

Appendix 3 – ISA260 Recommendations 2013/14

KPMG issued two ISA260's, the first draft was issued in September 2014 and contained four recommendations (items 1-4 listed below). In September 2015 the final version was issued and included a further four recommendations (5-8 below). Progress on the implementation to date on all 8 items is shown below.

| Number | Risk | Issue, Recommendation & Responsible Officer | Original Management Response | Latest Management Response | Status |
|--------|------|---|--|---|----------|
| 1 | 1 | <p>Completion of key reconciliations</p> <p>At the time of our interim audit we identified that a reconciliation had not been carried out for the main Authority bank account during 2013/14 since the implementation of Agresso. Although the 31 March 2014 reconciliation was completed by the Authority, this involved a considerable amount of time and effort from Authority officers as it covered the whole year in one go.</p> <p>At the time of our final audit visit we identified that a payroll reconciliation had not been carried out for the main Authority payroll during 2013/14.</p> <p>These are both key controls which are required to be in place through-out the year in order to maintain a robust control environment.</p> <p>Recommendation</p> <p>The Authority should implement a process whereby going forward each of these reconciliations is completed on a monthly basis. The Authority is required to implement a review process by which non completion of key reconciliations is escalated to the relevant Service Head</p> <p>Responsible Officer : Danny Warren / Kevin Miles</p> <p>Due Date: March 2015</p> | <p>Initial Response as at October 2014</p> <p>It is agreed that the scale of implementation of a new financial system led to delays in continuing the main bank reconciliation from 31st March 2013 and this was not finalised until the 2013/14 year end. This process has now been fully implemented and is now running monthly.</p> <p>Payroll reconciliations were completed for year end. During the year reconciliations of net pay and tax were reconciled monthly to the BACS payments, and payroll interfaces to the general ledger were reconciled to the payroll system at regular intervals. 3rd party deductions were however only reconciled at year end. A revised procedure is now being implemented to cover all payroll reconciliations monthly.</p> <p>In addition a key controls report is now produced monthly for all key financial controls, and is reviewed by relevant service heads, and any key control which has not been completed or is out of tolerance is now flagged each month for corrective action.</p> | <p>Latest Position as at December 2015 -</p> <p>Key reconciliations are now in place for the Bank reconciliation, the payroll and a number of other key reconciliations. These are reviewed and signed off by senior officers. Procedure notes have been prepared and an audit on the payroll reconciliation has been undertaken. No problems were encountered and no issues are anticipated when the report is issued.</p> <p>The Bank Reconciliation was the subject of an Internal Audit in August and this was given 'Substantial Assurance'</p> | Complete |

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| 2 | 2 | <p>School bank reconciliations</p> <p>During our review of the school bank reconciliation, we noted that for two schools, Sir John Cass and Olga there were outstanding reconciling items at the year end which had been initially entered into the ledger several years ago.</p> <p>It is noted that schools are provided with copies of the close down procedures at the year end, which does suggest reviewing transactions / cheques over six months old. In the case of these schools these transactions had not been cancelled.</p> <p>Recommendation</p> <p>The Schools Finance Team, during their review of the reconciliations completed by individual schools, should challenge schools which submit reconciliations containing transactions which are over six months old.</p> <p>Schools should be required to submit justification for the inclusion of any aged items within their reconciliations.</p> <p>Responsible Officer : Sailesh Patel</p> <p>Due Date: March 2015</p> | <p>Initial Response as at November 2014</p> <p>As stated by the auditor, the schools finance team issue all maintained schools accounting guidance which recommends schools review cheques older than six months and reverse in their finance system where applicable. As part of planning for the 2014/15 accounts closure, the school finance team will include further guidance on un-reconciled items in the schools newsletter. The school finance team will also sample a number of schools to ensure any cheques older than 6 months are challenged and appropriate action is taken.</p> <p>Compliance testing will take place in Jan/Feb 2015.</p> | <p>Latest Position as at December 2015</p> <p>Procedures were recirculated to each school in the finance newsletter and reiterated in the closedown guidance. The schools' Business Manager discussed the 'over 6 month reconciling items report' with Bursars from all primary and secondary schools.</p> <p>A sample of 25 school returns were tested, of which 3 were returned pending further work or additional explanations.</p> <p>All these measures were undertaken by the due date of March 2015.</p> <p>It is intended to repeat the training and sampling each year.</p> | <p>Complete</p> <p>Continuous testing ongoing</p> |

