



## Internal Audit Report 2018/19

# **General Ledger Reconciliations and Management Information**

July 2019

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## Distribution List

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| For action      | Nuala Donnelly – Corporate Finance Manager   |
| For information | Andrew Small – Interim Head of Paid Service & Section 151 Officer<br>Audit Committee |

This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

# 1. Executive summary

| Report classification*     | Total number of findings |      |          |          |          |          |
|----------------------------|--------------------------|------|----------|----------|----------|----------|
|                            | Critical                 | High | Medium   | Low      | Advisory |          |
|                            |                          |      |          |          |          |          |
|                            | Control design           | -    | 1        | 1        | 2        | -        |
| Medium Risk (15 points)    | Operating effectiveness  | -    | -        | -        | -        | 1        |
| 2017/18 – High (22 points) | <b>Total</b>             | -    | <b>1</b> | <b>1</b> | <b>2</b> | <b>1</b> |

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Medium risk and we identified one high, one medium and two low risk findings. The purpose of the review was to assess the control design and operating effectiveness with regards to AVDC's management of its general ledger particularly in terms of how it interfaces with other systems and the processes for reconciliation.

Over the last few years AVDC's Connected Knowledge digital strategy has delivered a number of new cloud based systems in core service areas, including Regulatory Services and Waste; plans are in place to migrate Planning and Asset Management in the near future. The scale and pace of system implementation has meant that plans have not always included sufficient detail on financial management and control implications. The lack of automated integration with the General Ledger at the point of go-live has resulted in the need for manual workarounds.

The high risk finding reflects this, and also notes that in some areas there is either inadequate, or no evidence of, reconciliation being performed. There is therefore some risk to the accuracy and completeness of data held on the finance system. This also creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process.

The audit also notes that the existing plans for the introduction of the new systems for Asset Management (TechForge) and Planning (Built Environment) require more comprehensive detail on the processes for financial integration.

Our findings are summarised as follows:

- There is a lack of automated integration between some Council systems and the general ledger and some key reconciliations (including Licencing, Environmental Health (RegServe) and Commercial Property) are not taking place to confirm the accuracy and completeness of data held. The lack of integration creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process. (Finding 1 – High)
- Reconciliations in the Waste service, including Garden Waste and Trade Waste, are not being

undertaken (Finding 2 – Medium)

- Other areas for improvement in reconciliation processes were identified including Bulky Waste, Domestic Waste, Land Charges, Planning and Markets (Finding 3 – Low)
- Procedures relating to the completion of reconciliations between AVDC's various financial systems are not sufficiently detailed. There is also no documented reconciliation approval form in place for all reconciliations that do take place (Finding 4 – Low)
- The Quarterly Digest document is not always reported for formal scrutiny on a timely basis, which does not support effective scrutiny and decision making (Finding 5 – Advisory)

### **Good Practice Noted**

A number of areas of good practice were noted during our review as set out below, these have been reflected in the overall "medium" risk classification of this report:

- The completion of reconciliations is being tracked via the Monthly Checks and Balances spreadsheet
- Reconciliations for the bank accounts, council tax and business rates were completed and documented appropriately on a consistent basis.
- The reconciliation for payroll was well documented in hard copy folders confirming preparers and approvers and supported by evidence before being passed to Finance.
- Building control has adopted the proforma reconciliation template documented within the Reconciliation Summary Spreadsheet for use when completing its reconciliations.
- The reconciliation for street naming and numbering was well documented. The local team compare the information held on salesforce to what is held on Tech1, document this and identify unreconciled items; they also document who prepared the reconciliation and authorised it. This process gives Finance confidence on the accuracy and completeness of data.
- Reconciliations are consistently completed and documented by the parking team to confirm income recorded within Sidem is consistent with that received and recorded within Tech1.
- Good progress has been made towards implementing the recommendations raised in the 2018/19 Housing Benefits audit report relating to reconciliations between Northgate and Tech1. These are being undertaken regularly and action has been taken to reduce the number of exceptions by writing off long outstanding irreconcilable debts, after seeking approval from the Finance Review Board.
- The Built Environment Finance Processes document contains a gap analysis highlighting the gaps required to be resolved by the introduction of the system.
- The content of management information produced is sufficient and of a high standard. A comparison of this information with other Local Authorities found that more diverse and comprehensive data was reported on by AVDC.

## 2. Background and Scope

### *Background*

Internal Audits undertaken in 2016/17 and 2017/18 highlighted issues around a lack of automated interfacing between Tech1 and the feeder systems. As reconciliations were not being consistently undertaken for all of the sub-systems, any errors in the data transfer may have gone unnoticed and uncorrected. Inadequacies were also noted in reporting. The current quarterly digest provides only basic financial information by portfolio; work was needed to develop Tech1 reporting skills and functionality and eventually move to monthly reporting. This audit reviewed the progress and effectiveness of work in these two areas.

