

South Derbyshire District Council

Interim Audit Report

July 2012

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1. Introduction

Introduction

This report is intended to provide additional details regarding our audit approach, as set out in our Audit Plan 2011/12 issued to the Audit Sub Committee in February 2011. It also provides an update on our response to key risks from the results of our interim audit work.

Use of this report

This report has been prepared to advise you of the matters arising from our interim work and should not be used for any other purpose or be given to third parties without our prior written consent.

Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist.

The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.

We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

The way forward

Where improvement opportunities have been identified, we have reported our recommendations in the action plan at Appendix B, together with officer responses. The action plan has been discussed and agreed with the Chief Finance Officer.

Acknowledgements

We would like to record our appreciation for the assistance and co-operation provided to us during our interim audit by the Council's staff.



Grant Thornton UK LLP
July 2012

2. Executive Summary

The table below provides a summary for the Audit Sub Committee of the work performed during the year to date and our key findings. For further detail refer to the relevant section within the report. How this work has been performed, is outlined in the Audit Approach section of the report, on pages 4 to 6.

Risk assessment	<ul style="list-style-type: none">• Our audit risks were outlined in our Audit Plan 2011/12 presented to the Audit Sub Committee in February 2012. We have not identified any further risks facing the Council since the initial risk assessment.• A summary of the audit work completed to date to address these risks and the further work we plan to undertake is included at Section 4 of this report.
Review of internal controls	<ul style="list-style-type: none">• We have evaluated the design effectiveness of internal controls over the financial reporting process through a combination of inquiry and observation procedures, and, where appropriate, systems walkthroughs.• We have raised 8 recommendations from our review of controls, which are set out at Appendix B.
Review of internal audit	<ul style="list-style-type: none">• Having completed our triennial review of Internal Audit in 2010/11, we concluded that the Internal Audit function provides an independent and satisfactory service to the Council. However, the Council has, to date, been unable to local a number of internal audit files relating to work undertaken in the first part of 2011/12. This matter is currently being investigated by the Council and as a result we are currently unable to conclude whether we can take assurance from its work in contributing to an effective internal control environment at the Council. This is discussed further at Section 5.
Value for Money	<ul style="list-style-type: none">• We have completed an initial risk assessment of the Council's Value for Money arrangements and prioritised the red and amber-rated risk areas for further review. Our approach and findings are detailed at Section 6.

3. Audit approach

Audit approach reminder

We will:

- work closely with the finance team to ensure that we meet audit deadlines and conduct the audit efficiently
- plan our audit on an individual task basis at the start of the audit, and agree timetables with all staff involved; and
- consider the materiality of transactions when planning our audit and when reporting our findings.

The logistical details of our annual accounts audit, as agreed with the Chief Finance Officer, are set out at Appendix A to this memorandum.

Stage	Audit procedures
Planning	<ul style="list-style-type: none"> • Updating our understanding of the Council through discussions with management and a review of in year internal financial reporting • Identifying and resolving specific accounting treatment issues
Control evaluation	<ul style="list-style-type: none"> • Reviewing the design effectiveness and implementation of internal financial controls including IT, where they impact the financial statements • Assessing audit risk and developing and implementing an appropriate audit strategy • Assessing the effectiveness of internal audit
Substantive procedures	<ul style="list-style-type: none"> • Reviewing material disclosure issues in the financial statements • Performing analytical review • Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate
Completion	<ul style="list-style-type: none"> • Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view • Determining an audit opinion and Value for Money conclusion • Reporting to Audit Sub Committee through our ISA 260 report and Annual Audit Letter

3. Audit approach (continued)

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true or fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements.

These are assessed individually and in aggregate, communicated to you and, if you agree with any management decisions to not adjust for such items, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be separately judged to be material by its nature, for example any item that affects the disclosure of directors' emoluments. An item of higher value may equally be judged not material if it does not distort the truth and fairness of the financial statements.

Reliance on internal audit

We work with your internal audit function to ensure our audit approach takes account of the risks identified from reviews it has conducted that are relevant to the financial statements, subject to our review of the effectiveness of internal audit.

