



HENDERSON LOGGIE

Aberdeen City Council

Follow-up Reviews

2008/09

External Audit Report No: 2009/10

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Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's *Code of Audit Practice* for the audit of Aberdeen City Council's financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Aberdeen City Council and their Audit and Risk Committee and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



Management Summary

Introduction and Background

This is the third year of our five-year appointment as external auditors to Aberdeen City Council (“the Council”), following our previous two-year appointment. This report covers our planned follow-up reviews of the improvement actions agreed in the following reports issued as part of our 2007/08 audit programme:

<i>Title</i>	<i>Report No</i>	<i>Date Issued</i>
Bank Reconciliation Review	2008/05	13 August 2008
Catering & Cleaning and Neighbourhood South Payroll Review	2008/06	11 December 2008
Council Tax Review	2008/07	19 December 2008
Financial Systems Team Review	2008/13	10 November 2008
Pensions Benefits Review	2008/09	11 February 2009

We requested a progress updated on 19 May 2009. A partial response was received on 8 September 2009, with a further update on 16 September 2009.

Objectives of the Audit

The objective of each of our follow-up reviews is to assess whether recommendations made in previous reports have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Audit Approach

Action plans from the original reports, updated to include a column for progress made to date, were issued to appropriate officers for completion. The completed action plans are in Section 2 of this report.

Table 1 below reflects the current status of the action plans. We have reviewed the completed action plans for reasonableness although we did not seek further evidence to verify the management response at this time. In the case of the issues around the bank reconciliation, we carried out testing as part of our 2008/09 financial statements audit to confirm that the recommendations had been fully implemented. Evidence will be obtained for the other review when we carry out our financial control evaluation testing during 2009/10.

Overall Conclusion

The Council has made good progress in implementing the recommendations followed-up as part of this review.

The one recommendation from the Bank Reconciliation report which has only been partially implemented relates to the use of the *e-Return* facility. The Council is currently implementing an Automated Bank Reconciliation Module and regular reports have been presented by the City Chamberlain to the Audit and Risk Committee on its progress. While *e>Returns* has been in constant use in certain locations the expansion of this is now being carried out across Council Services as part of that Automated Bank Reconciliation project.



Management Summary

Overall Conclusion (cont'd)

One recommendations included in the Financial Systems Team Review has also only been partially implemented. This recommendation relates to the development of a training programme, which was due to be implemented by 30 January 2009. The implementation of this was delayed due to problems with recruitment. We understand that staff are now in place with online training been set up and face to face training planned for early 2010.

The recommendations that have been partially implemented will be subject to follow-up at a later date.

Our findings from each of the follow-up reviews have been summarised as follows. The priorities, as detailed below, denote the level of importance that should have been given to each recommendation:

- A Fundamental issues which require the urgent consideration of senior management.
- B Significant matters which require the attention of line management.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Table 1 – Updated Action Plan Status

		<i>From Original Reports</i>			
Recommendation	Priority	Number Agreed	Fully Implemented	Partially Implemented	Not Implemented
Bank Reconciliation Review	A	2	2		
	B	3	2	1	
	C	1	1		
Total		6	5	1	-
Catering & Cleaning and Neighbourhood South Payroll Review	A	-			
	B	1	1		
	C	3	3		
Total		4	4	-	-
Council Tax Review	A	-			
	B	4	4		
	C	-			
Total		4	4	-	-
Financial Systems Team Review	A	-			
	B	5	4	1	
	C	4	4		
Total		9	8	1	-
Pensions Benefits Review	A				
	B	4	4		
	C	1	1		
Total		5	5	-	-
Grand Total		28	26	2	-

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our review.



