

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 17 September 2019

## External audit review of internal financial controls, 2018/19

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are requested to note:
  - 1.1.1 the findings of the 2018/19 external review on the effectiveness of the Council's internal controls; and
  - 1.1.2 that a further update on progress in implementation of the improvement actions contained within the report will be provided to the Committee in January 2020.

**Stephen S Moir**

Executive Director of Resources

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# Report

## External audit review of internal financial controls, 2018/19

### 2. Executive Summary

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- 2.1 As an integral part of the annual audit cycle, the external auditor requires to assess the effectiveness of the Council's internal control framework in preventing material misstatement within its financial statements. This process involves documentation of the Council's key financial systems and the principal controls within these and then sample-testing their effectiveness.
- 2.2 This report presents the main findings of the 2018/19 review, concluding that, while opportunities for further improvement exist and that there is a need, in some cases, to embed previous recommendations, the controls assessed are considered to be well-designed.

### 3. Background

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- 3.1 Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and to designate an officer to have responsibility for these arrangements. The Head of Finance is the appointed Section 95 Officer for the Council and therefore has overarching responsibility to maintain a sound system of internal control.
- 3.2 As an integral part of the annual audit cycle, the external auditor requires to assess the effectiveness of the Council's internal control framework in preventing material misstatement within its financial statements. This involves documentation of the Council's key financial systems and the principal controls within these and then sample-testing their effectiveness.

### 4. Main report

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- 4.1 The majority of the fieldwork and financial systems testing was undertaken between March and June 2019. The key areas examined are set out on page 4 of the report.

- 4.2 For those systems falling within the scope of testing, Scott-Moncrieff's conclusion is that these controls form part of a key control framework that is well-designed, with no significant deficiencies in their design, implementation or operation.
- 4.3 One new opportunity for improvement with regard to developing procedural documentation for sundry income invoice-raising processes has nonetheless been identified as shown on page 7 of the report, alongside the Council's response and an indication of the corresponding timescale within which actions to address the finding will be undertaken.
- 4.4 There is also, however, a need to embed and evidence effectively implementation of some previous audit recommendations and this will be a focus of particular attention and monitored alongside the complementary action plan developed in respect of the newly-identified recommendation.
- 4.5 A progress update will be provided to the Committee in January 2020, by which time it is anticipated that the majority of recommendations will have been fully implemented.
- 4.6 Members of the Committee will be aware of other on-going, complementary work focused upon further strengthening aspects of the Council's internal framework. Internal audit and risk management arrangements continue to identify areas for improvement and arrangements are in place to monitor implementation of identified actions and lessons learned Council-wide.

## **5. Next Steps**

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- 5.1 As noted above, an action plan has been developed to address the recommendations outlined in the report and a progress update will be reported to the Governance, Risk and Best Value Committee in January 2020.

## **6. Financial impact**

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- 6.1 While there is no specific direct financial impact resulting from the report's contents, enhancements to the effectiveness of the Council's systems of internal control form an essential part of improved governance arrangements.

## **7. Stakeholder/Community Impact**

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- 7.1 Improvements to the internal control framework form an integral part of strengthening the wider governance arrangements within the Council.

## **8. Background reading/external references**

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- 8.1 [External Audit Plan 2018/19](#), Governance, Risk and Best Value Committee, 19 March 2019

## **9. Appendices**

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Appendix 1 – City of Edinburgh Council Review of Internal Controls, 2018/19

# City of Edinburgh Council

Review of internal financial  
controls for the year ended 31  
March 2019

September 2019





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# 1. Introduction

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## Introduction

1. This report concludes our 2018/19 audit of the council's key financial systems and internal financial controls.

### Scope of our audit

2. Auditors are required to carry out the audit of financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)). To comply with the requirements of the ISAs (UK) we consider the council's key accounting systems and internal financial controls and determine whether these are designed and operate in such a way as to prevent material misstatements in the financial statements.
3. Our approach includes documenting the processes and key internal financial controls within the council's key financial systems and performing walkthrough testing to confirm our understanding of those systems. For certain systems we also test a sample of internal financial controls to establish whether they provide adequate assurance to support the preparation of the financial statements.