#### **General Ledger Interfaces**

A monthly “checks and balances” document has been created to detail the reconciliations that should be completed, with the Corporate Finance Manager confirming whether these have been done. This audit will focus on assessing the robustness of interfaces between Tech1 and the feeder systems, and the effectiveness of the reconciliation procedures for the following systems:

- Northgate (iWorld) - Council Tax, Business Rates, Housing Benefits
- iTrent - payroll
- Bartec – garden waste, trade waste
- Sidem – parking
- Salesforce (RegServe) – licensing, environmental health
- Salesforce (Built Environment) – building control
- Uniform – planning, land charges (NB – these are due to move to Built Environment imminently, the audit will review current status)
- Property sub ledger

#### **Management information**

The current quarterly closedown of the General Ledger relies on the use of spreadsheets to adjust the balances shown in the system and pull together the accounts. As there is no cut-off in the General Ledger, retrospective entries could be made resulting in there being no audit trail between the management information being reported, based upon the data held in the spreadsheet, and the Tech1 system balances.

There is a desire to move towards monthly closedown at the start of the 2019/20 financial year. Work has started to develop Tech1 Analytics and improve reporting. To achieve accurate and effective month-end reporting, it is vital that the data within Tech1 can be relied upon and easily extracted for reporting purposes.

This audit reviewed the effectiveness of the current quarterly close process.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Review of the general ledger policies and procedures and reconciliation procedure notes
- Reviewing project plans for the implementation of TechForge and Built Environment

- Verifying the timeliness and appropriateness of management information and financial reporting
- Verifying the general ledger monthly closedown process
- Identifying the financial system interfaces
- Determining whether system reconciliations were being completed on a consistent basis, how these reconciliations were being carried out and who was responsible for their completion.

This does not represent a comprehensive list of tests conducted.

# 3. Detailed findings and action plan

## 1. Lack of integration and reconciliation between Council systems – Control design

### Finding

The Council's services use a number of different systems/platforms which hold financial information that needs to be transferred to the general ledger system, Tech1. It is important that the Finance Team are assured on the completeness, accuracy and appropriateness of the financial information on Tech1 – this assurance can be achieved through regular and documented reconciliations between Tech1 and the systems which record the source information.

As reported in the 2017/18 internal audit, the Finance Team are aware of the challenges surrounding the automation and integration between Tech1 and supporting systems. Where systems are not accurately interfacing, manual work-arounds are in place, but this is less efficient and more open to error.

Work to automate interfaces between TechOne and other systems is taking place under the Connected Knowledge "Finance Process Improvement Project", which is seeking to establish working practices and system requirements to enable effective reconciliation of all financial information. This has not progressed as quickly as would have been anticipated due to factors including the priority of new system implementation projects, system admin/developer resource, finance capacity and more recently the demands of 'Unitary' on the teams involved.

This audit was designed to assess the progress on establishing reconciliation procedures (automated and/or manual) and, where they are in place, to test the strength of the assurance provided. Discussions were held and evidence sought to understand the flow of financial information from other systems to Tech1. Enquiries were then made over whether reconciliations or similar controls are in place.

The audit findings confirm there is still a lack of integration and inadequate reconciliation between some of the systems which means there is no confirmation of the completeness and accuracy of data held. We note reconciliations were not completed for the following areas:

- Licencing and Environmental Health (RegServe)
- Commercial Property
- Trade and Garden Waste (Bartec) (see finding 2)
- Planning (Uniform) (see finding 3)

The lack of integration creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process.

Full details about the procedures that are in place for the services reviewed and recommended improvements can be found in Appendix I. The areas of higher income value and therefore greater risk are outlined below.

### Licencing and Environmental Health

The Regulatory Service areas were the first to move to the Salesforce platform. Despite being a requirement for all projects to have finance involvement and sign off, the scale and pace of the Connected Knowledge Programme has meant that where Salesforce has been implemented, reconciliation arrangements have not been sufficiently predetermined and put in place prior to go-live. Instead requests are later being raised with the Systems Admin Team to modify the system to support future reconciliations.

This inevitably means that in the intervening time, which can be months, no standardised reconciliations take place and reliance is placed on various manual interventions to ensure the accurate and complete transfer of data from Salesforce and Tech1.

Commercial Property

This is currently managed on excel spreadsheets which highlight when a customer should be billed and record when an invoice has been issued. There is currently no reconciliation taking place to confirm the accurate and complete transfer of data between local records and Tech1.

A project is underway to move asset management to a cloud based system, TechForge. A detailed plan is not yet in place for the integration of the TechForge system with Tech1, only a flow diagram showing what data will transfer between the systems. The TechForge flowchart document is not yet in its final versions and has not been signed off by finance.