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| 3 | 2 | <p>Other Land and buildings valuations</p> <p>During our review of Property, Plant and Equipment valuations, we noted that it was not straightforward to identify that the Valuer had looked at upward trends as well as impairments when completing the formal valuations for 2013/14 (even though the Authority expressly requested this). We also noted that the Valuer only commented about price movements for the last 12 months, but the Authority has a minority of assets that were last valued between 2 and 4 years ago.</p> <p>Recommendation</p> <p>The Authority should continue to work with the Valuer to ensure that the report received explicitly covers all of the elements that it has requested. Also the Authority needs to ensure that there is appropriate consideration of assets that have not been valued in the last 12 months to ensure that the values disclosed remain materially accurate between valuations.</p> <p>Responsible Officer : Kevin Miles</p> <p>Due Date: March 2015</p> | <p>Initial Response as at October 2014</p> <p>For the 2014/15 property valuation, officers have asked Valuers to consider upward trends as well as impairments in conducting the valuations. The Valuers have also been asked to consider material changes in valuations for asset classes valued more than 12 months ago. Officers will work with Valuers to minimise additional valuation costs from this work, for example with the use of valuation indices as part of a desk top valuation exercise.</p> | <p>Latest Position as at December 2015</p> <p>Officers have specifically requested that the Valuers consider movements in property value in either direction not just downward / impairment. A full desktop valuation has been commissioned and for 2015/16 the schools portfolio will be considered in its entirety as an 'asset category'.</p> | Complete |

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| 4 | 3 | <p>111 –113 Mellish Street</p> <p>During our review of what happened in relation to a Member enquiry about the above site we noted that: the time period available for considering and auctioning the letting of the site was relatively short; there were areas where the documentation supporting the decisions could be improved – particularly the use of an SLA approach, which allowed for reductions in the rental income; and the procedures for allocating properties were written and established in August 2010, since when there have been a number of changes in the process.</p> <p>Recommendation</p> <p>We have therefore recommended to the Authority that:</p> <ul style="list-style-type: none"> •It considers the nature, size and complexity of arrangements being planned for community use/letting and ensure that the timeframes reflect this appropriately to help ensure the Council receives a good selection of quality applications. •The importance of evidencing the basis of decisions is reiterated and, as necessary incorporated in relevant procedural documentation. •Procedures are revised to reflect the updated process and include guidance on the documentation to be retained to support decisions. <p>Responsible Officer : Ann Sutcliffe</p> <p>Due date : October 2014</p> | <p>Initial Response as at November 2014</p> <p>The Corporate Property and Capital Delivery Service Plan will review and update the procedures for allocating properties. This will require the input of the third sector team, specifically in relation to properties that are let for community use as this might require slightly different processes in light of the fact that many community organisations won't have the commercial experience and resources compared to properties let on the open market.</p> <p>The review will include timescales for considering and auctioning the letting of the site, as well as the level of documentary evidence to back up the decisions that are made.</p> | <p>Latest Position as at December 2015</p> <p>The Mayor considered and approved an initial report on the Community Buildings: Allocation and Charging Policy in December 2015.</p> <p>A comprehensive review of all the council-owned community buildings is being undertaken and all tenants in council-owned community buildings will be provided with a lease or other appropriate form of tenancy. The review will also ensure the council's buildings are well utilised, generating income and are let on agreements which provide security and certainty for both the council and tenant.</p> <p>The methodology for assessing and quantifying the value of community benefits provided by voluntary and community sector organisations in council owned buildings is being devised and consulted on as part of the Voluntary and Community Sector Strategy that will be considered by the Mayor in Cabinet in April 2016.</p> <p>The criteria and method for calculating community benefit will take account of the consultation feedback and formal procedures and guidance notes will be produced that will set out the basis on which applications will be assessed and the evidence required to support the application. The procedures will also set out how decisions are made, documented and reported."</p> | Complete |

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| 5 | 1 | <p>Declarations of Interest</p> <p>The BV Inspection report refers to several instances where there are relationships with other parties. The BV Inspection report does not conclude as to whether these relationships represented significant concerns or were improper. However, there appears to be the potential for interests that should be declared not being so, possibly due to due to incomplete knowledge about who the Authority is doing business with, or seeking to do business with. As a minimum this gives the potential for reputational damage to the Authority.</p> <p>Recommendation</p> <p>The Authority should:</p> <p>1. Review its policies, procedures and processes for identifying potential interests and ensuring declarations are up to date and complete;</p> <p>Responsible officer: Melanie Clay</p> <p>2. Consider whether improvements can be made to ensure relevant members and officers are aware of organisations and individuals seeking to do business with or interact with the Authority; and</p> <p>Responsible officer: Melanie Clay/Zena Cooke</p> <p>3. Ensure that all relevant members and officers receive at least annual training and reminders about their responsibilities and the need to ensure interest declarations are complete and up to date.</p> <p>Responsible officer: Melanie Clay (members) and Zena Cooke (officers)</p> <p>Due Date: December 2015</p> | <p>Initial Response as at October 2015</p> <p>1. Agreed –The council's policies, procedures and processes will be reviewed, to further assist members in discharging their responsibility to register all relevant interests. Officers will continue to undertake a six-monthly review of forms including a reminder to each member of their current register entry and the need to update this to reflect any changes. Where necessary Members will be provided with the opportunity to complete forms on site whilst attending meetings at the Town Hall.</p> <p>2. Agreed –The current arrangements to ensure members and officers are aware of organisations and individuals seeking to do business with or interact with the council will be reviewed. A list of organisations receiving financial assistance from the authority will be made available to guide Members and Officers in making their declarations.</p> <p>3. Agreed -Annual mandatory training will continue to be provided for all members and the forthcoming governance review will consider further enhancements to the member development programme. The regular review of forms will include a reminder to ensure interest declarations are complete and up to date. In relation to officers, regular reminders will continue to be issued to staff to update their online declaration forms.</p> | <p>Latest Position – December 2015</p> <p>The council's policies, procedures and processes have been reviewed and officers are continuing to undertake a six-monthly review of forms including a reminder to each member of their current register entry and the need to update this to reflect any changes.</p> <p>Officers are required to complete declaration of Interest forms on a 6 monthly basis as part of the PDR process and the form is accessible via the self service HR module. Information and training is available to remind officers of their obligations and responsibilities in this respect.</p> <p>A list of organisations receiving financial assistance from the authority is being compiled to guide Members and Officers in making their declarations.</p> <p>Annual mandatory training is continuing to be provided for all members. The regular review of forms includes a reminder to ensure interest declarations are complete and up to date. In relation to officers, regular reminders continue to be issued to staff to update their online declaration forms.</p> | Complete |