### Reporting to those charged with governance

4. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls.
5. ISAs (UK) require us to report promptly any material weaknesses in the design or operation of internal financial controls which have come to our attention.
6. A material weakness in internal control is a deficiency which could adversely affect the council's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
7. This report has been prepared to communicate the findings of our audit to those charged with governance. We have agreed with the council that these communications will be through the Governance Risk and Best Value Committee.
8. Any weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve the council of its responsibility to address the issues raised and to maintain an adequate system of control.

9. As required under the Code of Audit Practice, this report will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

### Feedback

10. We always welcome feedback on the quality of our audit work and associated outputs. Please access the following link to provide comments: <https://www.surveymonkey.co.uk/r/S2SPZBX>
11. We would like to thank management and staff who have been involved in our work for their co-operation and assistance during our audit visits



# 2. Summary of findings

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## Summary of findings

12. We are pleased to report that our audit work did not identify any significant deficiencies in the design, implementation or operation of internal financial controls over the council's key financial systems. We consider these systems to be well designed. However, we identified areas with scope for improvement which, if addressed, would further strengthen the system of internal financial control. Our findings and recommendations are included in section 3 (Action plan).

13. As part of our audit we have considered progress made by the council in implementing the recommendations raised in our 2017/18 and 2016/17 reports on: "Review of the council's internal financial controls". We found four

recommendations are not fully implemented or remain outstanding.

### Key financial systems

14. Through the course of our audit we identify what we consider to be the council's key financial systems. For each key financial system our approach includes documenting the processes and key internal financial controls and performing walkthrough testing to confirm our understanding.

15. The table below provides an overview of the key financial systems which we have considered during the course of our 2018/19 audit of the financial statements.

Key financial area	Audit work completed	Audit conclusion <sup>1</sup>
<b>Council tax</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Cash receipting and banking</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Financial ledger</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Housing rents</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Non domestic rates</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Payroll</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>PPE</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Revenue expenditure</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.
<b>Sundry Income</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls. We did however identify one area for improvement.
		<b>Action plan point 1</b>
<b>Treasury management</b>	✓	We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.

<sup>1</sup> Our conclusions over the adequacy of the design, implementation and operation of key financial controls are based on the understanding that the system of wider complementary controls in place throughout the council is well designed and operating effectively. We have not assessed the adequacy of these controls.



# 3. Action plan

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## Action plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. Communication of the matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

### Action plan grading structure

To assist the council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has aligned to the structure/terminology used by internal audit.

The rating structure is summarised as follows:

Rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<ul style="list-style-type: none"> <li>• A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</li> </ul>



## Review of internal financial controls 2018/19

During our 2018/19 review of internal financial controls we identified one area in which improvement could be made. Details of the issue identified, the associated risk to the council and our audit recommendation are given below.

Action plan point	Issue & recommendation	Management comments
1. Sundry income – policies and procedures	<p>The council has standing orders and financial regulations in place which cover income, and there is the Corporate Debt Policy which covers sundry debt. We have not however been able to identify any policies or procedures which cover the specific processes in place around revenue from other areas such as sales to external customers or grant income.</p>	<p>As an interim measure, a user note will be sent to all PPSL users. The content of this note will be reviewed by the Customer Manager on an at-least annual basis.</p>
Rating	<p>At the council, responsibility for raising and processing invoices and grant claims has been delegated to individual departments and service areas. As there is no central billing team, the process in place over sundry income varies between departments. In gaining understanding of the system, we have identified that controls which are in place in one department may not be in place in others. For example, invoices raised at the council are not consistently reviewed and authorised prior to being raised on the PPSL system.</p>	<p>As part of the Customer and Digital Services' improvement programme, which includes a replacement for the current system, there are plans for a centralised billing team to be in place in 2020/21. This will support consistent and efficient practice.</p>
Medium	<p>There is a risk that there is not a consistent process in place for raising invoices or grant claims due to a lack of policy or procedure over sundry income. This could result in financial or reputational harm to the council.</p>	<p><b>Responsible Officer:</b> Customer Manager – Transactions</p>
	<p><b>Recommendation</b></p> <p>The council should develop and circulate policies or procedures which cover the processes in place over raising invoices and grant claims. These policies and procedures should include an appropriate review and authorisation process.</p>	<p><b>Implementation Date:</b> September 2019 (note), June 2020 (centralised billing team)</p>