New Salesforce Implementation Projects

A project is in-flight to migrate Development Management, Planning Enforcement, Planning Appeals, Street Naming and Numbering and Local Land Charges from Uniform to the Built Environment application on Salesforce. The Built Environment Finance Processes document outlines how the Built Environment system will integrate with existing finance systems and the need for regular system reconciliations; however the report does not provide details on how these reconciliations will be completed. The Built Environment Finance Process is not yet final and signed off by finance.

*Risks / Implications*

The accuracy and completeness of financial data is undermined where reconciliations are not undertaken regularly. Fraudulent activity may go undetected.

Manual processes increase the risk of inaccurate and incomplete billing.

*Finding rating Action Plan*

**High**



- a) Licencing and Environmental Health – Interfaces between locally used systems, RegServe and Tech1 should be improved to enable automatic billing of customers when payments fall due. This is part of the Finance Business Processes project. Reconciliations between these should be carried out to confirm the accurate and complete transfer of data and billing of customers each month.
- b) Commercial Property - A reconciliation should be implemented between local records or TechForge (when implemented), and invoice and payment data from Tech1, to confirm all invoices have been raised.
- c) Produce a comprehensive planning document detailing how TechForge will integrate with Tech1 with adequate explanations of the steps involved in completing the integration and what processes will be undertaken to confirm

*Responsible person / title*

Overall lead for oversight of completion of actions:  
Nuala Donnelly – Corporate Finance Manager

*Target date*

- a) TBC – PMO involvement required
- b) 30 September 2019
- c) TBC – PMO involvement required
- d) TBC – PMO involvement required
- e) TBC – PMO involvement required



accurate and complete system interfaces are in place. Ensure this is signed off by Finance

- d) Develop the existing Built Environment Finance Processes document (Building Control) to include more detail on the reconciliation requirements. Ensure this is signed off by Finance.
- e) The Built Environment (BE5) implementation for Planning and other services should not be introduced prior to documenting and approving sufficient plans to indicate how systems will interface with one another post implementation. Ensure this is signed off by Finance.

## 2. Waste reconciliations (Trade and Garden) – Control design

### Finding

Bartec is the system used to manage waste collection rounds. It also holds information which is required to ensure paid-for waste collection services are accurately billed. There has been a lack of integration between Bartec and Tech1 (see finding 1). This has resulted in the implementation of manual processes in an attempt to overcome the lack of communication between the systems, including reports being sent between the services and the Finance Team to confirm the amounts which should be invoiced. However, there is no reconciliation after information has gone onto Tech1 to ensure what was instructed to be loaded was actually loaded onto Tech1 accurately and completely.

#### Trade Waste (2019/20 forecast income - £1,070,267)

Trade Waste customers are invoiced monthly. Reports are generated from Bartec detailing the cost to be charged, which is then communicated to the Finance Team and loaded onto Tech1 and the invoices issued.

If a customer does not pay their invoice, they will be placed on the Stop List and no further collections should be made. No reconciliations are completed between customer rates, Bartec and Tech1 to confirm the accuracy of amounts being billed and the completeness of billing, ensuring collections only take place for invoiced amounts.

*See Appendix I for full details of this process.*

#### Garden Waste (2018/19 income - £1,253,035)

AVDC provides 240 litre brown bins at an upfront cost of £45 p/bin p/year for the domestic collection of garden waste. The customer completes a direct debit form providing their information via My Account and this is loaded onto Salesforce automatically. Finance will then be instructed to create a customer account and upload an invoice to Tech1 and issue it to the customer.

There are a number of known challenges with the administration of the garden waste service dating back to the time when Bartec and MyAccount were implemented. A project is nearing completion which will ensure customers are able to sign up for the service online, facilitate the annual renewal of the subscription and ensure that waste is only collected from properties for which a payment has been received. It is anticipated that the standardised annual renewal subscription will commence from January 2020, with customers being invoiced from November 2019. Leading up to this date, AVDC should set out what the reconciliation arrangements should be so that they can be undertaken immediately to give confidence in the accuracy of data.

### Risks / Implications

Manual processes increase the risk of inaccurate and incomplete billing.

### Finding rating

### Action Plan

**Medium**



- a) Trade Waste – a reconciliation should be completed on a monthly basis between the customer rates/charges list, the Invoice Report from Bartec and Tech1 invoiced amounts. The first stage of this reconciliation should occur before the Invoice Report is sent to Finance and the latter stage within two weeks of the

### Responsible person / title

Overall lead for oversight of completion of actions:  
Nuala Donnelly – Corporate Finance Manager

month end. The reconciliation should be documented and be supported by a cover sheet confirming the check was performed and reviewed.

