



HENDERSON LOGGIE

ABERDEEN CITY COUNCIL

Year-End Management Letter

2008/09

External Audit Report No: 2009/09

Draft Issued: 13 November 2009

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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.



Main Report

Introduction

This is the third year of our five year appointment as External Auditors to Aberdeen City Council. Our previous appointment covered the two years to 2005/06.

The main purpose of this letter is to set out a summary of the principal issues encountered during the 2008/09 year-end audit together with an action plan identifying a number of recommendations intended to address these issues for future years and to improve the audit process.

Background

The accounts preparation and audit certification met the statutory deadlines.

On 30 September 2009, the City Chamberlain and the Vice-Convenor of the Audit and Risk Committee, representing those charged with governance, agreed to revise the financial statements we received for audit for material, significant and trivial audit adjustments arising from our audit. The financial statements were revised and our certificate, which was unqualified, was signed on the same day.

The total number and value of audit adjustments identified are summarised as follows:

	No	Value (£'million)
Material (>£6.5 million)	2	£20.423
Significant (>£0.325 million)	14	£27.601
Trivial (<£0.325 million)	10	£1.374
Total	26	£49.398

Main Recommendations

Our Report to Members and the Controller of Audit was issued on 23 November 2009 and included the significant matters arising in the year to 31 March 2009, which we considered should be brought to the attention of the Members.

The Management Action Plan in this letter deals with the accounting issues for the attention of the City Chamberlain and all of the accountants and officers involved in the year-end accounts process.

We have held a debrief/ planning meeting with Council officers involved in the year-end process and our audit team to seek ways to improve the year-end accounts preparation and audit process.

Overall Conclusion

We have made a number of recommendations, which have been agreed with the City Chamberlain and her staff, that are intended to assist the Council staff with each of the issues in the future, as well as allowing the audit process to flow more smoothly. Some recommendations have been made for management consideration in relation to the year-end working paper files in order to promote examples of good practice noted during our reviews and improve all files for future years.

We have also followed up the Council's progress during 2008/09 in implementing agreed actions included in our previous year-end letters and have included an update on the 2007/08 Action Plan at Appendix I. Where previous recommendations have not been fully implemented, we have not replicated these in the current year Action Plan, but would expect staff to continue to address these recommendations during 2009/10.



Main Report

Overall Conclusion (cont'd)

As summarised below, a number of the recommendations made were not fully implemented as part of the 2008/09 year-end process.

Table 1 – Follow-up 2007/08 Action Plan

Recommendations	Fully Implemented	Partly Implemented	Not Implemented	Total
Grade A	5	4		9
Grade B	16	8	4	28
Grade C	6	1	-	7
Total	27	13	4	44

Of the nine actions included in our 2006/07 Action Plan which were not fully implemented during 2007/08, we are pleased to note that only one has not been fully implemented. This is in relation to year-end working papers and assurances have been provided that this will be addressed as part of the 2009/10 year-end process.

The key message from this report is that there is still a requirement for greater management of the accounts preparation process. In particular, the following key recommendations made in 2007/08 require to be addressed:

- The timetable for production of the draft accounts should incorporate sufficient time for a quality control check to be carried out to ensure that all errors are picked up and corrected prior to the draft accounts being signed off (**R2** – Appendix I);
- Prior to the accounts being passed for audit, a check should be undertaken of all the figures included in the Trial Balance to ensure that errors identified previously have been corrected (**R4** – Appendix I);
- All working papers should be prepared and signed off as being reviewed prior to the draft accounts being signed and passed for audit (**R6** – Appendix I)

There are a further 14 recommendations included in our 2008/09 Management Action Plan; 11 significant “B” graded recommendations and three less significant “C” graded recommendations.

We recommend that Members direct Council Officers to address all of those recommendations not fully implemented prior to finalising the draft financial statements for 2009/10 in June 2010. We will continue to follow up the Council’s progress in addressing all agreed recommendations until they are all fully implemented.

