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East Lothian Council

Interim management report

Year ending 31 March 2014

6 May 2014

For audit and governance committee consideration on 20 May 2014

Contents

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About this report
We have prepared this report in accordance with the responsibilities set out within Audit Scotland's *Code of Audit Practice* ("the *Code*").

Purpose of this report
This Report is for the benefit of East Lothian Council and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Limitations on work performed
Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the background and approach section of this report.

This report is not suitable to be relied upon by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Introduction and audit update

The purpose of this document is to update the audit and governance committee on our progress on the audit of East Lothian Council ("the Council") for the year ended 31 March 2014.

Introduction

We have completed our interim audit visit, where we tested a selection of higher level controls and held discussions with management to update our understanding of the key business and audit issues for East Lothian Council.

This report provides the committee with an update on:

- the key business issues identified in our audit strategy document;
- additional audit matters identified during our interim visit; and
- the results of our higher level and entity wide controls testing.

Our report at year-end will provide the committee with an update on:

- the key business issues and other audit matters identified within this report and our audit strategy;
- the results of our substantive procedures;
- the financial position of the Council for the year ended 31 March 2014 and related financial planning;
- performance management arrangements; and
- governance and narrative reporting arrangements.

Significant risks and other matters

Our risk assessment procedures identified two significant risks for consideration in the 2013-14 audit, in relation to:

- the Council's financial position, including revenue and capital and the impact on borrowing; and
- the revaluation of Council dwellings.

Other matters noted in the audit strategy document were in respect of the accounting for the Council's participation in the Lothian Pension Fund. As set out on page three, the proposed methodology for setting assumptions appears reasonable.

As identified in our audit strategy document, we do not consider there to be a significant fraud risk in relation to income recognition and also our audit procedures are inherently designed to consider the risk of management override of controls.

We will provide an updated list of significant risks and other matters in our annual audit report, which will be reported to the audit and governance committee in September 2014.

Business and audit issues update

We provide an update on Financial Position, Valuation of Property, Plant and Equipment and Pensions.

Financial Position - Revenue

The Council acknowledged the need to maintain efficient departments and respond to the challenge of funding restrictions. The Council forecast to use most un-earmarked reserves by 31 March 2015. There is therefore a need to achieve budgets; there is no planned use of reserves in 2015-16.

The 2013-14 budget was approved by council in February 2013, along with an outline budget for the following two years. A quarterly financial review is reported to cabinet. Management continue to develop the reporting of the financial position, demonstrating the maturing strategic financial management.

The Council also assigns a red, amber or green ('RAG') rating to assess progress against efficiency savings and report to Cabinet. In quarter three, the majority of business groups are on target to achieve their efficiency savings. Three business groups are assigned a 'red' rating and seven are assigned an 'amber' rating. We will assess progress against efficiency savings during the financial statements audit.

Management forecast that use of reserves will be lower than the budgeted £5.2 million (£2.2 general fund reserves and £3 million cost reduction fund to support the voluntary early release scheme ,which is expected to deliver recurring annual savings of approximately £2.86 million). The underspend largely relates to the devolved school management budgets. An expectation of the year end position has been built into the approved three year budget for 2014-15 to 2016-17.

Financial risk ratings are assigned by management to each business group. Five out of the 25 business groups are classified 'high' risk in quarter three. This is a decrease from six business groups in quarter two, with transport and waste services moving to 'low' risk.

Financial Position - Capital

At the end of quarter three, general services capital expenditure of £17.6 million had been incurred and £15.6 million of housing capital expenditure. This represented 54% and 61% of the annual budgets respectively. Management identified that the majority of capital projects were underspent as at 31 December 2013, and expect this position to continue to year end on some projects. This decreases the level of spend in 2013-14. Management are undertaking a review of capital projects and assessing any impact on future capital plans.

Valuation of Property, Plant and Equipment

Under the Council's rolling basis of revaluations, Council dwellings will be subject to valuation in 2013-14, using the Beacon approach (adjusted vacant possession). Management assessed the draft valuation report, which indicates that there is an increase in value of Council dwellings of £6.8 million. A final report will be produced as at 31 March 2014. We will liaise with our internal valuation experts to review the methodology and assumptions used. As part of our year end procedures we will review the accounting records and treatment of council dwellings within the fixed asset register, together with recognition of the revaluation adjustment.