*Target date*

- a) 30 September 2019
- b) 30 September 2019

- b) Garden Waste – Documented reconciliation procedure notes should be set out prior to November 2019. This should provide assurance that payments have been received before bins are collected. This should happen every month commencing December 2019 for November 2019 data within two weeks after the subsequent month has completed and be supported by a cover sheet.

### **3. Other areas for improvement in reconciliation processes – Control design**

#### *Finding*

Other areas were identified in which reconciliations are not taking place, however they are either where AVDC has recognised the issues and taking action (Land Charges), where the customer pays upfront (Domestic Waste and Bulky Waste) and therefore the risk is lower, or where a reconciliation in some form is being completed, with the potential to improve this further.

#### Domestic Waste (2018/19 income - £235,684)

If a resident moves into a new property, and the developer has not purchased the domestic refuse bins, then a customer has to log into My Account and purchase a full set of bins for a one off payment of £120. Payment is made via a card on My Account which goes into Adelante. This directly interfaces with Tech1 to transfer financial information. This information also goes into Salesforce to show that a bin needs to be delivered to the property which has paid. Salesforce captures the case number and payment reference number. When a bin has been delivered then Bartec is updated to add the bin to a collection schedule. There is currently no reconciliation between Salesforce and My Account.

#### Bulky Waste (2018/19 income - £60,420)

AVDC can remove bulky waste from resident properties such as white goods (washing machines, dryers etc.), beds/sofas, electrical or garden equipment. This request is made via My Account and up to three items are charged at £75 with each additional item charged at £5 up to a maximum of 5. Ad-hoc requests outside of this can be accommodated and are agreed between AVDC and the customer.

The customer pays for this service upfront via card payment on My Account; this is then transferred to Adelante and then onto Tech1 automatically. The customer request also interfaces with Salesforce to instruct what has been requested. No reconciliation is undertaken to confirm the completeness of the data transfer.

For both of these areas, payments are made upfront and interfaces are automatic, making these lower risk areas. This being said, a reconciliation between My Account and Salesforce would be beneficial to confirm accurate payments are being received for the delivery of bins and collection of bulky waste. This could be achieved by downloading payments received from My Account with bin delivery confirmations and bulky waste collection confirmations from Salesforce each month.

#### Workshop (2018/19 income - £133,655)

The Depot Workshop provides MoT services principally to licenced taxis but also to the public. Referrals for taxis will come from the Taxi Licencing Team who enter the details on a booking system of vehicles which require MoT checks as part of the licence application/renewal process. MoTs are charged at £40.

Once an MoT has been carried out the workshop staff have to login into the VOSA website to register an MOT has been undertaken; this can only be done by qualified personnel. They then must complete a form which is passed onto the Depot clerical staff who will pass the information to the Finance Team so they can raise an invoice on Tech1. All payments for MoT/workshop activity can only be paid by invoice and no other means i.e. cash or card.

The risks to completeness and fraud could occur if and MOT, service or repair is undertaken but not reported to the Depot clerical staff i.e. completed at no charge or via cash in hand.

### Markets (2018/19 income - £87,000)

Market stall holders are charged to have their stands and pay via Chip and Pin. These payments go via a provider and automatically interact with Tech1. The Finance Team identify a batch payment that comes through from the Chip and Pin provider to the AVDC bank account and match this to what is held in Tech1. This reconciles what has come through the Chip and Pin to Tech1 but it is looking at the overall balance only. What is not provided is a reconciliation document from the Town Centre Team which lists each receipt which matches the total balance which then reconciles to both the Chip and Pin amount and to Tech1.

The Markets Team should provide a line by line transaction listing of all receipts taken which reconciles to the Chip and Pin Data. This should be supported by a cover sheet confirming the preparer and approver and be emailed to the Finance Team within two weeks of every month for subsequent month activity.

### Land Charges (2018/19 income - £270,750)

Land Charges data is held on a system called TLC. Payments are received via credit cards and cheques. When payments are received then a reference number is placed onto the individual's account on TLC.

If payment is made by credit card then an individual will pay either via an online link or provide details over the phone with the call handler completing the information on the online link for them. This information is managed by Adelante which interfaces with Tech1 to transfer income information to Tech1. The payment details will have a reference associated with them which makes it identifiable as a Land Charge income amount.

10 working days after a month the Finance Team will run off Tech1 the income code for Land Charges and email it to the Land Charges Team. The Land Charges Team will then reconcile this to their local information and send this back to Finance once it has been agreed.

Whilst the above process is expected to take place, no reconciliation has been carried out since October 2018. This has been due to a mixture of personnel changes and capacity challenges. As at June 2019, a reconciliation was being undertaken of all data from October 2018 to date, with the intention thereafter for it to return to monthly reconciliations. This area is also intending to move to Salesforce in July 2019 (this has been delayed from 2018); it is expected that once this change happens the reconciliation process should become easier as reports can be extracted more easily.