Where significant risks to the financial statements are identified from our own work, it may be possible to coordinate with the work of internal audit to avoid unnecessary duplication of effort. Where such reliance takes place this will be specifically detailed in the reporting of our results.

Review of IT

Our audit approach assumes that our clients utilise complex computer systems and accounting applications to routinely process large numbers of transactions. These may be used either directly or indirectly in preparing financial reporting information, including the annual accounts. Accordingly, our approach requires a review of the internal controls in the Council's information technology (IT) environment.

Based on our assessment of the complexity of the overall IT environment, we have involved specialist Technology Risk Services (TRS) team members in our audit work in order to undertake a review of the overall IT control environment. Where significant systems are outsourced, or new systems or applications introduced in year, additional review work may be undertaken on this risk assessed basis. For 2011/12 our work in this area will include a review of internal controls relating to the implementation of the new Agresso general ledger system. This is scheduled for completion at the end of April 2012. We reviewed the data conversion to the payroll system during our 2010/11 financial statements audit and were satisfied that balances had been transferred completely and accurately.

3. Audit approach (continued)

Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

In order to assess whether controls have been implemented as intended, we will conduct a combination of inquiry and observation procedures, and, where appropriate, transaction walkthroughs. Where further assurance or audit efficiency may be gained, we will consider directly testing any controls that we may consider to be key in relation to the identified risk.

However, our controls work cannot be relied upon to identify all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

4. Update on accounts audit risk assessment

As part of our planning and control evaluation work we have reviewed the key audit risks identified in our Audit Plan 2011/12 and have set out in Table 1 below the outcome of work completed to date and further work planned.

Our updated review of the key risks facing the Council has not identified

any new risk areas.

We will report our full findings and conclusions in respect of each risk identified in our Annual Report to Those Charged with Governance (ISA 260) on completion of our final accounts audit.

Table 1. Update: Identified risk and planned assurances

Risk identified	Response to date	Further work planned
<p>Accounting for fixed assets In our 2010/11 ISA260 report, we reported adjusted misstatements totalling £4.4million resulting primarily from errors in the accounting for property, plant and equipment (PPE). In response to concerns about the asset management system, the Council has taken the decision to introduce a spreadsheet-based fixed asset register for financial reporting purposes. The Council has engaged a consultant to develop the spreadsheet, which will be used to produce the PPE figures for the 2011/12 year end accounts.</p>	<p>We have performed a detailed review on the opening balance position at 1 April 2011 in the spreadsheet-based fixed asset register to gain assurance that the starting position agrees to figures reported in the 2010/11 financial statements. Full details of the work performed are given at Section 5. A number of recommendations have been made in the action plan at Appendix B as a result of this work.</p> <p>In addition, the consultant, together with Council officers, has been looking at the prospective implementation of component accounting and how the Council approaches this.</p>	<p>We will complete the following work:</p> <ul style="list-style-type: none"> • review of opening balances position at 1 April 2011 for investment properties • follow up on recommendations made in this report. <p>We will also audit the figures reported in the financial statements relating to in year movements to gain assurance that these are not materially misstated.</p> <p>We will continue to discuss component accounting with the Council and will assess compliance with reporting requirements when an approach has been determined.</p>

4. Update on accounts audit risk assessment (continued)

Table 1. Update: Identified risk and planned assurances continued

Risk identified	Response to date	Further work planned
<p>Accounting for heritage assets The Council will be required to disclose heritage assets as a separate category of assets for the first time in its 2011/12 financial statements.</p>	<p>Through our interim work on the spreadsheet-based fixed asset register opening balance position, we have reviewed the nature of assets held by the Council. To date, the Council has not identified any heritage assets.</p>	<p>We will follow up the Council's assessment in this area as part of our final accounts work, and review the work undertaken to gain assurance that the classification and accounting treatment of heritage assets is appropriate.</p>
<p>Resilience of the finance team Following the transfer of financial reporting arrangements to Northgate the capacity of the finance team was reduced, which contributed to significant errors and omissions being made in the statement of accounts and delayed the completion of the accounts and audit process for 2010/11. The Council has subsequently taken action to bring the finance function back in-house and appointed a new Chief Accountant. However, the transfer of the function and change in Chief Accountant increases the level of risk associated with the production of accurate and timely accounts.</p>	<p>We have met with the Chief Accountant to discuss our audit approach and 2011/12 arrangements list. We have maintained a continuing dialogue with the finance team to ensure early resolution of any emerging issues.</p>	<p>We will continue to communicate with the finance team to contribute to an efficient and timely audit.</p>

