REPORT TO: TAYSIDE VALUATION JOINT BOARD – 18 NOVEMBER 2013

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 22-2013

1   PURPOSE OF REPORT

1.1   To present to the Board the following Internal Audit Reports, which are attached as appendices to this report:-

Internal Audit Report 2014/03 – Performance Reporting 2013/14
Internal Audit Report 2014/0X – General Ledger 2013/14

2   RECOMMENDATIONS

2.1   The Board is asked to note the contents of the two Internal Audit Reports.

3   FINANCIAL IMPLICATIONS

3.1   The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4   POLICY IMPLICATIONS

4.1   This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

5   BACKGROUND

5.1   Henderson Loggie have been appointed to provide an Internal Audit Service in respect of the financial years 2013/14 to 2015/16. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2013 to 2015 as approved by the Board on 26 August 2013.

5.2   Report 2014/03 – Performance Reporting 2013/14 (Appendix 1), has been prepared by internal audit following discussion with the Assessor, Treasurer and Clerk of the Board. The overall conclusion of the report is that:
   • The performance information provided is adequate to meet the needs of users or further information can be requested where necessary.
   • Performance information is clearly set out, accurate, provided on a timely basis and is readily understood by users.
   • Management information is available which reports on appropriate key performance indicators, enables the impacts of key strategic and operational decisions to be measured, allows income and costs to be analysed at a more detailed level and assists in forecasting.
   • Processes are in place to provide and disseminate management information that are efficient.

The auditor has made the following additional recommendations:
   • That consideration should be given as to whether the format and presentation of performance information could be improved.
   • That the content of the service plan should be reviewed to make this more focussed around areas of greater importance and key initiatives.

- That a process be put in place to formally report progress on key initiatives and priorities to management.

The management team will give detailed consideration to the auditor's recommendations and the outcome of those considerations will be discussed with the auditor during a follow up review.

5.3   Report 2014/04 – General Ledger 2013/14 (Appendix 2), has also been prepared by internal audit following discussion with the Assessor and the Treasurer. The overall conclusion of the report is that:
- The chart of accounts, coding structures, reports and procedures are adequate in respect of the production of the Board's management accounts and financial statements.
- Key controls are in place over the trial balance structure.
- There is adequate control and reconciliation of the main feeder systems to the general ledger.
- Bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time.
- Mitigating controls are in place to reduce the risk of Board and Dundee City Council Staff who have access to the Board's main financial systems processing unauthorised transactions.

The auditor has made the following additional recommendations:
- That all checks of the monthly account checklist are undertaken and evidenced as completed on the checklist.
- That the VAT reconciliation is done annually and included on the accounts preparation checklist.
- That there is evidence of all control accounts being checked by the Board's Administration Manager each month.
- That the Dundee City Council provides the Board with appropriate supporting documentation each month to support recharges and that the Administration Manager agrees the recharges to the supporting documentation and formally evidence his review.
- That all credit card purchases have been prepared by one person and authorised by another before being provided to the Council.

The management team will give detailed consideration to the auditor's recommendations and discuss these with the Administration Manager and Treasurer as appropriate. The outcome of those considerations will be discussed with the auditor during a follow up review.

6   CONSULTATION

6.1   The Clerk and Treasurer to the Board have been consulted on this report.

7   BACKGROUND PAPERS

7.1   None

ALASTAIR KIRKWOOD
Assessor   **November 2013**

Tayside Valuation Joint Board

**Performance Reporting
2013/14**

Internal Audit Report No: 2014~03

Draft Issued: 2 October 2013

Final Issued: 25 October 2013

Contents

1. Management Summary

Introduction and Background

As part of our Internal Audit Programme at Tayside Valuation Joint Board ('the Board') for 2013/14 we carried out a review of the controls and procedures surrounding performance reporting. Our Audit Needs Assessment, issued in August 2013, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and Assessor that the control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Management information is used to plan, direct, monitor and control the resources of an organisation's business to enable the organisation's strategic and operational goals to be achieved.

The Board provides a range of non-financial and financial performance reporting information, including a Best Value Key Performance Indicators (KPIs) Report, an annual Performance Report, a customer feedback report and information in the annual Statement of Accounts.

Scope of the Audit

The audit considered the format, content and timeliness of management information, both financial and non-financial, provided to senior management and to the Joint Board, focussed on what was set out in the Annual Public Performance Report. We also considered whether the information reported to the Joint Board was appropriate, and whether such information was accurate and easy to understand for those who use it.

Objectives of the Audit

The objective of our audit was to obtain reasonable assurance that:

- the performance information needs of users have been identified and the information provided meets those needs;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available which:
  - reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
  - enables the impacts of key strategic and operational decisions to be measured;
  - allows income and costs and to be analysed at a more detailed level;
  - assists in forecasting;
- processes in place to provide and disseminate management information are efficient.

Audit Approach

A sample of Assistant Assessors were interviewed and the Board's performance reports, and performance reporting procedures, were reviewed to assess compliance with the above objectives.

1. Management Summary

Action Plan

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for the implementation of the recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

A   Fundamental issues which require the consideration of the Board

B   Significant matters which the Assessor or Depute Assessor can resolve

C   Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

On the basis of the work done, reasonable assurance has been obtained that:

- although the performance information needs of users have not formally been identified the information provided is adequate to meet their needs, or further information can be requested where necessary;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available, or could be requested, which:
  - reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
  - enables the impacts of key strategic and operational decisions to be measured, however we note that review of the impact of operational decisions is largely informal;
  - allows income and costs and to be analysed at a more detailed level;
  - assists in forecasting;
- processes are in place to provide and disseminate management information that are efficient.

Summary of Main Findings and Recommendations

A range of financial and non-financial reports are provided to the Joint Board for review of performance. We noted that there has not been a formal review of whether the information provided to them is adequate, however from our review of Joint Board minutes and papers these appear adequate. We noted that non-financial performance is largely based around Key Performance Indicators (KPIs) that are required to be reported to other bodies. The use of a balanced scorecard which covers a range of stakeholder and efficiency areas was suggested as a possible performance measurement framework but management considered the current measures were adequate.

Information is published on the Board website, including Best Value Performance KPIs, an annual Performance Report and a customer feedback report. Performance information is also included in the Assessor's Statement in the annual Statement of Accounts. We noted a number of areas where the format or content in these reports could be improved.

The Board's Service Plan 2013 – 2016 sets out how strategic objectives link into operational plans. Many of the actions in the Service Plan are standard processes and we have recommended that the content of the Service Plan is reviewed to make this more focussed around key actions and initiatives.