## Follow up of prior year recommendations

As part of our audit we have followed up on the recommendation raised through our 2016/17 review of internal financial controls in 2016/17 and 2017/18. As noted below, six recommendations have been implemented in 2018/19 and four recommendations are in progress of being implemented or remain outstanding.

### 1. Payroll starter file review

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>Following internal audit recommendations on the new starters' process, management committed to performing spot checks on new starter files.</p> <p>During our interim review carried out between March and April 2018, we were unable to evidence that this control was operational. Further testing was carried out in August 2018 which confirmed that these checks are now being performed on a monthly basis.</p> <p>There is a risk that errors in the creation of a new starter file are not being identified and acted upon accordingly.</p> <p><b>Recommendation</b></p> <p>Spot checks on new starter files should continue to be performed and documented.</p>	<p>Post payroll running we can evidence that new start onboarding files are sample-checked against iTrent to ensure data quality is maintained. Errors are logged, feedback is given and additional training/advice carried out as a result of findings. A pre-payroll running check was also introduced on specific input that generates payment to employees to reduce error rates that contributed to manual payments or overpayments.</p> <p>Different processes exist for supply and probationer starters. These employees can start in various ways and as such they may not have a nominated candidate form from source.</p> <p>Since the audit in March/April 2018, we have improved system processes and also our internal checks are stricter.</p> <p><b>Responsible Officer:</b> People Support Manager</p> <p><b>Completion Date:</b> Completed</p>
Current status	Audit update	Management response
<b>In progress</b>	<p>We understand from our current year audit that monthly sample reviews are undertaken on new start files. However, we were unable to review documentation to confirm that this control is being performed.</p> <p>We recommend that spot checks on new start files should be formally documented.</p>	<p>Since the audit in 2018, HR/Payroll processes have changed significantly from paper-based transactions to on-line CRM (paperless) transactions. There is greater visibility of all our transactions including on-boarding (new starts). We are examining our reporting requirements for payroll with a new audit pack available from Midland HR (i-Trent).</p> <p>A review of our current audit checks is now underway and in development and the final controls will include new starter validation and control checks.</p> <p><b>Responsible Officer:</b> Employee Life Cycle Lead Consultant, Human Resources</p> <p><b>Completion Date:</b> December 2019</p>