Good Practice Points

Some good practice points have been identified during the course of the audit and will be discussed as part of the debrief/ planning meeting with Council Officers. These include the following points:

- Utilisation of the shared directory on the Council network worked well in 2008/09 and should be encouraged further to try and reduce the volume of paper held on audit files;
- Variance analysis provided for both Debtors/ Creditor and Income and Expenditure for Environment & Infrastructure was comprehensive and should be highlighted as good practice.

Acknowledgements

We would like to take this opportunity to thank the City Chamberlain and her staff involved with the year-end accounts process for their co-operation and assistance during our year-end audit.



2008/09 Management Action Plan

<i>1. Trial Balance/ Ledger</i>		
Observation and Risk	Recommendation	Management Response
1.1 From our testing of Balance Sheet items we noted that suspense accounts are not being cleared timeously. This was evident in the Debtors Control Account which included unidentified suspense accounts as well as the manual suspense account held for the Roads service.	R1 Suspense accounts should be cleared timeously and at a minimum as part of the year-end process.	It will be re-iterated to the responsible officers, the need for clearing these accounts on a timeous basis. A general reminder to all accounting staff will also be issued advising of the need to reconcile/clear control/suspense accounts on a timeous basis. To be actioned by: Corporate Accounting Manager No later than: 31/01/10
		Grade B
1.2 From our review of all journals processed through the ledger during 2008/09, we noted that an alternative login was being regularly used by a member of the development team to post high value journals.	R2 Access rights to the ledger should be reviewed to ensure that all staff have the correct level of access for their job.	The problem with the alternative login has now been resolved through a systems upgrade. Access rights will be reviewed. To be actioned by: Finance Manager (Development) No later than: 31/01/10
		Grade B



2008/09 Management Action Plan

2. Revenues (Council Tax, Non-Domestic Rates (NDR), Housing Revenue Account (HRA), Housing Benefit/ Council Tax Benefit (HB/CTB))				
Observation and Risk	Recommendation	Management Response		
2.1 A sum of £2 million of revenue expenditure was originally capitalised in the HRA. At the year-end this mis-classification was identified by Council Officer's review, however, this identifies the need for more rigorous coding initially.	R3 Staff responsible for coding expenditure should be fully trained to ensure they understand what should be classified as revenue or capital.	Finance will continue to work with the relevant staff to improve their understanding of the classification between revenue and capital and how it should be coded. To be actioned by: Senior Accountant (Housing & Environment) No later than: 31/01/10 <table border="1"> <tr> <td>Grade</td> <td>C</td> </tr> </table>	Grade	C
Grade	C			
2.2 Errors were identified in the spreadsheet used to calculate the split between Council Tax and Scottish Water.	R4 The spreadsheet methodology should be reviewed and amended to ensure that the correct current figures are included within the 2009/10 draft accounts for Council Tax and Scottish Water.	The methodology will be reviewed and amended accordingly. To be actioned by: Finance Manager (Corporate Governance) No later than: 31/03/10 <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table>	Grade	B
Grade	B			
2.3 The bad debt provision for the HRA was not supported with any detailed analysis for the forecast non-collection rates.	R5 A comparison should be carried out between the Council's provision models and the latest actual collection rates to ensure that the models used are accurate.	A detailed analysis will be provided in a format to be agreed. To be actioned by: Senior Accountant (Housing & Environment) No later than: 31/03/10 <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table>	Grade	B
Grade	B			



2008/09 Management Action Plan

3. Fixed Assets/ Capital Accounting		
Observation and Risk	Recommendation	Management Response
3.1 The classification of some fixed asset additions to fixed asset categories were not considered appropriate. This included roads expenditure and 'Right to Buy' mortgages included under 'Council Dwellings'.	R6 As part of the year-end processes, fixed asset additions should be reviewed by senior staff to ensure that they have been appropriately categorised.	A review procedure will be put in place to ensure that Fixed Asset additions are properly classified. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/04/10
		Grade C
3.2 Costs from the technical services department are charged at 15% of the estimated value of a project. The Council has looked into whether this is reasonable and noted that the design team fees are less than 15%, however the charge includes admin costs to bring it up to 15%. FRS15 specifically states that administration and overhead costs must not be capitalised.	R7 The Council should further consider how it can ensure that only appropriate fees are being capitalised.	A review will be undertaken to ensure that FRS15 is complied with. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/06/10
		Grade B