### Planning (2018/19 income - £2,140,821)

The majority of customers use the Planning Portal to lodge and pay for their planning application. For major applications / large scale developments, payment is carried out by sending BACS details to applicants and requesting payment, with no invoicing taking place. This led to issues with tracking who had paid and who still owed money, as there was no clear audit trail. This type of payment totalled £76,020 (3.6%) for 2018/19.

Details within Uniform are manually updated to reflect invoicing and payment details as there is no automatic interface with Tech1. There is no reconciliation taking place to confirm the accuracy and completeness of data held on either system. The Built Environment project (see finding 1) will migrate Planning from Uniform to Salesforce from July 2019, until the new system is fully implemented, reconciliations between Uniform and Tech1 should take place.

## Risks / Implications

The accuracy and completeness of financial data is undermined where reconciliations are not undertaken regularly. Fraudulent activity may go undetected.

Manual processes increase the risk of inaccurate and incomplete billing.

## Finding rating Action Plan

**Low**



- a) Bulky Waste and Domestic Waste – A risk assessment of the bulky waste and domestic waste services should be undertaken to determine whether it would be cost beneficial to undertake a regular reconciliation. This assessment should be documented, clearly recording the factors considered and the outcome. If a reconciliation between My Account and Salesforce is required, the appropriate frequency should be documented, and a reconciliation undertaken in line with this and supported by a cover sheet
- b) Depot/Workshop - A reconciliation should be performed between confirmed bookings, forms raised with Depot clerical staff, a download of all MoTs registered on the VOSA website and the income code on Tech1 to ensure all activity was invoiced for. This should happen every month within two weeks of the month end and be supported by a cover sheet
- c) AVDC should also assess whether workshop payments can be made by alternative means i.e. card. This would ensure payments are received in advance and limit inefficiencies in raising invoices and chasing debt.
- d) The Markets Team should provide a line by line transaction listing of all receipts taken which reconciles to the Chip and Pin Data. This should be supported by a cover sheet confirming the preparer and approver and be emailed to the Finance Team within two weeks of every month for subsequent month activity. If it is deemed that this is not proportionate to the level of risk of a reconciliation not being completed, the rationale and any mitigating factors should be documented.
- e) Land Charges should complete their October 2018 to May 2019 reconciliation and document who prepared and authorised the

### Responsible person / title

Overall lead for oversight of completion of actions:  
Nuala Donnelly – Corporate Finance Manager

### Target date

31 October 2019

reconciliation prior to Finance review.  
Reconciliations should then continue on a monthly basis.

- f) Planning – Issue invoices to all customers as opposed to sending BACS payment details to ensure a full audit trail is in place to track payments received and outstanding. Complete reconciliations between Uniform and Tech1 to confirm the accurate and complete transfer of data between systems.

#### 4. Insufficient procedures to instruct staff on the completion of reconciliations and improvements can be made with reconciliation cover sheets – Control design

##### Finding

###### Reconciliation Summary Spreadsheet

The Frequency of and responsibilities for the completion of reconciliations is documented within the 'Reconciliation Summary Spreadsheet', with all reconciliations collated into the 'Monthly Checks and Balances' document.

The 'Reconciliation Summary Spreadsheet' records details such as the reconciliation owner, manager and the finance contact, however it contains limited detail on how the reconciliation process is to be carried out and which reconciliations still require manual processing. The reconciliation summary document also only covers some of AVDC's systems, with systems including Northgate (Council Tax and Business Rates), and iTrent (Payroll) not included within the spreadsheet.

###### Reconciliation cover sheet

The cover sheet should show the preparer and approver and the date these took place and also who in Finance conducted the check and when. This additional control supports the reconciliation process however was not in place in all but one of the reconciliations reviewed (Street Naming and Numbering).

##### Risks / Implications

Inconsistent completion of reconciliations, with errors in data transfers between AVDC's finance systems not being identified in a timely manner. The accuracy and completeness of Tech1 data may be undermined.

##### Finding rating

##### Action Plan

**Low**



- a) Develop the Reconciliation Summary into a more comprehensive document, ensuring it includes the reconciliations required for all systems and accurate information on who is responsible for the completion of these. This should clearly outline those reconciliations which are manual, rather than automated, and provide sufficiently detailed process notes on how these should be completed.
- b) All individual reconciliations should document who prepared and authorised the reconciliation and when. This could be done on a separate form or on the Finance Team's Monthly Checks and Balances Document

##### Responsible person / title

Nuala Donnelly – Corporate Finance Manager

##### Target date:

31 October 2019



## **5. Timely production and review of the quarterly digest – Advisory**

### *Finding*

The Finance Team create a Quarterly Digest document which is produced for each quarter and approved for released by the Corporate Finance Manager and Section 151 Officer. The “Digest” is published and is the principal report allowing Members and the public to scrutinise the Council’s budget position. .