## 2. Property plant and equipment procedures

Initial rating	Issue & recommendation	Management comments
Medium	<p>During our review we noted that there were no documented procedures in place over the following;</p> <ul style="list-style-type: none"> <li>• Processing of additions and disposals;</li> <li>• Posting of year end capital journals;</li> <li>• Preparing and posting monthly depreciation charges;</li> <li>• Revaluations;</li> <li>• Review of capitalised refurbishment costs</li> </ul> <p>There is a risk that procedures followed for each of these processes are not in line with requirements or fit for purpose.</p> <p>In particular we noted through discussion with a number of teams within the Council that the procedures followed for the processing and recording of disposals are inconsistent in a number of cases. There is therefore the additional risk that the Council is unaware of assets which have been disposed of in the year. This could lead to inaccurate year end validation returns and potential overstatement of property, plant and equipment within the annual accounts.</p> <p>The Council should ensure that procedures are documented for areas noted above. Sufficient oversight should also be put in place to ensure that these are consistently applied by all staff.</p>	<p>Formal procedure notes in each of the areas identified will be produced as part of a wider refresh of all relevant documentation. These notes will be developed in consultation with the services affected, with training provided where required, and their on-going applicability regularly reviewed.</p> <p><b>Responsible Officer:</b> Senior Accountant, Capital and Major Projects Team, Finance</p> <p><b>Completion Date:</b> February 2019</p>
Current status	Audit update	Management response
In progress	<p>We understand that work continues to implement this recommendation. A detailed handbook for the valuation of property assets has been developed. However, there is no formal procedure notes for the financial accounting for fixed assets.</p>	<p>While, as noted, significant progress has been made in this general area, formal procedure notes in each of the specific areas identified remain to be produced. These notes will be developed in consultation with the services affected, with training provided where required, and their on-going applicability regularly reviewed.</p> <p><b>Responsible Officer:</b> Senior Accountant, Capital and Major Projects Team, Finance</p> <p><b>Completion Date:</b> February 2020</p>



### 3. Property plant and equipment – access rights to fixed asset register

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>Fixed Asset Registers (FARs) are stored on the Council network; however the FARs and/or folders in which they are saved are not password protected. There is a risk that FARs are exposed to potentially unauthorised and/or inappropriate manipulation of asset data.</p> <p><b>Recommendation</b></p> <p>We recommend that FARs are password protected to mitigate the risk of unauthorised and/or inappropriate manipulation of data.</p>	<p>The majority of registers (by value) are already password-protected but those that are not will have these applied going forward.</p> <p><b>Responsible Officer:</b> Senior Accountant, Capital and Major Projects Team, Finance</p> <p><b>Completion Date:</b> September 2018</p>
Current status	Audit update	Management response
<b>Complete</b>	<p>A password protocol has been implemented for the Fixed Asset Registers which were held on spreadsheet:</p> <ul style="list-style-type: none"> <li>• HRA dwellings;</li> <li>• Vehicles, plant and equipment</li> <li>• Infrastructure; and</li> <li>• Intangible assets.</li> </ul> <p>The security settings on the files are read only access with a password required to make any changes. This protocol has been shared appropriately.</p>	N/A



## 4. Revenue expenditure – Swift system health and social care expenditure

Initial rating	Issue & recommendation	Management comments
Medium	<p>The Swift system is used to make payments to care homes and foster carers. Through our review of this system, we noted that there is no formal scheme of delegation in place for the authorisation of payment requests made to the Swift (H&amp;SC) system.</p> <p>There is a risk that suppliers are added to the system who are not authorised for payment.</p> <p><b>Recommendation</b></p> <p>A scheme of delegation or similar should be put in place that allows finance to be able to confirm the identity of the social worker and payment values which they are able to authorise.</p>	<p>The Social Care Finance (SCF) team rejects payment requests which are not authorised.</p> <p>A list of recognised approvers/values will be confirmed with sector teams (Customer to progress).</p> <p>The Business Support Team will maintain changes to the list (leavers and movers) and the SCF team (Customer) will support a yearly review.</p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p>
Current status	Audit update	Management response
Complete	<p>From our current year audit we understand that the Financial Assessments and Payments team are aware of the officers who can authorise and approve payments, which is supported by schemes of delegation.</p>	N/A



## 5. Revenue expenditure – Swift system health and social care expenditure

Initial rating	Issue & recommendation	Management comments
Medium	<p>There is no secondary review performed over client service and payment details that are manually entered into the Swift system.</p> <p>There is a risk that there is an error in the client commitment details entered onto Swift and that this leads to an inaccurate or invalid payment being made.</p> <p><b>Recommendation</b></p> <p>Periodic spot checks should be performed over all manually input data and prices.</p>	<p>Business Support staff process the invoices and another Business Support staff member will validate before completing.</p> <p>A sample checking regime will be implemented by the SCF team to give further assurance.</p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p>
Current status	Audit update	Management response
Complete	<p>The payments process has changed during 2018/19 and has moved away from the Business Support team. The payments are now made by the Banking and Payments team which provides the segregation of duties required by the recommendation. The invoices are processed following the payments team timescale and authorisation process and therefore this recommendation has been closed.</p>	N/A