2008/09 Management Action Plan

3. Fixed Assets/ Capital Accounting (cont'd)		
Observation and Risk	Recommendation	Management Response
<p>3.3 A number of non-operational and operational assets have been valued on the basis of DRC. The RICS guidance on this states that “the classification of an asset as specialised should not automatically lead to the conclusion that a depreciated replacement cost valuation must be adopted”.</p>	<p>R8 The Council should review the list of DRC valued assets on the fixed asset register and either individually or where appropriate in a group, justify why a DRC valuation should be used.</p>	<p>As part of future valuation instructions, surveyors will be asked to review the method used and confirm its continued appropriateness or amend as necessary. The review will be done over the 5 year valuation cycle.</p> <p>To be actioned by: Senior Accountant (Treasury & Capital)</p> <p>No later than: 31/03/10</p>
		<p style="text-align: center;">Grade</p>
<p>3.4 Non-operational assets have not been reviewed to confirm whether this classification is appropriate or whether they should be classified as operational assets. This is required as the definition of non-operational assets has changed but the assets have not been reviewed.</p>	<p>R9 Officers should review the listing on non-operational assets, either individually or where appropriate in groups, against the SORPs definition of non-operational assets. Justification for classification should be formally documented and reviewed by a senior member of staff.</p>	<p>The classification of Assets is being done as part of the implementation of IFRS and will be documented.</p> <p>To be actioned by: Senior Accountant (Treasury & Capital)</p> <p>No later than: 31/03/10</p>
		<p style="text-align: center;">Grade</p>



2008/09 Management Action Plan

3. Fixed Assets/ Capital Accounting (cont'd)

Observation and Risk	Recommendation	Management Response	
<p>3.5 Council dwelling numbers in the fixed asset register have not been reconciled to dwelling numbers in the HRA. A simple reconciliation was undertaken with a difference of seven dwellings which highlighted that some properties on the fixed asset register were marked for demolition but had not been impaired.</p>	<p>R10 Officers should ensure that all properties marked for demolition/ removal have been impaired in the fixed asset register.</p>	<p>Agreed – This will be fully incorporated into the impairment review process and fully documented.</p> <p>To be actioned by: : Senior Accountant (Treasury & Capital)</p> <p>No later than: 31/05/10</p>	
<p>3.6 The impairment review undertaken included an e-mail to Heads of Service to determine whether there were any assets impaired. The response to this e-mail was poor.</p> <p>The formal documentation provided for audit to demonstrate what had been done as part of the impairment review was incomplete. In particular, it does not state that all assets with lives over 50 years had been reviewed and it did not explain how the Council identified assets with a high risk of impairment to ensure that these were reviewed individually for impairment.</p>	<p>R11 The process undertaken for the impairment review should be fully documented and signed off, including discussion on how the requirements of the SORP for impairment reviews were incorporated.</p>	<p>Agreed – This will be fully incorporated into the impairment review process and fully documented.</p> <p>To be actioned by: : Senior Accountant (Treasury & Capital)</p> <p>No later than: 31/03/10</p>	
		Grade	B



2008/09 Management Action Plan

3. Fixed Assets/ Capital Accounting (cont'd)		
Observation and Risk	Recommendation	Management Response
3.7 During 2008/09, £418,000 of staff time involved with fixed assets was capitalised. This does not meet the requirement of the SORP or FRS15.	R12 Procedures should be put in place to ensure that inappropriate administration and finance staff time is not capitalised.	As per response to R6, a review will be undertaken and procedures put in place. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/06/10
		Grade B
4. Pension Fund		
Observation and Risk	Recommendation	Management Response
4.1 FRAG21 Reports (Assurance reports on internal controls of service organisations made available to third parties) were not available from the Investment Fund Managers, at the start of the audit, who manage the Council's Pension Funds.	R13 The Pension Fund Manager should liaise with the Investment Fund Managers to ensure that FRAG21 Reports are available at the start of the audit for the year ended 31 March 2010.	Agreed. To be actioned by: Pensions Manager No later than: 30/06/10
		Grade B



