

# OUTSTANDING RECOMMENDATIONS AUDIT OF FINANCIAL STATEMENTS - NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE

2016-2017

## 1. IT

Recommendation	Priority Level	Management Response	Position as at March 2019
The Council should ensure that IT controls are strengthened and that an IT policy is put in place as soon as possible.	2	Accepted - Staff appointment will be completed by November 2017, allowing focus to shift to strategic ICT priorities.	ICT controls have been upgraded and ICT policies and procedures were implemented in June 2018

## 2. Income

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>The Council should ensure that lodgements are made in a timely manner and also consider using a cash collection service to avoid staff lodging large sums of cash.</p> <p>Updated cash handling procedures should be issued to each outstation.</p> <p>The Finance department should send a weekly report to Building Control Admin to detail which monies have been received so the Tascomi system can be updated efficiently and thereby outstanding debts are clearly identifiable for follow up.</p>		<p>Accepted – Cash in transit contract to be reviewed therefore additional locations may be added. Cash handling procedures to be updated as part of our finance procedure manual. Council currently progressing Tascomi building control interface with Total mobile which would alleviate many of the building control issues.</p>	<p>Cash in transit tender currently being drawn up, seasonal sites added to collections for summer 2019</p>

Recommendation	Priority Level	Management Response	Position as at March 2019
Lodgement cover sheets should be prepared to clearly state who has prepared and checked the lodgement and also reconcile to the report of payments received.			

### 3. Procurement

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>The Council should ensure that they procure services in line with guidance.</p> <p>The Council should issue guidance on the use of single tender actions and keep an up to date list of any single tender actions awarded.</p> <p>The Council should ensure that it applies the lessons learnt from the weaknesses in the management of this contract.</p>	2	Accepted the Council's Procurement Policy and Procedures to be revised and reissued by March 2018 to include guidance on single tender actions.	Councils Procurement Policy has been updated, and will be presented to CPR in March for approval.

# OUTSTANDING RECOMMENDATIONS AUDIT OF FINANCIAL STATEMENTS - NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE 2017-2018

## 1. Management Accounts

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>We have previously highlighted the fact that management accounts are not being produced on a timely basis. There continues to be delays in there production in that the first set of accounts for 2017-18 which were for the five month period to the end of August 2017 were only issued to senior management on 20 October 2017. The September 2017 accounts were finalised on 30 November 2017 and were discussed at Audit Committee on 15 December 2017. No accounts appear to have been prepared for October 2017 whilst the November 2017 accounts were only issued in January 2018. Further, the management accounts are not accompanied with written explanations for variances. Additionally there are no formal procedures for budget setting and little audit trail of the process. We recognise that a budget change tracker sheet is kept by the CFO, but that is the only documented evidence of input from the budget holders. We are now aware of budget overspends in year, but these could potentially have been identified by budget holders and addressed in year if the process of preparing and disseminating information to budget holders was done on a timely basis.</p>	1	<p>The Council should produce detailed management accounts, inclusive of formal explanations for variances, for the SMT and Council members on a regular and timely manner. Input from budget holders within this process should be clearly evidenced.</p>	<p>Management accounts together with variance analysis are being produced on a monthly basis, P9 was circulated to SMT and management on 8 February 2019, Members will receive in March, P10 currently being prepared.</p> <p>A recently commissioned report by PWC will recommend further improvements with a view to producing a project plan to implement these improvements</p>

## 2. Agency Staff Costs

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>As noted in the previous year, Council continue to have large costs in relation to Agency staff. There has been an increase on the prior year, i.e. Agency costs have increased by 21% from £5.4m to £6.6m. These costs represent approximately 23% of the total wages bill. Other than the need for summer staff due to the Council's number of external locations, which accounts for some of the agency cost in year, the main key contributing factor is the continued delay in finalising the organisational structure through job matching. The Council are unable to recruit for anything but newly created positions whilst the organisational structure remains incomplete.</p> <p>Given the significance of Agency costs we selected a sample of 25 individual payments, looking specifically at the controls currently in place and noted the following:</p> <ul style="list-style-type: none"> <li>- In three cases the timesheets had not been signed off;</li> <li>- In two cases timesheets were not available to support the payment being made;</li> <li>- In three cases we were unable to confirm the payment rate used as the Council did not have an agency worker request form for the worker and they were not recorded on the master list held by HR;</li> <li>- In four cases the start and end times were not detailed so we were unable to confirm that the hours worked and paid for were correct;</li> <li>- In three cases we were unable to confirm the overtime hours were correct as there was not enough detail on the timesheet;</li> <li>- In three cases we noted that the detailed times on the timesheet did not match the total hours claimed and subsequently paid;</li> <li>- In five cases it appeared that individuals were working a minimum of between nine and thirteen hours straight without a break. The breaks if they were taken were not being detailed on the timesheets. There could be health and safety issues which are contrary to the European Time Directive;</li> <li>- In one case the rate of pay could not be matched to any pay scale.</li> </ul>	1	<p>Council should endeavour to address their organisational structure issues as a matter of urgency to ensure that normal recruitment practices can commence.</p>	<p>90% of Agency Staff are used within Leisure and Development and Environmental Services Directorate. Both Directorates are currently undergoing Structural and Service Reviews and following this exercise, revised structures will be populated with permanent staff.</p> <p>Progress is reported through the relevant Committee.</p> <p>To assist in the Management of Agency Staff, SMT currently receive a monthly report which provides a detailed listing of all Agency Staff, including hours and location of work.</p> <p>Currently in progress.</p>