Follow-up Action Plans

Bank Reconciliation Review

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
1.2.3	<p>Bank Reconciliation Procedures Desk Top Procedures</p> <p>R1 The desk top procedures in place for each of the Council's bank accounts should be reviewed and updated to reflect current working practice.</p>	C	For the General Account, procedures have constantly changed over the last two years and it would have been pointless to update them. When the outstanding items have been dealt with, procedures will be updated. Clearing outstanding items is the main priority.	Y	V. Kidd	Within one month of completion of clearing outstanding items.	<p>The procedures for the General Bank account have been developed and updated. The procedures for the other bank accounts have been reviewed and while they have generally remained unchanged they have been updated and will remain subject to monitoring and review and refinement as necessary.</p> <p>Fully Implemented</p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
1.3.5	<p><i>e>Returns</i></p> <p>R2 The Council should fully consider the <i>e-Return</i> facility and the practical difficulties encountered prior to re-introducing it to all Services in the future. Specific consideration should be given to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Restricting the number of users to the system <input type="checkbox"/> Ensure that adequate training is provided to all users to ensure that the requirements are clear and understood. <input type="checkbox"/> Monitoring of outcomes to identify specific users who require further training. 	B	<p>Users can only be restricted if certain types of income are given Fund numbers and all locations are provided with the workstations necessary for processing through Icon.</p> <p>Training was given but staff at centres change regularly. All staff were trained by Peter Robertson, Senior Collections Officer at the time of introduction, and then in November 2006 by Vivienne Kidd in a classroom situation.</p>	Y	V. Kidd	Ongoing	<p>e>Returns has been in constant use by a number of locations and extended use of the system is being rolled out as part of the implementation of the automated bank reconciliation system. The training started at the beginning of October, is being introduced a section at a time and is scheduled to be complete by January 2010.</p> <p>Procedure improvements and additional support has already been provided to the school catering staff to ensure successful introduction of the system.</p> <p><i>Partially Implemented</i></p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
2.2	<i>Accuracy & Timeliness of Reconciliations</i> R3 All bank reconciliations should be performed on a timely basis in accordance with the documented procedures.	A	Prior to the introduction of E>Returns, all bank reconciliations were regularly up to date and currently all accounts apart from the General are up to date.	Y	V. Kidd	Within one month of completion of clearing outstanding items	The bank reconciliations are being maintained on a timely basis, for example, following review the July reconciliations were signed off as complete on 21 August 2009. <i>Fully Implemented</i>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
3.1	<p>Reconciling Items</p> <p>R4 The backlog of reconciling items should be reviewed and explanations obtained as a matter of urgency, prior to the completion of the 2007/08 audit.</p>	A	<p>This matter is being treated with urgency. All items have been allocated to Services where possible and every effort is being made to ensure that all outstanding items within the reconciliation will now net off for 2007/08 year-end.</p> <p>Unable to give a completion date at this stage but progress has been made. A procedure has now been developed to reconcile the Card income, Webstaff, Web Public, ATP and all office differences and a student has been employed on a temp basis to deal with the back log.</p> <p>Auditor Comments – We will review the position prior to the completion of the 2007/08 audit in September.</p>	Y	V Kidd	Ongoing	<p>Complete and incorporated into the 2008/09 accounting transactions and financial statements.</p> <p><i>Fully Implemented</i></p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
3.1	R5 As part of the monthly bank reconciliation process, a procedure should be introduced to ensure that reconciling items from a particular month are cleared by the following months' reconciliation (i.e. within 2 months).	B	As soon as April's reconciliation is completed, a spreadsheet is to be e-mailed to Services showing any outstanding items and these will be posted to a code in the relevant Service on a monthly basis from now on. The general account reconciliation will not take so long to complete now and more time will be freed up to clear old items.	Y	V Kidd	Immediate effect but it has been agreed that the April list will go out when May is completed and so on to avoid any duplicate entries in the ledger.	Complete <i>Fully Implemented</i>
3.2	R6 The standard bank reconciliation schedule should clearly identify timing differences from other errors requiring correction.	B		Y	V Kidd	31 July 2008	Complete <i>Fully Implemented</i>



Follow-up Action Plans

Catering & Cleaning and Neighbourhood South Payroll Review

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
3.2	<p>Leavers</p> <p>R1 The corporate 'Termination of Service' checklist should be updated to include reference to notifying other sections within the Council to ensure that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Computer and physical access rights are deleted <input type="checkbox"/> Safe and alarm combinations are changed <input type="checkbox"/> Any outstanding sums, equipment, keys, security passes and uniforms belonging to the Council are reclaimed. 	B	<p>Neighbourhood Services Central, South and North - Work is currently underway to standardise the various checklists currently in operation across the Council. This work is linked to the implementation of Equal Pay and Modernisation (EP&M) which is expected to take place 1 May 2009.</p>	Yes	Operational Support Manager	31 April 2009	<p>Central – Completed South – Completed North – Completed</p> <p>Fully Implemented</p>
4.3	<p>Variations to Pay (Overtime)</p> <p>R2 All authorised signatory lists should be brought up to date to ensure that only staff authorised to sign off payroll records are included on the list.</p>	C	<p>Neighbourhood Services Central and South – All lists to be updated.</p> <p><i>Note: Neighbourhood North's list was found to be up to date.</i></p>	Yes	Operational Support Manager	31 March 2009	<p>Central – Completed South – Service moves have dictated that the Authorised Signatory lists, to be effective, require to be updated in line with the new structure. This work has now been completed</p> <p>Fully Implemented</p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
4.3	R3 A procedure should be implemented to periodically review all lists to ensure that they are kept up to date.	C	<p><i>Neighbourhood Services Central</i> – Checking procedure established as a result of another recent audit. This is due to commence in January 2009.</p> <p><i>Neighbourhood Services South</i> – A procedure will be implemented.</p> <p><i>Note: Neighbourhood North's list was found to be up to date.</i></p>	Yes	Operational Support Manager	<p>31 January 2009</p> <p>31 March 2009</p>	<p>Central – Completed</p> <p>South – Completed</p> <p>Fully Implemented</p>
4.4	R4 All staff should be reminded to complete the reasons for the additional hours on the claim form.	C	<i>Neighbourhood Services Central, South and North</i> – Reminder to be issued to staff.	Yes	Operational Support Manager	31 January 2009	<p>Central – Completed</p> <p>South – Completed</p> <p>North – Completed</p> <p>Fully Implemented</p>



