

Audit Committee – 24 June 2013

External Audit Plan and Interim Audit Report from Grant Thornton (External Audit)

1. Summary of report

1.1 This report details the external auditors audit plan and Interim Audit report for the year ended 31 March 2013, providing details regarding Grant Thornton's audit approach and the results of the interim audit work carried out. The report also includes follow up of previous year's recommendations, and an action plan containing the council's response.

2. Recommendations

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



James Walsh, Chief Finance Officer
12 June 2013

3. Governance

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

4. Resource and legal considerations

4.1 None directly relating to this report.

5. Performance and risk management issues

5.1 Performance and 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 - Various financial working papers.

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External Audit Plan and Interim Report for Walsall Metropolitan Borough Council

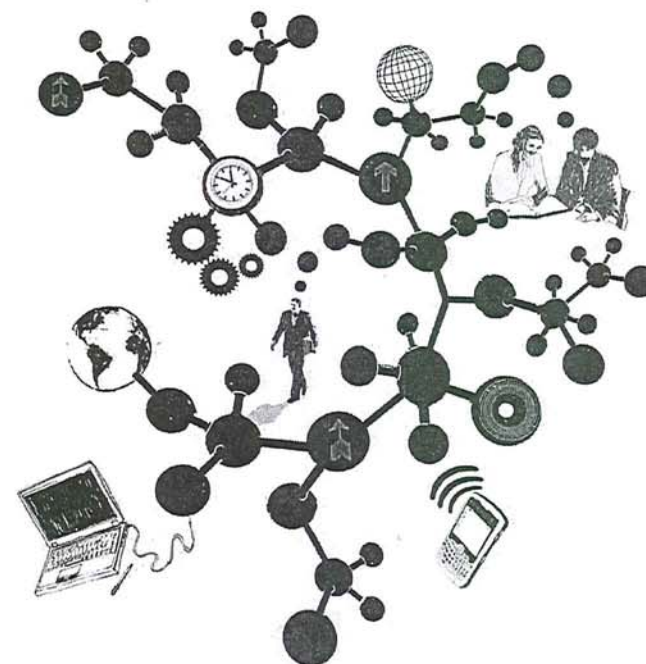
Year ended 31 March 2013

12 June 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

| Section | Page |
|---|-------------|
| 1. Understanding your business | 4 |
| 2. Developments relevant to your business and the audit | 6 |
| 3. Our audit approach | 7 |
| 4. An audit focused on risks | 10 |
| 5. Significant risks identified | 12 |
| 6. Other risks | 13 |
| 7. Results of interim work | 15 |
| 8. Value for Money | 16 |
| 9. Logistics and our team | 17 |
| 10. Fees and independence | 18 |
| 11. Communication of audit matters with those charged with governance | 19 |
| Appendix | |
| 1. Action plan | 20 |

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Reduction in central government funding

- The coalition government debt reduction plans include reducing the grants available to local authorities. The Council experienced a settlement reduction of £10.7m (7.6%) in 2012/13 compared with a fall of £15.9m in 2011/12, a total drop in funding of £26.6m in 2 years.

2. Walsall Regeneration Plan 2026

- The Council is producing 2 key documents as part of 'Walsall planning 2026':
 - i) Walsall Site Allocation Document (SAD)
 - ii) Walsall Town Centre Area Action Plan (AAP)
- These 2 documents set out Walsall's plans for local development and major inward investment into the Borough.

3. Adult Social Care

- The Council is committed to the modernisation and transformation of adult social care in order to improve outcomes for adults in Walsall and particularly those who are vulnerable and in greatest need.

4. Integrated Children's Services

- The Council is focused on getting the best outcomes for children and young people in Walsall, particularly those who are vulnerable or underachieving.

Our response

- We will assess the Council's plans to address the funding reductions through our VFM work, including discussions with key management to determine the impact that further funding reductions will have on the Council.