Business and audit issues update (continued)

Pensions

The Council accounts for its participation in the Lothian Pension Fund in accordance with IAS 19 *Retirement benefits*, using a valuation report prepared by actuarial consultants, Hymans Robertson. Our internal actuarial experts reviewed Hymans Robertson's proposed methodology for setting assumptions and concluded they appear reasonable.

During our year end audit procedures we will:

- review the financial assumptions underlying the actuaries' calculations and comparison to our central benchmarks;
- test the level of contributions used by the actuary to those actually paid during the year; and
- test membership data used by the actuary to data from the pension fund.

Governance arrangements

The Council's governance arrangements continue to develop.

Organisation-wide controls often have a pervasive impact on control activities, and therefore on our assessment of the risk of significant misstatement within the Council's financial statements.

Our interim audit fieldwork was based on gaining an understanding of the strategic and operating culture and framework in which services are delivered. Audit procedures performed to gain an understanding about the design and implementation of relevant controls include inquiring of senior personnel, observing the application of specific controls and inspecting documents and reports.

Our audit does not seek to test all transactions or controls established by management. Testing of the design and operation of key financial controls for the purposes of our financial statements audit, however, confirms that those controls are designed appropriately and operating effectively.

Audit area	Key areas considered	Findings
Risk management	■ Risk management strategy ■ Corporate risk register ■ Strategic department risk register ■ Operational risk register ■ Risk monitoring	■ The risk management strategy and supporting documentation demonstrate a commitment to good practice and were initially implemented in December 2009. ■ A corporate risk register is in place and is supported by departmental risk registers. The council risk management group meets regularly to discuss risk management and membership includes one member of each local risk group. This facilitates emerging risks at the departmental level to be fed into the corporate register. ■ The corporate risk register was reviewed and updated following a review by the council management team in April 2014. This will be presented to Cabinet for approval in May 2014. Revised service risk registers are expected to be presented to the audit and governance committee in Autumn 2014. The previous version of the corporate risk register was approved by cabinet and the audit and governance committee in January 2013. The risk management strategy also underwent a refresh after the risk registers were finalised in October 2012. ■ Risk registers are produced and maintained on spreadsheets. Management intend for these to be maintained on the Aspireview performance system. At February 2014 this was still in the trial stage and therefore unlikely to be implemented in 2013-14.

Governance arrangements (continued)

Audit area	Key areas considered	Findings
Organisation wide policies	■ Standing orders of council and scheme of delegation ■ Code of conduct ■ Employee handbook ■ Whistle blowing policy ■ Counter fraud policy	■ Organisation-wide policies are important as they set the tone of the Council, outline expectations of employees, document key processes to be followed by all staff, and communicate the culture of honesty and ethical behaviour. They are easily accessible and available to staff on the intranet. ■ The council improvement plan 2013-14 identified an action to develop and maintain a methodology for systematically reviewing and updating corporate policies and procedures, with an implementation date of November 2013. Management have begun preparing a database of policies, however this will not be completed in 2013-14. Consideration is being given by management as to which policies should be included within such a database and methodology. ■ Council approved updated standing orders and scheme of administration were approved by Council in August 2013. ■ There is a HR policy register and review plan 2013-16 which identifies the date of each policy, the review rating (based on which year the policy will be reviewed) and a responsible manager. ■ We reviewed a selection of policies and identified the date when each was last updated. We consider that the content of each of the policies in the table below appears reasonable. However, we note that regulations have changed since original approval, such as applicability of The Enterprise and Regulatory Reform Act 2013 in respect of the whistleblowing policy. **Policy** — **Date last updated** Whistleblowing policy — December 2004 National Code of Conduct for Local Government Employees — July 2001 The CoSLA National Code of Conduct — September 1997 Gifts and Hospitality Guidance — July 2009 Disciplinary Code — April 2005 Disciplinary Code for Casual Workers — March 2009 Travel allowance guidance — November 2011 People Strategy 2012-2015 — January 2012 Management of overtime policy — June 2008

Governance arrangements (continued)

