

LGSS Audit & Risk Management Service

Internal Audit Report
*Assurance Opinions on Key Financial
Systems 2014/15*

Assurance Opinions on Key Financial Systems 2014/15

Many financial activities transferred from Northampton Borough Council to LGSS during the 2013/14 financial year. It was agreed with the S151 Officer and the council’s internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. This approach was used in 2013/14 and has been repeated for 2014/15. We have worked with PwC to plan and undertake our work to enable us to provide the assurance opinions, whilst minimising duplication of work.

We have now finalised our work to provide these 3rd party assurances to Northampton Borough Council on the controls in key financial systems now operated by LGSS. This report sets out the results. The assurance levels are based upon the definitions in Table 1.

Table 1. Assurance Level Definitions

Assurance	Definition
Full Assurance	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No Assurance	There is no system of internal control. Risks are not being managed.

For systems where we were able to give substantial assurance in 2013/14 we agreed an approach which walked through the system controls to verify whether or not they continued to operate in 2014/15 and followed up the previous recommendations to verify that appropriate actions had been taken. The results of the audits are summarised in the Table 2. We are pleased to report that we are able to give “substantial” or “full” overall assurances on all of the systems we have reviewed.

Table 2 Overall Assurance Opinions

Auditable Area	Assurance Opinion
Accounts Receivable	Substantial
Accounts Payable	Substantial
General Ledger	Substantial
Payroll	Substantial
Bank Reconciliation	Full
Fixed Assets	Full
Treasury Management	Substantial

The detailed assurance statements for each auditable area are set out in Appendix A. These set out the process areas included in each review and the assurance opinion on each process, leading to the overall opinions set out above. For each process area where the assurance is less than “Full” we have agreed an agreed action plan of improvements for implementation by LGSS. These actions will be monitored and followed up, utilising our automated audit management processes.

APPENDIX A

Northampton Borough Council (NBC)

Third Party Assurance – Accounts Receivable 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Set up of New Customers	Substantial
Amendments to Customer Accounts	Substantial
Direct Debit set up; payment run and rejected / cancelled of direct debits	Full
Raising Invoices	Full
Receipt of Payments	Substantial
Credit Notes / Cancellation of invoices	Full
Debt Recovery and Write off	Substantial
All control account balances are identified. Control account balances are reviewed and cleared on a regular basis.	Substantial
User Access	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Set up of New Customers – Substantial Assurance

Customer creation is an Agresso Self Service function and therefore any NBC employee can commence the process of setting up a new customer account. However, prior to the customer being available for selection, it requires approval from LGSS Exchequer.

We walked through the ‘customer approval’ process and noted the following weakness:

Once the customer set up process reaches the Approval stage on Agresso, a system generated reminder email is sent to the 3 LGSS Exchequer officers (i.e. their individual work email addresses) whose responsibility it is to carry out the relevant checks and approve the new customer.

It is our view that the system generated email as noted above should be sent to the Exchequer Team's generic email address – NBC-exchequer@northamptonshire.gov.uk rather than to the 3 exchequer officers individual work email addresses. There is a risk that if these officers are off work or leave their current employment, tasks may not be undertaken or may not be undertaken on a timely basis.

In addition to the above and as part of the 2014/15 review, we also followed up on the implementation of recommendations raised during the 2013/14 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

Amendments to Customer Accounts – Substantial Assurance

Any NBC Agresso service user can submit a request to amend an existing customer account on Agresso. The process commences with the service user submitting an online request via the LGSS Exchequer e-mail address and attaching an Accounts Receivable Amendment Form noting changes.

We walked through the customer account amendment process and noted the following weakness.

Some requests to make amendments to existing customer accounts were still being sent to a previously used email address i.e. finance&adminsupport@northampton.gov.uk rather than to the new generic email address employed when NBC Exchequer joined LGSS. Although the 'old' email address is accessed on occasions, it is understood the use of the old email address was discontinued in July 2013.

In addition to the above and as part of the 2014/15 review, we followed up on the implementation of recommendations raised during the 2013/14 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

Direct Debit – Full Assurance

We walked through the customer direct debit set up process through to cash receipting including the cancellation and rejection of direct debits. We can confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

Raising Invoices – Full Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Once the requisition has been approved by the line manager, a sales order is generated. The order is processed through workflow requiring approval by LGSS Exchequer prior to becoming a sales invoice and then dispatched.

We walked through the above process and confirmed that the controls covered in the 2013/14 review continue to operate in 2014/15.

Receipt of Payments – Substantial Assurance

We walked through the 'receipting payment' process including batch receipting and the G4S collection of receipts for banking. No weaknesses were identified:

We can also confirm that all the recommendations raised during the 2013/14 review following weaknesses identified in this area, have been implemented and actioned.