- We will assess progress against these plans as part of our VFM work.
- We will consider the Council's plans for the regeneration of Walsall and its progress against its plan, given the changing economic climate and reduction in central government funding.
- We will assess the Council's engagement with partner organisations through its involvement in the Local Enterprise Partnership (LEP).

- Through discussions with key officers and document review, we will evaluate the impact of the Council's plans to modernise and transform Adult Social Care in Walsall and review its progress against plan.
- We will also consider action taken by the Council to address the issues identified in the Internal Audit Social Care report.

- Through discussions with key officers and document review we will evaluate the progress made by the Council to improve the quality of partnership and governance arrangements for children's services, in line with the recent report issued by Ofsted.

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

5. Equal Pay Provision

- The Council has continued to provide for the costs associated with equal pay claims in its financial statements. For 2012/13, the equal pay provision is expected to reduce significantly as claims are settled.

5. Localisation of Council Tax Benefit and NNDR Reform

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- National Non-Domestic Rate (NNDR) reform from 1st April 2013 has introduced incentives for local authorities to promote local growth over the long term and reduce dependence on central government support.

6. Birmingham Airport Shares (Financial Instruments)

- The Council holds both ordinary and preference shares in Birmingham Airport Holdings Limited (BAH) along with six other West Midlands Authorities. Over the last year, the value of this investment is expected to increase.

Our response

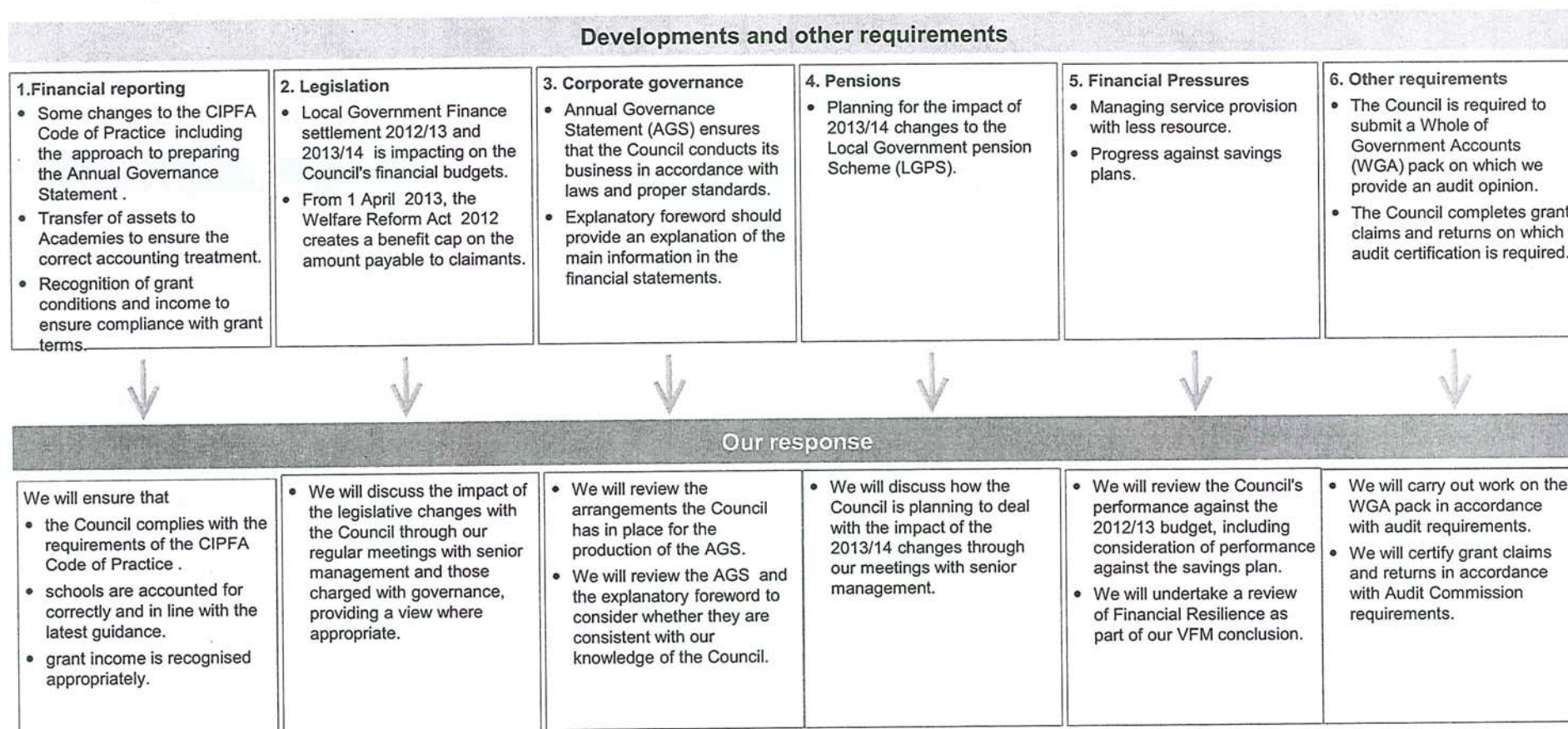
- Through discussions with key officers and document review, we will consider the basis and adequacy of the equal pay provision.