### 3. Leases

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>We acknowledge the appointment of a Land and Property Officer earlier this year, and the work she has carried out in this area to date. However we note that the main issue raised in the prior year, i.e. introducing a system to highlight when rent and leases are due for renewal has still not been resolved. The working papers backing up the leases note within the financial statements were incomplete. Revised papers were prepared by Finance with the aid of the Land and Property Officer which identified leases missed in the first set of papers. The accounting note was amended accordingly. We noted that a number of leases had expired and that rent reviews were outstanding. The Council does not have a system in place, whereby the rent and leases due for renewal are highlighted six months before renewal. No one person appears to have been tasked with carrying out the rent reviews and overseeing the lease renewals. The delays in carrying out such reviews could mean that Council are not getting full market value rents for properties it owns and leases out.</p>	1	<p>The Council should introduce a system to highlight rent and leases due for renewal. Additional resources should be provided to complete the outstanding work in this area as a matter of urgency.</p>	<p>At the November Land and Property Sub-Committee meeting, it was agreed to resource Asset Management as follows:-</p> <ol style="list-style-type: none"> <li>1) Resource to develop and Asset Management Strategy</li> <li>2) Legal Support to progress with Land Registration and associated Land and Property priority issues</li> <li>3) Administrative support.</li> </ol> <p>Progress is being made in this area.</p>

### 4. Land & Property Registration

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>Our review of minutes from the Land and Property Committee in April 2018 highlighted the fact that approximately 80 per cent of Council land remains unregistered. We are also concerned that the subsequent presentations given to Committee members identified a number of encroachments and that losses due to encroachments in general over the last few years have been significant. The Digital Services Manager also reported that there were several Council</p>	1	<p>It is important that Council provides the necessary resources needed to ensure all land and</p>	<p>At the November Land and Property Sub-Committee meeting, it was agreed to resource Asset Management as follows:-</p> <ol style="list-style-type: none"> <li>1) Resource to develop and Asset Management Strategy</li> </ol>

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<p>owned buildings for which there were no title deeds. An individual can apparently register a piece of land as their own provided they submit the required affidavits to Land and Property Services. After a period of time the Council would be unable to reclaim this ground with the only recourse being to sue LPS for negligence.</p>		<p>property owned by the Council is appropriately registered. Given the significance of the losses to date this should be treated as a priority. Prompt action needs to be taken when encroachments are identified through the Geographical Information System to ensure land owned by the Council is not lost.</p>	<p>2) Legal Support to progress with Land Registration and associated Land and Property priority issues 3) Administrative support.</p> <p>Progress is being made in this area</p>

## 5. Attendance at Business Events

Recommendation	Priority Level	Management Response	Position as at March 20198
<p>We are aware that Council funded attendance at a 'Business and Community Engagement' event in September 2017 on the invitation of Ian Paisley MP. This event cost Council £1500 for a table and invited guests were from businesses and organisations within the Borough. We understand attendance at the event by another Council is subject to investigation by the Electoral Commission as it is reported the event was a political fundraiser. Councils are not permitted to</p>	2	<p>Attendance at future events funded by Council should be carefully considered to ensure there is no political involvement either directly or indirectly.</p>	<p>A Short Business Case for Attendance and involvement at external hospitality and events was approved by Council in November 2018.</p>

Recommendation	Priority Level	Management Response	Position as at March 20198
fund political parties. We are advised the outcome of the Electoral Commission's review is imminent.			