2008/09 Management Action Plan

5. *Statement on the System of Internal Financial Control*

Observation and Risk	Recommendation	Management Response	
<p>5.1 No Annual Assurance Statement was provided by the Internal Audit Manager. Instead, a summary of the Internal Audit reports issued during the year where weaknesses were identified was provided. However, this list did not incorporate the reports produced by the external firm brought in to carry out specific projects.</p>	<p>R14 An Annual Assurance Statement should be produced giving an opinion on the overall adequacy and effectiveness of the control environment, whether tested by in-house Internal Audit or an external internal audit provider. This should also highlight any significant weaknesses identified during the year from all Internal Audit assignments.</p>	<p>Agreed</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 31/03/10</p>	
		Grade	B



Appendix I - Follow-up 2007/08 Action Plan

<i>1. Preparation of Draft Accounts</i>		
Recommendation	Management Response	Progress at November 2009
R1 A review should be carried out of the current resources within the finance section to ensure that a structure is in place to allow for clear planning, execution and review of the accounts preparation process, with sufficient resources in place to support staff addressing new areas.	This matter is currently being considered as part of a restructuring/staffing review of the Office of City Chamberlain. To be actioned by: City Chamberlain No later than: 31/3/09	A review has been carried out by the Director of Corporate Governance and this resulted in a report to the Finance and Resources Committee on 12 November 2009 seeking approval to recruit additional staff and approval was given. <i>Fully Implemented</i>
	Grade	
R2 The timetable for production of the draft accounts should incorporate sufficient time for a quality control check to be carried out to ensure that all errors are picked up and corrected prior to the draft accounts being signed off.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 31/3/09	Further work is being carried out in relation to the next year end and timetable to ensure that adequate review processes are programmed and carried out. <i>Partially Implemented</i>
	Grade	



Appendix I - Follow-up 2007/08 Action Plan

1. Preparation of Draft Accounts (cont'd)

Recommendation	Management Response	Progress at November 2009		
<p>R3 As part of the quality control check referred to in R2 above, the Accounts Disclosure Checklist should be completed and passed to the auditors with the draft accounts, and the draft accounts amended to ensure full compliance, prior to the draft accounts being signed off.</p>	<p>Agreed.</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 30/6/09</p>	<p>The Disclosure Checklist was issued to the relevant accounting staff in early April 2009 for action as appropriate. A completed checklist was provided to External Audit.</p>		
	<table border="1"> <tr> <td data-bbox="786 659 1099 687">Grade</td> <td data-bbox="1104 659 1413 687">B</td> </tr> </table>	Grade	B	Fully Implemented
Grade	B			
<p>R4 Prior to the accounts being passed for audit, a check should be undertaken of all the figures included in the Trial Balance to ensure that errors identified previously have been corrected.</p>	<p>Agreed.</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 30/6/09</p>	<p>Continuing improvements in the timetable and year end closure process will eliminate these issues in future years.</p>		
	<table border="1"> <tr> <td data-bbox="786 965 1099 994">Grade</td> <td data-bbox="1104 965 1413 994">B</td> </tr> </table>	Grade	B	Partially Implemented
Grade	B			



Appendix I - Follow-up 2007/08 Action Plan

<i>1. Preparation of Draft Accounts (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
R7 A structure should be set up on the shared network (e.g. similar to the structure of the paper files) and Council officers should consider the information currently held in the paper files to establish if any of the information can be provided electronically.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 31/3/09	This was completed and information has been provided in various directories to facilitate data sharing rather than paper based files. Fully Implemented
	<table border="1"> <tr> <td style="text-align: center;">Grade</td> <td style="text-align: center;">C</td> </tr> </table>	
Grade	C	