- We will assess the impact of these in the Council's Medium Term Financial Plan through our financial resilience work.
- We will also continue to discuss the impact of the changes with the Council through our regular meetings with senior management.

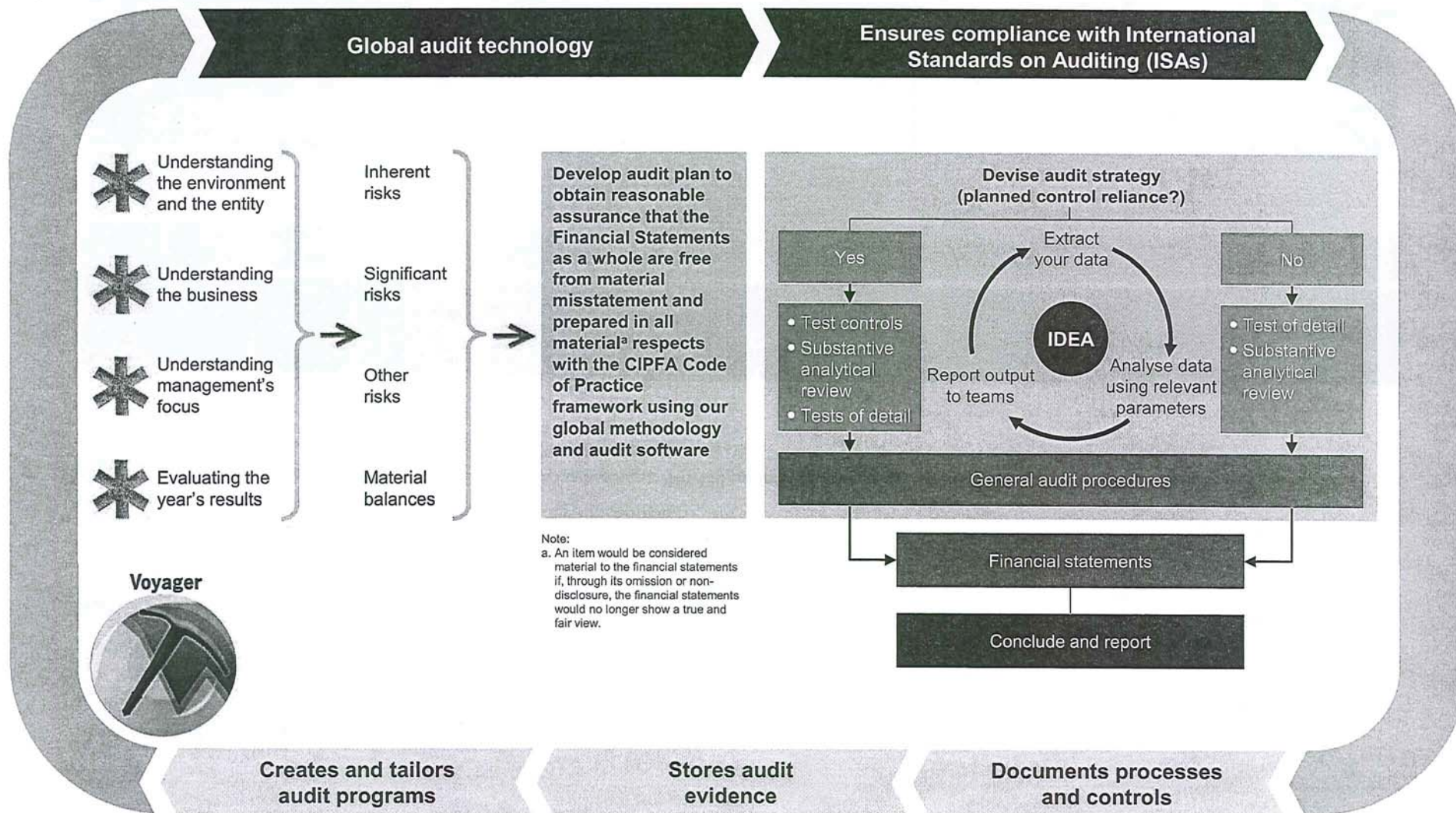
- As part of our audit work, we have requested Grant Thornton valuation specialists to undertake a review of the share valuation report to ensure appropriate disclosure in the Council's financial statements.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.



Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

| Account | Material (or potentially material) balance? | Transaction Cycle | Inherent risk | Material misstatement risk? | Description of Risk | Substantive testing? |
|--|---|-------------------------------|---------------|-----------------------------|--|----------------------|
| Cost of services - operating expenses | Yes | Operating expenses | Medium | Other | Operating expenses understated | ✓ |
| Cost of services – employee remuneration | Yes | Employee remuneration | Medium | Other | Employee remuneration accruals are not correct | ✓ |
| Costs of services – Housing & council tax benefit | Yes | Welfare expenditure | Medium | Other | Welfare benefits improperly computed | ✓ |
| Cost of services – other revenues (fees & charges) | Yes | Other revenues | Low | None | | ✓ |
| (Gains)/ Loss on disposal of non current assets | No | Property, Plant and Equipment | Low | None | | × |

An audit focused on risks (continued)

| Account | Material (or potentially material) balance? | Transaction Cycle | Inherent risk | Material misstatement risk? | Description of Risk | Substantive testing? |
|--|---|-----------------------------|---------------|-----------------------------|---------------------|----------------------|
| Precepts and Levies | Yes | Council Tax | Low | None | | ✓ |
| Interest payable and similar charges | Yes | Borrowings | Low | None | | ✓ |
| Pension Interest cost | Yes | Employee remuneration | Low | None | | ✓ |
| Interest & investment income | Yes | Investments | Low | None | | ✓ |
| Return on Pension assets | Yes | Employee remuneration | Low | None | | ✓ |
| Impairment of investments | No | Investments | Low | None | | × |
| Investment properties: Income expenditure, valuation, changes & gain on disposal | No | Property, Plant & Equipment | Low | None | | × |
| Income from council tax | Yes | Council Tax | Low | None | | ✓ |
| NNDR Distribution | Yes | NNDR | Low | None | | ✓ |
| PFI revenue support grant & other Government grants | Yes | Grant Income | Low | None | | ✓ |
| Capital grants & Contributions (including those received in advance) | Yes | Property, Plant & Equipment | Low | None | | ✓ |