Summary of Main Findings and Recommendations (Continued)

We also note that progress against operational plans is reviewed informally by management but we have recommended that a formal reporting process is put in place to provide information about progress against key priorities and initiatives.

We reviewed minutes of the senior management team monthly meetings and working groups and noted that formal papers are not always presented with performance information, however we were advised that such matters are discussed verbally and this was considered reasonable.

Acknowledgements

We would like to thank staff at the Board for the co-operation and assistance we received during the course of our review.
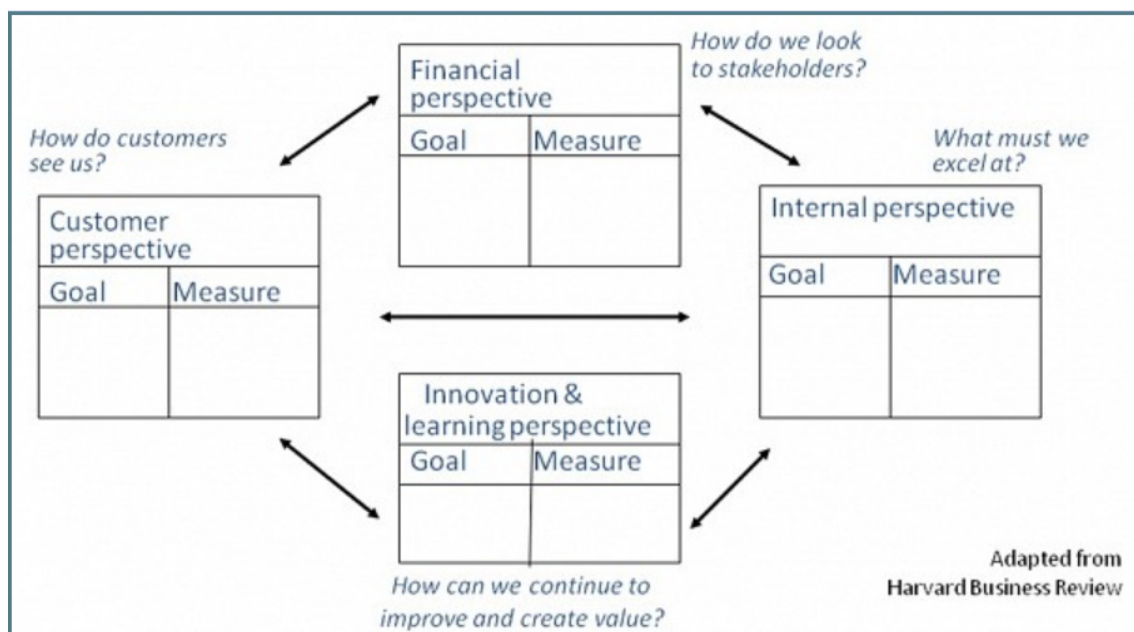
2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.5	**Performance Reporting Information** **R1** Consider whether the format and presentation of performance information could be improved, particularly in order to identify historic trends or compare performance against targets, and to review duplication between the various reports.	C		Y	Assessor	30/6/14
2.7	**R2** Consider reviewing the content of the Service Plan to make this more focussed around areas of greater importance and key initiatives.	C		Y	Assessor	30/6/14
2.7	**R3** Put in place a process to formally report progress against key Board initiatives and priorities to management.	C		Y	Assessor	30/9/14

3. Main Report

1. Identification of Users' Needs

1.1   We found that the performance information needs of the Joint Board have not formally been identified however from our review of performance information provided to the Board this appears adequate. Furthermore where Joint Board members would like further information they can request this.

1.2   Papers presented to the Board have a range of headings, including the purpose of the report, required actions (such as to approve or note), financial implications, policy implications, background, background papers and consultation.

1.3   Key sources of financial performance information include the annual budget and quarterly revenue monitoring reports. There are a number of sources of non-financial performance information:

- Valuation Roll and Council Tax Key Performance Indicators (KPIs) used are those set by the Scottish Assessors Association in conjunction with the Scottish Government and appear appropriate.
- Electoral roll performance standards are set by the Electoral Commission and are of a qualitative rather than quantitative nature and reviewed by the Electoral Commission.
- A range of other performance information is included within the annual Performance Report including staff costs, staff numbers, numbers of council tax and valuation roll amendments, and appeals settled and outstanding.
- Questionnaires are sent out on an annual basis to a sample of those who have had contact with the Board to gain feedback on the quality of service that they received and the results of this are reported annually.

1.4   A useful means of identifying performance measures for a range of stakeholders and to help drive continuous improvement is the balanced scorecard. This is a performance measurement framework widely used in strategic planning and management. The balanced scorecard has at its core the vision and the strategy of the organisation, which is converted into a coherent set of objectives, targets, measures and initiatives in terms of finance, customers, learning and growth, and internal business processes. This can be depicted graphically as follows and further information obtained from the source website:

Source: http://www.oxlearn.com/arg_Marketing-Resources-Balanced-Scorecards_11_36

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1. Identification of Users' Needs (Continued)

1.5   We discussed with the Assessor and Depute Assessor whether this framework would be a useful means of identifying and reporting on performance measures for the Board but they felt that the current performance information was considered adequate.

2. Performance Reporting Information

2.1   For management information to help to drive performance it needs to be of sufficient quality, up-to-date and meaningful.

Financial Information

2.2   Internal Audit report 2013/5, 'Budget Setting and Budgetary Control' reviewed the provision of information for managing the Board's financial performance. This found that information was adequate and found to be available to management and the Board in a format that was easily understood and available.

2.3   The key forecasts within the Board are financial forecasts which are developed in the annual budget setting process. Key information used by the Board for monitoring financial performance is from the quarterly revenue monitoring reports which include a forecast outturn and variance analysis. The management team receive financial management reports each month for their review which provide actual and budgeted expenditure. Income and costs can be analysed in more detail if Board or management request further information.

Non-financial Information

2.4   Statutory Valuation Roll and Council Tax KPIs are generated from the Board's IT systems and stored on the Board's network drive. From discussion with all of the Board's Assistant Assessors we found they use this information regularly to monitor performance and, where necessary, determine the reasons for valuations being undertaken outwith the three month performance targets from discussion with valuers. These KPIs are discussed at the monthly management team meetings and presented to the Board annually as part of the Best Value Public Performance Report. From review of these KPIs and discussion with staff these KPIs were clearly set out, easily accessible, provided on a timely basis and readily understood by users. We were also advised that Assistant Assessors undertake ad-hoc checks on KPIs to ensure that these are accurate.

2.5   *Observation*

From our review of performance information presented in the Best Value KPIs Report, the annual Performance Report and the Assessors Report (which is part of the annual Statement of Accounts) we note that there is a level of duplication of performance information in these documents.