## 6. Journals Authorisation and Audit Trail

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>From our testing on journals we noted the following:</p> <ul style="list-style-type: none"> <li>- Journal vouchers are not always attached to a journal and even when they are evidence of approval is not always clear or they are approved by the same member of staff who has posted the journal, i.e. there is a lack of segregation of duties;</li> <li>- The journals are organised by batch numbers but are not being held consecutively within the filing system making it impossible to tell if any journals are missing;</li> <li>- Many journals were found to have been filed without the appropriate evidence being attached. This makes it difficult to determine cut off and whether or not the journal has been appropriately posted to the correct code and accounting period; and</li> <li>- Many journals sampled were for corrections for batches posted to the wrong period. Discussions with the management accountant indicated that these mistakes often occur because the system automatically labels an entry as period 1 and this has to be manually overridden by staff to be input to the correct period.</li> </ul>	2	<p>Journal vouchers should be completed and attached to the journal. The Council should ensure that there are appropriate segregation of duties between the members of staff who create, approve and post the journals.</p> <p>As a control over the visibility of the completeness of journals,</p> <p>Council should ensure that all journals are both numbered and filed consecutively. Appropriate evidence for the journal should always be attached to the Journal Voucher.</p> <p>Council should consider an upgrade to the current system to reduce the number of apparent system errors.</p>	<p>Journal input restricted to nominated finance staff. Backup attached to journals on file. All journals are given a unique reference which is generated by the finance software. Journals are filed monthly.</p> <p>Finance staff are proactively looking into potential replacements for the current financial software system</p>

## 7. Landfill Provision

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>The current provision for closure and aftercare costs of the Craighulliar Landfill site within the financial statements as at 31 March 2018 amounted to £4,989,110. It is based on a report issued by RPS Consultants dated April 2012. At this stage it is over six years out of date. Based on current expectations it is unlikely that the landfill site will be closed until 2022. It is difficult to assess the reasonableness of the costs making up the provision in future years if the report is not current. The Council could be faced with additional unexpected costs in the future.</p>	2	<p>Management should seek an update from the consultants as to the likely costs of closure and capping for the Craighulliar landfill site in order to ensure the current provision is accurate and therefore adequate for future needs.</p>	<p>Updated report has been requested from consultants for inclusion in the 2018/19 annual accounts.</p>

## 8. Proper Arrangements

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>The Proper Arrangements questionnaire was initially issued to the Council at the end of April 2018 with a return date of 18 May 2018. However, despite repeated requests for information by our staff some of the data was only received very late in the audit process, i.e. September 2018. A number of issues have been noted from the proper arrangements work as follows:</p> <ul style="list-style-type: none"> <li>- It is our understanding that the Council approved a four stage capital process to monitor the progress of all capital projects. A Capital Asset Management Strategy has still not been formally approved;</li> </ul>	2	<p>One person should be assigned the duty of pulling the information together needed to complete the questionnaire to ensure it is returned to NIAO on a timely basis.</p> <p>A capital asset management strategy should be formally developed and approved by Council.</p>	<p>Agreed and on schedule to comply with deadline for 2018/19.</p> <p>Corporate Asset Management Strategy currently in progress</p>



Recommendation	Priority Level	Management Response	Position as at March 2019
<p>- It is our understanding that the IT systems are still not ISO27001 accredited. The Council provided limited assurances that their systems are secure. Given the personal data that the Council manages this should be addressed as a matter of urgency. Even if the Council are not accredited they still must be able to give factual assurances about the safety of their systems;</p> <p>- It our understanding that whilst testing has been carried out on some areas of the Business Continuity Plan, that the actual live transaction testing has not yet been completed. We noted this issue last year and at the time were told that it would be completed by March 2018. We welcome the fact that testing has now been arranged for the week commencing 17 September 2018;</p> <p>- Draft financial regulations are dated May 2017, but these have not been ratified, and in addition the financial guidelines and One person should be assigned the duty of pulling the information together needed to complete the questionnaire to ensure it is returned to NIAO on a timely basis.</p> <p>A capital asset management strategy should be formally developed and approved by Council.</p> <p>Council should consider getting the IT systems accredited to ensure they are secure. Testing of the Business Continuity Plan should be completed to</p>		<p>Council should consider getting the IT systems accredited to ensure they are secure. Testing of the Business Continuity Plan should be completed to ensure inherent weaknesses in the policy can be appropriately addressed.</p> <p>The financial regulations and the financial guidelines and procedural manual which underpin them should be completed and ratified to ensure all staff are aware of their roles and respective responsibilities.</p>	<p>Council have processes in place that maintain the integrity of the system. No Council in NI is ISO27001 accredited as it is felt to disproportionately administrative for an organisation of our resources.</p> <p>Disaster Recovery testing was initiated in July 2018.</p> <p>The Financial regulations currently sit with SMT for approval/amendment</p> <p>Currently in progress</p> <p>Disaster Recovery testing was initiated in July 2018.</p>