An audit focused on risks (continued)

| Account | Material (or potentially material) balance? | Transaction Cycle | Inherent risk | Material misstatement risk? | Description of Risk | Substantive testing? |
|--|---|-----------------------------|---------------|-----------------------------|-------------------------------------|----------------------|
| (Surplus)/ Deficit on revaluation of non current assets | Yes | Property, Plant & Equipment | Low | None | | ✓ |
| Actuarial (gains)/ Losses on pension fund assets & liabilities | Yes | Employee remuneration | Low | None | | ✓ |
| Other comprehensive (gains)/ Losses | No | Revenue/ Operating expenses | Low | None | | × |
| Property, Plant & Equipment | Yes | Property, Plant & Equipment | Medium | Other | PPE activity not valid | ✓ |
| Property, Plant & Equipment –Revaluation measurements not correct | Yes | Property, Plant & Equipment | Low | Other | | ✓ |
| Heritage assets & Investment property | Yes | Property, Plant & Equipment | Low | None | | ✓ |
| Intangible assets | No | Intangible assets | Low | None | | × |
| Investments (long & short term) – Financial Instruments (including Birmingham Airport Holdings Limited) | Yes | Investments | Medium | Other | Fair value measurements not correct | ✓ |
| Debtors (long & short term) | Yes | Revenue | Low | None | | ✓ |
| Assets held for sale | No | Property, Plant & Equipment | Low | None | | × |

An audit focused on risks (continued)

| Account | Material (or potentially material) balance? | Transaction Cycle | Inherent risk | Material misstatement risk? | Description of Risk | Substantive testing? |
|---|---|-----------------------|---------------|-----------------------------|---|----------------------|
| Inventories | No | Inventories | Low | None | | X |
| Cash & cash Equivalents | No | Bank & Cash | Low | None | | ✓ |
| Borrowing (long & short term) | Yes | Debt | Low | None | | ✓ |
| Creditors (long & Short term) | Yes | Operating Expenses | Medium | Other | Creditors understated or not recorded in the correct period | ✓ |
| Provisions (long & short term) | No | Provision | Low | None | | ✓ |
| Pension liability | Yes | Employee remuneration | Low | None | | ✓ |
| Reserves | Yes | Equity | Low | None | | ✓ |
| St Thomas More School PFI (off-balance sheet) | Yes | Debt | Low | None | | ✓ |
| Street lighting PFI | Yes | Debt | Low | None | | ✓ |

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

| Significant risk | Description | Substantive audit procedures |
|---|--|--|
| The revenue cycle includes fraudulent transactions. | Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. | We will: <ul style="list-style-type: none">• Review and test revenue recognition policies.• Perform attribute testing on material revenue streams. |
| Management over-ride of controls. | Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. | We will: <ul style="list-style-type: none">• Review accounting estimates, judgments and decisions made by management.• Testing of journal entries using a risk based approach.• Review unusual or significant transactions. |

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315). The table below copies the risks classed as "Other" in the section "An audit focused on risk" and provides further detail on the testing we will undertake to address the risk identified. These are not additional risks.

| Other reasonably possible risks | Description | Work completed to date | Further work planned |
|---------------------------------|---|--|---|
| Operating expenses | Operating expenses understated | Walkthrough tests were completed in relation to the completeness assertion, which we consider to present a risk of material misstatement to the financial statements. | Test of detail on operating expenses included in the financial statements including: <ul style="list-style-type: none"> • Performance of attribute testing on a sample of transactions raised in the year. |
| Trade creditors | Creditors understated or not recorded in the correct period | Walkthrough tests were completed in relation to the completeness assertion, which we consider to present a risk of material misstatement to the financial statements. | Test of detail on trade creditors and accruals in the financial statements including: <ul style="list-style-type: none"> • Review of calculation of significant accruals and other items. • Review of payments after the year end. |
| Employee remuneration | Remuneration expenses not correct | Walkthrough tests were completed in relation to the completeness assertion, which we consider to present a risk of material misstatement to the financial statements. | Test of detail on the employee remuneration accrual and tax obligation including: <ul style="list-style-type: none"> • Performance of attribute testing on a sample of transactions in the year. • Agreement of employee remuneration disclosures in the financial statements to supporting evidence. |
| Welfare Expenditure | Welfare benefits improperly computed | Walkthrough tests were completed in relation to the valuation – gross assertion, which we consider to present a risk of material misstatement to the financial statements. | Testing of the final Housing Benefit Claim will be completed using the HBCOUNT methodology, with assurance taken from testing of initial cases by benefit category. |