Audit area	Key areas considered	Findings
Organisation wide policies (continued)		■ The details for relevant contacts in the whistleblowing policy are out of date, with 11 of the 12 departmental contacts and two of the three council wide contacts incorrect, some having left the Council. Internal audit are reviewing an updated whistleblowing policy. ***Recommendation one***
Related parties	■ Elected members' register of interest ■ Chief officers' register of interest	■ Separate registers of interest are maintained for elected members and chief officers. The register of interest for elected members was up to date at the time of our testing. The register of interest for chief officers was updated in March 2014. ■ Management were waiting for the results of the internal audit gifts and hospitality review and we understand the register of interest exercise is currently in progress. We will review the status of this during the financial statements audit. ***Recommendation two***
Procurement	■ Procurement policies and procedures ■ Tendering limits ■ Use of PECOS	■ We undertook a review of procurement in 2011-12, and raised a number of recommendations to assist the Council in its continuous improvement agenda. ■ New procurement policies and procedures were approved in June 2013 and implemented in August 2013. These cover a process overview for quotations and tendering, as well as roles, responsibilities and consequences with regard to the procurement process. ■ Procurement training was provided to the procurement team and 20 to 30 other members of staff at the Council to ensure the new policy is embedded within operations. ■ Tendering thresholds were revised in the updated procedures in line with the EU requirements, and were implemented within the new procurement policies and procedures. ■ The volume of off contract spend is monitored on a quarterly basis by the procurement department. It is also reviewing the number of suppliers, and is beginning to report any suppliers used without involvement of the procurement team to heads of service.

Governance arrangements (continued)

Audit area	Key areas considered	Findings
National fraud initiative	■ Audit Scotland questionnaire ■ Follow-up of matches	■ We prepared a short return to Audit Scotland in December 2013, assessing management's participation in the exercise. Management's progress against a number of controls was graded on a traffic light basis, with red indicating that immediate action is required to ensure beneficial engagement with NFI. We do not consider the below points to adversely effect the Council's NFI progress and an overall green rating was given to the Council's NFI participation. ■ The review did not identify areas for immediate improvement, although some opportunities for improvement were identified.: - there was no specific mention of NFI within the fraud and corruption strategy; - due to resource pressures the revenues team do not look at all low priority matches; - four out of nine registered users had not accessed all online training modules; - internal audit do not review the work of the revenues team; - there is no formal reporting of the NFI findings to the corporate management team; and - although internal audit display press articles on successful fraud investigations cases and report NFI outcomes to the audit and governance committee, they do not proactively report internally or externally on the achievements of fraud investigations.

Governance arrangements (continued)

Audit area	Key areas considered	Findings
Local response to national studies	■ Audit Scotland's report *Health Inequalities in Scotland*	■ Audit Scotland and the Accounts Commission periodically undertake national studies on topics relevant to the performance of public sector bodies. To ensure that added value is secured through the role of Audit Scotland, the Accounts Commission and its appointed auditors, we are required to ensure that audited bodies respond appropriately to reports from the programme of national performance audits. ■ We have prepared a short return to Audit Scotland for this report, which was released on 1 December 2012 and was considered by the audit and governance committee and senior management team together with an assessment of East Lothian Council's position. The report pompted the East Lothian Partnership to begin developing a health inequalities strategy.
Charitable trusts	■ OSCR regulations	■ From 2013-14, all charitable trust funds registered with the Office of the Scottish Charity Regulator ("OSCR") will require an audit. Currently the Council has one registered charity, the Dr Bruce Fund. An audit of this charity will be required for the 31 March 2014 year end report. Management have reviewed other charitable funds and have confirmed with OSCR that no other funds will require an audit.

Governance arrangements (continued)

We will place reliance on the work of internal audit where the scope of work assists in our audit approach. Internal audit continue to develop the reporting framework.

Audit area	Key areas considered	Findings
Internal audit	■ Annual internal audit plan ■ Sample sizes ■ Internal audit reports ■ Investigations ■ Reliance on individual internal audit reviews	■ The annual internal audit plan is aligned to the financial year. Directors are consulted and the risk register considered as part of planning. Input from external audit is requested to facilitate an efficient approach to controls testing. Consistent sample sizes are used for financial system audits, and provide coverage of the full financial year. ■ In 2011-12 and 2012-13, we recommended that internal audit recommendations reported to management and the audit and governance committee should be graded based risk assessment. Internal audit have implemented grading of recommendations in 2013-14, using a high, medium, low categorisation. Members of the audit and governance committee have noted further areas for enhancement to the internal audit reports to improve clarity and scrutiny. ■ The Public Sector Internal Audit Standards were effective from 1 April 2013. Internal audit considered these standards when setting the 2013-14 audit plan. Internal audit intend to complete an assessment against these new standards and implement an internal audit charter as part of the internal audit plan for 2014-15. ■ In the external audit plan, we reported that we planned to place reliance on internal audit's work on: - creditors; - housing revenue account; - journals; - procurement – scheme of delegation; and - statutory performance indicators. ■ Internal audit are finalising this work. We will review relevant internal audit files, findings and recommendations as part of our year end procedures and assess any impact on our substantive audit work.

