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Report to Management

Peterborough City Council

Interim Audit 2010/11

pwc

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23 August 2011

Dear John

Peterborough City Council: Report to Management 2010/11 and prior years follow up

Please find enclose our Report to Management summarising those issues arising from the interim audit in 2010/11, and prior years follow up (2009/10 and 2008/09)

Yours sincerely

PricewaterhouseCoopers LLP

Enclosures

Copies to:

Helen Edwards
Steven Pilsworth
Steve Crabtree
Kirsty Nutton
Jo Hall
Andy Cox

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Executive Summary

The purpose of this report

This report details matters identified during the interim audit for the 2010/11 accounts. We have also followed up the matters which we raised during the interim and final audits of the 2009/10 and 2008/09 accounts and have assessed what progress against our recommendations has been achieved.

The matters included in this report are those that came to our attention as a result of our normal audit procedures. Consequently our comments should not be expected to include all possible internal control weaknesses that a more extensive investigation might identify. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any other third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to take this opportunity to thank your staff for their assistance and the co-operation extended to us during the course of this review.

Progress against prior year findings

It is positive that we have only noted four new control issues for our 2010/11 audit, three of which are 'low' priority.

However, we noted that a number of IT control recommendations raised in previous years have not been addressed. Progress in addressing our other internal control findings has been slightly better, with six out of nine findings from previous years addressed or partially addressed.

Some control issues that were previously reported as low priority (but have not been addressed) have been re-assessed to increase the priority rating of the issue, as the passing of time since our original point was raised increases the risk that the effectiveness of the system of internal control is reduced.

Categorisation of findings

Each recommendation has been allocated a priority rating to reflect the degree of importance in the context of Peterborough City Council's internal controls. The definition of ratings is as follows:

Priority	Definition
High	Significant weaknesses that could undermine the effectiveness of the system of internal controls or have a significant impact on business operations and must therefore be addressed immediately.
Medium	Weaknesses that could reduce the effectiveness of the system of internal controls or could disrupt business operations, but which are not fundamental. They should be addressed as soon as possible.
Low	Improvements that represent best practice or opportunities to enhance efficiency or control. The finding will not necessarily imply inadequate control.

Summary of Information Technology Controls ("IT Control") findings in 2010/11

This section summarises the recommendations we made as a result of our audit work in 2010/11 in relation to IT Controls. The findings detailed in the report are summarised as follows:

No.	Summary of Finding	Priority		
		High	Medium	Low
1	Password controls for Oracle are not compliant with best practice and/or Government Code of Conduct			✓

Progress against findings from the 2009/10 and 2008/09 report are summarised below:

No.	High Level Finding	Addressed	Partially addressed	Not addressed
2009/10				
2	Financial systems and Academy systems teams can process transactions			✓
3	User Change documentation – Academy	✓		
4	New User Authorisation to ResourceLink	✓		
5	Periodic Review of user access rights within ResourceLink			✓
6	Disaster recovery of financial systems			✓
2008/09				
7	Use of generic, privileged user ID's			✓
8	Lack of review and documentation of ICT policies		✓	
9	Lack of periodic testing of backup media			✓
10	Lack of Disaster Recovery testing over Oracle Financials	✓		

Summary of other Internal Control findings

This section summarises the recommendations we have made as a result of our audit work in relation to internal controls identified during our interim and final audit work at the Council in 2011.

The findings detailed in the report are summarised as follows:

No.	High Level Finding	Priority		
		1	2	3
1	Random data quality checks for council tax and NNDR are not being completed.		✔	
2	VOA reconciliations to Academy (NNDR) do not reconcile to the number of heriditaments.			✔
3	Reconciliations completed within Council Tax, NNDR and Housing Benefit are not being reviewed.			✔

Progress against findings from the 2009/10 and 2008/09 report are summarised below:

No.	High Level Finding	Addressed	Partially addressed	Not addressed
2009/10				
4	Documentation to validate payroll controls not available		✔	
5	Unallocated receipts			✔
6	Property database does not accurately reflect rental amounts agreed with tenants			✔
7	Cross Keys Homes cash included in Council accounts	✔		
8	Outstanding cheques not reviewed			✔
9	Fixed asset useful economic lives not updated	✔		
10	Creditor and debtor reconciliations not reviewed	✔		
11	Imprest account reconciliations performed at the incorrect date	✔		
2008/09				
12	Contract register not kept up to date		✔	