Other risks (continued)

| Other reasonably possible risks | Description | Work completed to date | Further work planned |
|---|-------------------------------------|--|---|
| Property, Plant & Equipment | PPE activity not valid | Walkthrough tests were completed in relation to the valuation-gross assertion, which we consider to present a risk of material misstatement to the financial statements. | Test of detail on trade creditors and accruals in the financial statements including: <ul style="list-style-type: none"> • Test a sample of additions and disposals by agreement to supporting documentation. • Review performance against the capital plan for year and obtaining explanations for significant variations. • Review the treatment of non enhancing capital expenditure recorded in the accounts. • Test a sample of items charged as REFCUS expenditure in year (Revenue Expenditure Funded from Capital under Statute). |
| Investments (long & short term) – Financial Instruments | Fair value measurements not correct | Walkthrough tests were completed in relation to the valuation-gross assertion, which we consider to present a risk of material misstatement to the financial statements. | We will review the valuation method applied to the Council's shareholding in Birmingham Airport. |

Results of interim audit work

Scope

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

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented in accordance with our understanding in areas where we have identified a risk of material misstatement.

| | Work performed | Audit Findings |
|----------------------------|--|---|
| Internal audit | We reviewed internal audit's overall arrangements against the CIPFA Code of Practice. | Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from its work in contributing to an effective internal control environment at the Council. |
| Walkthrough testing | We have undertaken walkthrough tests in relation to the specific accounts assertion risks which we considered to present a risk of material misstatement to the financial statements. | We identified a number of issues arising from our walkthrough of Investments (Financial Instruments), Welfare Benefit Expenditure and Operating Expenditure. Our detailed findings including recommendations are included at Appendix 1. |
| Journals | We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have undertaken detailed testing on journal transactions recorded for the financial year (excluding year end accruals and year end close journals), by extracting 'unusual' entries for further review. We will undertake additional work at year end on the journals that have been processed subsequent to our interim review. | Our work indicates that there is a need to enable the functionality of the Oracle system to automatically generate sequential journal numbers. In addition, our follow up review to consider implementation of prior year recommendations identified partial implementation of the need for an independent officer to sample review journals. Our detailed findings including recommendations are included at Appendix 1. |

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget cuts

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- perform a risk assessment.
- undertake further work on specific indicators.
- perform work on financial resilience by considering how the Council is addressing the challenges of lower central government funding and the economic downturn.
- on completion of the initial risk assessment we will agree with the Council if any specific pieces of work are required to address any high risk areas.

Logistics and our team

The audit cycle



| Date | Activity |
|-----------------|--|
| February | Planning meeting |
| April | Interim site work |
| June | External Audit Plan presented to Audit Committee |
| July | Year end fieldwork commences |
| August | Audit findings clearance meeting |
| September | Audit Committee meeting to report our findings |
| By 30 September | Sign financial statements opinion and VfM conclusion |
| November | Issue Annual Audit Letter |

Our team

| | |
|--|--|
| Jon Roberts Engagement Lead T (0)121 232 5410 E jon.roberts@uk.gt.com | Nicola Coombe Manager T (0)121 232 5206 E nicola.coombe@uk.gt.com |
| Perminder Sethi Senior Manager (maternity cover) T (0)113 245 5514 E perminder.sethi@uk.gt.com | Ian Barber Senior Manager - VFM T (0)121 232 5357 E ian.m.barber@uk.gt.com |
| Preya Maini In Charge Auditor T (0)121 232 5402 E preya.maini@uk.gt.com | Negat Sultan Senior Manager - TRS T (0)116 257 5590 E negat.sultan@uk.gt.com |

Fees and independence

Fees

| | 2011/12 £ | 2012/13 £ |
|---------------------|----------------|----------------|
| Council audit | 315,000 | 189,000 |
| Grant certification | 44,900 | 30,150 |
| Total | 359,900 | 219,150 |

Fees for other services

| Service | 2011/12 Fees £ | 2012/13 Fees £ |
|---------|-------------------|-------------------|
| None | Nil | Nil |

