

**Falkirk Council 2011/12 – Systems of Internal Control**  
**Corporation Governance Arrangements – Systems of Internal Control**

## Action Plan

### Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
<b>General Ledger</b>			
1.	<p>Our review identified issues in relation to access to the Integra ledger system:</p> <p>There are no formal processes for:</p> <ul style="list-style-type: none"> <li>• user departments to advise the system administrators of leavers to enable their access rights to Integra to be disabled timeously</li> <li>• reviewing access rights of employees to Integra. Such reviews are carried out on an infrequent basis.</li> </ul> <p><b><i>Risk: individuals may be able to gain unauthorised access to the system or to perform tasks for which they do not have authorisation.</i></b></p>	<p>Monthly reports are received from Payroll detailing leavers that month. These are checked against the Integra user records and leavers deleted.</p> <p>On a quarterly basis reports are produced to ensure no user has both data entry and authoriser access for purchase ledger and purchase ordering to minimise potential fraud.</p> <p>On an annual basis details of current users are sent to Services together with a note of who hasn't logged on for at least 3 months. Services are requested to review the list and advise of any user id's to be deactivated. The review for 2012 has been delayed due to staff secondment and will be undertaken by September 2012.</p>	H MacArthur Accountancy Services Manager – Ongoing / September 2012
<b>Capital Accounting</b>			
2.	<p>Procedural guidance notes are in place for various aspects of the capital accounting process to ensure that appropriate procedures are followed. We note, however, that there are no instructions in relation to recording transactions on the Fixed Asset Register.</p>	<p>User manuals for the Logotech fixed asset register are in place and are referred to regularly. However, it is agreed that more comprehensive procedures should be available. These will be drafted as time permits.</p>	Capital Manager First draft by 31 December 2012

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	<b><i>Risk: the absence of guidance notes may result in errors being made when staff update the Fixed Asset Register.</i></b>		
<b>Treasury Management</b>			
3.	<p>Daily dealing sheets are prepared to identify the Council's daily borrowing requirements, based on available cash balances. The sheets provide for the required borrowing level to be authorised by a senior manager. From a sample of 30 daily dealing sheets checked, we noted that:</p> <ul style="list-style-type: none"> <li>• 17 had not been authorised by a senior manager</li> <li>• 1 was authorised by an accountancy assistant.</li> </ul> <p><b><i>Risk: without proper review borrowing requirements may be inappropriately set.</i></b></p>	<p>Risk not accepted. Our Treasury Management Practices give authority to accounting assistants and treasury assistants to enter into borrowing and investment decisions subject to a number of restrictions. This is essential in ensuring efficient and timeous cash management. Decisions taken are noted in the daily dealing sheets which are then typed. The typed versions are ultimately counter-signed by the Chief Finance Officer as part of a review of all transactions undertaken. No change to current practice is intended.</p>	No action
<b>Payroll</b>			
4.	<p>Monthly payroll reports are sent to departments for checking and verification of employee details. Services have been instructed to notify the Payroll section of the outcome of these checks to provide assurance that payroll processing is accurate. At the time of our review several services had not notified payroll staff of their outcome for a number of months. (This risk was</p>	<p>Service Directors are requested to confirm by e-mail that they have reviewed the report and investigated any anomalies. Payroll monitor and record these confirmations and issue e-mail follow ups where confirmations are not received. It is noted that the follow up procedures were not operated fully during the maternity leave of</p>	<p>Payroll Manager / Payroll Officer (Systems &amp; Control) - 31 August 2012</p>