Appendices

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Appendix A: ITGC Findings

No.	Observation and Risk	Recommendation	Priority	Management Response
1.	**Password controls for Oracle are not compliant with best practice and/or Government Code of Conduct.** The minimum length for passwords should be 7 characters in line with best practice and/or the Government Code of Conduct. For Oracle the minimum password length is 6 characters.	Increase the minimum length of password for Oracle from 6 characters to at least 7 characters.	**Low**	Management considers that as this is a low priority and the current passwords are controlled (renewals forced and no repeats) and the finance systems are in a change freeze due to outsourcing. It is propose to implement 7 character passwords when new passwords are issued to all users as part of the Finance system upgrades planned to occur prior to April 12. **Responsible Office:** Gavin Diaper, ORACLE Manager

Appendix B: Update on 2009/10 ITGC Findings

No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
2.	**Financial systems and Academy systems teams can process transactions** Staff performing administrative activities for these systems, such as changing user access permissions in the Oracle Financials ledger system and the Academy revenues and benefits system, also have the ability to process financial transactions. System administrators should not process financial transactions, as they are in a position to override segregation of duties controls. For example staff could grant themselves access to both process and approve purchase orders, change supplier account details, or create a bogus user account to override existing controls, and reverse the changes afterwards to mask this.	The Council should identify and review changes to user accounts, to ensure that the risk of segregation of duties being compromised is mitigated.	Medium	**Partially Agreed** **Action**: With the move to the new structure for Shared Transactional Services the segregation of duties relating to Accounts Payable will be in place. For the Academy system (Council Tax / Business Rates / Housing Benefit) it is not possible to fully segregate duties, due to the work requirements of the systems team, this is a known and accepted risk, currently reviewing processes to ensure risk is minimised. **Owner**: D Moss, Operational Support Manager J Cox, Systems & Support Team Leader **Timescale**: 31 January 11	**Recommendation not met** Management have commented: "in the prior year, the Oracle Systems Administration Team would, due to a processing problem, remove holds to process payments, but that was only until the issue was resolved. The team now, and as a general rule, do not process any transactions on behalf of the business. However as the team has the ability to allocate any responsibility via their system administration role, this rule is not enforced via the non availability of the rights. Rather it is understood by the team that processing financial transactions is outside their remit and if undertaken should be specifically approved". We will follow this issue up at our final audit to consider if any access requests have arisen during the year that have required approval.

No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
3.	**User change documentation - Academy** Changes to user accounts, such as creating a new account or modifying the access rights of an existing account, must be authorised by a change request form from a known approver. We sampled 25 changes to Academy user accounts made during 2009/10. For 15 changes, the Council could not provide appropriate evidence of authorisation to support the change. Management explained that users are never granted access to Academy without appropriate authorisation. In practice, the request can take the form of an email. However, in the 15 cases noted above, evidence was not located and we were unable to evidence the operation of the control. Weak controls around changes to user access increase the risk of unauthorised access to data, with a commensurate risk of fraud and/ or error.	Change request forms authorising all new or changes to user access control rights should be retained in a manner that retains a clear audit trail. Email requests could be saved in an electronic format, such as a PDF file and stored in a shared area, to provide audit evidence. This will demonstrate that the control is in place and enable us, as auditors, to increase the level of reliance we can place on system controls and reduce the amount of audit work we need to carry out on the system.	**Medium**	**Agreed** **Action**: Procedure for system access (granting and access level) for all systems used within Shared Transactional Services to be reviewed with all access requests being retained for future reference. **Owner**: D Moss, Operational Support Manager J Cox, Systems & Support Team Leader **Timescale**: 31 December 10	**Recommendation met.** Testing has been performed on access requests and change requests for the Financial Year 2010-11. J Cox is now responsible for ensuring that there is an appropriate audit trial.