Follow-up Action Plans

Council Tax Review

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	Liabilities R1 Documentation should be received and put on file prior to awarding any discount, and evidence of periodic review should be retained. Where applications are transferred from previous addresses, this should be documented in the Notepad facility to ensure a full audit trail.	B	Agreed	Y	Donald Callum	16 January 2009	Completed <i>Fully Implemented</i>
N/A	R2 Consideration should be given to regularly inspecting a sample of properties in receipt of empty property relief, in particular long term empty property discounts, to confirm their status. This could be similar to the process currently in place for Non Domestic Rates properties. Evidence of this inspection should be retained on file.	B	Agreed	Y	Donald Callum	30 June 2009	Completed <i>Fully Implemented</i>
N/A	Collections and Refunds R3 The backlog of credit balances in the system should be reviewed to identify where refunds are required.	B	145 credit balances greater than £1,000 have now been actioned and refunds made.	Y	Ken Taylor	Completed	Completed <i>Fully Implemented</i>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	R4 Documentation should be retained to support all transfers made between accounts.	B	Agreed	Y	Ken Taylor	16 January 2009	Completed <i>Fully Implemented</i>



Follow-up Action Plans

Financial Systems Team Review

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	R1 The hierarchies for the six directorate model should be finalised and fully documented and thereafter training should be undertaken with all relevant staff to ensure they understand the ledger they are working with and how to access information effectively and obtain help when necessary.	B	Documentation regarding the various hierarchies in the system has been issued. A review of coding and hierarchies will be included as a regular agenda item at the quarterly user sessions. The <i>eFinancials</i> user guides will also be updated.	Y	G Stubbins	30 January 2009	Actioned <i>Fully Implemented</i>
N/A	R2 The volume of cost centres and account codes should be reviewed and any unused or duplicate codes should be removed.	C	All unused codes (unused for 12 months) will be made inactive and will be reviewed on an annual basis thereafter	Y	G Stubbins	27 February 2009.	Actioned <i>Fully Implemented</i>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	R3 Regular checks should be undertaken to ensure that staff with access to <i>eFinancials</i> are still employed by the Council and that the access levels are still relevant for their current responsibilities.	B	We used to put out reports to Operational Support Managers (OSMs) regarding access by staff. There is currently a difficulty in identifying which service an employee actually comes under and hence which OSM to take responsibility. When resources are better placed, this will be actioned.	Y	G Stubbins	27 February 2009	All users have now been linked to employee ref so can tie back to home cost centre in PSE. From this can ascertain which Service being charged and so can pass details to relevant OSM for checking. Have however put off passing out data until new 5 Director structure is more fully bedded in. This was actioned in October 2009 with data being distributed to OSM's. <i>Fully Implemented</i>
N/A	R4 A system should be put in place for HR to notify the Financial Systems team of leavers so that access can be removed.	B	HR will provide a monthly list of staff leaving ACC, which will be linked up to users in <i>eFinancials</i>	Y	B Findlater/ G Stubbins	30 September 2008	Actioned <i>Fully Implemented</i>
N/A	R5 System capacity should be reviewed to ensure it is not adversely affecting performance.	C	Service Design and Development (SD&D) keep an eye on capacity and it is not an issue at present.	Y	SD&D	31 January 2009	Completed, reviewed and not adversely affecting performance <i>Fully Implemented</i>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	R6 A process for archiving data from <i>eFinancials</i> should be developed before space becomes critical and ledger functionality is impaired.	C	We did look at archiving, however, the solution offered by COA Solutions was not cost effective. Unfortunately with the ever reducing resources from SD&D, we have not been able to reinvestigate other options. This is very much dependant on resources in SD&D.	Y	SD&D	30 June 2009 Subject to completion of upgrade etc.	SD&D actively managing storage – not now considered to an issue. <i>Fully Implemented</i>
N/A	R7 All documentation should be maintained on file of the checks carried out of all feeder systems. Where checks are carried out outwith the Town House, the documentation should still be retained and filed at a later date.	C	Agreed. Documentation will be retained as either an electronic or paper file.	Y	G Stubbins	31 October 2008	Actioned <i>Fully Implemented</i>
N/A	R8 The causes of downtime in the e-mail system should be investigated and addressed.	B	This sits with SD&D. The problem was resolved shortly after the audit.	Y	SD&D	Completed	Completed <i>Fully Implemented</i>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
N/A	R9 A training programme for <i>eFinancials</i> should be developed, with induction and follow-up training available and regularly delivered. Training records should be maintained	B	Training in <i>eFinancials</i> has only lapsed due to changes in staff. As advised, it was always the intention once new member of staff gets up to speed to start training again.	Y	G Stubbins	30 January 2009	<p>New staff only started in August 2009 (following 3 recruitment attempts). Have now emailed Services who had requested training to see if still required. Investigating putting course onto the Online Interactive Learning (OIL) website. Very aware of the need to progress the replacement of BOSS therefore looking to get training underway before end of October 2009.</p> <p>New courses have since been devised and made available on The Zone. Instructions have been sent to Services to enable staff to access the training.</p> <p>Face to face training sessions to compliment the online training are due to be in place by the end of the first quarter of 2010.</p> <p><i>Partially Implemented</i></p>