Appendix I - Follow-up 2007/08 Action Plan

2. Income and Expenditure Account/ General Fund

Recommendation	Management Response	Progress at November 2009		
<p>R8 Consideration should be given to changing the Service working papers at the year-end to reflect the six directorate model, to tie in more closely to the regular budget monitoring throughout the year and provide an audit trail to support the figures in the accounts.</p>	<p>Since this recommendation was made the Council has been temporarily restructured and this interim structure does not conform to the requirements of the recommendations. It is proposed that the working papers will be prepared to conform to the Best Value Accounting Code of Practice service expenditure analysis. This is as presented in the financial statements.</p> <p>To be actioned by: All Accounting Staff</p> <p>No later than: 30/6/09</p>	<p>This recommendation was considered but not deemed to be feasible for the 2008/09 accounts. The Best Value Accounting Code of Practice structure was used for the presentation of the accounts in 08/09 and further service summaries are presented in the notes. Now that a revised structure is in place in the Council this will lead to further development of our reporting.</p> <p>It is noted however, that under IFRS the option of segmental reporting will be considered.</p>		
	<table border="1"> <tr> <td data-bbox="786 847 1099 874">Grade</td> <td data-bbox="1106 847 1429 874">B</td> </tr> </table>	Grade	B	Fully Implemented
Grade	B			
<p>R9 All Abstracts, and associated analytical review, should be prepared on a consistent basis (excluding CSS).</p>	<p>Agreed.</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 30/6/009</p>	<p>This was instructed as part of the year end procedures.</p>		
	<table border="1"> <tr> <td data-bbox="786 1099 1099 1121">Grade</td> <td data-bbox="1106 1099 1429 1121">C</td> </tr> </table>	Grade	C	Fully Implemented
Grade	C			



Appendix I - Follow-up 2007/08 Action Plan

<i>2. Income and Expenditure Account/ General Fund (cont'd)</i>			
Recommendation	Management Response		Progress at November 2009
R10 Procedures should be put in place to ensure that the “Interest payable and similar charges” and the “Interest and Investment Income” are correctly shown gross in the Income and Expenditure Account.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 30/6/09		Following feedback from the 08/09 audit, the error in presentation will be addressed for the 09/10 Accounts. <i>Partially Implemented</i>
	Grade	C	
R11 Procedures should be put in place to ensure that all interaction between the General Fund and the other Statutory Funds are accounted for correctly through the SMGFB.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 30/6/09		This was done <i>Fully Implemented</i>
	Grade	C	
R12 The amounts classified as “other gains and losses” in the STRGL should be fully investigated to ensure that the treatment is in line with the SORP.	Agreed. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09		These were investigated and as a result consideration of the options was made. The transactions could not be fully incorporated into the 08/09 accounts but will be resolved in future years. <i>Not Implemented</i>
	Grade	B	



Appendix I - Follow-up 2007/08 Action Plan

<i>3. Fixed Assets/ Capital Accounting</i>		
Recommendation	Management Response	Progress at November 2009
<p>R13 A full reconciliation should be carried out between the information on the AIRS system and the information received from the surveyors.</p>	<p>Agreed, surveyors have been asked to make changes to the way to provide valuations to assist with this.</p> <p>To be actioned by: Senior Accountant (Treasury & Capital)</p> <p>No later than: 30/6/09</p>	<p>A full reconciliation of the revaluation of Operational Land & Buildings was provided. However, whilst a reconciliation of the revaluations of Non-Operational assets was attempted it could not be fully reconciled in the time available. Continuing work with the surveyors will ensure this is fully resolved in future years.</p> <p><i>Partially Implemented</i></p>
	<p>Grade</p>	
<p>R14 The depreciation policy for components of Council Houses should be reviewed to ensure that the depreciation charge is in line with the expected useful life of each component.</p>	<p>It is agreed that the Council will review the methodology in relation to Council House depreciation and make suitable adjustments.</p> <p>To be actioned by: Senior Accountant (Treasury & Capital)</p> <p>No later than: 30/6/09</p>	<p>A review was carried out and the result was, that in advance of the implementation of IFRS requirements there should not be full introduction of component accounting however a weighted average useful life has been used to take into account the different lives of the various components, thereby addressing in a pragmatic way the issue at this time.</p> <p><i>Fully Implemented</i></p>
	<p>Grade</p>	