No.	Observation and Risk	Recommendation	Priority	Management Response	Update April 2011
4.	**New user authorisation to ResourceLink** From a sample of five new system users added to the ResourceLink payroll system within the year, there was no evidence that one had been authorised appropriately. Weak controls around changes to user access increase the risk of unauthorised access to data, with a commensurate risk of fraud and/ or error.	The authorisation form for new users should be retained in a manner that ensures a clear audit trail is available for all account changes. This will demonstrate that the control is in place and enable us, as auditors, to increase the level of reliance we can place on system controls and reduce the amount of audit work we need to carry out on the system.	**Medium**	**Agreed** **Action**: Procedure for system access (granting and access level) for all systems used within Shared Transactional Services to be reviewed with all access requests being retained for future reference. **Owner**: D Moss, Operational Support Manager J Cox, Systems & Support Team Leader **Timescale**: 31 December 10	**Recommendation met.** Testing has been performed on new system users and change requests for the Financial Year 2010-11.

No.	Observation and Risk	Recommendation	Priority	Management Response	Update April 2011
5.	**Periodic review of user access rights within ResourceLink** A quarterly review of user access rights in Resource Link was performed until the HR Shared Services Manager left the Council. No such review has been performed since November 2009. This increases the risk that Officers with incompatible duties may exist within Resource Link, without being detected. Furthermore, inactive and/or terminated staff could retain access to the application. These risks increase the Council's exposure to inappropriate, unauthorized or fraudulent activity.	Periodic reviews of user access rights should be performed (at least annually). This will help to ensure that user access levels remain commensurate with current job roles. Any access levels that are deemed inappropriate should be immediately removed.	**Low**	**Agreed** **Action**: Procedure for system access (granting and access level) for all systems used within Shared Transactional Services to be reviewed with all access requests being retained for future reference. **Owner**: D Moss, Operational Support Manager J Cox, Systems & Support Team Leader **Timescale**: 31 December 10	**Recommendation not yet met.** No review has been performed on user access rights in ResourceLink in the past year by PCC. We understand that management still wish to conduct a review, although no timescale was provided to us at the time of drafting this report. We performed testing on five user access rights in ResourceLink and all were found to be appropriate to their job role / level.

No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
6.	**Disaster recovery of financial systems** Disaster Recovery testing of the Academy revenues and benefits system has not been performed and no disaster recovery plan was available. There is an increased risk that in the event of a disaster recovery situation being invoked, these systems will not be successfully reinstated promptly.	The disaster recovery plan for the Academy system should be formalised and tested. Formal testing of disaster recovery plans should be performed periodically and after system or infrastructure changes to ensure they are fit for purpose.	**Increased to Medium in this report due to the passing of time.**	**Agreed** **Action**: Disaster recovery plan for the new Shared Transactional Service is being formulated. This requirement will be discussed with Serco with a view to formalising the actions required to re-instate the Academy system and ensure adequate testing of the disaster recovery plan is undertaken. **Owner**: D Moss, Operational Support Manager **Timescale**: 31 March 2011	**Recommendation not yet met.** We understand from our discussions with management that that this is still being formulated. A Development Officer has been in post since November 2010. One of his responsibilities will be to create a Disaster Recovery plan. In terms of Disaster Recovery testing, management should create a business case for this and assess the costs and the benefits of performing the tests.

Appendix C: Update on 2008/09 ITGC Findings

No.	Observation and Risk	Recommendation	Priority	Management Response	2009/10 Update	April 2011 Update
7.	**Use of generic and privileged user ID** The ICT Senior Systems engineer does not have a unique ID on the UNIX Oracle Financial Database server, instead this user logs onto this server using the privileged generic ORAMAST User_ID. This may lead to the inability to trace transactions or changes made to critical financial data, applications, and systems to an individual user for accountability and resolution.	Inability to trace transactions or changes made to critical financial data, applications, and systems to an individual user for accountability and resolution. A unique personal User_ID should be created on the UNIX Oracle Financial Database serverThis account can be given the privileges of the generic ID needed by the Senior Systems Engineer, using a system tool such as Sudo when required.	**Medium**	**Agreed** **Action**: Unique user id to be created to improve accountability. **Owner**: P Dickman **Timescale**: Oct 2009	**This issue has not been addressed.** **Updated management response:** **Agreed** **Action**: Unique user id to be created to improve accountability. This is now being pursued aggressively with Serco for completion ASAP. **Owner**: R Mardell **Timescale:** December 2010	**This issue has not been addressed.**