KPIs provided are either financial or non-financial and best practice is that these measures are sometimes combined, such as showing staff cost per full time equivalent employee.

It was also noted that the customer feedback report outlining the findings from the Customer Questionnaires does not show performance over time for comparison purposes and is not included in the Performance Report.

Best practice states that KPI trends should be shown graphically to assist users in identifying trends and we noted that this is not done.

Risk

Performance information is not shown as comprehensively or clearly as it might be, particularly in order to identify historic trends or compare performance against target.

2.   *Performance Reporting Information (Continued)*

2.5   (continued)

Recommendation
R1   Consider whether the format and presentation of performance information could be improved, particularly in order to identify historic trends or compare performance against targets, and to review duplication between the various reports.

Benefit
Users of performance information will be able to more easily gain a comprehensive view of the Board's performance.

2.6   It is considered good practice for management to be able to drill down from high-level indicators to examine the underlying cause of trends and identify appropriate action required at an operational level. We were advised by the Assessor and Depute Assessor that the current monitoring by individual Assistant Assessors and discussion about KPIs at management team meetings was considered sufficient to determine the cause for trends and decide on any operational actions required.

2.7   Observation
Key strategic initiatives are linked to actions set out in the Board's Service Plan in detail. We note that this includes a review column and we were advised that performance against each of the objectives is informally reviewed before or at the review date, and is not based around key priorities and initiatives. We noted that the Service Plan contains a large number of actions that are part of standard operating procedures and this makes it difficult to identify what service plan actions the Board should be focussing on and monitoring in greater detail.

Risk
The Board may not be focussing on the performance of its most important actions or initiatives in the Service Plan.

Recommendations
R2   Consider reviewing the content of the Service Plan to make this more focussed around areas of greater importance and key initiatives.

R3   Put in place a process to formally report progress against key Board initiatives and priorities to management.

Benefit
It will be easier for the Board to measure performance of key parts of its Service Plan and ensure they are on track to be completed as planned.

2.8   Board reports are disseminated to the Joint Board in hard copy form in accordance with the timetable for Board reports which is set each year. Reports should be sent out one week prior to meetings which is considered sufficient time for Joint Board members to read and analyse these prior to meetings.

2.9   The management team receive management information through directly accessing IT systems or receiving papers prior to their meetings. We were advised that much of the information provided at monthly management team meetings is verbal, and any papers for discussion at those meetings have no formal timetable for when papers have to be provided. The Depute Assessor advised that the current procedure was considered to work well and was appropriate.

Appendix 2

Tayside Valuation Joint Board

General Ledger
2013/14

Internal Audit Report No: 2014/04

Draft Issued: 2 October 2013

Final Issued: 31 October 2013

Contents

Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2013/2014 we carried out a review of the key internal controls in place over the general ledger. The Audit Needs Assessment, completed in August 2013, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

We reviewed the following processes as part of our audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

Objectives of the Audit

The objectives of our audit were to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

Audit Approach

We assessed whether the above objectives were being met by documenting the systems and controls through interviews with the Board's Administration Manager (Finance / Personnel) and key members of the Finance Team at Dundee City Council ('the Council'). We established whether the expected key controls were in place by reference to CIPFA standard control risk assessment templates for a general ledger system. Walkthrough and compliance testing was performed, where applicable, to determine whether the key controls were working effectively.

Management Summary

Action Plan

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

A   Fundamental issues which require the consideration of the Joint Board.

B   Significant matters which can be resolved by the Board's Administration Manager (Finance / Personnel), Assessor or the Departmental Accountant at the Council.

C   Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Overall we obtained reasonable assurance that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure. However there was not always evidence of independent review of control account reconciliations and journal entries and insufficient documentation was provided by the Council for the Board to review recharges adequately;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- although there are a large number of Board and Council staff who have user access rights to the Board's main financial systems, including system administration rights, mitigating controls are in place to reduce the risk of these staff processing unauthorised transactions.

Summary of Main Findings and Recommendations

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts.

Our testing found the Board's control accounts are regularly reconciled by the Council. The trial balance and certain reconciliations prepared by the Council are submitted to the Board where the Administration Manager (Finance / Personnel) advised he reviews these to ensure balances are nil or agrees these to supporting documentation. However these reviews are not evidenced and we have recommended that this is done.

The Council have a month end and year-end financial closure process prior to preparing management accounts or the annual Statements of Account. We found that a checklist used to evidence monthly checks was not always completed and we have recommended this is done.

Summary of Main Findings and Recommendations (Continued)

A list of recharges is provided to the Board by the Council each month but not agreed to supporting documentation to confirm that recharges are reasonable. We have recommended that adequate supporting documentation is provided by the Council and reviewed by the Board each month.

The Council should be undertaking an annual VAT reconciliation, however we found that at the time of audit that this had not been completed and we recommend that this is done.

The Board's credit card transactions are provided to the Council with only authorisation by the Administration Manager (Finance / Personnel), who also administers this card. We have recommended that there is segregation of duties to ensure that someone else in the Board also authorises this expenditure.

Acknowledgements

We would like to thank all staff at the Board and the Council who assisted us during our review.

Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.2	**Month / Year-End Financial Close Process** **R1** Ensure that all checks on the monthly accounts checklist are undertaken and evidenced as completed on the checklist.	C		Y	Treasurer	30/09/13
3.2	**Trial Balance and Control Account Reconciliations** **R2** Ensure that the VAT reconciliation is done annually and include this on the accounts preparation checklist to remind Council staff to do this.	C		Y	Treasurer	30/09/13
3.3	**R3** Ensure that there is evidence of all control accounts being checked by the Board's Administration Manager (Finance / Personnel) each month to ensure that balances are either nil or are supported by reconciliations and appropriate explanations.	C		Y	Administration Manager (Finance / Personnel)	30/9/13
3.4	**R4** Ensure the Council provides the Board with appropriate supporting documentation each month to support recharges. The Administration Manager (Finance / Personnel) should then agree the recharges to the supporting documentation and formally evidence this review.	C		Y	Treasurer	30/09/13

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
4.2	**_Journal Entries_** **R5** Ensure that all 'Return of credit card purchases' forms have been prepared by one person and authorised by another person before being provided to the Council.	C		Y	Administration Manager (Finance / Personnel)	30/9/13

Main Report

1. Month / Year-End Financial Close Process

1.1 The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The current SLA covers the period April 2012 to March 2015. The services provided include the maintenance of the Board's general ledger, the preparation of control account reconciliations, provision of regular revenue monitoring and management reports and the preparation of annual statutory accounts.