Appendix I - Follow-up 2007/08 Action Plan

<i>3. Fixed Assets/ Capital Accounting (cont'd)</i>			
Recommendation	Management Response	Progress at November 2009	
R15 A process should be introduced to ensure that all vehicles which are disposed of are removed from the fixed asset register.	Problems obtaining information timeously prevented this being implemented in 2007/08. This has been resolved and will thus be implemented in 2008/09. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09	Completed	
	<table border="1"> <tr> <td style="text-align: center;">Grade</td> <td style="text-align: center;">B</td> </tr> </table>	Grade	B
Grade	B		
R16 A further revaluation should be carried out of Braeside School, and any impairment charged to the Income and Expenditure in 2008/09.	Agreed, valuation has been instructed. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09	Completed	
	<table border="1"> <tr> <td style="text-align: center;">Grade</td> <td style="text-align: center;">B</td> </tr> </table>	Grade	B
Grade	B		



Appendix I - Follow-up 2007/08 Action Plan

<i>3. Fixed Assets/ Capital Accounting (cont'd)</i>			
Recommendation	Management Response	Progress at November 2009	
R17 A further valuation should be carried out as part of the 2008/09 year-end process to ensure that all impairments are appropriately charged to the Income and Expenditure Account.	Agreed, valuations have been instructed. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09	Completed	
	<table border="1"> <tr> <td style="text-align: center;">Grade</td> <td style="text-align: center;">B</td> </tr> </table>	Grade	B
Grade	B		
R18 A process should be put in place to identify all retentions due on current and completed contracts to ensure that all liabilities are correctly accrued at the year-end.	Agreed, work already underway to ensure retentions are accrued. This will replace the current practice of accruing where projects 80% complete. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09	Completed	
	<table border="1"> <tr> <td style="text-align: center;">Grade</td> <td style="text-align: center;">A</td> </tr> </table>	Grade	A
Grade	A		



Appendix I - Follow-up 2007/08 Action Plan

<i>5. Creditors (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
R21 A process should be put in place to ensure that where a member of the finance staff leaves or transfers to a different role within the Council, all knowledge from that member of staff is also transferred.	Agreed To be actioned by: Corporate Accounting Manager & Chief Accountant No later than: 31/3/09	A process for task and knowledge transfer has been put in place and its development and use is ongoing. <i>Fully Implemented</i>
	Grade	
<i>6. Bank Account</i>		
Recommendation	Management Response	Progress at November 2009
R22 The reconciliation for the General Bank Account should be brought fully up to date as a matter of urgency. We are aware that the City Chamberlain is continuing to make resources available to address this issue.	Agreed. A detailed planning and resource requirement analysis has been carried out and an increased team of staff are working towards the reconciliations being fully up to date for the 2008/09 accounts process. To be actioned by: Corporate Accounting Manager No later than: 30/4/09	Completed <i>Fully Implemented</i>
	Grade	



Appendix I - Follow-up 2007/08 Action Plan

<i>7. Revenues (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
<p>R25 The Council should undertake a reconciliation showing what makes up the prior year adjustment line in the Council Tax Income Account using figures from the council tax system reports.</p>	<p>Agreed. Will be done as part of the accounts preparation.</p> <p>To be actioned by: Finance Manager (South)</p> <p>No later than: 30/6/09</p>	<p>While progress was made in this area in 08/09 improved reconciliation work will continue to be undertaken.</p>
	<p>Grade</p>	
<p>R26 The Council should undertake a reconciliation using figures from the NDR system reports showing what makes up the prior year adjustments line in the NDRI Account. This should also include ensuring that the 31 March NDR system balances are used when calculating the 'NDR payable/receivable from the Scottish Government'</p> <p>Follow up the issues noted in relation to prior years' NDR returns and NDRI Account balances. Communicate the findings to staff to ensure that these issues do not recur in future.</p>	<p>Agreed. Will be done as part of the accounts preparation.</p> <p>To be actioned by: Finance Manager (South)</p> <p>No later than: 30/6/09</p>	<p>While progress was made in 08/09 improved reconciliation work will continue to be undertaken.</p>
	<p>Grade</p>	