No.	Observation and Risk	Recommendation	Priority	Management Response	2009/10 Update	Update April 2011
8.	**Review and documentation of ICT policies.** Some policy documents, such as the ICT security policy have not been updated for several years. In addition, some documents do not detail when the policy was last updated and who the document owner is. An out of date ICT security policy increases the likelihood that relevant information integrity risks may not be adequately addressed.	As a matter of best practice, key policy documents should be reviewed on an annual basis and documentation should clearly identify when the last update was made and who the document owner is.	**Increased to Medium due to the passing of time.**	**Agreed** **Action**: Some policies have been reviewed and updated as part of the compliance with Government Connect. Other policies will be reviewed as part of the ICT Managed Service project. **Owner**: M Gregson **Timescale**: Sept 2009 – Dec 2009	**This issue has been partially addressed.** We noted that some documents, such as the Oracle disaster recovery plan have been updated. **Updated management response:** **Agreed** **Action**: Some policies have been reviewed and updated as part of the compliance with Government Connect. A gradual process of re-writing outdated policy documents is currently underway. **Owner**: R Mardell / Serco **Timescale**: Completion by June 2011	**No further documents have been updated.** ICT Policies due to be updated 2011/12.

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No.	Observation and Risk	Recommendation	Priority	Management Response	2009/10 Update	Update April 2011
9.	**Periodic testing of backup media containing financially significant data.** No formal proactive testing of UNIX backup media is performed; as such there is an increased risk that financial data may be irrecoverable in the event of system failure. However, the risk of any loss of financial data is significantly reduced as all financial data is replicated in real time to an off site third party location. There is an increased risk over the potential loss of data or inability to access data as required.	Formal periodic testing should be performed on all backup media containing financial data to ensure that financial data can be recovered if required.	**Increased to Medium due to the passing of time.**	**Agreed** **Action**: Operational procedures will be reviewed and updated as part of the ICT Managed Service project **Owner**: M Gregson **Timescale**: Dec 2009	**This issue has not been addressed.** Formal testing of restores from all backup media are not performed. However, it is now the responsibility of Serco to ensure that data can be recovered. **Updated management response:** **Action**: The responsibility for this activity now lies with Serco, as such they need to endure that PCC data can be recovered. Between now and October 2011 a re-working of the backup strategy and process will make this more transparent and simpler to test. **Owner**: R Mardell / Serco **Timescale**: October 2011	**This issue has not been addressed.** Formal testing of restores from all backup media are not performed. New back-up procedures have been drafted and are due to be implemented 2011/12.

No.	Observation and Risk	Recommendation	Priority	Management Response	2009/10 Update	Update April 2011
10.	**Disaster recovery over Oracle Financials** A full DR test over Oracle Financials has yet to be performed. However, as all Oracle DR documentation is near completion, discussions with the user community over a full DR test for the Oracle e-suite of applications have commenced with full DR testing to be performed by October 2009. There is the risk that in the event of a disaster recovery situation being invoked, IT systems will not be successfully reinstated on a timely basis.	Management should ensure that the plan to perform a full Oracle Financials Disaster recovery test by October 2009 is continued through to completion	Low	**Agreed** **Action**: Some testing of the disaster recovery has taken place in Aug and Sept. Testing to be completed in October. **Owner**: P Dickman / J Hall **Timescale**: Oct 2009	**This issue has been partially addressed.** Disaster Recovery testing has been performed both the Oracle and ResourceLink (payroll) systems. No similar testing has been performed for the Academy (revenue and benefits) system.	**Recommendation met.** The test was completed on 30/01/2011.

