

APPENDIX A

Priority 1 and 2 Audit Recommendations – Financial Key Control Reports Within 2019/20 Audit Plan

Ref	Risk/Issue	Recommendation	Priority	Agreed Action	Responsible	Timescale	Current Position (November 2020)	Status
Banking Arrangements								
2.1	The banking contract was last tendered in 2012 and extended in 2018 for two years due to transformation. The Council has not yet started the retender exercise.	We recommend that the Case Manager Procurement starts the procurement process for a new banking contract.	2	Agreed to start the process for a new banking contract.	Strategic Procurement Specialist	31/07/2020 Revised target 31/12/2020	The timeline has been revised by the AD Finance reflecting overall service demands and relative risk. The process of establishing the contract is close to completion, with the plan to finalise and execute by 4 December.	In Progress
Debtors								
1.1	Only 60 invoices have been raised for the DLO since April resulting in a reduction in income. At point of testing, the service was not able to provide explanation for the shortfall.	We recommend that the Lead Case Manager works with the Operational Lead to identify all outstanding debts to be raised and ensures that these invoices are created and issued as soon as possible.	1	Agreed – The issues came to light at a similar time to the Audit being scoped. Officers were brought together to understand the blockers and where in the organisation this task now sits. The DLO had their business support and administration team completely removed as part of transformation leaving them with no one overseeing this process. Officers have established a route to clear the backlog of invoicing and support has been provided from across the organisation.	Assistant Director - Customer	31/03/2020	A detailed exercise was undertaken during 2019/20 to ensure all billing was complete and up to date. Overall income levels were reduced where some contracts for works ended partway through the year and there was no inter-authority billing between TDBC and WSC following the creation of SWT. Improvements have also been made to debtor management reporting and 7 new KPI's have been introduced to provide a more rounded view of performance. This includes implementing a summary dashboard which provides an early warning of any drops in invoice numbers and value of invoices raised in a particular location code (service area).	Complete

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1.2	No reconciliations between Open Contractor and the General Ledger have been completed during 2019-20.	We recommend that the Finance Business Partner ensures that reconciliations between Open Contractor and the General Ledger are completed. Procedure notes should be created so that another officer can pick up the reconciliation if required.	1	I will arrange a meeting between the income/business support team and finance to ensure that the correct reconciliations are undertaken and that procedure notes are then in place	Finance Business Partner	31/03/2020 Revised target 31/12/2020	Significant work was undertaken to ensure the General Ledger for 2019/20 accounts is materially correct, involving officers from business support, housing, grounds and open spaces, and finance teams. The assurance for 2019/20 was therefore achieved prior to a formal and routine reconciliation process being established. A new Systems Accountant post was established this year and appointed in August, and they are currently working with the services that use OC and a business analyst to comprehensively review the end to end process for scheduling, performing and charging for works either internally to services or externally for other customers. Formalising the reconciliation with the general ledger will be one of the outputs from this activity. The timeline has been extended due to capacity and service demands, but remains an important priority.	In Progress
1.3	Recovery action is not being progressed after debts have been referred back to the service for action.	We recommend that the Income Specialist ensures that debts referred back to the service are followed up and an officer takes responsibility for this, and periodic checks are undertaken to ensure they have been referred to legal if they are unable to resolve directly with the customer. There should also be increased senior management oversight on the debts returned to services to ensure this is progressing.	2	Agreed. Will follow up with the services and Business Intelligence are working on improved reporting to senior managers which are almost ready to be issued. This includes new performance indicators beyond the top 30 currently reported.	Income Specialist	30/09/2020	An Income dashboard is being developed by the Income Specialist and the Business Intelligence Manager to give senior staff more awareness beyond the top 30 debts report currently reported to senior officers. The whole sundry debtor system has been reviewed and older/newer debts are being addressed and monitored closely. The Income Team now have more responsibility for cases by dealing with some through the County Court and referral onto High Court Enforcement that will speed up the process. All cases with Legal are regularly updated and older cases not being dealt with by the Income Team are followed up for updates. Court activity during 2019/20 has been diminished his financial year due to COVID restrictions, however processes now in place will ensure effective recovery action when current restrictions are lifted.	Complete