Control framework

Our testing of the design and operation of controls over significant risk points confirms that, with the exception of some weaknesses reported, controls are designed appropriately and operating effectively.

Weaknesses were identified in relation to cash and journals. We will assess the impact of control weaknesses on our audit approach and increase our substantive audit testing where required.

Where an audit objective has a controls approach, we have updated our understanding of accounting and reporting activities over each significant account and identified and tested key financial controls as well as reviewing higher level organisational controls. We have evaluated the design and implementation of these controls and, where appropriate, tested the operating effectiveness.

Our audit does not seek to test all transactions or controls established by management. Testing of the design and operation of key financial controls for the purposes of our financial statements audit, however, confirms that those controls are designed appropriately and operating effectively.

Audit area	Key controls considered	Findings
Income and expenditure	■ Budget monitoring	■ The council has a robust budget setting process, with involvement from various key members of staff. ■ Performance against budget is monitored on a regular basis and through various measures, including daily and monthly 'FRx' reports, quarterly business group reports and regular discussions with budget holders. ■ Elected members are kept informed of progress through quarterly financial summary reports prepared by the finance department and presented to cabinet. These reports are sufficiently detailed and provide appropriate qualitative and quantitative information. ■ Each business group is allocated a budget holder, however, due to ongoing service reviews and department restructures, four business groups have not currently been allocated a budget holder. ***Recommendation three***

Control framework (continued)

Our testing of the design and operation of controls over significant risk points confirms that, with the exception of weaknesses reported, controls are designed appropriately and operating effectively.

Weaknesses were identified in relation to cash and journals. We will assess the impact of control weaknesses on our audit approach and increase our substantive audit testing where required.

Audit area	Key controls considered	Findings	Reliance on internal audit
Cash at bank	■ Bank reconciliations	■ Management recognised deficiencies within the bank reconciliation process and are working to resolve them to ensure that reconciliations are performed in a timely manner. Management has set a target to complete bank reconciliations within four weeks of each period end. ■ Progress has been made in this area and bank reconciliations are currently completed six weeks after the period end. This is an improvement on the prior year, and bank reconciliations are now signed as reviewed. Progress will be followed up during the financial statement audit. ■ Bank reconciliations are carried out by comparing the bank statement balance at the month end to the ledger balance at the date the reconciliation is prepared. Although this results in fewer timing differences, we consider this to be an unusual approach and a more efficient approach could be adopted, by reconciling at coinciding dates. ***Recommendation four***	n/a
Journals	■ Preparation and authorisation of journal entries.	■ We noted in our 2011-12 and 2012-13 annual audit reports that there was an increased risk over fraudulent or erroneous journals not being identified on a timely basis, due to improvement scope with authorisation of journals. ■ The finance manager currently reviews a random sample of at least five journals in each journals folder. Although this is an improvement from prior years, we do not consider that this provides enough coverage to be a risk based approach. ■ We will substantively test a sample of journals during our financial statement audit. ***Recommendation five***	n/a

Performance management

As part of its targeted approach to following-up a small number of performance audit reports each year, Audit Scotland has identified *Major capital investment in councils* for follow-up in 2013-14.

We carried out follow-up work to consider the Council's response to the report.

Major capital investment in councils

As part of its targeted approach to following-up a small number of performance audit reports each year, Audit Scotland has identified the *Major capital investment in councils for* follow-up by local auditors in 2013-14. The aim of the follow-up work is to assess how public bodies are responding to the challenges of public sector budget constraints and their efforts to achieve financial stability. Set out below are our findings from our follow up work.