Credit Notes / Cancellation of invoices – Full Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Only the officer who raised the sales requisition initially can raise a sales credit note. When the credit note requisition is approved by the line manager, it is processed through workflow prior to LGSS Exchequer final check and approval.

Our testing involved a walkthrough of the credit note process from the point of LGSS involvement and confirmed that the controls covered in the 2013/14 review continue to operate in 2014/15.

Debt Recovery and Write off – Substantial Assurance

We walked through the debt recovery and write off processes and confirmed that the controls covered in the 2013/14 review continue to operate in 2014/15.

No weaknesses were identified.

All control account balances are identified. Control account balances are reviewed and cleared on a regular basis – Substantial Assurance

We walked through the control account processes ensuring that all control accounts balances are investigated and cleared on a monthly basis. We can confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

Notwithstanding the above, we identified 3 control accounts, GG170 (Unidentified Income); GG171 (Unallocated Income) and GG172 (Write Off Unpresented Refunds) which contained old / uncleared balances dating back many years.

The Exchequer Team Leader indicated that all control account balances are reviewed, investigated and in most cases cleared on a daily basis. However, despite all efforts by the team to do so, some accounts do contain balances that remain uncleared.

A process to clear old entries needs to be established in consultation with finance colleagues.

User Access – Substantial Assurance

We walked through the user access process ensuring that access responsibilities were allocated to appropriate officers. No weaknesses were identified.

In addition to the above, we can also confirm that all the recommendations raised during the 2013/14 review in this area, have been implemented and actioned.

Northampton Borough Council (NBC)
Third Party Assurance – Accounts Payable 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Supplier Setup and Amendments	Substantial
Requisition Creation and Approval	Substantial
Goods Receipt Processing	Full
Invoice Processing	Substantial
Payment Run	Substantial
Management Reporting	Substantial
User Access	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Supplier Setup and Amendments – Substantial Assurance

We walked through the supplier set up and amendment processes included authorisation arrangements and concluded that there are appropriate processes and controls in place for both these functions.

Further to the above, all the recommendations raised following our previous review in 2013/14 have been implemented and actioned.

Requisition Creation and Approval – Substantial Assurance

We walked through the requisition creation and approval processes and noted that there are appropriate processes and controls in place for both these functions.

We can confirm that the process in 2014/15 has been tested and is unchanged from the previous year – 2013/14.

Goods Receipt Processing – Substantial Assurance

We walked through the goods receipt process with LGSS involvement limited to user access responsibilities. The process in 2014/15 has been tested and is unchanged from the previous year – 2013/14.

Invoice Processing – Substantial Assurance

We walked through the invoice processing function and conclude that there are appropriate processes and controls in place over this function. The process in 2014/15 has been tested and is unchanged from the previous year – 2013/14.

Payment Run – Substantial Assurance

We walked through the BACS and Cheque payment run processes and concluded that there are appropriate processes and controls in place over both these functions.

Further to the above, all the recommendations raised following our previous review in 2013/14 following weaknesses identified in this area have been implemented and actioned.

Management Reporting – Substantial Assurance

We walked through the management reporting function and conclude that there are appropriate processes and controls in place over this function. The process in 2014/15 has been tested and is unchanged from the previous year – 2013/14.

User Access – Substantial Assurance

We walked through the User Access responsibility function and concluded that there are appropriate processes and controls in place over this process.

Further to the above, all the recommendations raised following our previous review in 2013/14 following weaknesses identified in this area have been implemented and actioned.

Northampton Borough Council (NBC)

Third Party Assurance – LGSS General Ledger (GL) 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Access to GL	Substantial
Journals / Virements	Full
General Control Environment	Full
Coding Structure	Full
Feeder Systems	Full
Access and Data Security	Substantial
Reconciliations	Moderate
VAT	Full
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these will be discussed with LGSS management and suitable actions will be agreed.

Details of findings and assurance opinions

Access to GL – Substantial Assurance

We walked through the GL access process and noted that the following weakness:

A periodic report of officers who have access to GL functionalities are produced and reviewed by the system owner. This report is sent to the key team leaders on a monthly basis for checking and review. A review of the February 2015 email sent to Finance identified the following issue:

- A monthly email together with a User Access Report is sent from Systems to HR, Payroll and Finance for review to ensure access rights remain the same or has not changed. Although the recipients of the email (in this instance only) were aware what was required of them, there were no instructions on the email specifying what the requirements were. If the current team leader leaves their current employment or a new team leader is appointed, existing tasks may not be undertaken.