Appendix I - Follow-up 2007/08 Action Plan

<i>7. Revenues (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
<p>R27 The Council should ensure that officers have a full understanding of the workings of the NDRI system and the interaction with the financial ledger such that the disclosure in the accounts reflects the system transactions for the year.</p>	<p>Agreed</p> <p>To be actioned by: Finance Manager (South)</p> <p>No later than: 30/6/09</p>	<p>Further training will take place in this area of work.</p> <p><i>Partially Implemented</i></p>
	<p>Grade</p> <p>A</p>	
<p>R28 The Council should ensure that there is an independent reconciliation between requested dwelling changes from the housing section and changes processed by the rent system administration staff. All requested changes from the housing section should be proposed by one staff member and authorised by another staff member.</p> <p>Dwellings coming off chargeable rent types onto non-chargeable rent types should also be reconciled and an independent person should check that any movements are appropriately authorised.</p>	<p>The Council will put in place further reconciliation information in respect of properties on-charge and stock, and this will reflect the current authorisation process which is felt to have sufficient segregation of duties, with ultimately Committee approval being sought retrospectively.</p> <p>To be actioned by: Senior Accountant (Chief Accountant Support)</p> <p>No later than: 30/6/09</p>	<p>A reconciliation was brought out for 2008/09 with a small difference arising. Further work will be done to ensure that a full reconciliation is achieved.</p> <p><i>Partially Implemented</i></p>
	<p>Grade</p> <p>B</p>	



Appendix I - Follow-up 2007/08 Action Plan

<i>7. Revenues (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
<p>R29 The Council should identify system reports which will provide the figures to enable the rent system to be easily reconciled to the figures in the General Ledger (GL). Once this is done the rent system and the GL should be reconciled on a regular basis using these reports.</p>	<p>The Council currently has reports in place however further reports have been specified and designed to simplify the understanding and these will be incorporated into the weekly monitoring arrangements which already operate.</p> <p>To be actioned by: Senior Accountant (Chief Accountant Support)</p> <p>No later than: 30/6/09</p>	<p>Progress on enhancing the system has been made in recent months. This is to be reviewed in conjunction with Henderson Loggie and, thereafter, put into use.</p> <p><i>Partially Implemented</i></p>
	<p>Grade</p>	



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<i>7. Revenues (cont'd)</i>		
Observation and Risk	Management Response	Progress at November 2009
<p>R30 The Council should consider the recoverability of the £202,000 currently shown as a Debtor on the Balance Sheet, and make appropriate provision for any potential bad debt.</p> <p>The unprovided for debtor balance recognised in the Balance Sheet should be reduced to take into account the Sheriff Officer's fees.</p>	<p>Agreed. Will be carried out as part of the accounts preparation for 2008/09.</p> <p>Debts which are sent to the sheriff officer incur a 10% charge and from this we pay the collection fee. This means that there is no reduction in balances involved.</p> <p>To be actioned by: Finance Manager (South)</p> <p>No later than: 30.06.09</p>	<p>Completed</p> <p><i>Fully Implemented</i></p>
	<p>Grade</p>	



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<i>7. Revenues (cont'd)</i>		
Recommendation	Management Response	Progress at November 2009
R31 Checks should be introduced to ensure that all new users to the NDR system are appropriately authorised and that a log of changes to users is reviewed by someone independent of the system administrator.	Agreed. To be actioned by: Corporate Debt/Income Manager No later than: 1/4/09	Completed. <i>Fully Implemented</i>
	Grade C	
R32 The person who inputs the parameters and the person who checks them should both sign and annotate appropriate system reports or screen dumps to indicate who has input the figures and who has checked the input for accurate calculation and data entry.	Agreed. To be actioned by: Corporate Debt/Income Manager No later than: 1/4/09	Completed, this has been done for the 2009/10 annual billing. <i>Fully Implemented</i>
	Grade C	
R33 An independent review should be carried out of all refunds made to ensure that they are valid. If considered appropriate, a threshold may be set in order to reduce administrative burden, for which refunds under a certain amount would not be reviewed.	It's not always possible to segregate duties in a small team however there are restructuring proposals out for consultation in this area. To be actioned by: Corporate Debt/Income Manager No later than: 1/5/09	Following a review of options, refunds over £25,000 are independently reviewed. <i>Fully Implemented</i>
	Grade C	