4. Update on accounts audit risk assessment (continued)

Table 1. Update: Identified risk and planned assurances continued

Risk identified	Response to date	Further work planned
<p>Financial performance pressures The Council faces significant financial challenges in 2011/12 and beyond, as it balances serving the needs of local population against reduced funding from central government.</p>	<p>We have continued to monitor the Council's financial performance through preliminary analytical review as part of our financial statements planning and value for money risk assessment. Our initial value for money risk assessment has identified amber and red risk ratings under both financial resilience and economy, efficiency and effectiveness, as reported on pages 13 and 14.</p>	<p>We will perform our final risk assessment, including follow up of risks identified. The results of this work will inform our value for money conclusion.</p>
<p>Implementation of the new general ledger system The Council has implemented a new general ledger system with effect from 1 April 2011. The implementation of new financial reporting systems poses a risk to the integrity of the data transferred between systems.</p>	<p>At the Council's request, our work in this area has been delayed until the end of April.</p>	<p>We will review the data migration process and document the IT controls over the new ledger system.</p> <p>We understand that internal audit have done some preliminary work on the data conversion process and, at our request, further work has been planned. We have liaised with internal audit over the scope of this work, with the aim of being able to place reliance on it for the purposes of our financial statements audit. This is discussed further at Section 5.</p>
<p>Follow up of 2010/11 findings There may remain a residual risk to the 2011/12 audit if findings from last year's audit are not implemented.</p>	<p>We have reviewed Council's progress in implementing these actions to date. The findings relate largely to year end processes, therefore no conclusions can be made at this stage.</p>	<p>We will update our understanding of the Council's progress in implementing our 2010/11 recommendations, and report our findings in our 2011/12 ISA 260 report.</p>

5. Results of interim audit work

Scope

As part of the interim audit work, and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of Internal Audit;
- a review of closedown procedures in preparation for the final accounts;
- walkthrough testing to confirm whether controls are implemented as per our understanding of controls in areas where we have identified significant accounting assertion risk.

Internal Audit

We work with Internal Audit to ensure our audit approach considers relevant risks identified from reviews they have conducted.

Where significant risks to the financial statements are identified from our own work, it may be possible to coordinate with the work of Internal Audit to avoid unnecessary duplication of effort.

Our ability to place reliance on the work of Internal Audit is subject to satisfactory completion of our review of the effectiveness of Internal Audit.

Results of work

We reviewed reports issued in the year and the 2011/12 audit plan, including progress against the plan to date. We also updated our understanding of Internal Audit's arrangement against the CIPFA Code of Practice, to reflect the transfer of the service to Central Midlands Audit Partnership (CMAP) in year.

On this basis we had provisionally concluded that Internal Audit continues to provide an independent and satisfactory service to the Council and that we could take assurance from the work in contributing to an effective control environment.

We have planned to use work previously performed by Internal Audit to gain assurance around the completeness and accuracy of data conversion to the new Agresso general ledger system. In the transition process, the work supporting this work has been misplaced which has delayed our work in this area. In addition, we are aware that CMAP has raised an issue regarding the wider availability of Internal Audit's working papers to support the period prior to the service transferring to CMAP.

This potentially raises issues in relation to the Internal Audit service which impact not only on our Agresso data conversion work but more widely in relation to out value for money assessment. As a result, financial governance has been flagged as a risk on page 14.

We will continue to work with the Council and CMAP to determine the extent of the issue and amend our audit approach, if necessary.

5. Results of interim audit work (continued)

Closedown procedures

Our review considered the Council's timetable for closedown and the arrangements for preparing the draft accounts, including guidance provided on working papers required to be made available as part of the closedown process.

The Council has established a suitable timetable and expects to meet the deadline for submission of the accounts. The Council also expects to be able to provide detailed working papers to support the accounts at the start of our final accounts audit fieldwork, which is scheduled to commence on 20 August 2012, as well as providing the draft Annual Governance Statement (AGS) and explanatory foreword in advance of this date.