1.2 Observation
The Board's month-end and year-end financial close process is performed by the Council. The Council maintains a control sheet, which documents the journals to be posted and reconciliations to be performed each month on the Board's behalf. Each task on the control sheet is ticked once complete. From review of this spreadsheet we noted that not all tasks had been ticked off as being completed.

Risk
Month end checks may not have been undertaken which could lead to information reported not being accurate.

Recommendation
R1 Ensure that all checks on the monthly accounts checklist are undertaken and evidenced as completed on the checklist.

Benefit
There will be greater assurance that information in the general ledger is accurate.

1.3 The Council prepares a final accounts timetable, which documents the tasks to be completed in order for the Board's statutory accounts to be prepared. The timetable records the individual / department responsible for completing each task.

1.4 Each year the Council issues a final accounts checklist to the Board. The checklist records the ledger cut-off date and requests that the Board provides details of the imprest balances and accrued income and expenditure at the year-end. In preparation for the new financial year the Board provides the Council with the following year's revenue budget figures for each cost centre. The budget figures are uploaded on to the finance system by the Council and used for revenue monitoring purposes.

2. Chart of Accounts, Coding Structure, Reports and Procedures

2.1 The finance system enables reports to be generated for individual or groups of cost centres. Each general ledger code consists of ten numbers; the first five numbers relate to a specific cost centre whilst the remaining numbers relate to an account name, for example electricity.

2.2 The need for a new general ledger code is normally identified during the budget setting process. Discussions with the Board's Administration Manager (Finance / Personnel) highlighted that general ledger codes could only be added or removed on the finance system by the Council. At present there are no formally documented procedures in place at the Board for requesting and authorising the addition or removal of general ledger codes. The Board's Administration Manager (Finance / Personnel) or Administration Assistant currently e-mails the Council to request a general ledger code be added or removed.

HENDERSON LOGGIE

3. Trial Balance and Control Account Reconciliations

3.1 Each day the Council runs a 'daily balances management report' on the finance system to check that the Board's trial balance squares. In addition, the Departmental Accountant responsible for overseeing the Board's ledger reviews the trial balance each month to identify any unusual balances.

3.2 *Observation*
As part of our review we sought assurance that the Council is reconciling the Board's control accounts on a regular basis in accordance with the SLA. We found most control accounts were reconciled on either a daily or monthly basis. The DCC Recharges Account and Bank Recharge Control Account were not fully reconciled at the start of the period but were reconciled thereafter. This was due to the DCC Recharges Account being a new account code and some corrections were required by staff before this was made to reconcile correctly. We also noted that the VAT control account, which should be reconciled annually, had not been reconciled.

Risk
Incorrect amounts of VAT may be claimed or paid to HMRC.

Recommendation
R2 Ensure that the VAT reconciliation is done annually and include this on the accounts preparation checklist to remind Council staff to do this.

Benefit
There will be greater assurance that VAT requirements are complied with.

3.3 *Observation*
Our review found control account reconciliations are not signed by the individual preparing or reviewing the reconciliation. In an attempt to become a paperless office the Council often retains control account reconciliations electronically rather than in paper format and as a result reconciliations are not signed off by the individual preparing the reconciliation. The Board's Administration Manager (Finance / Personnel) advised they review the four control account reconciliations which are forwarded to them from the Council, and ensure that other balances are nil on the trial balance or obtain supporting information for any which are not nil. We note that these checks are not evidenced.

Risk
Unexplained balances on control accounts may not be highlighted to the Board timeously.

Recommendation
R3 Ensure that there is evidence of all control accounts being checked by the Board's Administration Manager (Finance / Personnel) each month to ensure that balances are either nil or are supported by reconciliations and appropriate explanations.

Benefit
Assurance can be obtained that control accounts are regularly reconciled and variances investigated timeously.

3.4 *Observation*
Each month the Council provide a breakdown of the monthly recharge payable to the Council. This mainly relates to payroll deductions for PAYE, National Insurance and pension contributions, but also has some other items. Supporting details of these charges, such as reports from the payroll system, are not provided to the Board for them to check whether the recharges are accurate.

Risk
Recharges paid to the Council may not be accurate.

3.   Trial Balance and Control Account Reconciliations (Continued)

3.4   Continued

Recommendation
R4   Ensure the Council provides the Board with appropriate supporting documentation each month to support recharges. The Administration Manager (Finance / Personnel) should then agree the recharges to the supporting documentation and formally evidence this review.

Benefit
There will be greater assurance that recharges are accurate.

4.   Journal Entries

4.1   All journals are processed by the Council on the Board's behalf. The Board's Administration Manager and Administration Assistant may occasionally e-mail the Council to request a journal to be processed; which in most instances will relate to the reallocation of expenditure between budget codes. Other journals are made by Council staff to process income and expenditure. Whilst reviewing a sample of 15 journals posted to the ledger during 2012/13 and 2013/14 (1 April 2013 to 31 July 2013) we found the individual inputting and authorising the journal was the same person. Council staff do not consider this to be an issue as there are mitigating controls in place including: any significant discrepancies should be identified by the Departmental Accountant whilst reviewing the monthly trial balance and preparing revenue monitoring reports; the Administration Manager (Finance / Personnel) checks all payments from the Board's bank account to supporting documentation; and the bank account is reconciled to the general ledger. Our testing found sufficient narrative was provided for each journal posted.

4.2   *Observation*
The Council prepares and posts certain journals to the Board's general ledger for credit card payments. We noted that documentation provided to the Council to process these payments were not always accompanied by authorisation from two Board staff.

Risk
The Council may input credit card payments into the general ledger for expenditure without adequate authorisation from Board staff.

Recommendations
R5   Ensure that all 'Return of credit card purchases' forms have been prepared by one person and authorised by another person before being provided to the Council.

Benefit
There will be greater assurance that credit card transactions have been appropriately authorised prior to processing transactions in the general ledger.

5. Feeder Systems

5.1   The interface between the Board's creditor module and general ledger run by the Council ensures all transactions posted to the creditor module are automatically posted to the general ledger.   The finance system is programmed to generate a report on a daily basis which compares the purchase ledger control account balance per the general ledger with that recorded in the creditor module.

5.2   During our review we selected one date at random and sought assurance that the finance system had generated a purchase ledger control account reconciliation report and found this to be done. We also reviewed the log of these reports for 2013/14 and found these reports to have been generated on a regular basis.