## 6. Revenue expenditure – Swift system health and social care expenditure

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>Invoices entered into Swift for payment are reconciled with the commitment details held in the system for each client and a variance report is produced. Following investigation of variances, the reason for amendments are entered into the system.</p> <p>No secondary review of variance reports is performed and therefore there is an increased risk of inappropriate or unauthorised payments being made.</p> <p><b>Recommendation</b></p> <p>We recommend that secondary review of variance reports is performed.</p>	<p>Liaison with the service takes place prior to release of payment - where there has been no appropriate verification, the invoice is rejected from the payment run until this is resolved. These payments remain on a suspended file until corrected and released by the Payments Team.</p> <p>Secondary review of the variance report was previously ceased but will be re-started via the Business Support team.</p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p>
Current status	Audit update	Management response
<b>Complete</b>	<p>The payments process has changed during 2018/19 and has moved away from the Business Support team. Within the Banking and Payments team, any invoices which do not match the amount on the contract are not processed by the team. They are placed in a query box for follow up with Business Support to confirm the amount which should be paid. Therefore, as there is an escalation process in place, this recommendation has been closed.</p>	N/A



## 7. Implementation of audit recommendations

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>In order for our audit outputs to be of most benefit to the Council it is essential that audit recommendations agreed with management are implemented in accordance with set timescales. It is equally important that the implementation of the recommendations is sustained throughout the organisation and that all members of staff affected by any change in processes are made aware of the changes.</p> <p>Throughout our follow up of audit recommendations we have identified that in some cases actions are not continuing to be implemented or communicated with staff.</p> <p>There is an opportunity for the council to derive greater added value from the audit process through more robust implementation of actions.</p> <p>The Council should ensure that audit recommendations are implemented and continue to be applied throughout the service area/s to which they relate.</p>	<p>The importance of implementing, effectively embedding and sustaining all control improvements resulting from internal and external audit reviews is acknowledged.</p> <p>Given related recommendations with regard to internal audit actions, opportunities will be considered to consolidate monitoring of each set of actions through the recently-introduced "Team Central" system.</p> <p><b>Responsible Officer:</b> Head of Finance <b>Completion Date:</b> December 2018</p>
Current status	Audit update	Management response
<b>In progress</b>	<p>From our follow-up of prior year recommendations, we have found: four recommendations remain outstanding and six have been completed.</p>	<p>While noting the extent of progress made since last year's review, further steps will be put in place to ensure that control improvements are implemented and able to be evidenced as such.</p> <p><b>Responsible Officer:</b> Head of Finance <b>Completion Date:</b> December 2019</p>



## 8. Revenue expenditure – Tranman system

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>During our review of the Tranman system, we noted that procedures for the ordering and receipting of goods and services have not been reviewed since 2009. On discussion with management this review has subsequently been undertaken and procedures updated.</p> <p>If relevant procedures are not in place or are not reviewed and updated on a timely basis there is a risk that some key controls are not observed.</p> <p><b>Recommendation</b></p> <p>The Council should ensure procedures cover all key aspects of the system. Documented procedures should be approved by the appropriate level, made accessible to all relevant staff and subject to regular review.</p>	<p><b>2016/17 Management Comment</b></p> <p>Tranman procedures for the ordering and receipting of goods and services have now been updated and will be reviewed annually.</p> <p><b>2017/18 Management Comment</b></p> <p>While the relevant procedures have been regularly reviewed to ensure their on-going appropriateness, this check has not been formally documented. Evidence of this annual review will therefore be maintained going forward.</p> <p><b>Responsible Officer:</b> Contracts Manager, Fleet and Workshops</p> <p><b>Completion Date:</b> October 2018</p>
Current status	Audit update	Management response
<b>Outstanding</b>	<p>We have been unable to confirm that policies and procedures are regularly reviewed to ensure they remain relevant and fit for purpose. We recommend that policies and procedures are subject to regular review and this review is formally documented.</p>	<p>While a review of policies and procedures in this area has been undertaken, the need to evidence this check has been noted and will be implemented with immediate effect.</p> <p><b>Responsible Officer:</b> Contracts Manager, Fleet and Workshops</p> <p><b>Completion Date:</b> December 2019</p>