Walkthrough testing

Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a significant risk of material misstatement to the financial statements.

Based on our audit and financial reporting risk assessment, our work has focussed on the following high risk areas:

- Council tax revenue - Completeness
- National Non Domestic Rates (NNDR) revenue - Completeness
- HRA revenue - Existence/occurrence

- Grant revenue – Existence / occurrence
- Property, plant and equipment – Valuation gross
- Operating expenses – Completeness
- Employee remuneration - Completeness
- Housing and council tax benefit expenditure - Existence / occurrence

No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Review of information technology controls

Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. They also performed a follow up of the issues that have been raised in the previous year. Our findings are reported at Appendix C.

We have concluded that there are no material weaknesses which are likely to adversely impact on the Council's financial statements. One area for improvement was noted around vulnerability testing. A recommendation has been made at Appendix B.

5. Results of interim audit work (continued)

Journal entry controls

We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. Through this review, we have noted that all journals posted by members of the finance team are not subject to independent review. This increases the risk that incorrect or inappropriate journals could be posted. Best practice would be to subject all journals to a level of review.

A recommendation has been made at Appendix B in respect of this deficiency.

Additional assurance work

To support the audit opinion for 2011/12, we have undertaken a brief checklist of the arrangements the Council has in place regarding taxation associated with payroll. This has been completed in order to provide assurance that figures recorded within the financial statements are not materially misstated.

Our review identified no material issues that may affect the financial statement.

Prior year recommendations

As part of our planned programme of work, we have followed up recommendations made in our 2010/11 interim report. These recommendations relate to year end processes therefore no conclusion on implementation of recommendations can be reached at this stage. We will report on these further in our ISA260 report.

Fixed Asset Register

As part of our interim work we have reviewed the migration of asset balances from the CIPFA asset system to the new spreadsheet-based fixed asset register. Specifically we have:

- agreed current and historic cost values at 1 April 2011 in the fixed asset register to reports from the CIPFA asset system for general fund assets and 2011 District Valuer certificates for HRA assets
- agreed historic cost values at 1 April 2011 in the fixed asset register to a report from the CIPFA asset system
- reviewed assumptions made in compiling the register
- updated our understanding of the processes and controls regarding fixed asset reporting as appropriate.

A number of recommendations have been made as a result of this work. These are detailed at Appendix B and will be followed up as part of our final accounts fieldwork.

At the time of performing our work, the schedule detailing investment properties had not been completed, therefore this will be reviewed as part of our final accounts fieldwork.

6. Value for Money interim update

Introduction and background

The Audit Commission's Value for Money (VfM) framework is risk-based and has no annual scored judgements. The VfM conclusion is based on reviewing the Council's arrangements against the following criteria:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness.

Our approach

We have conducted a risk assessment to identify key areas where the Council's ability to secure value for money may be compromised and further audit procedures are required. In completing this we have gathered evidence and relied on our continuing audit knowledge to support our judgements. In some instances, this may be due to full information not being known until the year end accounts are finalised.

To assess the Council on financial resilience, we have reviewed its key performance indicators using the Audit Commission's VfM benchmarking statistics and financial ratios, arrangements for strategic financial planning, financial governance and financial control.

To assess the Council on securing economy, efficiency and effectiveness, we have reviewed its ability regarding prioritising resources and improving efficiencies.