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	also highlighted in 2010/11.) <b><i>Risk: there is a risk that erroneous or fraudulent payments could be made to employees.</i></b>	the Payroll Officer (Systems & Control) in 2011/12. These procedures have now been re-introduced.	
5.	During our 2010/11 audit we identified that Payroll staff did not hold up to date authorised signatory lists for some Services. We were advised that the Payroll section was introducing a new system for authorised signatories, to be in place by the end of January 2012. However we now understand that it is now anticipated that this work will not be completed until the end of October 2012. <b><i>Risk: in the absence of proper authorisation, erroneous or fraudulent payments could be made.</i></b>	Introduction of the new Authorisation procedures was delayed due to the maternity leave of the Payroll Officer (Systems & Control). Work has re-commenced on this and it is expected that the new procedures will be operational by 1 October 2012 as referred to in the report.	Payroll Manager / Payroll Officer (Systems & Control) - 1 October 2012
6.	Payroll exception reports are produced to identify a variety of events for internal control purposes. It is important that these reports are reviewed and corrective action taken where necessary. We noted that the exception reports selected in our sample had not been signed or dated to evidence who had actioned the exception and it is not therefore possible to confirm that a review has taken place and corrective action applied.	Payroll staff involved in the checking of exceptions will be reminded of the need to evidence that the checking procedure has been completed by initialling the pages they have checked.	Payroll Manager / Payroll Officer (Operation) - 1 August 2012

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	<b><i>Risk: payroll errors may go uncorrected.</i></b>		
<b>Accounts Payable</b>			
7.	<p>High value payments originating in Finance Services are not separately authorised by a senior Finance manager.</p> <p><b><i>Risk: there is a risk that erroneous or fraudulent payments could be made.</i></b></p>	<p>There are only five Finance Managers with high value authorisation limit of £100,000 for payments originating in the Section. It is not considered feasible to have the CFO and Depute CFO counter signing these payments. If the payment is to a one-off supplier the Managers will get another signature on the payment voucher although if payment is to a regular supplier it will be authorised electronically in Integra. Pension and Payroll payments are initially processed by a different person from the authoriser.</p> <p>During the processing of the payment runs reports are produced detailing any payment for £100,000 or above and the Senior Officer authorising the run must approve this list.</p>	H MacArthur Accountancy Services Manager – Ongoing
8.	<p>During our sample testing of invoices, we identified one instance of an invoice not being appropriately authorised</p> <p>During our sample testing, we identified one instance of a purchase order not being authorised.</p>	<p>A major review of Authorisation levels is due to be completed this month and details will be forwarded to Services with a reminder that all invoices and orders should be authorised by appropriate staff and in line with</p>	H MacArthur Accountancy Services Manager – August 2012

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	<b><i>Risk: there is a risk that erroneous or fraudulent payments could be made.</i></b>	Council's Financial Regulations.	
9.	<p>During our sample testing of invoices relating to purchases for domestic equipment vulnerable young adults by Social Services, it was identified that when a purchase order is raised, prices for individual items are not always shown and the supplier does not always provide a GRN to support what has been delivered.</p> <p><b><i>Risk: the council is unable to confirm that it has received the goods ordered or that it has paid the correct price.</i></b></p>	During the last few months Senior Managers in all Services have been attending "refresher" training on issue of orders and contracts, compliance with financial regulations etc. Details of this particular instance to be obtained and followed up with the Social Work Services	H MacArthur Accountancy Services Manager/ Service Accountant– August 2012
<b>Trade Receivables</b>			
10.	<p>As part of our audit testing we reviewed a sample of amendments to customer standing data. From our sample of 30 amendments reviewed, 2 had no details of the source of the amendment. We are advised that there are instances when customers advise of amendments by telephone, however staff do not request customers to follow up in writing.</p> <p><b><i>Risk: fraudulent amendments may be made to customer details.</i></b></p>	<p>Risk Not Accepted</p> <p>To facilitate accurate and timeous billing and recovery, and to avoid correspondence being issued to incorrect addresses it is essential that the capacity to amend records based on telephone calls is retained.</p> <p>It will be last resort but there are circumstances because of reluctance, or capacity, of customer that verbal advice will be acted upon. In the majority of cases, and certainly where appropriate, confirmation of this is sought in writing.</p>	Paul Ferguson Revenues Manager No Action