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>ensure inherent weaknesses in the policy can be appropriately addressed.</p> <p>The financial regulations and the financial guidelines and procedural manual which procedures manual that underpins the financial regulations have still not been completed;</p> <p>It is our understanding that there is currently no formal guidance on Single Tender Actions and that a list of STA's in 2017-18 could not be provided to audit;</p>		<p>The Council should issue guidance on the use of single tender actions and keep an up to date list of any single tender actions awarded.</p>	<p>Single tender actions guidance included within the updated procurement policy</p>

## 9. Expenditure

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>Our expenditure testing identified a number of general issues which occurred multiple times, these included;</p> <ul style="list-style-type: none"> <li>- No purchase order or purchase order dated after invoice raised;</li> <li>- No copy of goods received note were one would have been appropriate;</li> <li>- No information on tender process or no evidence of alternate quotes being sourced prior to spending – particularly in case of rates for agency costs and waste disposal costs which represent a large portion of council expenditure and much of the sample; and</li> <li>- Invoices are stamped with a box which refers to a number of invoice checks which should be carried out. It was noted that in many instances these boxes were either not being signed off or only partially completed as evidence of the checks being carried out.</li> </ul> <p><b>Example</b></p> <p>A review of invoices by Council staff within the Environmental Services Directorate being paid to a supplier for a recycling service identified payments for haulage costs that were not in the agreed terms of the contract. The Council had overpaid on 544 loads @ £195 per load from April 2016 to June 2018. Council have since agreed with the Director of the company that they are due back these monies and a credit note is awaited. The overpayment as at the year-end amounted to £93,210 and this has been appropriately adjusted within the financial statements.</p>	2	<p>The Council should review its expenditure controls to ensure that they operate as designed including the attachment of appropriate audit evidence to the invoices.</p> <p>It is important that line management are made aware of their responsibility to ensure that appropriate checks are made against agreed contract prices/ rates before invoices are authorised for payment.</p>	<p>Current authorisation and procurement limits in operation, updated procurement policy will formalise and centralise these. Training will be provided once new policy is approved to reinforce these procedures</p>

## 10. Property Plant & Equipment

Recommendation	Priority Level	Management Response	Position as at March 2019
<p><b>Heritage Assets</b> In the previous year we had raised a point about the number of Heritage Assets that were not reflected in the accounts and the value of these assets amounted to £221k. Council changed its accounting policy this year by raising the deminimus level for capitalising such assets to £10k. Many of the assets on the Museum Register were valued less than £10k. The Council have treated these as a disposal. Additional disclosure notes have been sought.</p> <p><b>Investment Properties</b> The Council held a number of what were classed as Non-operational assets amounting to £1m. The Council has reclassified these assets as Investment Properties. To satisfy the criteria of an Investment Property it must be solely used to earn rentals and or for capital appreciation. Whilst the Council do receive rentals on these properties they would not be getting market value. We are therefore not convinced that these properties meet the strict definition of an investment property. A number of properties which were listed on the schedule had no value against them. They are included under the land and building categories. It is our understanding that the Council intends to reclassify these assets once a valuation has been obtained. Investment Properties may therefore be understated within the financial statements.</p> <p><b>Surplus Assets</b> The Land and Property Committee and Senior management team have discussed the disposal of a number of assets and options have been considered. It is our understanding that these proposals have not as yet been approved by the full Council.</p>	2	<p>Council should consider whether or not the deminimus level of £10k is appropriate for this category of asset given their Cultural significance and the fact that they will not be sold. If they are to be held off balance sheet then a note disclosing the amount held on a Museum Register should be disclosed within the financial statements each year.</p> <p>Council should review the list of Investment Properties and satisfy themselves that they fully meet the definition as set out in relevant accounting guidance. Valuations should be obtained for those assets considered to be Investment Properties.</p> <p>Council should review these assets and reclassify as Surplus Assets.</p>	<p>Heritage assets inventory being collated and valued for 2018/19 accounts</p> <p>Asset Management Strategy will deal with these and associated issues</p>

## 11. Declaration of Interests

Recommendation	Priority Level	Management Response	Position as at March 2019
<p>At the time of audit, despite a number of reminders sent by Council, five Councillor declarations of interest remain outstanding. Declarations of interest from the previous year also remain outstanding. Conflicts of interest could go undetected and present a possible reputational risk for the Council.</p>	<p>2</p>	<p>The Council should ensure that declaration of interests are received from each Council member in time for the accounts closure.</p>	<p>Currently 3 outstanding returns, being progressed.</p>