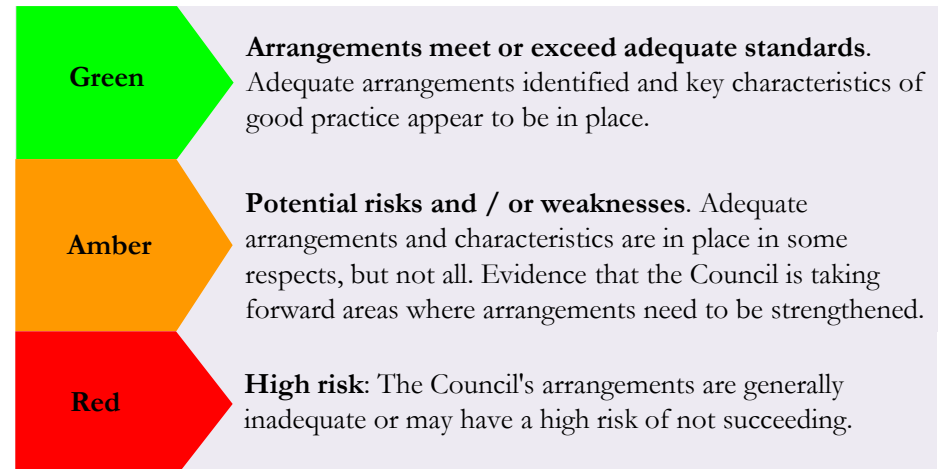
Our interim findings

The table overleaf shows a summary of the risks identified by our initial risk assessment, our initial risk rating and our proposed further action for each area under review.

Next steps

Throughout the process we are engaged in a continuous dialogue with the Council to provide a transparent approach and to discuss our findings with key staff. We will maintain this approach, through regular meetings, until our conclusion is published in September 2012. In particular, we will focus on the red and amber rated risk areas identified on pages 14 to 16.

In undertaking our risk assessment, we have rated the Council's arrangements using a red/amber/green RAG rating, using the definitions set out below. This is to identify areas where further audit work is proposed to reach our final conclusion. This conclusion is not scored.



6. Value for Money interim update (continued)

Risk area	Summary of risks identified by initial risk assessment	Initial risk assessment	Proposed further action
Financial resilience			
Key indicators of performance	<ul style="list-style-type: none"> No risks identified. 	Green	<ul style="list-style-type: none"> No further work.
Strategic financial planning	<ul style="list-style-type: none"> Risk of new legal proceedings arising during 2011/12 that may impact on the Council's financial stability. Risk of a significant fall in the level of reserves (general or earmarked). Risk of poor in-year forecasting resulting in significant unexpected budget overspends or underspends. 	Amber	<ul style="list-style-type: none"> Meet with the S151 Officer and key legal staff to discuss the financial impact to the Council of any emerging legal proceedings and whether this affects its financial standing. We will review the year end outturn position as part of our planned work on financial resilience to inform our final risk assessment. We will review the year end outturn position as part of our planned work on financial resilience to inform our final risk assessment.
Financial governance	<ul style="list-style-type: none"> Risk of the Council failing to achieve timely and reliable financial reporting because of capacity issues within the finance team following on from 2010/11 qualified VfM conclusion. Risk of the Council failing to achieve timely and reliable financial reporting because of issues with the new spreadsheet-based fixed asset register. Risk that the legacy internal audit service is failing to meet the Council's requirements following concerns over the availability of supporting evidence for reviews undertaken during 2011/12. 	Red	<ul style="list-style-type: none"> We will review our 2011/12 ISA 260 report following the completion of our final accounts audit to assess whether financial reporting is timely and reliable and whether any issues with the capacity of the finance team are still evident. We will conclude our review of the new spreadsheet-based fixed asset register and assess the results of our final accounts work on property, plant and equipment including the nature of any audit adjustments identified. We will assess the adequacy of the legacy internal audit service by liaising with CMAP to establish if the arrangements of the legacy internal audit service met the minimum required standards.

6. Value for Money interim update (continued)

Risk area	Summary of risks identified by initial risk assessment	Initial risk assessment	Proposed further action
Financial resilience			
Financial control	<ul style="list-style-type: none"> • Risk of poor in-year forecasting that may result in excessive underspends at the year-end which could undermine the Council's financial control arrangements. • Risk of non-compliance with statutory or regulatory requirements, for example the Prudential Code. • Risk of potential cashflow issues at the year end which could undermine the Council's financial control arrangements. 	Amber	<ul style="list-style-type: none"> • We will review the year end outturn position, and discuss variances with key staff to establish the reasons and to determine whether the Council's financial control arrangements are robust. • We will review the summary of significant matters arising from our 2011/12 financial statements audit to establish whether any statutory or regulatory compliance issues have been noted. • We will update our understanding of the position during the final accounts audit to inform our final risk assessment.
Economy, efficiency & effectiveness			
Prioritising resources	<ul style="list-style-type: none"> • Risk of decision-making not being based on appropriate or adequate information, for example, breach of procurement rules. 	Amber	<ul style="list-style-type: none"> • We will follow up on this area to gain a further understanding of the Council's compliance with its procurement rules and assess whether there is a residual VfM risk.
Improving efficiency and productivity	<ul style="list-style-type: none"> • No risks identified. 	Green	<ul style="list-style-type: none"> • No further work.