1. Consideration of *major capital investment in councils*	
Did the council formally consider the report *Major capital investment in councils* following publication: ▪ Was the report considered by the full council, audit committee, senior management team, or other? ▪ To what extent was the report considered? (i.e. was it noted or discussed?)	Reports were presented to the council management team in May 2013 and the audit and governance committee in June 2013. These provided background to the publication and the action plan prepared in response to this. In the audit and governance meeting minutes there is evidence of discussion and challenge by members.
How is the council responding to the recommendations in the report? ▪ Has the council developed an action plan to address the recommendations? ▪ What progress has been made against the recommendations?	The Council developed an action plan for capital program management. This is based on recommendations from the report (such as completing business cases for each capital project) as well as from the council's own review of the capital program. The Council is making progress against most areas in its action plan. There is only one action point out of ten where progress has not yet occurred. This item is to ensure elected members are fully briefed on the capital planning process.
To what extent has the council used the good practice guidance?	The good practice guidance was used as a reference tool when preparing the action plan, but was not formally noted.
To what extent has the council used the good practice checklist for project managers?	Again, the good practice checklist was used as a reference tool, but was not formally completed.

Performance management (continued)

2. Capital investment strategy	
Does the council have a long-term capital investment strategy? ■ If yes, which period does this cover? ■ How often is the strategy reviewed?	The Council is developing a corporate asset management plan, which sets out the Council's approach, vision and objectives for asset management. This is supported by the work of the corporate asset group. This group has responsibility for the management and control of the Council's capital investment programmes and the delivery of the strategic objectives of the Council Plan. Capital investment is mentioned within the financial strategy, although this is only a medium term document. As part of the budget setting process, the administration and opposition present a capital investment summary paper. For 2014-15 this covered the period from 2013-14 to 2020-21, and is therefore considered as long term. The administration proposal was approved in the budget setting council meeting. Amendments to this paper are presented to Cabinet on a quarterly basis as part of the financial summary report. New administration and opposition papers are presented each year. The financial strategy is also updated annually.
How does the capital investment strategy reflect the strategic priorities of the council? ■ Is there a clear link between investment, performance and outcomes?	The Council's draft corporate asset management plan makes reference to capital investment and refers to the East Lothian Council Plan 2012-17, which sets out the strategic priorities of the Council. However there is no formal capital investment strategy which provides a clear link between investment, performance and outcomes.

Performance management (continued)

2. **Capital investment strategy** (continued)	
Is the capital investment strategy supported by a capital investment plan? ■ If 'yes', which period does the plan cover? In 'No' please explain why? ■ Does the plan meet the features of good practice as outlined in the good practice guide (paragraphs 18 to 19)? ■ What is the total value of capital investment planned in 2014-15 and 2015-16? Is this matched to funding sources? ■ What action is proposed to address any shortfalls in funding in any given year?	The Council has a capital investment plan for housing. Capital investment for general services is mentioned within the financial strategy and the budget summary paper. The treasury management strategy also profiles capital spend for the current financial year, the two previous financial years and planned spending for the next two financial years. However, this does not discuss individual capital projects, as outlined in the good practice guide. From the 2014-15 capital summary, planned capital investment for 2014-15 is approximately £20 million and 2015-16 planned investment is approximately £22 million. The Council is in the process of developing a comprehensive corporate asset management plan, but this is focused on asset management rather than capital investment.

Performance management (continued)

3. Financial information to support effective decision-making and scrutiny	
Are elected members and senior officers provided with regular, appropriate and accurate information to support investment decision-making? Does information include: ▪ sufficient detail on profiled annual spend against the capital budget? ▪ project-by-project spend against each milestone for each project? ▪ an analysis of overall capital programme spend and its financing, including future projections and how it is paid for (i.e. from grants, borrowing or other) ▪ an assessment of external factors such as UK and Scottish budget settlements, construction inflation, interest rates and other market factors?	The Council provides quarterly financial summary reports to Cabinet, which include details of capital investment. These reports provide a revised capital plan, showing any changes to the approved capital budget. Any changes are explained in the main body of the report, with the revised capital plan as an appendix. The financial summary reports also contain an appendix showing budgeted and actual spend for each project. The quarter three summary report also shows how the projects are financed. Project by project spend is therefore reported on a quarterly basis, but not by project milestone. The Council have an action point in their capital management improvement plan to brief elected members on the capital planning and monitoring process. Although this has not been implemented, elected members receive support from Council staff in relation to the capital programme and related funding through work to support the treasury management strategy.
Are elected members provided with sufficient reasons for any movements in planned spending? Are reasons given for any changes to: ▪ annual spend against annual budget? ▪ individual project spend against project budget ▪ overall capital programme spend against programme budget ▪ expected grant funding, income from other sources, levels of borrowing?	In the reports mentioned above, explanations are given for any changes to spending in the written summary. This is clearly set out in bullet point format, and is on a project by project basis. Cabinet are able to ask any questions on this if they require further information.