Follow-up Action Plans

Pensions Benefits Review

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
1.2	<p><i>New Starts/ Leavers/ Transfers</i></p> <p>R1 Pension Fund Team Members should ensure that correct and completed documentation for each case has been scanned on the AXIS system.</p>	B	Pensions Manager will instruct staff to ensure that correct and completed documentation for each case has been scanned on the AXIS system.	Yes	Pensions Manager	31 March 2009	<p>Following introduction of new Pension Fund staff structure, the new Senior Pension Officer Technical has issued a note to all staff regarding what is required for scanning and the new staff are being trained by him on scanning requirements.</p> <p><i>Fully Implemented</i></p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
1.3	R2 Documentation processed by the Pension Fund Team should be appropriately authorised by the Pensions Manager or Investments Manager prior to being processed/ scanned on the system.	B	<p>Every new start is added to the system with an associated employer. At 31 March each year an interface is carried out with each employer which would show any anomalies/incorrect records. The employer is contacted for clarification and any members which should not, be included under that employer is removed from the record. There is no significant risk of incorrect members being held on the pension fund system.</p> <p>With effect from 1 April 2009, the new start documentation is to be revised in line with the introduction of the new scheme. The document will include a section to be signed off by the appropriate pension officer who loads the new member details onto the system.</p>	Revision agreed with HL	Pension Manager	1 April 2009	<p>Trainee Pension Officer signs off documentation when loaded onto AXIS with effect from 1 April 2009.</p> <p><i>Fully Implemented</i></p>
3.2	<p><i>Lump Sum and Monthly Pension Payments</i></p> <p>R3 Pension Fund team members should ensure that a PSE test payslip check has been completed and retained on file for all retirees.</p>	B	Only 1 PSE test payslip check was missed. Senior staff to be reminded to ensure that they must sign off test payslip documentation.	Yes	Pensions Manager	31 March 2009	<p>All test payslips are scanned with appropriate documentation.</p> <p><i>Fully Implemented</i></p>



Follow-up Action Plans

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at November 2009
4.1	Annual Benefit Notices R4 A spreadsheet should be maintained and updated on a regular basis to track Annual Benefit Notices.	C	Due to a backlog of work in 2006/07, a list of 'returned not known at this address' annual benefit statements was not completed and new addresses sought from employers. For 2007/08 the list was compiled and new benefit statements have been issued where appropriate.	Yes	Pensions Manager	31 January 2009	Spreadsheet is maintained and is with employers for 07/08 for revised address information. <i>Fully Implemented</i>
5.1	Audit Checks R5 Audit checks should be carried out on a regular basis, and the Pensions Manager should review the audit check folder at least on a monthly basis.	B	Following completion of the monthly audit checks by the Senior Pensions Officers the file will be passed to the Pensions Manager for checking.	Yes	Pensions Manager	31 March 2009	File is checked by the Principal Pensions Officer – Accounting and Investment on a monthly basis. <i>Fully Implemented</i>