Appendices

A. Logistics

Timetables and milestones

The following proposed timetable and deadlines have been set and agreed with management:

Event	Date
Pre year end fieldwork including internal controls review	March 2012
Completion of outstanding internal controls reviews	April 2012
Statutory accounts emailed to auditor	30 June 2012
Commence accounts audit fieldwork	20 Aug 2012
Weekly meetings with Chief Finance Officer and Chief Accountant during fieldwork to discuss our findings	From week beginning 20 Aug 2012
Draft ISA 260 report to be issued for officer's consideration by	Sept 2012
Report to Audit Sub Committee (ISA 260)	26 Sept 2012

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable. An agreed format and schedule of informal update arrangements will be maintained throughout the course of our audit fieldwork in support of this aim.

Engagement team

The main engagement team for the accounts audit will include:

Name	Role	Contact details
Kyla Bellingall	Engagement Lead	T: 0121 232 5359 E: kyla.bellingall@uk.gt.com
Nicola Coombe	Audit Manager (until July 2012)	T: 0121 232 5206 E: nicola.coombe@uk.gt.com
Kate Taylor	Audit Manager (maternity cover from July 2012)	T: 0121 232 5208 E: kate.l.taylor@uk.gt.com
Ian Barber	Performance Specialist Senior Manager	T: 0121 232 5357 E: ian.m.barber@uk.gt.com

Information requirements

The information and working paper requirements that would assist us in an efficient and timely audit of the year-end financial statements have been communicated to the finance team within our Arrangements Letter, issued in March 2012.

B. Action plan

Priority

High - Immediate action required to address a material weakness

Medium - Action required to address a significant deficiency

Low - Action required to address a deficiency

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	<p>Whistleblowing policy The whistleblowing policy has not been updated to reflect personnel changes to the Monitoring Officer and Head of Internal Audit roles. The Council should ensure that this policy is updated immediately so that whistleblowing complaints can be made to the appropriate person within the Council.</p>	H	<p>Actioned. Also just to note, that a wider review of this policy will be undertaken in 2012/13 as identified in the Annual Governance Statement.</p>	<p>Responsible Officer: Head of Organisational Development Implementation Date: 6th July 2012</p>
2	<p>Assets not on the register The Council has a number of community and infrastructure assets that have historically sat outside of the main fixed asset system. We are aware that the Council is currently reviewing these assets to confirm existence and ownership. We recommend that this work be concluded as quickly as possible, in order that a complete and accurate position can be presented in the draft financial statements presented for audit in June 2012.</p>	H	<p>Actioned</p>	<p>Responsible Officer: Financial Services Manager Implementation Date: 29th June 2012</p>

B. Action plan (continued)

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
3	<p>Fixed asset register completeness Assets with nil balances for current and historic cost data have not been included in the new fixed asset register. This has no impact on the financial reporting position at 1 April 2011, but it does create a risk that future valuations or disposals are not captured and reflected in the accounts.</p> <p>We recommend that the fixed asset register is expanded to include these assets with nil balances.</p>	M	<p>The only tangible assets that are not included are Public Open Space and small parcels of land which are considered “de-minimis.” This is because they are of low value or cannot be disposed of because of legal restrictions and covenants. There are also various substations which are also considered to be “de-minimis” because they relate to specific leases and generate (in some cases) small amounts of income.</p> <p>If any of these assets became available for disposal, they would be in unique and special circumstances requiring a detailed assessment (including consultation) in accordance with the Disposals Policy; committee approval would also be required.</p> <p>If disposed, the appropriate accounting treatment would then be followed.</p>	N/A
4	<p>Fixed asset register Historic cost data for two asset (asset numbers 100032245152-01CP1 and 100032245152-01CP2) has been incorrectly input into the new fixed asset register with depreciation having been assigned to the land element of the asset.</p> <p>The Council should correct this error.</p>	H	Actioned	<p>Responsible Officer: Financial Services Manager</p> <p>Implementation Date: 29th June 2012</p>