In addition to the above and as part of the 2014/15 review, we also followed up on the implementation of recommendations raised during the 2013/14 review. We are satisfied that all the recommendations raised during our previous review in this area have been implemented and actioned.

Journals / Virements - Full Assurance

We walked through the Journal / Virement process including the authorisation arrangements. No issues have been identified. We can therefore confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

General Control Environment - Full Assurance

We walked through the GL general control environment process including the timetable for key maintenance tasks. No issues have been identified. We can therefore confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

Coding Structure - Full Assurance

We walked through the GL general coding structure. No issues have been identified. We can therefore confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

Feeder Systems - Full Assurance

We walked through the process when data is submitted to Agresso via the feeder systems and the processing controls that exist to ensure that all information submitted is correct and complete. Our testing showed that control totals were produced and reconciled and no issues have been identified. We can therefore confirm that the controls covered in the 2013/14 review continue to operate in 2014/15.

Access and Data Security - Substantial Assurance

We walked through the GL access and data security processes and noted the following weaknesses.

- LGSS hold and process personal data on behalf of NBC. We are unclear whether the processing of this information by LGSS / NCC will be covered under its umbrella registration with the ICO.
- An approved list of employees allowed to authorise amendments / edit requests to Agresso is not maintained.

Reconciliations – Moderate Assurance

The Assistant Accountant (Systems) is responsible for monitoring the two GL suspense accounts and both accounts are reviewed and cleared on a timely basis.

Regarding the Accounts Payable (AP), Accounts Receivable (AR) and Payroll reconciliations to GL, the following weakness was identified:

- Both the AP and AR reconciliations to the GL had not been undertaken for 2014/15. The system Team Leader indicated that the reconciliation will be undertaken as part of the 31/03/2015 annual close down process.

Payroll reconciliations to the GL had been undertaken on a monthly basis and signed off by an appropriate officer as evidence of review.

VAT - Full Assurance

We walked through the VAT process in terms of:

- Expertise and guidance available;
- VAT returns including secondary checks;
- VAT control accounts;
- VAT payments / refunds and VAT reconciliations.

No weaknesses in the above processes have been identified.

In addition to the above and as part of the 2014/15 review, we also followed up on the implementation of recommendations raised during the 2013/14 review. We are satisfied that all the recommendations raised during our previous review following weaknesses identified in this area have been implemented and actioned.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Payroll 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
User Access	Substantial
Establishment Controls	Substantial
Standing Data Security	Moderate
Manual Input Controls	Full
Starters and Leavers	Full
Variations	Full
Deductions	Full
Exception Reporting	Full
Payment Run.	Full
Overpayment Detection and Recovery	Full
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

User Access – Substantial Assurance

There are appropriate processes in place to both create new Payroll users and to delete users from the Payroll System including appropriate authorisation and user access responsibility levels.

While we were satisfied that on a monthly basis, a Payroll User Access Report is generated by Systems and submitted to Payroll, we noted that this report is sent to the Senior Payroll Officer's individual work email address rather than to a generic email payroll address. There is a risk that if that officer is off work, key tasks may not be undertaken or may not be undertaken on a timely basis.

With the exception of the issue identified above, this walkthrough has confirmed that the controls are operating satisfactorily.

Establishment Controls – Substantial Assurance

There are appropriate processes in place to create new or amend existing posts including appropriate authorisation and a clear audit trail of supporting documentation. Furthermore, only designated officers have access to this responsibility on the Payroll System.

The Establishment is regularly reviewed by Finance and Services as part of monthly budget monitoring processes.

The above notwithstanding, our testing identified the following issues:

- The EC 1Forms used to make amendments to the establishment list, although some of the forms were not completed, they were nevertheless still processed.
- There was no documented process or flowchart detailing tasks required to be undertaken when making amendments to the establishment list. The service officer indicated that a 'step by step process guideline is on the agenda to be undertaken but no completion by date has yet been established.

With the exception of the issues identified above, this walkthrough has confirmed that the controls are operating satisfactorily.

Standing Data Security – Moderate Assurance

There is no periodic/routine review of standing data to ensure that it is accurate and to maintain data quality. This increases the risk of errors in payroll payments.

However, there was appropriate control over changing bank details.

Manual Input Controls – Full Assurance

There was appropriate control over manual input including submission to Payroll on standard forms and an authorised signatory listing in place detailing authorising officers who could submit these standard forms.

Starters and Leavers – Full Assurance

There was a mainly robust process in place for adding new starters to the Payroll system including the completion of a standard form and appropriate authorisation. A walkthrough confirmed that the request form had been submitted by an appropriately authorised officer and the start date from this form had then been correctly input into the system. The starter had been paid correctly in the first month.