Appendix D: Internal Control Findings

No	Observation and Risk	Recommendation	Priority	Management Response
1.	**Random data quality checks for council tax and NNDR are not being completed.** Random data quality checks have not been completed since 1/11/2010 for Council Tax or NNDR due to the demands being placed on resource after the restructure. Prior to that data quality checks were being completed with no exceptions noted.	Resume the random data quality checks for council tax and NNDR as soon as possible.	**Medium**	
2.	**VOA reconciliations to Academy (NNDR) do not reconcile to the number of heriditaments.** The total rateable value from the Valuation Office report agrees to the Academy figure (including reconciling items). This is the key value that requires to be agreed, however in completing the reconciliation the number of properties should also be agreed.	Reconcile the number of heriditaments on Academy to the number on the Valuation Office report on a weekly basis.	**Low**	
3.	**Reconciliations completed within Council Tax, NNDR and Housing Benefit are not being reviewed.** There are a number of reconciliations completed within CT, NNDR and HB. These are completed in a timely manner and monitored by the member of staff completing them, however there is no review of the reconciliations by senior member of staff. Within CT the following reconciliations should be reviewed and evidenced as reviewed; raising of demands reconciliation, daily payments reconciliations and the Oracle to Academy reconciliation. Within NNDR the following reconciliations should be reviewed and evidenced as reviewed; raising of demands reconciliation, daily payments reconciliations and the Oracle to Academy reconciliation. Within Housing Benefit the following reconciliations should be reviewed and evidenced as reviewed; the payment run reconciliation and the Academy to General Ledger reconciliation.	All reconciliations completed by staff should be reviewed and evidenced as reviewed by a more senior member of staff.	**Low**	

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Appendix E: Update on 2009/10 Internal Control Findings

No	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
4.	**Payroll** We noted several instances of missing documentation during our testing of payroll controls. We noted two instances in relation to authorisation of payroll starters, two of missing change documentation and two missing mileage claim forms. Additionally, there is no evidence of review for two of three payroll analysis reports selected for testing, which detail all payments to be made each month. Two of three exception reports have also not been evidenced as reviewed. There are increased risks that I) new starters and changes could be fraudulently processed without appropriate authorisation and II), errors could arise in the payroll run without review of the analysis and exception reports.	The Council should ensure that all documentation is retained in relation to amendments to the payroll system. It should be ensured that evidence of review of the payroll analysis report and exception report are retained. This will demonstrate that the controls are in place and enable us, as auditors, to increase the level of reliance we can place on system controls and reduce the amount of audit work we need to carry out on the system.	Medium	**Agreed** **Action:** Process to be put in place to ensure that payroll analysis reports and exception reports are signed off by a Payment Team Leader and held within the I@W Document Management System. The use of the document management system for Payroll is being reviewed and will be expanded to ensure all documents are captured and retained within the system. **Owner:** C Hipkin, Interim Payments Manager A Clow, Payments Technical Team Leader **Timescale:** February 2011	**Recommendation partially met.** Testing has been performed by Internal Audit and PwC on the payroll analysis reports and the exceptions reports. Three of each have been tested in line with a monthly control, two by Internal Audit and one by ourselves. No issues were noted with the review of these reports however we noted that exceptions were noted in several other areas around the retention of documented evidence.

No	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
5.	**Unallocated receipts** Unallocated receipts on the debtors' ledger are not reviewed regularly. When auditing the Aged Debtors Listing, we noted that there was a credit balance of £358,000 relating to unallocated receipts. £173,000 of this balance is over one year old. If receipts are not allocated promptly, there is a possibility that debts may not be appropriately chased.	Unallocated receipts should be reviewed and allocated promptly.	**Medium**	**Agreed** **Action:** Shared Transactional Services have from 1 November taken over the allocation of unidentified income from the cash office. The current processes and procedures are being reviewed and revised and are looking to ensure that all unidentified receipts are resolved on a regular basis – daily wherever possible. A further exercise will be undertaken by the income team to review the unallocated receipts currently shown in the system. **Owner:** S Pleszkan, Head of Shared Transactional Services C Crockett, Income Technical Team Leader D Moss, Operational Support Manager **Timescale:** February 2011	**Recommendation partially met.** The 'unallocated receipts' figure of £358K is down to £305K. This figure is expected to be further reduced through work within the operational support team (ensuring that all monies are allocated wherever possible when first coming into PCC) and in the income team. The transition period following the re-structure has limited the resource available for this area. This balance is also partly made up of funds from PCT being received before invoices are raised.

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No	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
6.	**Property database** The property database does not accurately reflect rental amounts agreed with tenants. In all four cases tested, the data held in the property database did not agree to the supporting lease agreement. In the current year, this only affected the disclosure of rentals received which was amended in the final draft of the accounts. We understand that the Council in looking to integrate the property database into Oracle. Errors such as those noted above would then impact upon the amounts invoiced to tenants.	Changes to the property database and also the submission of the work request forms should be reviewed regularly.	Medium	**Agreed** **Action:** The Council are in the process of implementing a new asset management database (from 'The Technology Forge') which integrates all of the Council's property information into a single data source. The Council's Financial Accounting Team are currently reviewing all property leases with regards to the work required for implementation of IFRS for the 2010/11 Statement of Accounts. Therefore all property lease data will have been reviewed, and a better understanding of the data contained in the database will be available. **Owner:** J Robinson-Judd, Head of Asset Management **Timescale:** 31.01.11	**Recommendation not yet met.** The new asset management system is yet to be fully implemented.