B Action plan (continued)

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
5	<p>Fixed asset register security The Council should consider password protecting the spreadsheet-based fixed asset register to ensure that changes can only be made by the appropriate officers.</p>	M	Following completion of draft accounts, fixed asset register to be handed over.	<p>Responsible Officer: Financial Services Manager</p> <p>Implementation Date: 29th June 2012</p>
6	<p>Fixed asset register knowledge transfer The new fixed asset register has been developed by a consultant. The Council should ensure that knowledge is being transferred from the consultant to members of the finance team to build resilience and avoid reliance on external support for financial reporting processes.</p>	M	Comments as for recommendation number 5.	<p>Responsible Officer: Financial Services Manager</p> <p>Implementation Date: 31st July 2012</p>
7	<p>Journals Journals posted by members of the finance team are not subject to independent review either before or after they are posted to the ledger. This includes journals that impact on the financial statements. This represents a risk that fraudulent or erroneous entries could be posted undetected to the ledger.</p> <p>We recommend that the Council implements a review process for journals posted by the finance team within the Agresso workflow.</p>	H	Agreed	<p>Responsible Officer: Financial Services Manager</p> <p>Implementation Date: 1st October 2012</p>
8	<p>Vulnerability testing An IT health check was undertaken in 2011 by the Council as part of the COCO compliance requirements. The external vulnerability test identified a number of issues that needed to be addressed to ensure that the Council's systems are secure from external attacks. The Council has made good progress in implementing the recommendations. However, the following issues are yet to be fully resolved;</p> <ul style="list-style-type: none"> • Weak or blank 'sa' passwords on MSSQL servers. • Apache Tomcat Manager Default Administrative Credentials • Domain Administrator credential 	M	Following the IT Health Check undertaken in November 2011 an action plan was put in place to address each of the issues raised. The remaining issues are more complex to resolve and the resolutions could have implications for the relevant business process.	<p>Responsible Officer: Nigel Glossop ICT Client Services Manager</p> <p>Implementation Date: Nov 2012</p>

B. Action plan (continued)

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
8	<p>We acknowledge that the Council is working with suppliers to resolve some of the issues listed above.</p> <p>Without full resolution of issues raised in relation to external vulnerability testing, management cannot be assured that the Council's IT network and systems are secure from external attacks. A successful attack could interrupt network services or be used to access sensitive financial data.</p> <p>We recommend that a deadline is set for all outstanding issues to be implemented, ideally before the next review is completed. This will ensure that the Council IT systems are safeguarded from external attacks.</p>	M	<ul style="list-style-type: none"> • Microsoft SQL blank/weak sa password . This impacts the Document Image Processing server and changing the password could impact the working of the software. This will be addressed in June 2012. • Apache Tomcat Manager Default Administrative Credentials. The Planning Server this impacts is being replaced in June 2012, the switch to the new server will address this point. • Domain Administrator credentials. The IT section will disable cached credentials and to remove (where possible) any passwords stored in clear text within the local Registry. This will be completed by Nov 2012. <p>As part of the Government Connect Code of Connection (CoCo) process an annual Health Check is required. All the above points will either be addressed or the risk accepted by the end of Nov 2012.</p>	

C. Follow up of 2010/11 recommendations

Rec No.	Recommendation	Follow up comment
1	<p>Interfaces process review Management should review the Council's interfaces to improve the controls so that users cannot change the data outside of applications.</p>	<p>Implemented A user access review is now undertaken every six months in May and November. In addition, the Finance Section reviews all system logons on a 6 monthly basis to identify inactive accounts for deactivation and eventual deletion.</p>
2	<p>Leavers process Management should implement a process to ensure that regular reviews of user access rights on the network take place.</p>	<p>Implemented A user access review is now undertaken every six months in May and November. In addition, the Finance Section reviews all system logons on a 6 monthly basis to identify inactive accounts for deactivation and eventual deletion.</p>



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