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| 6 | 1 | <p>Governance arrangements in schools</p> <p>The Annual Internal Audit Report for Schools 2013/14 states that over half of the schools audited (14 out of 27) fell below the minimum standard of financial control, and management. Internal Audit have also investigated other schools where external referrals alleging irregularity at some schools have been received. Whilst these investigations have not been finalised, it is clear that there are also weaknesses in the governance arrangements of these schools.</p> <p>Recommendation</p> <p>The Authority should review its governance arrangements for schools and ensure that their effectiveness is improved for all schools and that there are robust mechanisms in place to support schools in understanding their governance responsibilities and provide appropriate guidance, training and support.</p> <p>Responsible officer: Kate Bingham</p> <p>Due Date: December 2015</p> | <p>Initial Response as at October 2015</p> <p>Agreed - Officers will work with schools to improve the effectiveness of governance arrangements. Chairs of the Finance and Resources Committees will receive training to ensure that assurance frameworks are put in place.</p> | <p>Latest Position as at December 2015</p> <p>The latest guidance issued to schools and governors has been sent to KPMG for them to review progress made.</p> <p>Training and guidance on Governance Arrangements has been delivered to both Governors and Schools business managers. The governor conference was attended by over 50 governor representatives.</p> <p>It is also planned to be further enhanced by direct support to those schools which have been identified in internal audit reports as consistently receiving limited assurance through additional workshops delivered by Mazars/Schools Finance; to emphasise the previous messages which have already been delivered.</p> | Complete |

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| 7 | 1 | <p>S106 arrangements</p> <p>Our consideration of s106 arrangements highlighted that:</p> <ul style="list-style-type: none"> ■the spreadsheet to record s106 receipts and payments did not cast; ■that certain items appear not to have been paid strictly in line with the original agreements; ■there were funds relating to one scheme that we tested that were close to the deadline for spending the s106 funds, and the plans in place would not be completed before the deadline; and ■there were instances where payments were made in advance of receiving s106 monies, temporarily utilizing other s106 funds. <p>Recommendation</p> <p>The Authority should independently review its arrangements in relation to s106 receipts and payments to ensure they are effective and there are robust processes, controls and monitoring arrangements in place to ensure payments are made in accordance with agreements and aligned to original planning consents.</p> <p>Responsible officer: Chris Holme</p> <p>Due Date: March 2016</p> | <p>Initial Response as at October 2015</p> <p>Agreed - An independent review of the arrangements in relation to s106 receipts and payments will be undertaken to ensure effective and robust processes, controls, monitoring and reporting arrangements are in place, in accordance with agreements and aligned with the planning consents.</p> | <p>Latest Position – December 2015</p> <p>A brief for the independent review of the arrangements in relation to s106 receipts and payments has been prepared, agreed with the external auditor, and quotes sought. Submissions have been received and the selection process is underway to appoint the most suitable organisation to undertake the review.</p> | On Track |

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| 8 | 1 | <p>Mayoral expenses</p> <p>Our testing of Mayoral expenses identified that the supporting documentation retained was limited and in some cases did not enable us to determine whether the expenditure was appropriately borne by the Authority.</p> <p>Recommendation</p> <p>The Authority should ensure that sufficient documentation is retained for all expenses including Mayoral expenses. This should be sufficient to evidence that expenditure is appropriate to be borne by the Authority by, for example, including the reasons for the expenditure and precise details of service provided and in relation to functions the nature of the function and attendees.</p> <p>Responsible officer: Melanie Clay</p> <p>Due Date: December 2015</p> | <p>Initial Response – October 2015</p> <p>Agreed -The council will ensure that sufficient supporting documentation is retained for all expenses.</p> | <p>Latest Position – December 2015</p> <p>Systems are in place to ensure that sufficient supporting documentation is retained</p> | <p>Complete</p> |