Performance management (continued)

4. Major capital projects currently in progress	
Please provide a complete list of the council's major capital projects that are currently in progress (i.e. where a contract has been awarded). Please provide project name, value and expected completion date.	The Council has one major project currently in progress; the Fa'side Tranent residential home and day centre. This has an expected total spend of £8.731 million and is due for completion in 2014-15. Other projects with a capital value of over £5m are rolling maintenance or improvement projects.

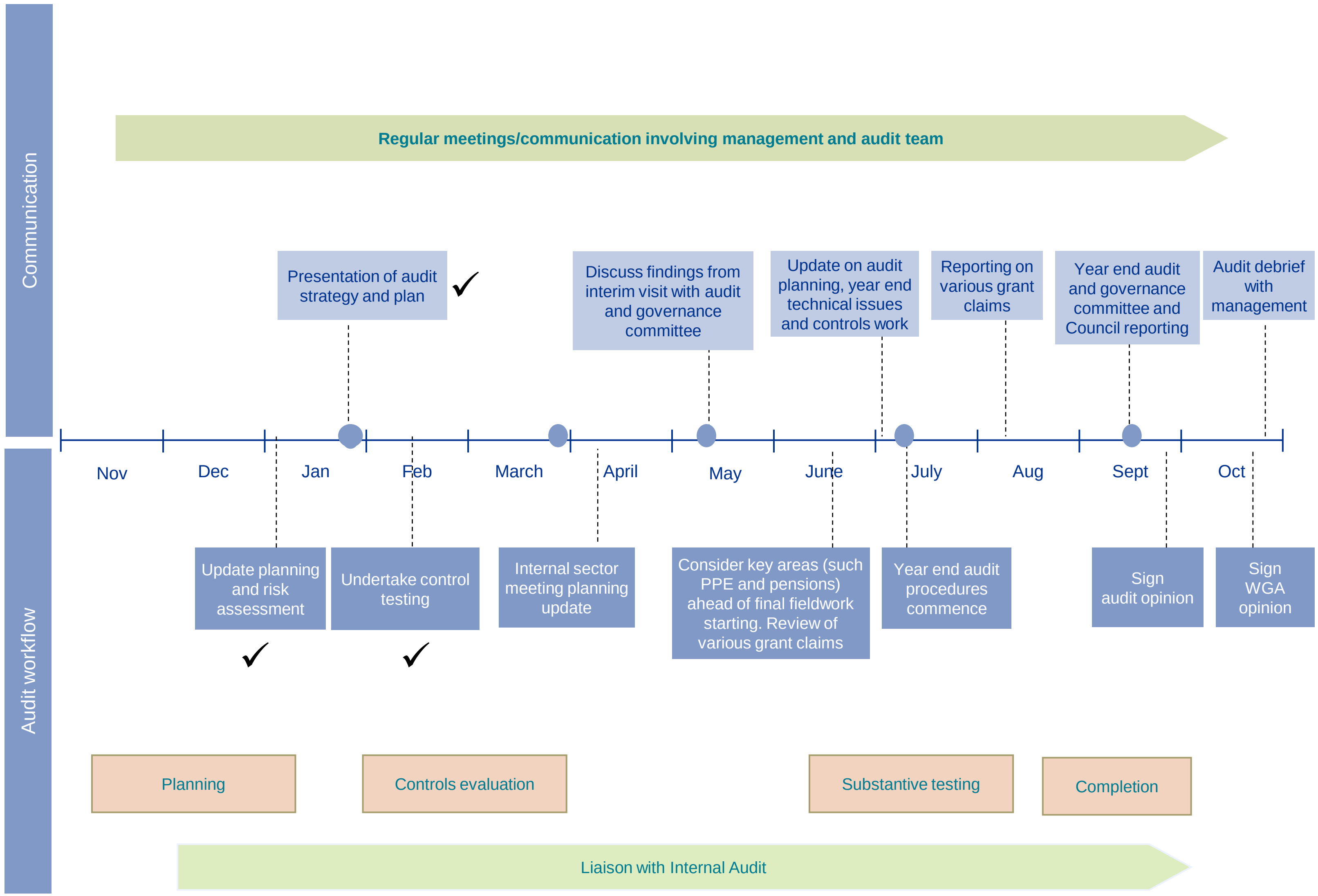
5. Overall assessment	
Thinking about the main issues in the report and how they apply to the council, please summarise the council's overall response and the impact of the report on it?	The Council provided a good summary of the report to the audit committee, as well as the council's position on the report. An action plan has been implemented based on recommendations from the report as well as the council's own assessments. The Council has progressed strongly in the area of corporate asset management, although development of a formal capital investment strategy setting out a clear link between investment, performance and outcomes should be considered.
Is there anything else about how the council has responded to the report or the impact of the report that you would like to highlight?	Nothing to highlight.