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No	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
7.	**Cash balance** The income bank reconciliation includes a balance which relates to Cross Keys Homes of £204k. Rental income is receipted for the Council and Cross Keys Homes through the Spectrum system. The cash is receipted directly into the respective bank accounts and therefore the Council should not account for the full amount which has been receipted through Spectrum as this cash does not belong to the Council. We noted that an opposing debit entry is made so the balance sheet is not overstated.	A formal mechanism should be put in place to ensure that Cross Key Homes balances are not included within Council balances.	**Medium**	**Agreed** **Action:** The bank reconciliation process has been amended to better reflect this process. As from 1 August 2010 the Council no longer collects cash from Cross Key Homes to which means that this transaction is no longer generated, and procedures have been implemented to ensure that the balance transferring via our system is not taken into the year end balances **Owner:** K Nutton, Corporate Accounting Manager **Timescale:** 30.06.11	**Recommendation met.** A review was undertaken with regards to Cross Keys continuing to use the Council's cash collection system. The arrangement is still in place. The bank reconciliation process had been amended accordingly and a new year-end task has been developed to avoid the re-occurrence of the audit point raised.

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No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
8.	**Outstanding cheques** No review of old outstanding cheques is performed. Cheques could be raised in error twice if a review of old cheques is not performed.	A review of outstanding cheques should be performed regularly, with cheques reissued or cancelled as appropriate.	Medium	**Agreed** **Action:** The Accounts Payable (AP) process is being reviewed and a schedule put in place following the implementation of the new Shared Transactional Services. A process is already in place for out of dates cheques for payment of Housing Benefit, and for refunds of Council Tax or Business Rates. Owner: S Pleszkan, Head of Shared Transactional Services C Hipkin, Interim Payments Manager **Timescale:** March 2011	**Recommendation not met.**
9.	**Fixed assets** During our audit of Fixed Asset revaluations undertaken in 2009/10, we noted that in five out of 27 instances the Fixed Asset Register ("FAR") had not been correctly updated to show the revised useful economic life of assets following the valuation undertaken. For the assets selected, we noted this did not impact on the depreciation charge as they were for assets not depreciated, for example, land and some investment assets. There is a risk that in future the useful economic life for assets which are depreciated is not	After the outputs from a valuation exercise are obtained, the Capital Accountant should ensure the relevant asset information is updated for all correct useful economic lives, even for non-depreciating assets.	Low	**Agreed** **Action:** An extra step has now been introduced to the Asset Register review procedures which include the sample testing of the valuation update entries to cross check back to the valuers original valuation report. The Council will also investigate the control procedure in place for use in the new asset management database currently being implemented by Strategic Property. **Owner:** K Nutton, Corporate Accounting Manager **Timescale:** by 30.06.11	**Recommendation met.** An additional check has been added to the capital closure timetable so that this risk will be mitigated in future closures.

No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
	updated correctly resulting in an incorrect depreciation charge in the Income & Expenditure account.				
10.	**Creditor and debtor reconciliations** The monthly creditor and debtor control account reconciliations have been performed promptly. We also noted in our audit that there were performed correctly. However, they have not been reviewed. Notwithstanding the fact that the reconciliations were correctly performed, failure to review the control account reconciliations in a timely manner may delay the identification of errors in the reconciliation and make resolving errors more difficult.	The monthly creditor and debtor control account reconciliations should be reviewed on a timely manner.	**Low**	**Agreed** **Action:** The Oracle Programme Manager now has formal responsibility to complete the reviews, which are completed on monthly basis. **Owner:** J Hall, Oracle Programme Manager **Timescale:** Monthly from 01.04.10	**Recommendation met.** These were discussed with Gavin Diaper who indicated that these are now completed monthly by James Fitzgerald and reviewed by Claire Cameron. Evidence of this review is now retained and forms part of the system administrator's routine month end tasks. Evidence of this could be seen in the "Systems Administration\Month Year End 2009-10\12" folder on the X drive under "restricted".