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

| Our communication plan | Audit plan | Audit findings (ISA260) |
|---|------------|-------------------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to the auditor's report, or emphasis of matter | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

Action Plan

Appendix 1

Priority

High – Immediate action required to address a material risk

Medium – Action required to address a significant deficiency

Low – Action require to address a deficiency

| | Key Findings | Priority | Recommendations | Management response | Implementation date and responsibilities |
|-----------------------------------|---|----------|--|---|---|
| Journal entry controls (1) | We followed up the prior year recommendation requiring an independent officer to review a sample of journals. Whilst we acknowledge that the recommendation has been partially implemented, there is no written evidence to suggest that monthly checks have taken place for items reviewed for reasonableness. | Medium | <p>The Council should formalise the process of sample testing journals, and retain documentary evidence of the journals reviewed. In addition, Officers should scope their review to capture all journal types. Consideration should also be given to the following:</p> <ol style="list-style-type: none"> Journals posted and authorised by the same officer; Journals raised outside of core working hours and weekends; Journals with 'round sum' values; Journals with repetitive values (i.e. one journal with numerous lines for the same value); Journals near the £50k value (i.e. raised to avoid authorisation). | <p>In future the monthly check on journals will be signed by the Senior Financial Systems Officer.</p> <p>In response to expanding the checking to cover all journal types, we feel it is appropriate to check journals of manual sources, but not system journals. These journal sources are Manual, Spreadsheet, Cash Income and Month End Accruals. The monthly journal review process currently conducted examines:</p> <ul style="list-style-type: none"> •Naming protocol complied with •Journal Descriptions are meaningful •Test on reasonableness such as is it appropriate, are codes used appropriate such as code combination and is the reason for the journal sound •Are journals artificially split to by- pass journal protocols. <p>This is outlined formally in the journal policy available on the intranet, and is part of the final account guidelines.</p> <p>In response to the sub points in the recommendation:</p> <ol style="list-style-type: none"> This process is currently allowed where a journal contains no lines over £50k. If we were to remove this functionality it would slow down processes within Finance, as two officers would be required to process every journal. Examining journals processed at weekends based on the created date, 6 were processed in 11/12 and 12 in 12/13. These were investigated and no concerns found. iii. & iv. are part covered by the current process, through sample checking. v. In the current sample check, we examine journals near £50k to identify avoidance of authorisation. An example is checking other journals the officer has posted in that period. | Senior Financial Systems Officer (DT). Immediate. |

Action Plan (continued)

Appendix 1

| | Key Findings | Priority | Recommendations | Management response | Implementation date and responsibilities |
|-----------------------------------|--|----------|--|--|--|
| Journal entry controls (2) | The Oracle system has in built functionality to automatically generate a sequential journal number for each complete journal processed. The Systems Accounting Team advised us that this functionality has been historically disabled. Without this control there is a risk of journal entries being lost by the ORACLE system, including a lack of control over the completeness of journals processed by the Council. | Medium | The Council should enable the functionality within Oracle, thereby ensuring that a unique sequential journal number is created for each journal processed. The journal number should be transcribed onto the original journal created to enhance the audit trail. | We will investigate if this can be applied to our current version of Oracle 11.5.10. If not, we will build this into the functionality required for Oracle R12. | Financial Systems Officer (LT) 30 th August 2013 |
| Investment | Our testing identified that the monthly short-term investment monitoring schedule to general ledger for January 2013 had not been prepared. The Treasury Manager advised that the requirement to compile monthly reconciliations had not been undertaken due to a shortage of staff within the Treasury Team. Furthermore, we identified a delay in the preparation of the quarterly short-term investment monitoring schedule reconciliation (submitted to Corporate Finance for updating the ledger) for June 2012, as this was prepared in November 2012. | Medium | The Treasury Manager should ensure that short-term investment reconciliations are prepared each month on a timely basis including the production of quarterly submissions to Corporate Finance. Where delays are expected or experienced, these should routinely be reported to the Head of Finance. | The staff shortage issue has since been addressed with 2 new starters in the team and responsibility for this task has been appropriately placed. Since this issue was highlighted reconciliations have been completed and signed off within a timely manner after month end. Where delays are expected or experienced, these will be reported to the Head of Finance. | Immediate. Officers (SK and SJ) are ensuring that reconciliations are completed in a timely manner. Responsibility lies with Banking Officer, Treasury Management (AB) Overall – Treasury Manager (MT) |