The 2018-19 Q4 Quarterly Digest will be reviewed by Finance and Services Scrutiny on 2 July 2019, 3 months after year end. For Q1 2019-20, the digest is currently being populated and is likely to be issued at the end of July, which is reasonable. Due to summer recess, however it will mean that Members will not receive this for review until September, by which point it will also be 3 months out of date, making it far less meaningful.

This issue of time lag is known and is dependent on the calendar of meetings which are timed to facilitate a number of Member priorities. .

It should be noted, that the Quarterly Digest is only one of the mechanics by which financial information is reported and reviewed. At an Officer level, Finance Business Partners hold monthly meetings with Budget Holders and the Tech 1 dashboard has been significantly improved to provide real-time financial information. Strategic Board also receive monthly dashboards setting out budget information and areas of higher risk e.g. consultancy spend and Cabinet receive “Finance, Performance and Risk” reports (performance for the year to March 2019 was reported on 19 June).

We therefore raise this as an advisory finding, to highlight this as an area for improvement, but recognising that there are other mechanisms for monitoring financial performance, and there is little action that can be taken to address the timing of meetings between now and March 2020.

## Appendix 1. Detailed reconciliation findings

| Activity   | What currently happens   | What should happen  |
|--|--|---|
| Trade Waste<br>(2019/20 forecast<br>income £1,070,267) | <p>A new customer enquires with AVDC regarding the services offered. The Commercial Team set up a new customer after they have received the customer's account opening form and direct debit form. This information once processed is passed onto the Finance Team who create the customer account on Tech1 which creates account codes. Once this is done the customer is added to the collection round on Bartec. The rates and charges based on specific preferences are pre-set and agreed when the customer signs up for the service.</p> <p>All customers are invoiced each month depending on the preferences they have requested. On the 1<sup>st</sup> of every month the Commercial Waste Team run a report from Bartec called the Invoice Report. This sets out the customer details, actual collections made (which may differ from those requested) and the cost to be charged. The actual collection information is informed via handheld devices recording collections. This Invoice Report goes onto Hornbill and then is sent to the Finance Team. This is then loaded onto Tech1 and each customer is invoiced.</p> <p>Invoices are raised on 1<sup>st</sup> of the month and call for money is on the 16<sup>th</sup> of the month. If the invoice is unpaid by 21<sup>st</sup> of the month a reminder is issued. The Commercial Team produce the Stop List on the 28<sup>th</sup> of the month if still unpaid. The spreadsheet (Stop List) is shared amongst Commercial Waste staff who then on hard copy collection sheets given each day to crews highlight which bins should not be collected as the customer has not paid. Customers who have paid have their payment information help against their account code on T1.</p> | <p><u>Reconciliation 1 - Accuracy</u><br/>A reconciliation between the Invoice Report from Bartec and the customer rates/charges should be performed each month before it is sent to finance and documented. This would ensure that what is transferred to Tech1 is going to be invoiced at the correct rate. In the 2018-19 Internal Audit of Commercial Waste it was found that some charges raised on Tech1 were incorrect as discounts were not applied and some rates applied were not correct.</p> <p><u>Reconciliation 2 - Completeness</u><br/>A reconciliation of Tech1 invoiced amounts for a given month to actual collections undertaken on Bartec. This would validate that the Stop List process is working and that only collections take place for invoiced amounts.</p> <p>This should be undertaken on a cover sheet confirming the check was performed and reviewed. This should be done within two weeks of the subsequent month the data related to.</p> |
| Depot/ Workshop<br>(2018/19 income<br>£133,655)        | <p>There is a Depot at Pembroke Road which provides MoT/workshop services principally to licenced taxis but also to the public. Referrals for taxis will come from the Taxi Licencing Team who book in vehicles via a booking system which require MoT checks as part of their licence application/renewal process. MoTs are charged at £40.</p> <p>Once an MoT has been carried out the workshop staff have to login into the VOSA website to register an MOT has been undertaken; this can only be done by qualified personnel. They then must complete a form which is passed onto the Depot clerical staff who will pass the information to the Finance Team so they can raise an invoice on Tech1. All payments for MoT/workshop activity can only be paid by invoice and no other means i.e. cash or card.</p>   | <p>The risks to completeness and fraud could occur if:</p> <ul style="list-style-type: none"> <li>• A service/repair is undertaken however not reported to the Depot clerical staff i.e. completed at no charge or via cash</li> <li>• An MoT is conducted however not invoiced for as it was not reported to Depot clerical staff.</li> </ul> <p><u>Reconciliation – completeness and fraud</u><br/>To mitigate these risks a reconciliation could be performed by downloading all MoTs registered on the VOSA website and reconciling this to the forms raised with the Depot clerical staff. A further reconciliation could be performed to reconcile the total of all forms completed to the income code on Tech1 to ensure all activity was invoiced for.</p>  |