5.3   Due to the small volume of sales invoices raised by the Board it was deemed inappropriate to purchase the finance system's sales ledger module. All sales invoices are raised manually by the Board. The sales invoices raised each month are recorded on a 'return of income' form, which is submitted to the Council. The Council use this form to make the relevant postings to the general ledger. A spreadsheet is maintained by the Council, which lists all invoices recorded on the 'return of income' forms and payments processed through the Board's cashbook. This spreadsheet is reconciled to the sales invoice control account balance per the general ledger on a monthly basis and a copy provided to the Administration Manager (Finance / Personnel) for their review.

5.4   Each month the Administration Assistant enters all payroll amendments onto the payroll system (Resourcelink). The Council runs monthly payroll reports from the system and these are sent to the Board for authorisation by the Administration Manager. The interface between Resourcelink and the general ledger ensures the ledger is automatically updated with the monthly payroll figure. The payroll figure per Resourcelink is reconciled to the payroll control account balance per the general ledger each month. We reviewed the payroll control account from April to July 2013 and found this to be reconciled each month.

6 User Access Rights

6.1   Access to the Board's finance system is restricted through the use of usernames and passwords. At present the Administration Manager, Assessor's Secretary / Administration Assistant and Divisional Administration Assistant are the only members of staff at the Board with access to the finance system.

6.2   Our review found 10 members of Council staff have access to the Board's finance system; five which had access to the general ledger and five having full access rights to the system. We consider that having such a large number of users may increase the chance of inappropriate transactions being processed, however as noted in paragraph 4.1 above there are adequate mitigating controls in place to reduce these risks to an appropriate level.

6.3   Discussions with Council staff highlighted that alterations to Council staff's user access rights are formally requested in an e-mail from the Departmental Accountant. A staff leaver form is required to be completed for all staff leaving the Board. This form includes confirmation by the IT department that access to all IT systems at the Board has been removed.

Appendix 1

Tayside Valuation Joint Board

**Performance Reporting
2013/14**

Internal Audit Report No: 2014~03

Draft Issued: 2 October 2013

Final Issued: 25 October 2013

Contents

1. Management Summary

Introduction and Background

As part of our Internal Audit Programme at Tayside Valuation Joint Board ('the Board') for 2013/14 we carried out a review of the controls and procedures surrounding performance reporting. Our Audit Needs Assessment, issued in August 2013, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and Assessor that the control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Management information is used to plan, direct, monitor and control the resources of an organisation's business to enable the organisation's strategic and operational goals to be achieved.

The Board provides a range of non-financial and financial performance reporting information, including a Best Value Key Performance Indicators (KPIs) Report, an annual Performance Report, a customer feedback report and information in the annual Statement of Accounts.

Scope of the Audit

The audit considered the format, content and timeliness of management information, both financial and non-financial, provided to senior management and to the Joint Board, focussed on what was set out in the Annual Public Performance Report. We also considered whether the information reported to the Joint Board was appropriate, and whether such information was accurate and easy to understand for those who use it.

Objectives of the Audit

The objective of our audit was to obtain reasonable assurance that:

- the performance information needs of users have been identified and the information provided meets those needs;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available which:
  - reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
  - enables the impacts of key strategic and operational decisions to be measured;
  - allows income and costs and to be analysed at a more detailed level;
  - assists in forecasting;
- processes in place to provide and disseminate management information are efficient.

Audit Approach

A sample of Assistant Assessors were interviewed and the Board's performance reports, and performance reporting procedures, were reviewed to assess compliance with the above objectives.

1. Management Summary

Action Plan

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for the implementation of the recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

A   Fundamental issues which require the consideration of the Board

B   Significant matters which the Assessor or Depute Assessor can resolve

C   Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

On the basis of the work done, reasonable assurance has been obtained that:

- although the performance information needs of users have not formally been identified the information provided is adequate to meet their needs, or further information can be requested where necessary;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available, or could be requested, which:
    - reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
    - enables the impacts of key strategic and operational decisions to be measured, however we note that review of the impact of operational decisions is largely informal;
    - allows income and costs and to be analysed at a more detailed level;
    - assists in forecasting;
- processes are in place to provide and disseminate management information that are efficient.

Summary of Main Findings and Recommendations

A range of financial and non-financial reports are provided to the Joint Board for review of performance. We noted that there has not been a formal review of whether the information provided to them is adequate, however from our review of Joint Board minutes and papers these appear adequate. We noted that non-financial performance is largely based around Key Performance Indicators (KPIs) that are required to be reported to other bodies. The use of a balanced scorecard which covers a range of stakeholder and efficiency areas was suggested as a possible performance measurement framework but management considered the current measures were adequate.

Information is published on the Board website, including Best Value Performance KPIs, an annual Performance Report and a customer feedback report. Performance information is also included in the Assessor's Statement in the annual Statement of Accounts. We noted a number of areas where the format or content in these reports could be improved.

The Board's Service Plan 2013 – 2016 sets out how strategic objectives link into operational plans. Many of the actions in the Service Plan are standard processes and we have recommended that the content of the Service Plan is reviewed to make this more focussed around key actions and initiatives.

1. Management Summary

Summary of Main Findings and Recommendations (Continued)

We also note that progress against operational plans is reviewed informally by management but we have recommended that a formal reporting process is put in place to provide information about progress against key priorities and initiatives.

We reviewed minutes of the senior management team monthly meetings and working groups and noted that formal papers are not always presented with performance information, however we were advised that such matters are discussed verbally and this was considered reasonable.