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1.4	When no response is received to a request to budget holders to confirm predicted variances they are presumed as being on track to meet the budget and not investigated further unless they are high-risk areas. [See also Main Accounting 2.1 below]	We recommend: a) that the Finance Business Partner ensures that a review of all non-responses to budget monitoring request is carried out to ensure they are working within their budget and the expected income targets are on track to be met. b) That Directors ensure full engagement and compliance of budget holders within their areas to ensure budget management and reporting responsibilities are met. c) That the Finance Business Partner ensures finance specialists undertake a regular critical review of larger variances and appropriately challenge the accuracy of reported variances / non-variances.	2	a) Next year budget monitoring will be undertaken monthly and therefore for small non-material items it will not be possible to follow up all non-responses monthly but non-responses for material or those budgets we see as more risky will be reviewed monthly. Finance will review on non-responses on a quarterly basis. b) Agreed c) Agreed on a quarterly basis	a) Finance Business Partner b) Directors c) Finance Business Partner	30/06/2020	A comprehensive review and improvement of the budget monitoring process has been implemented during 2020/21, with monthly budget monitoring and reporting undertaken since Month 3. Budgets have been reorganised for 2020/21 to reflect the new directorate structures. Directors have worked with their management teams to ensure budget responsibility is clear for all budgets. The Finance Business Partner team's capacity has been expanded, and new monitoring reports are in place with monthly reviews and forecasting undertaken. Monthly financial reports are presented to SMT Performance Board, with quarterly reporting to Scrutiny and Executive. Budget holders and finance business partners are continuing to review budgets in detail to ensure costs and income are correctly aligned, managed and reported effectively. Analysis is underway this quarter to compare actuals with forecasts to provide further challenge and assurance to the accuracy of forecasts.	Complete
Treasury Management								
2.1	Reconciliations between the investment and loan records and the General Ledger have not been completed.	We recommend that the Specialist Finance ensures that the Reconciliations between the investment and loan records and the General ledger are carried out and brought up to date and are included in the work plan to ensure they are completed on a monthly basis.	2	Agreed that reconciliations will be brought up to date in the current financial year and an entry added to the work plan to ensure this is carried out on a monthly basis going forward. In respect of 2020/21 reconciliations there is a need to establish the quickest and best way to reconcile investments and loans and will ensure the Council has a separate sub-nominal code for each counterparty within E5.	Case Management Lead	31/3/2020	The backlog in reconciliations was rectified towards the end of 2019/20 to provide assurance for end of year reporting. Implementation of the work plan and completion of the reconciliations for 2020/21 was delayed due to competing priorities however this is now in place with reconciliations being completed by 30 November 2020 and then completed on a monthly basis thereafter.	Complete
Main Accounting								
1.1	There are no reconciliations of the Open Contractor (OC) system.	We recommend that the Finance Business Partner ensures that a process to reconcile the OC to the General Ledger is developed and a procedure written.	2	I will arrange a meeting between the income/business support team and finance to ensure that the correct reconciliations are undertaken and that procedure notes are then in place.	Finance Business Partner	31/03/2020 Revised target 31/12/2020	See Debtors 1.2 above.	In Progress
		We also recommend that the Finance Business Partner ensures that the OC codes are amended to ensure they post to the correct location on import.	2	Agreed – There is a wider activity to update the coding structure again this year to reflect the new directorate structure. Coding within OC will be updated to reflect the new codes once established.	Finance Business Partner	31/03/2020 Revised target 30/09/2020	Legacy codes applied to jobs when set up in the OC system cannot be subsequently amended but these are mapped to new codes when items are posted to GL, and journals processed where necessary to move costs/income to the right place. New jobs created are using up to date codes.	Complete