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|   |   | <p><u>Reconciliation - fraud</u><br/>Each Depot/workshop activity is shown on a booking system. A reconciliation could be performed between confirmed bookings and forms issued to Depot clerical staff as complete. This would provide greater assurance that all bookings resulted in invoices being raised.</p> <p>AVDC should also assess whether payments can be made by alternative means i.e. card. This would ensure payments are received in advance and limit inefficiencies in raising invoices and chasing debt.</p> |
| <p>Licensing (2018/19 income £972,295 - £136,88 Premises Licensing and £835,407 Taxi Licensing)</p> | <p>Information of what licenses have been issued and require payment is held on Salesforce. Reports are run from salesforce on a monthly basis showing which licenses require invoicing in that period. These reports are then issued to the transactional finance team to raise the invoices. Once completed the report is returned to the finance officer with the invoice reference numbers assigned to each licence on the report. The reference numbers are then manually entered into each licence on Salesforce to indicate the invoice has been issued. The transactional finance team then issue reports to the finance officer as invoices are paid so the licenses can be recorded as paid. However, the licence reports indicating which licenses require payment each month does not always pull through complete data, with some licenses being missed which require manual checks to ensure these are invoiced. Additionally, credit note information cannot be added to Salesforce due to the functionality of the system not being set up to allow this. This change has been requested with the Systems Admin Team. There is a significant amount of manual intervention required due to a lack of integration between Salesforce and Tech1 which introduces the potential for human error and is a time consuming process.</p> <p><u>Reconciliation</u><br/>Due to the credit note information not being on the Salesforce system, a reconciliation has not taken place.</p> | <p>Interfaces between Salesforce and Tech1 should be made sophisticated enough such that invoices can be raised automatically when licence payments fall due.</p> <p>Functionality should be available within Salesforce to add credit note information, which will enable appropriate reconciliations to be carried out.</p>  |
| <p>Environmental Health (2018/19 income - £101,095)</p>   | <p>A number of the Environmental Health income streams are paid up front on application, however there are some elements where invoices are issued to customers for services provided. This includes health certificates and private water supplies, works in default and environment permits. The service maintains a number of manual spreadsheets which are used to track billing requirements, with these being reviewed periodically to determine which invoices need to be raised. Requests to raise invoices are sent to finance based on the information in these spreadsheets. This process involves a lot of manual intervention, increasing the likelihood of errors arising.</p>  | <p>Interfaces between Salesforce and Tech1 should be enhanced such that invoices can be raised automatically when licence payments fall due.</p> <p>Functionality should be available within Salesforce to add credit note information, which will enable appropriate reconciliations to be carried out.</p> <p>A reconciliation should be carried out between locally held spreadsheets, Salesforce and Tech1 on a regular basis to ensure all income is invoiced, and the systems contain accurate</p>                         |

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|  | <p><u>Reconciliation</u><br/>Discussions with service management determined that there is no process in place to complete reconciliations locally.</p>  | and complete information.   |
| <p>Building Control<br/>(2018/19 income<br/>£524,540)</p>      | <p>Many of the building control payments are made in advance when applications are lodged, with income being automatically recorded on Tech1. However for full planning applications where site visits are required, payment for the inspection element only becomes payable when building work commences, with an invoice being raised for this payment.</p> <p>These processes operate in a similar fashion to those for Licencing, with reports being downloaded from Salesforce, showing which applications have commenced work, and forwarded to transactional finance to issue the invoice. The report with invoice reference numbers is then returned to the building control team who record the relevant plot as invoiced on Salesforce. Finance will then provide reports showing which invoices have been paid, and Salesforce is again manually updated by the Building Control team.</p> <p>There are similar issues to that of licensing where the Salesforce reports are not always complete, and occasionally ad hoc invoices need to be raised. There is a significant amount of manual intervention required due to a lack of integration between Salesforce and Tech1 which introduces the potential for human error and is a time consuming process. There are Salesforce report issues which have been raised with the Systems Admin Team.</p> <p><u>Reconciliation</u><br/>A member of the finance team is currently assisting with the completion of reconciliations for building control, using the template included within the Reconciliation Summary Spreadsheet to reconcile information within Tech1 to the Salesforce data, investigating discrepancies as they arise. No exceptions were identified relating to this, however the Salesforce reporting issues identified above undermine the integrity of this reconciliation.</p> | <p>Interfaces between Salesforce and Tech1 should be enhanced such that invoices can be raised automatically when application payments fall due.</p>  |
| <p>Commercial Property<br/>(2018/19 income<br/>£3,850,000)</p> | <p>Customer records are maintained on an excel spreadsheet, highlighting when customers should be billed. This spreadsheet is reviewed on a weekly basis, with reports issued to finance to raise invoices accordingly. Finance then raise the invoice and details are recorded on the local spreadsheet as a record that the invoice has been issued. There are plans in place to implement the TechForge system which will facilitate an interface with Tech1, enabling invoices to be raised automatically without manual intervention. However, these plans have been delayed due to difficulties with implementation.</p> <p><u>Reconciliation</u><br/>There is currently no reconciliation taking place</p>   | <p>Automatic interfaces should be put in place to facilitate the accurate and complete billing of customers and transfer of data between local systems and Tech1.</p> <p>A reconciliation should then be implemented, using either local records or TechForge, and invoice and payment data from Tech1, to confirm all invoices have been raised.</p> |