Acknowledgements

We would like to thank staff at the Board for the co-operation and assistance we received during the course of our review.
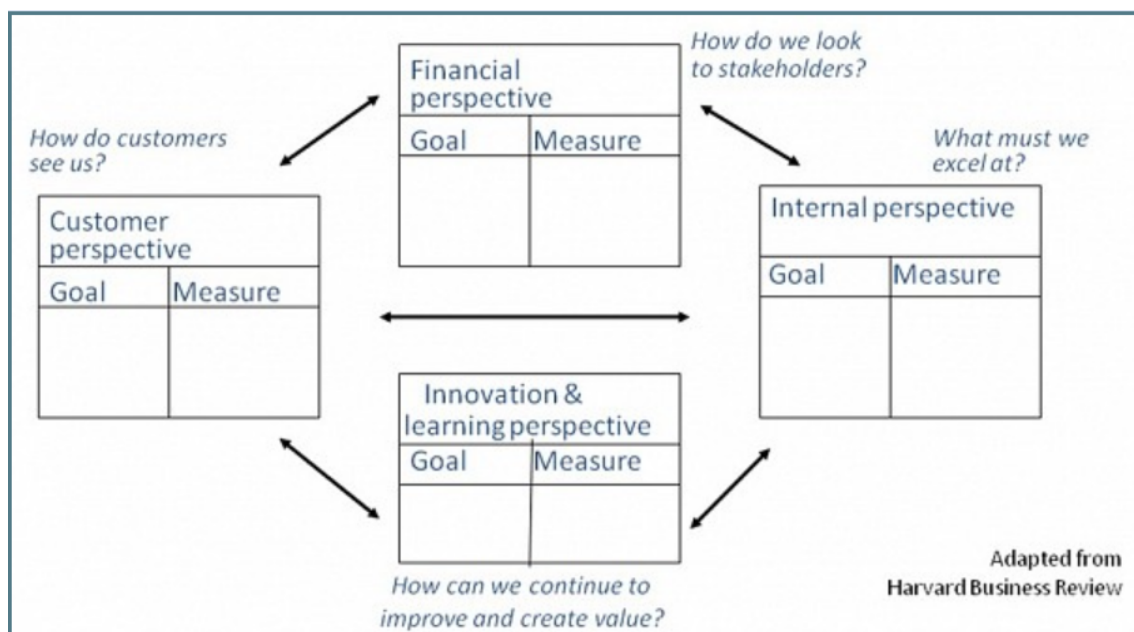
2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.5	*Performance Reporting Information* **R1** Consider whether the format and presentation of performance information could be improved, particularly in order to identify historic trends or compare performance against targets, and to review duplication between the various reports.	C		Y	Assessor	30/6/14
2.7	**R2** Consider reviewing the content of the Service Plan to make this more focussed around areas of greater importance and key initiatives.	C		Y	Assessor	30/6/14
2.7	**R3** Put in place a process to formally report progress against key Board initiatives and priorities to management.	C		Y	Assessor	30/9/14

3. Main Report

1. Identification of Users' Needs

1.1   We found that the performance information needs of the Joint Board have not formally been identified however from our review of performance information provided to the Board this appears adequate. Furthermore where Joint Board members would like further information they can request this.

1.2   Papers presented to the Board have a range of headings, including the purpose of the report, required actions (such as to approve or note), financial implications, policy implications, background, background papers and consultation.

1.3   Key sources of financial performance information include the annual budget and quarterly revenue monitoring reports. There are a number of sources of non-financial performance information:

- Valuation Roll and Council Tax Key Performance Indicators (KPIs) used are those set by the Scottish Assessors Association in conjunction with the Scottish Government and appear appropriate.
- Electoral roll performance standards are set by the Electoral Commission and are of a qualitative rather than quantitative nature and reviewed by the Electoral Commission.
- A range of other performance information is included within the annual Performance Report including staff costs, staff numbers, numbers of council tax and valuation roll amendments, and appeals settled and outstanding.
- Questionnaires are sent out on an annual basis to a sample of those who have had contact with the Board to gain feedback on the quality of service that they received and the results of this are reported annually.

1.4   A useful means of identifying performance measures for a range of stakeholders and to help drive continuous improvement is the balanced scorecard. This is a performance measurement framework widely used in strategic planning and management. The balanced scorecard has at its core the vision and the strategy of the organisation, which is converted into a coherent set of objectives, targets, measures and initiatives in terms of finance, customers, learning and growth, and internal business processes. This can be depicted graphically as follows and further information obtained from the source website:

Source: http://www.oxlearn.com/arg_Marketing-Resources-Balanced-Scorecards_11_36

1. Identification of Users' Needs (Continued)

1.5 We discussed with the Assessor and Depute Assessor whether this framework would be a useful means of identifying and reporting on performance measures for the Board but they felt that the current performance information was considered adequate.

2. Performance Reporting Information

2.1 For management information to help to drive performance it needs to be of sufficient quality, up-to-date and meaningful.

Financial Information

2.2 Internal Audit report 2013/5, 'Budget Setting and Budgetary Control' reviewed the provision of information for managing the Board's financial performance. This found that information was adequate and found to be available to management and the Board in a format that was easily understood and available.

2.3 The key forecasts within the Board are financial forecasts which are developed in the annual budget setting process. Key information used by the Board for monitoring financial performance is from the quarterly revenue monitoring reports which include a forecast outturn and variance analysis. The management team receive financial management reports each month for their review which provide actual and budgeted expenditure. Income and costs can be analysed in more detail if Board or management request further information.

Non-financial Information

2.4 Statutory Valuation Roll and Council Tax KPIs are generated from the Board's IT systems and stored on the Board's network drive. From discussion with all of the Board's Assistant Assessors we found they use this information regularly to monitor performance and, where necessary, determine the reasons for valuations being undertaken outwith the three month performance targets from discussion with valuers. These KPIs are discussed at the monthly management team meetings and presented to the Board annually as part of the Best Value Public Performance Report. From review of these KPIs and discussion with staff these KPIs were clearly set out, easily accessible, provided on a timely basis and readily understood by users. We were also advised that Assistant Assessors undertake ad-hoc checks on KPIs to ensure that these are accurate.

2.5 *Observation*

From our review of performance information presented in the Best Value KPIs Report, the annual Performance Report and the Assessors Report (which is part of the annual Statement of Accounts) we note that there is a level of duplication of performance information in these documents.

KPIs provided are either financial or non-financial and best practice is that these measures are sometimes combined, such as showing staff cost per full time equivalent employee.

It was also noted that the customer feedback report outlining the findings from the Customer Questionnaires does not show performance over time for comparison purposes and is not included in the Performance Report.

Best practice states that KPI trends should be shown graphically to assist users in identifying trends and we noted that this is not done.

Risk

Performance information is not shown as comprehensively or clearly as it might be, particularly in order to identify historic trends or compare performance against target.

3. Main Report

2. *Performance Reporting Information (Continued)*

2.5   (continued)

Recommendation
R1   Consider whether the format and presentation of performance information could be improved, particularly in order to identify historic trends or compare performance against targets, and to review duplication between the various reports.

Benefit
Users of performance information will be able to more easily gain a comprehensive view of the Board's performance.

2.6   It is considered good practice for management to be able to drill down from high-level indicators to examine the underlying cause of trends and identify appropriate action required at an operational level. We were advised by the Assessor and Depute Assessor that the current monitoring by individual Assistant Assessors and discussion about KPIs at management team meetings was considered sufficient to determine the cause for trends and decide on any operational actions required.

2.7   Observation
Key strategic initiatives are linked to actions set out in the Board's Service Plan in detail. We note that this includes a review column and we were advised that performance against each of the objectives is informally reviewed before or at the review date, and is not based around key priorities and initiatives. We noted that the Service Plan contains a large number of actions that are part of standard operating procedures and this makes it difficult to identify what service plan actions the Board should be focussing on and monitoring in greater detail.

Risk
The Board may not be focussing on the performance of its most important actions or initiatives in the Service Plan.