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<b>Council Tax</b>			
11..	<p>During our review, we identified that there were delays in the sample checking of data input by management.</p> <p><b><i>Risk: errors in data input may not be identified timeously.</i></b></p>	<p>Risk Accepted:</p> <p>Process of migrating to real time sample checking via document management system has been slower than planned and as a result we suffered delays in sample checking.</p> <p>This will be issued monthly until real-time system can be implemented.</p>	<p>Paul Ferguson Revenues Manager</p> <p>Immediate</p>
<b>Non-Domestic Rates</b>			
12.	<p>Management checks are undertaken to sample check non-domestic rate outputs to ensure the appropriateness of processing. At the time of our review, there had been delays in completing these sample checks.</p> <p><b><i>Risk: erroneous input may not be identified and corrected.</i></b></p>	<p>Risk Accepted:</p> <p>Process of migrating to real time sample checking via document management system has been slower than planned and as a result we suffered delays in sample checking.</p> <p>This will be issued monthly until real-time system can be implemented.</p>	<p>Paul Ferguson Revenues Manager</p> <p>Immediate</p>
13.	<p>Although officers have recognised the comparison of the number of bills produced at annual billing with the number of properties on the assessment roll, as a key control, there is no formal reconciliation process in place.</p> <p><b><i>Risk: there is a risk of inaccuracies in billing.</i></b></p>	<p>Risk Accepted</p> <p>Formal process now in place to record this. Implemented following feedback on 2010/11 accounts but too late for 2011/12 annual billing.</p>	<p>Paul Ferguson Revenues Manager</p> <p>In Place</p>

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14.	<p>Discounts are given to business properties that are unoccupied. We note, however that there is no formal timetable for empty property visits to verify that properties remain unoccupied.</p> <p><b>Risk: non domestic rate income may be lost if the council fails to identify when properties are re-occupied.</b></p>	<p>Risk Accepted</p> <p>This process to is be reviewed during 2012/13 in line with new legislation expected for 2013/14 where discount will reduce to 10% from existing 50%.</p> <p>We do currently ensure that ratepayers re-apply annually (by cancelling relief at end of each financial year) and provide supporting evidence. If there is no supporting evidence, or any doubt about application targeted visits are undertaken before applying award.</p>	<p>Paul Ferguson Revenues Manager</p> <p>To be reviewed during 2012/13 in line with legislation.</p>
15.	<p>A formal reconciliation between the Assessor's records and NDR system should be undertaken 6 monthly, i.e. September and the year end. We identified that this reconciliation had not been undertaken within the appropriate timeframe.</p> <p><b>Risk: the records on the NDR system may not agree to the Assessor's records.</b></p>	<p>Risk Accepted</p> <p>Reconciliation was undertaken six monthly but due to some technical issues one of these was not fully completed.</p> <p>Remedies have been put in place that facilitated the most recent reconciliation.</p>	<p>Paul Ferguson Revenues Manager</p> <p>In Place</p>
<b>Housing Rents</b>			
16.	<p>As part of our audit we reviewed the unidentified income suspense account. We identified that the majority of the account balance related to aged items. If these balances cannot be identified, they</p>	<p>Agreed. All aged unidentified income will be written off.</p>	<p>Revenues Senior Accountant</p> <p>July 2012</p>

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	<p>should be written off.</p> <p><b><i>Risk: the inclusion of old balances that cannot now be identified undermines the robustness of the reconciliation process.</i></b></p>		
<b>Procurement Cards</b>			
17.	<p>We are unaware of any formal process in place to review the use of procurement cards to confirm a service's continuing need for them.</p> <p>Risk: procurement cards may be unused within services but are not being removed, thereby increasing the risk of misuse.</p>	<p>A review of card usage will be undertaken on a 6 monthly basis. Card-holders will be contacted where cards have been identified as being unused in the preceding 6 month period. Card-holder responses will be logged and where appropriate action taken to discontinue the card. Cards unused for 12 months or more will be automatically discontinued and users asked to reapply.</p>	<p>David McGhee</p> <p>September 2012</p>