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1.2	The Opening balances on E5 do not agree with the year-end closing balances.	We recommend that the Finance Business manager ensures that the E5 system is updated to show the correct opening balances and ensures a checking process is implemented following approval of the final accounts each year to ensure they have been correctly updated.	2	Agreed. Finance officers working on these to ensure all items are in the right place within the SWT coding structure, translated from the old coding structures from TDBC and WSC. Added a check to the closedown processes to check they are correct for future years going forward.	Finance Business Partner	16/03/2020	Completed	Complete
2.1	Budget holders not managing their budgets and possibly not reporting variances. [See also Debtors 1.4 above]	We recommend: a) that the Finance Business Partner investigates gaps in budget holder engagement and reports to SMT, and ensures that a risk-based review is undertaken where budget holders fail to report and advice given to the S151 Officer and SMT of key financial control risks/issues requiring attention. b) That Directors ensure full engagement and compliance of budget holders within their areas to ensure budget management and reporting responsibilities are met. c) That the Finance Business Partner ensures finance specialists undertake a regular critical review of larger variances and appropriately challenge the accuracy of reported variances / non-variances.	1	a) The budget monitoring process and timetable for 2020/21 is under review, with the aim of implementing more frequent monthly reporting. This strengthening of control and reporting will impact on time requirements for both budget managers and finance officers. There is currently insufficient capacity within finance to review high volume budgets every month in lieu of gaps in reporting by budget holders. The Finance Business Partner will ensure riskier budgets are reviewed monthly by finance officers. Gaps in budget holder compliance with reporting requirements will be reported to Directors for action. Finance will undertake a wider review of all non-responses on a quarterly basis to provide assurance key risks and issues are identified. b) Directors will ensure budget holders are clear about their responsibilities and comply with reporting requirements as set by SMT and the S151 Officer. c) The Finance Business Partner will ensure finance specialists undertake a regular critical review of larger variances and appropriately challenge the accuracy of reported variances / non-variances on a quarterly basis.	a) Finance Business Partner b) Directors c) Finance Business Partner	30/06/2020	A comprehensive review and improvement of the budget monitoring process has been implemented during 2020/21, with monthly budget monitoring and reporting undertaken since Month 3. Budgets have been reorganised for 2020/21 to reflect the new directorate structures. Directors have worked with their management teams to ensure budget responsibility is clear for all budgets. The Finance Business Partner team's capacity has been expanded, and new monitoring reports are in place with monthly reviews and forecasting undertaken. Monthly financial reports are presented to SMT Performance Board, with quarterly reporting to Scrutiny and Executive. Budget holders and finance business partners are continuing to review budgets in detail to ensure costs and income are correctly aligned, managed and reported effectively. Analysis is underway this quarter to compare actuals with forecasts to provide further challenge and assurance to the accuracy of forecasts.	Complete
Creditors								
1.1	There is no process for the verification of bank details for new suppliers and where suppliers change details.	We recommend that the Finance Business Partner ensures bank details are validated before being set-up and that a record of the check should be retained detailing who completed the check and the name of the person they were confirmed by and when.	1	Agreed. Work started on a revised process but has been delayed due to COVID 19. There is also a need to resolve resourcing the manual checking elements of the process. Bank detail verification will be resolved by the end of September 2020 and wider process improvements by 31 Oct 2020.	Finance Business Partner	31/10/2020	The process has been updated reflecting the risk highlighted in the audit, with further bank verification checks completed. This represents reasonable action to mitigate the control risk. Following strengthening of counter-fraud controls implemented for COVID grants during this year, the team plan to investigate the option to further strengthen this control in future utilising data validation with external agencies.	Complete

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		Separate reporting on new suppliers should be set up to identify duplicate suppliers and new/changed suppliers to support monitoring and improving held information.					Manual checks are undertaken to mitigate the risk of creating and using duplicate suppliers, however the development of new reports remains an area for further improvement. This may not be completed before April 2021 due to competing priorities and service demands.	To Be Planned
1.2	No exception reports are run to support the payment run	We recommend that the Case Management Lead – Operational Support develops a suite of exception reports to support the payment run, these should be based on mitigating the highest risk first until there is increased satisfaction in the controls at input level.	2	Agreed, will look to develop exception reports and this will also link into the development of other controls.	Case Management Lead – Accounts Payable	31/10/2020 Revised Target 31/12/2020	The Case Management Lead met with the auditor in early October 2020 to discuss the recommended requirements. The internal auditor will contact other local Councils that use E5 to clarify what reports they use for this control. Action to be progressed with the aim of resolving by end of December 2020.	In Progress
1.4	There was a limitation with the previous e5 configuration that did not provide a clear reference to the Purchase Order request. A walkthrough of the approval process demonstrates that segregation of duty is not enforced in the system between raising a PO and confirming Goods Received Notes – this is a particular weakness regarding POs below £500 where there is no budget holder approval.	We recommend that the Case Management Lead – Operational Support reviews the process for recording authorisations in the system to allow for a clear and accessible audit trail. A process should be identified to ensure an adequate separation of duties within the process to protect against fraudulent payments or monitoring arrangements put in place to review payments where Purchase Orders have been raised and GRN'd by the same officer.	2	Report to be developed identifying PO's raised and GRN'd by single officer. Where these orders do not include a Firmstep case reference and requester's name, further investigations will take place. Spot checks on those with Firmstep case numbers will also be carried out to ensure that the origin of the order came from a different officer than the one who has raised and GRN'd the order.	Case Management Lead – Operational Support	31/10/2020 Revised Target 31/12/2020	The Case Management Lead met with the auditor in early October 2020 to discuss the recommendation requirements. Report has been created, however the number of orders created which originated outside of Firmstep is higher than expected. Further analysis to take place before meeting with SWAP again to discuss further. Action to be progressed with the aim of resolving by end of December 2020.	In Progress