	<p>We understand that this issue has already been raised by the Council's internal audit function in a previous audit.</p> <p>No action has been taken to address the finding in the past as the Council does not believe that it is operationally viable for all reliefs and exemptions to be approved once input on the system.</p> <p>We acknowledge that it is impractical for all such adjustments to be reviewed but recommend that all allowances are checked for reasonableness on a monthly basis, to provide assurance that they are being awarded appropriately.</p>	Medium	We will investigate the feasibility of a monthly quality check of a sample of cases.	Interim Head of Revenues 30 Sept 2010
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4.	<p>Reconciliations</p> <p>Our walkthroughs of council tax and NNDR processes identified that reconciliations to the sub ledger had not been performed in a timely manner, and were outstanding for all months of the 2009/10 financial year to date.</p> <p>We understand that the reconciliations were not processed on a timely basis due to staffing issues.</p>	<p>Subsequent to this being identified during our interim audit, the Council has since performed all relevant reconciliations for the year.</p> <p>Going forward the Council should ensure that these are done on a timely basis as non reconciling items may go unnoticed for longer periods and errors and/or omissions may become more difficult to detect.</p>	High	All reconciliations are completed in a timely manner to ensure compliance and to ensure the oracle system accurately reflects the correct position	Wef 1 April 2010 – Service Accounting Manager via Group Accountant – Resources
5.	<p>Reconciliation of grant receipts</p> <p>A monthly check is performed to ensure that the amount paid by the awarding body as per their payment schedule agrees to the movement in the revenue account in Oracle.</p> <p>However, this check was not formally documented in the specific grant reviewed for purposes of the walkthrough, and therefore no audit trail exists of the control having taken place during the period of review.</p>	We recommend that where checks are undertaken, that these are documented and signed off by the responsible person in order that an audit trail exists.	Low	This will be included in all grants for 2010/11	Service Accounting and training Manager and Service Accounting and Reporting Manager Immediate

6	<p>Residual values</p> <p>In the 2008/09 260 it was recommended that the Council should identify residual values for relevant assets and use these to calculate depreciation charges.</p> <p>This recommendation has not yet been implemented.</p>	<p>We advise the Council to undertake preliminary work in this area which may demonstrate that the effect of implementing residual values is not significant. If this is the case, then no adjustment would be required to the accounts.</p>	Medium	<p>The Council will document that residual values are considered when looking at valuations</p>	<p>Service Accounting and Reporting Manager 30 July 2010.</p>
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