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<i>8. Significant Trading Operations (STOs)</i>		
Recommendation	Management Response	Progress at November 2009
R34 The Consilium system should be reviewed to ensure that it can produce accurate data for inclusion in the 2008/09 financial statements.	Agreed. To be actioned by: Finance Manager (North) No later than: 31/3/09	Completed. <i>Fully Implemented</i>
	Grade A	
R35 Where the Council plans to introduce a new system, control procedures should be put in place to ensure that the system has been fully tested and is operating effectively, prior to going live.	Agreed. To be actioned by: Relevant Project Manager No later than: Future Date relevant to each Project	Agreed as an ongoing commitment, an example being the current work around the automated bank reconciliation system. <i>Fully Implemented</i>
	Grade B	



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8. Significant Trading Operations (STOs) (Cont'd)			
Recommendation	Management Response	Progress at November 2009	
R38 The system for recording car parking and fines should be reviewed to establish if a more robust reporting mechanism can be put in place to extract data for each financial year, rather than looking at it on a cumulative basis.	The Council is working with the vendor of the system to provide the required level of detail and specification to meet this recommendation. To be actioned by: Senior Accountant (Treasury & Capital) No later than: 30/6/09	Completed.	
	<table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table>	Grade	B
Grade	B		
R39 The recoverability of the income due on industrial properties now sold should be fully investigated, and appropriate provision should be made in the 2008/09 accounts for any potential bad debt.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 31/3/09	This was completed.	
	<table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table>	Grade	B
Grade	B		



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9. Group Accounts		
Recommendation	Management Response	Progress at November 2009
R40 The timetable for the production of the draft accounts should include a deadline for Heads of Service to respond to the request for identifying additional Group entities.	Agreed To be actioned by: Corporate Accounting Manager No later than: 31/3/09	While progress was made during 08/09, year end instructions will reiterate the need for responses and relevant deadlines. <i>Partially Implemented</i>
	Grade	
10. Whole of Government Accounts		
Recommendation	Management Response	Progress at November 2009
R41 Sufficient resources should be identified to ensure that the WGA return is submitted by the required deadline and that a quality control review has been carried out to ensure that it has been completed accurately prior to being passed for audit.	Agreed. To be actioned by: Corporate Accounting Manager No later than: 30/6/09	Deadlines were met in 08/09. However, greater attention will be given to ensuring the accuracy of the draft return. <i>Partially Implemented</i>
	Grade	



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<i>11. Pension Fund</i>		
Recommendation	Management Response	Progress at November 2009
R42 Sufficient funds should be made available to ensure short term liabilities are met when they fall due.	<p>Agreed</p> <p>To be actioned by: Principal Pensions Officer (Investment & Accounting)</p> <p>No later than: 31/3/09</p>	<p>Instructions were given to implement the recommendations at 31/03/10. However, this was not actioned due to circumstances outwith Pension Staff's control. Further action will be taken as at 31/03/10.</p> <p><i>Partially Implemented</i></p>
R43 Closer monitoring should be carried out on short term cash flows.	<p>Agreed</p> <p>To be actioned by: Principal Pensions Officer (Investment & Accounting)</p> <p>No later than: 31/3/09</p>	<p>The Pension Section has now a monthly cash monitoring policy in place and this was formalised in a cash management policy report which was presented to the Pensions Panel in September '09.</p>
	Grade	B
		<i>Fully Implemented</i>



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12. Statement on the System of Internal Financial Control/ Annual Governance Statement

Recommendation	Management Response	Progress at November 2009
<p>R44 The timetable for the production of the draft accounts should include a deadline for all Heads of Service to respond to the request to provide assurance regarding the operation of internal controls in their area of responsibility.</p>	<p>Agreed. .</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 31/3/09</p>	<p>Following feedback from audit further work will be carried out on ensuring deadlines are met .</p>
	<p>Grade</p>	<p>B</p> <p><i>Partially Implemented</i></p>