Recommendations
R2   Consider reviewing the content of the Service Plan to make this more focussed around areas of greater importance and key initiatives.

R3   Put in place a process to formally report progress against key Board initiatives and priorities to management.

Benefit
It will be easier for the Board to measure performance of key parts of its Service Plan and ensure they are on track to be completed as planned.

2.8   Board reports are disseminated to the Joint Board in hard copy form in accordance with the timetable for Board reports which is set each year. Reports should be sent out one week prior to meetings which is considered sufficient time for Joint Board members to read and analyse these prior to meetings.

2.9   The management team receive management information through directly accessing IT systems or receiving papers prior to their meetings. We were advised that much of the information provided at monthly management team meetings is verbal, and any papers for discussion at those meetings have no formal timetable for when papers have to be provided. The Depute Assessor advised that the current procedure was considered to work well and was appropriate.

Appendix 2

HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

General Ledger
2013/14

Internal Audit Report No: 2014/04

Draft Issued: 2 October 2013

Final Issued: 31 October 2013

Contents

Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2013/2014 we carried out a review of the key internal controls in place over the general ledger. The Audit Needs Assessment, completed in August 2013, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

We reviewed the following processes as part of our audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

Objectives of the Audit

The objectives of our audit were to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

Audit Approach

We assessed whether the above objectives were being met by documenting the systems and controls through interviews with the Board's Administration Manager (Finance / Personnel) and key members of the Finance Team at Dundee City Council ('the Council'). We established whether the expected key controls were in place by reference to CIPFA standard control risk assessment templates for a general ledger system. Walkthrough and compliance testing was performed, where applicable, to determine whether the key controls were working effectively.

Management Summary

Action Plan

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

A   Fundamental issues which require the consideration of the Joint Board.

B   Significant matters which can be resolved by the Board's Administration Manager (Finance / Personnel), Assessor or the Departmental Accountant at the Council.

C   Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Overall we obtained reasonable assurance that:

* the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
* key controls are in place over the trial balance structure. However there was not always evidence of independent review of control account reconciliations and journal entries and insufficient documentation was provided by the Council for the Board to review recharges adequately;
* there is adequate control and reconciliation of the main feeder systems to the general ledger;
* bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
* although there are a large number of Board and Council staff who have user access rights to the Board's main financial systems, including system administration rights, mitigating controls are in place to reduce the risk of these staff processing unauthorised transactions.

Summary of Main Findings and Recommendations

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts.

Our testing found the Board's control accounts are regularly reconciled by the Council. The trial balance and certain reconciliations prepared by the Council are submitted to the Board where the Administration Manager (Finance / Personnel) advised he reviews these to ensure balances are nil or agrees these to supporting documentation. However these reviews are not evidenced and we have recommended that this is done.

The Council have a month end and year-end financial closure process prior to preparing management accounts or the annual Statements of Account. We found that a checklist used to evidence monthly checks was not always completed and we have recommended this is done.

Summary of Main Findings and Recommendations (Continued)

A list of recharges is provided to the Board by the Council each month but not agreed to supporting documentation to confirm that recharges are reasonable. We have recommended that adequate supporting documentation is provided by the Council and reviewed by the Board each month.

The Council should be undertaking an annual VAT reconciliation, however we found that at the time of audit that this had not been completed and we recommend that this is done.

The Board's credit card transactions are provided to the Council with only authorisation by the Administration Manager (Finance / Personnel), who also administers this card. We have recommended that there is segregation of duties to ensure that someone else in the Board also authorises this expenditure.

Acknowledgements

We would like to thank all staff at the Board and the Council who assisted us during our review.

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.2	**Month / Year-End Financial Close Process** **R1** Ensure that all checks on the monthly accounts checklist are undertaken and evidenced as completed on the checklist.	C		Y	Treasurer	30/09/13
3.2	**Trial Balance and Control Account Reconciliations** **R2** Ensure that the VAT reconciliation is done annually and include this on the accounts preparation checklist to remind Council staff to do this.	C		Y	Treasurer	30/09/13
3.3	**R3** Ensure that there is evidence of all control accounts being checked by the Board's Administration Manager (Finance / Personnel) each month to ensure that balances are either nil or are supported by reconciliations and appropriate explanations.	C		Y	Administration Manager (Finance / Personnel)	30/9/13
3.4	**R4** Ensure the Council provides the Board with appropriate supporting documentation each month to support recharges. The Administration Manager (Finance / Personnel) should then agree the recharges to the supporting documentation and formally evidence this review.	C		Y	Treasurer	30/09/13

Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
4.2	***Journal Entries*** **R5** Ensure that all 'Return of credit card purchases' forms have been prepared by one person and authorised by another person before being provided to the Council.	C		Y	Administration Manager (Finance / Personnel)	30/9/13

Main Report

1.   Month / Year-End Financial Close Process

1.1   The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The current SLA covers the period April 2012 to March 2015. The services provided include the maintenance of the Board's general ledger, the preparation of control account reconciliations, provision of regular revenue monitoring and management reports and the preparation of annual statutory accounts.

1.2   *Observation*
The Board's month-end and year-end financial close process is performed by the Council. The Council maintains a control sheet, which documents the journals to be posted and reconciliations to be performed each month on the Board's behalf. Each task on the control sheet is ticked once complete. From review of this spreadsheet we noted that not all tasks had been ticked off as being completed.

Risk
Month end checks may not have been undertaken which could lead to information reported not being accurate.

Recommendation
R1   Ensure that all checks on the monthly accounts checklist are undertaken and evidenced as completed on the checklist.

Benefit
There will be greater assurance that information in the general ledger is accurate.

1.3   The Council prepares a final accounts timetable, which documents the tasks to be completed in order for the Board's statutory accounts to be prepared. The timetable records the individual / department responsible for completing each task.

1.4   Each year the Council issues a final accounts checklist to the Board. The checklist records the ledger cut-off date and requests that the Board provides details of the imprest balances and accrued income and expenditure at the year-end. In preparation for the new financial year the Board provides the Council with the following year's revenue budget figures for each cost centre. The budget figures are uploaded on to the finance system by the Council and used for revenue monitoring purposes.

2.   Chart of Accounts, Coding Structure, Reports and Procedures

2.1   The finance system enables reports to be generated for individual or groups of cost centres. Each general ledger code consists of ten numbers; the first five numbers relate to a specific cost centre whilst the remaining numbers relate to an account name, for example electricity.