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No.	Observation and Risk	Recommendation	Priority	Management Response	Update June 2011
11.	**Imprest (petty cash) accounts** We identified that reconciliations for Children's Services Imprest accounts have been performed at mid-April rather than 31st March. Furthermore, two Imprest accounts which Children's Services believed had been closed prior to year end, were in fact confirmed by the bank as still open with positive cash balances. One imprest account reconciliation could not be located. Petty cash is, by its nature, subject to a risk of misappropriation.	The Council should ensure that all accounts are reconciled to the bank statements at the year-end date, and that evidence of these reconciliations are retained.	Low	**Agreed** **Action:** The Council now has the facility in house to generate the bank statements and will ensure all relevant parties are informed of this. Children's Services Finance team will also update procedure notes and training information to emphasize that reconciliations are to be completed as at 31st March. Throughout 2010/11 the Children's Service finance team, working with the corporate finance team, have been thoroughly reviewing and reconciling petty cash and imprest accounts to ensure a smother process at financial year end. **Owner:** F Chapman, Children's Service Finance Manager **Timescale:** 31.03.11	**Recommendation met.** All the Imprest accounts have been issued with bank statements as at 31st March. Returns are being collected by Assistant Financial Accountant.

Appendix F: Update on 2008/09 Internal Control Findings

No.	Observation and Risk	Recommendation	Priority	Management Response	2009/10 Update
12.	**Contract Register** The Council maintains a contract register listing details for significant contracts in excess of £50,000. The Legal Department should be advised of any new contracts, and rely on officers making them aware of any new contracts. However, there is no formal mechanism in place to ensure that all contracts are reported to the Legal Department, and no other proactive completeness checks are carried out to ensure the register is kept up to date. There is a risk that all contracts may not be identified and included on the register. This is particularly an issue given the requirements surrounding financial instruments, whereby the Council will need a full and complete list of contracts to assist in identifying any financial instruments.	The Council should use the new contract management tool to ensure that all contracts are recorded on a central database, and that this is maintained and updated appropriately.	Medium	**Agreed** **Action:** The contract register will be automated from 1 November 2009. All procurement activity of £5K and over (this may be adjusted to £10K and over) is intended to be captured on the new system. The Corporate Procurement Unit has identified Procurement Champions within each directorate (the respective Heads of Business Support) who will be responsible for maintaining the Contract Register on behalf of their department. In addition, to support the Procurement Champions, Procurement Agents have been identified and are to be trained to collate and upload data relating to contracts onto the system. Training and guidance will be extended to procuring officers across the Council through a communications programme. As part of the implementation of Phase 2 of the Contract Register, the system used by Legal Services for collation of contract information (currently manual) will be added to the Contract Register. This will provide a central database of all detail relating to any particular contract. This, together with the actions highlighted above, will ensure details are kept up to date. **Owner:** Corporate Procurement Unit (Andy Cox) **Timescale:** From 1 Oct to 31 Mar 2010	**This issue has been partially addressed.** We understand from the Procurement team that work is still ongoing to ensure that the contracts register is complete. **2010/11 Update** **This issue has been partially addressed.** Procurement Agents were identified and trained in November 2009, however there is still some work to do on ensuring the contract register is accurate and complete. The Legal Services Team have continued to maintain their own register, however the CPU have been undertaking an exercise with them in cross checking the central automated register with the details held by Legal Services. It has been recognized that the contract register is still an issue and the CPU have therefore made this one of the unit's priorities for this coming financial year. Our approach is to initially identify the 80% percentile spend by supplier and the contracts relating to it with a view of having full details on the register. Following this, we will seek to capture the remaining 20% through working with the

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Heads of Business Support to identify lesser value contracts.

The CPU have also raised the issue of recording Procurement activity with the remaining bidders on the Manor Drive Managed Service outsourcing project. With the procurement function being outsourced and the reliance on procurement playing a major part in the delivery of the bidders business models, it has been recognized by both bidders that an accurate register is needed. Both bidders have given outline details on how this can be achieved.

The Legal Services Team are also in the process of reviewing the current Contract Regulations with the monitoring and governance of procurement activity being considered as part of the review. This is expected to be completed by the end of the calendar year