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|  | locally to confirm the accurate and complete transfer of data between local records and Tech1.  |   |
| Planning (2018/19 income - £2,140,821) | <p>The majority of customers use the Planning Portal to lodge and pay for their planning application. For major applications / large scale developments, payments is carried out by sending BACS payment details to applicants and requesting payment, with no invoicing taking place. This led to issues with tracking who had paid and who still owed money, as there was no clear audit trail in place to allow individual payments and debts to be tracked.</p> <p><u>Reconciliations</u><br/>Details within Uniform are manually updated to reflect invoicing and payment details as there is no automatic interface with Tech1. There is no reconciliation taking place to confirm the accuracy and completeness of data held on either system.</p> | <p>Invoices should be issued to applicants (who do not use the Planning Portal) for all services provided to ensure payments can be tracked accurately and action is taken to recover outstanding debts.</p> <p>A reconciliation should be carried out between invoicing and payment data from Uniform and Tech1 to confirm the accurate and complete transfer of data between the systems.</p> |

## Appendix 2. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                | Overall report classification | Points             |
|-----------------|-----------------------|-------------------------------|--------------------|
| Critical        | 40 points per finding | ● Critical risk               | 40 points and over |
| High            | 10 points per finding | ● High risk                   | 16– 39 points      |
| Medium          | 3 points per finding  | ● Medium risk                 | 7– 15 points       |
| Low             | 1 point per finding   | ● Low risk                    | 6 points or less   |

### Individual finding ratings

| Finding rating | Assessment rationale  |
|----------------|---|
| Critical       | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>● <b>Critical</b> impact on operational performance; or</li> <li>● <b>Critical</b> monetary or financial statement impact <b>[quantify if possible = materiality]</b>; or</li> <li>● <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>● <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| High           | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>● <b>Significant</b> impact on operational performance; or</li> <li>● <b>Significant</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>● <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>● <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| Medium         | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>● <b>Moderate</b> impact on operational performance; or</li> <li>● <b>Moderate</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>● <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>● <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| Low            | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>● <b>Minor</b> impact on the organisation’s operational performance; or</li> <li>● <b>Minor</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>● <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>● <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| Advisory       | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>  |

### Appendix 3. Terms of reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

| Sub-process                    | Risks  | Objectives   |
|--------------------------------|--|--|
| Policies and procedures        | Inadequate policies and procedures to instruct staff to accurately use systems   | <ul style="list-style-type: none"> <li>• Policies and procedures are clear, understood and followed to ensure the objectives of activity are met</li> <li>• Procedure notes for reconciliations are in place, where required, clearly identifying whether they are automated/manual and responsibilities.</li> </ul>   |
| Interfaces and reconciliations | Inaccurate and incomplete financial information  | <ul style="list-style-type: none"> <li>• The interfaces between sub-systems and Tech1 are complete and do not contain errors which inhibit the accurate flow of data between the systems</li> <li>• Reconciliations are performed regularly to ensure accuracy and completeness of financial information</li> <li>• Finance Team has oversight over who is charged with completing reconciliations for every interface to Tech1, the frequency of these reconciliations and escalation of large/unusual unreconciled items.</li> </ul> |
| New system integration         | <p>Inaccurate and incomplete Interfaces financial information</p> <p>Inefficient processes and manual work-arounds</p> | <ul style="list-style-type: none"> <li>• A robust plan is in place and signed off by Finance for the integration of new systems with the finance system: <ul style="list-style-type: none"> <li>– TechForge (PAM)</li> <li>– Built Environment</li> </ul> </li> </ul>  |
| Management Information         | Inaccurate or untimely management information  | <ul style="list-style-type: none"> <li>• The closedown process is done in an efficient manner, using data which can be confirmed to the Tech1 system.</li> <li>• Accurate monthly financial reporting, direct from Tech1</li> </ul>  |