Appendices

Audit timeline

The proposed timetable is largely unchanged from the prior year, but is subject to refinement through discussions with management.

We have now substantially completed the planning and control evaluation phases of our audit.



✓ = Completed to date

● = Audit and governance committee meetings

Action plan

The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

Priority rating for recommendations		
Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.	**Grade two** (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	**Grade three** (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1 Council wide policies		**Grade two**
The council improvement plan 2013-14 identified an action to develop and maintain a methodology for systematically reviewing and updating corporate policies and procedures, with an implementation date of November 2013. Management have begun preparing a database of policies, however this will not be completed in 2013-14. Consideration is being given by management as to which policies should be included within such a database and methodology. We reviewed a selection of policies and identified the date when each was last updated. The details for relevant contacts in the whistleblowing policy are out of date, with 11 of the 12 departmental contacts and two of the three council wide contacts incorrect, some having left the Council. Internal audit intend to review an updated whistleblowing policy in their 2014-15 internal audit plan.	Management should conclude on which policies should be included within the database and methodology for reviewing and updating corporate policies and procedures. The details for relevant contacts in the whistleblowing policy should be updated.	Accept - management would appreciate further discussion to establish the scope of policies to be included. **Responsible officer**: Service Manager, Corporate Policy & Improvement **Implementation date:** September 2014

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
2 Registers of interest		**Grade three**
Separate registers of interest are maintained for chief officers and elected members. The register of interest for elected members was up to date during our testing, however the register of interest for chief officers had not been updated during the financial year.	The register of interest for chief officers should be updated and renewed on a regular basis.	The Register of Interests was updated during February with updates published on the Council website early March. **Responsible officer**: Service Manager, HR & Payroll **Implementation date:** Completed
3 Budget monitoring		**Grade three**
Each business group is allocated a budget holder, however, due to ongoing service reviews and department restructures, not all business groups have been allocated a budget holder. There is a risk that budget monitoring is not undertaken and errors or issues are missed.	Each business group should be allocated a budget holder to ensure that budget monitoring is completed appropriately and on a timely manner.	Accepted although noted that the finalisation and implementation of the Realignment of Council Services had an adverse impact that has now been resolved. **Responsible officer**: Service Manager, Business Finance **Implementation date:** Completed - April 2014
4 Bank reconciliations		**Grade two**
Progress has been made to bring the bank reconciliations up to date, however further work is needed to ensure all year end bank reconciliations are completed in a timely manner. The bank reconciliation process is carried out by comparing the bank statement balance at the month end to the ledger balance at the date the reconciliation is prepared. Although this results in fewer timing differences, a there is an opportunity for a more efficient approach to be adopted.	Reconciliations should be completed within four weeks (rather than six) from the period end. The bank reconciliation process should be reviewed to ensure it is as efficient as possible. Management should consider reconciling the period end bank balance per the bank statement to the period end bank balance on the ledger.	Significant progress has been made in accordance with previous auditor recommendations. Recognising there are both systems resource related constraints, every effort will be made to work towards the new target of 4 weeks. **Responsible officer**: Service Manager, Corporate Finance **Implementation date:** June 2014

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
5 Journals		**Grade two**
We noted in our 2011-12 and 2012-13 annual audit reports that there was an increased risk over fraudulent or erroneous journal not being identified on a timely basis due to improvement opportunities over the authorisation of journals. The finance manager currently reviews a random sample of at least five journals in each journals folder. Although this is an improvement from prior years, we do not consider this a risk based approach.	Management should ensure that the retrospective review of journals is on a risk based sample approach and is completed before year end. This process should be implemented for all future journals raised.	Accepted **Responsible officer**: Service Manager, Business Finance **Implementation date:** June 2014

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