Action Plan (continued)

Appendix 1

| | Key Findings | Priority | Recommendations | Management response | Implementation date and responsibilities |
|--|--|----------|---|---|--|
| Welfare Benefit Expenditure (Housing benefits and Council Tax benefits) | Our walkthrough of the Welfare Benefit Expenditure system reconciliation to the general ledger identified that this had not been completed for February 2013 at the date of our audit. We were informed that the delay was due to key staff absences within the department during March 2013 and that this would be prepared along with the March 2013 reconciliation. | Medium | The Council should ensure preparation of timely monthly reconciliations between the Welfare Benefit Expenditure system and the general ledger to promptly identify and resolve discrepancies. Where key staff are absent, the task should be reassigned to another appropriately qualified/experienced officer. Any delays expected or experienced should routinely be reported to the Head of Finance. | February and March reconciliations were done in April. The recommendations is accepted. Staffing roles and responsibilities are also currently being reviewed in line with broader Welfare Reform changes and working smarter work streams. | Revised structure will be in place by October 2013. Timely reconciliations in the meantime will be done. Immediate. Benefits Business Development Manager (MH) |
| Operating Expenditure (1) | Our walkthrough of Operating Expenditure identified that a number of staff have access levels, which exceed their job requirements. For example, we reviewed the access level for the Quality and Assurance Officer and noted that this officer had privileges granted, over and above their job role, including access to set up suppliers and make creditor payments, which are outside the responsibilities of this role. | Medium | The Council should review access levels for all staff to ensure they are commensurate with job roles and review this on a six to twelve monthly interval. This is important due to the recent staff restructuring with the Finance department. | Agreed - regular (at least every 6 months) reviews of access levels are undertaken for all functions within Oracle Financials. A review has been undertaken since the implementation of the new structure. The Q&A Officer role job title has been changed to better reflect their role – to Systems Development and Access Officer – and the access limits reviewed for this role. | Financial Administration & Support Service Manager (BF) Complete. |

Action Plan(continued)

Appendix 1

| | Key Findings | Priority | Recommendation | Management response | Implementation date and responsibilities |
|----------------------------------|---|----------|--|---|--|
| Operating Expenditure (2) | <p>As part of our systems review of operating expenditure, we selected a purchase invoice for National Grid for testing. Whilst we gained assurance that the goods had been received and the invoice had been duly authorised, we noted that the payment was made by cheque (£20,770.20). Upon further investigation with the procurement Transactional Manager, we were advised that payments to National Grid are normally made by BACs, but payments to National Grid Wolverhampton are made by cheque.</p> <p>Best practice would dictate that payments to suppliers are made via BACs as this is the most cost effective and secure method of payment.</p> <p>In addition, payment by BACs reduces the susceptibility for fraud compared with cheque payments.</p> | Low | The Council should review the payment arrangement to all providers, including National Grid Wolverhampton to ensure that the most cost-effective and secure method of payment is used. | <p>Suppliers are currently given the option to be paid by either cheque or BACS. The remittance advice slip sent with cheque payments includes a narrative advising that if the recipient would prefer to be paid by BACS then they should contact us; periodically we contact suppliers offering them the opportunity to change their payment method to BACS.</p> <p>A review will be undertaken of these arrangements with a view to the default position being BACS.</p> <p>Financial Administration will contact National Grid Wolverhampton with a view to changing their payment method to BACS</p> | <p>Financial Administration & Support Service Manager (BF)</p> <p>Complete.</p> <p>31 August 2013.</p> <p>This is complete and payment is now made via BACS.</p> |



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