## 9. Revenue expenditure – Oracle system

Initial rating	Issue & recommendation	Management comments
<b>Medium</b>	<p>During review of both the Oracle system we were unable to evidence that the following key control was were in operation: review of the daily amendments report which details all amendments made including addition of new suppliers.</p> <p>As this control is not documented there is no audit trail in place to enable us, or any other interested party, to evidence their operation. There is a risk that these controls are not being adhered to.</p> <p><b>Recommendation</b></p> <p>The Council should ensure evidence is retained for all key controls in operation.</p>	<p><b>2016/17 Management Comment</b></p> <p>Controls will be documented as part of the development of the procedural documentation.</p> <p><b>2017/18 Management Comment</b></p> <p>Since the original audit was undertaken, a number of further control improvements have been introduced within the Oracle system. These controls enforce strict segregation of duties across the vendor set-up and amendment process and, alongside three-way matching, are considered to mitigate the original risk being highlighted.</p> <p>This said, in order to strengthen these controls further, evidence of the independent random check will be maintained within a password-protected file going forward.</p> <p><b>Responsible Officer:</b> Commercial Operations Team Manager, Finance</p> <p><b>Completion Date (for additional action):</b> September 2018</p>
Current status	Audit update	Management response
<b>Complete</b>	<p>Control improvements to Oracle have been introduced since the initial audit recommendation. These controls include strict segregation of duties across the vendor set-up and amendment process and, alongside three-way matching. Independent random sampling of changes and creations of bank accounts in Oracle is also undertaken. These introduced controls mitigate against the original risk identified.</p>	N/A



## 10. Non domestic rates

Initial rating	Issue & recommendation	Management comments
Low	<p>The Quality Assurance team performs spot checks on the reliefs/exemptions.</p> <p>NDR spot checks were scheduled to take place in January 2017. However, due to resource constraints, this work was not able to be performed. We understand spot checks will resume in 2017/18.</p> <p><b>Recommendation</b></p> <p>We recommend that the Council make arrangements for the spot checks to resume.</p>	<p><b>2016/17 Management Comment</b></p> <p>Spot checks are underway and will be concluded by November 2017. Activities are being scheduled within the business as usual plans for future years.</p> <p><b>2017/18 Management Comment</b></p> <p>Spot checks scheduled by Quality Assurance Team October 2018. Additional 25% sample for Mandatory Charitable Relief completed August 2018.</p> <p>Resource pressures prevented scheduled spot checking however as an interim measure random control checks were undertaken by the Fraud and Visiting Team for Reliefs and Exemptions during 2017/18. This ensured that reliefs were reviewed during this period.</p> <p><b>Responsible Officer:</b> Rating Manager</p> <p><b>Completion Date:</b> October 2018</p>
Current status	Audit update	Management response
Complete	<p>Spot checks have been carried out in the year by the quality assurance team. The checks have been carried out to the minimum required level for each staff member. Whilst the team is still short staffed, they have created a RAG system for the quality assurance process to ensure key processes are reviewed which have a monetary impact on the accounts. This has been completed in 2018/19 and continued into 2019/20.</p>	N/A