2.2   The need for a new general ledger code is normally identified during the budget setting process. Discussions with the Board's Administration Manager (Finance / Personnel) highlighted that general ledger codes could only be added or removed on the finance system by the Council. At present there are no formally documented procedures in place at the Board for requesting and authorising the addition or removal of general ledger codes. The Board's Administration Manager (Finance / Personnel) or Administration Assistant currently e-mails the Council to request a general ledger code be added or removed.

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3. Trial Balance and Control Account Reconciliations

3.1 Each day the Council runs a 'daily balances management report' on the finance system to check that the Board's trial balance squares. In addition, the Departmental Accountant responsible for overseeing the Board's ledger reviews the trial balance each month to identify any unusual balances.

3.2 *Observation*
As part of our review we sought assurance that the Council is reconciling the Board's control accounts on a regular basis in accordance with the SLA. We found most control accounts were reconciled on either a daily or monthly basis. The DCC Recharges Account and Bank Recharge Control Account were not fully reconciled at the start of the period but were reconciled thereafter. This was due to the DCC Recharges Account being a new account code and some corrections were required by staff before this was made to reconcile correctly. We also noted that the VAT control account, which should be reconciled annually, had not been reconciled.

Risk
Incorrect amounts of VAT may be claimed or paid to HMRC.

Recommendation
R2 Ensure that the VAT reconciliation is done annually and include this on the accounts preparation checklist to remind Council staff to do this.

Benefit
There will be greater assurance that VAT requirements are complied with.

3.3 *Observation*
Our review found control account reconciliations are not signed by the individual preparing or reviewing the reconciliation. In an attempt to become a paperless office the Council often retains control account reconciliations electronically rather than in paper format and as a result reconciliations are not signed off by the individual preparing the reconciliation. The Board's Administration Manager (Finance / Personnel) advised they review the four control account reconciliations which are forwarded to them from the Council, and ensure that other balances are nil on the trial balance or obtain supporting information for any which are not nil. We note that these checks are not evidenced.

Risk
Unexplained balances on control accounts may not be highlighted to the Board timeously.

Recommendation
R3 Ensure that there is evidence of all control accounts being checked by the Board's Administration Manager (Finance / Personnel) each month to ensure that balances are either nil or are supported by reconciliations and appropriate explanations.

Benefit
Assurance can be obtained that control accounts are regularly reconciled and variances investigated timeously.

3.4 *Observation*
Each month the Council provide a breakdown of the monthly recharge payable to the Council. This mainly relates to payroll deductions for PAYE, National Insurance and pension contributions, but also has some other items. Supporting details of these charges, such as reports from the payroll system, are not provided to the Board for them to check whether the recharges are accurate.

Risk
Recharges paid to the Council may not be accurate.

3. Trial Balance and Control Account Reconciliations (Continued)

3.4 Continued

Recommendation
R4 Ensure the Council provides the Board with appropriate supporting documentation each month to support recharges. The Administration Manager (Finance / Personnel) should then agree the recharges to the supporting documentation and formally evidence this review.

Benefit
There will be greater assurance that recharges are accurate.

4. Journal Entries

4.1 All journals are processed by the Council on the Board's behalf. The Board's Administration Manager and Administration Assistant may occasionally e-mail the Council to request a journal to be processed; which in most instances will relate to the reallocation of expenditure between budget codes. Other journals are made by Council staff to process income and expenditure. Whilst reviewing a sample of 15 journals posted to the ledger during 2012/13 and 2013/14 (1 April 2013 to 31 July 2013) we found the individual inputting and authorising the journal was the same person. Council staff do not consider this to be an issue as there are mitigating controls in place including: any significant discrepancies should be identified by the Departmental Accountant whilst reviewing the monthly trial balance and preparing revenue monitoring reports; the Administration Manager (Finance / Personnel) checks all payments from the Board's bank account to supporting documentation; and the bank account is reconciled to the general ledger. Our testing found sufficient narrative was provided for each journal posted.

4.2 *Observation*
The Council prepares and posts certain journals to the Board's general ledger for credit card payments. We noted that documentation provided to the Council to process these payments were not always accompanied by authorisation from two Board staff.

Risk
The Council may input credit card payments into the general ledger for expenditure without adequate authorisation from Board staff.

Recommendations
R5 Ensure that all 'Return of credit card purchases' forms have been prepared by one person and authorised by another person before being provided to the Council.

Benefit
There will be greater assurance that credit card transactions have been appropriately authorised prior to processing transactions in the general ledger.

5. Feeder Systems

5.1 The interface between the Board's creditor module and general ledger run by the Council ensures all transactions posted to the creditor module are automatically posted to the general ledger. The finance system is programmed to generate a report on a daily basis which compares the purchase ledger control account balance per the general ledger with that recorded in the creditor module.

5.2 During our review we selected one date at random and sought assurance that the finance system had generated a purchase ledger control account reconciliation report and found this to be done. We also reviewed the log of these reports for 2013/14 and found these reports to have been generated on a regular basis.

5.3 Due to the small volume of sales invoices raised by the Board it was deemed inappropriate to purchase the finance system's sales ledger module. All sales invoices are raised manually by the Board. The sales invoices raised each month are recorded on a 'return of income' form, which is submitted to the Council. The Council use this form to make the relevant postings to the general ledger. A spreadsheet is maintained by the Council, which lists all invoices recorded on the 'return of income' forms and payments processed through the Board's cashbook. This spreadsheet is reconciled to the sales invoice control account balance per the general ledger on a monthly basis and a copy provided to the Administration Manager (Finance / Personnel) for their review.

5.4 Each month the Administration Assistant enters all payroll amendments onto the payroll system (Resourcelink). The Council runs monthly payroll reports from the system and these are sent to the Board for authorisation by the Administration Manager. The interface between Resourcelink and the general ledger ensures the ledger is automatically updated with the monthly payroll figure. The payroll figure per Resourcelink is reconciled to the payroll control account balance per the general ledger each month. We reviewed the payroll control account from April to July 2013 and found this to be reconciled each month.

6 User Access Rights

6.1 Access to the Board's finance system is restricted through the use of usernames and passwords. At present the Administration Manager, Assessor's Secretary / Administration Assistant and Divisional Administration Assistant are the only members of staff at the Board with access to the finance system.

6.2 Our review found 10 members of Council staff have access to the Board's finance system; five which had access to the general ledger and five having full access rights to the system. We consider that having such a large number of users may increase the chance of inappropriate transactions being processed, however as noted in paragraph 4.1 above there are adequate mitigating controls in place to reduce these risks to an appropriate level.

6.3 Discussions with Council staff highlighted that alterations to Council staff's user access rights are formally requested in an e-mail from the Departmental Accountant. A staff leaver form is required to be completed for all staff leaving the Board. This form includes confirmation by the IT department that access to all IT systems at the Board has been removed.