There was a robust process in place for removing leavers from the Payroll system including the completion of a standard form and appropriate authorisation. A walkthrough confirmed that the form had been completed, appropriately authorised and that the leaving date on the form had then been input correctly onto the system. An overpayment had been recovered by bank transfer.

The random sample checking of the completeness of input relating to starters and leavers had been taking place and is now being transferred to the Payroll and HR Transactions Manager.

Variations – Full Assurance

There was adequate control over pay variations. Standard forms are completed and must be submitted by responsible officers. A walkthrough of a variation confirmed that these controls had been complied with. The increase in hours worked was accurately reflected in the payslip.

Deductions – Full Assurance

There was adequate control over deductions including appropriate authorisation and supporting documentation.

Exception Reporting – Full Assurance

These are produced on a monthly basis and reviewed / signed off at an appropriate level.

Payment Run – Full Assurance

A payroll checklist is completed and signed by the payroll officer and the payroll reports are signed off independently by the Payroll & HR Transactions Service Manager. There is a satisfactory process in place to process BACS runs including full supporting documentation. The BACS file is sent to the BACS centre by IT Services and the payroll officer e-mails the control totals from the payroll reports to the BACS centre. If the control totals don't agree, they are queried by the BACS centre. Third Party payments are reconciled and independently signed off by two managers.

Overpayment Detection and Recovery – Full Assurance

There are currently minimal overpayments. Once identified action is taken promptly to recoup/recover overpayments. Overpayments are now monitored to identify the reasons why they happen in order to put preventative actions in place. An aged debt report of invoices outstanding is produced monthly.

Northampton Borough Council (NBC)
Third Party Assurance – Bank Reconciliation 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Monthly bank reconciliations undertaken	Full
All control account balances are identified. Control account balances are reviewed and cleared on a regular basis.	Full
Bank reconciliations are accurate and non-reconciled items are cleared in a timely manner	Full
Overall Level of Assurance	Full

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Monthly bank and control account reconciliations undertaken – Full Assurance

The following tests were undertaken:

- Bank reconciliation walkthrough.
- Selected the January 2015 bank reconciliation statement, ensured that the reconciliation statements were signed by the preparer and authorised by a senior manager.

No weaknesses were identified.

All control accounts have been identified and balances reviewed and cleared regularly – Full Assurance

The following tests were undertaken

- Identified all the control accounts and ensured that balances are reviewed and cleared monthly.

No weaknesses were identified

Bank reconciliations are accurate and non-reconciled items are cleared in a timely manner – Full Assurance

The following tests were undertaken:

- On the bank reconciliation statements selected above, ensured that unreconciled items are cleared monthly.
- Ensured that long outstanding cheques (6 months old) are investigated, cleared and written back.

No weaknesses were identified.

In addition to the above and as part of the 2014/15 review, we followed up on the implementation of recommendations raised during the 2013/14 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Fixed Assets 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Depreciation charges accurately reflect the nature of assets and depreciation charges are recorded accurately	Full
Fixed assets codings within the Fixed Asset Register	Full
Reconciliation of the Fixed Asset Register to the General Ledger	Full
Access to the Real Asset Management System (RAM) which contains the Fixed Asset Register	Full
Overall Level of Assurance	Full

Details of findings and assurance opinions

Depreciation charges accurately reflect the nature of assets and depreciation charges are recorded accurately.

New assets are promptly recorded onto the Real Asset Management (RAM) System and disposals are removed.

When a new asset is created on the RAM System an asset life is assigned to it against which straight line depreciated is then charged through an automatic calculation on the RAM System. Testing identified that it is possible to create a new asset with a zero asset life which would result in no depreciation being calculated for that asset. It is required to assign zero asset lives for assets that are going to be disposed of. A report is now run on a quarterly basis to ensure that new assets are assigned a useful life.

If assets are revalued the Accountancy Team will receive notification of this from Services. The asset will then be assigned a 'relife' on the RAM System via a journal upload. There is sample testing to check that the 'relife' agrees to the notification received from the Service.

There is also sample checking of the system generated depreciation calculations on the RAM System and of the postings of these across to the Aggresso General Ledger.

Fixed assets codings within the Fixed Asset

There is a coding structure in place within the RAM and the process had not changed from the previous year.

Reconciliation of the Fixed Asset Register to the General Ledger

There is a quarterly reconciliation of the Fixed Asset Register held on the RAM system to the Aggresso General Ledger system. This is undertaken by a Senior Assistant Accountant and reviewed by the Finance Manager (Capital).

Documentation relating to the Quarter 2 2014/15 Reconciliation was satisfactorily viewed.

Access to the Real Asset Management System (RAM) which contains the Fixed Asset Register

There are adequate controls in place to promptly set up new users on the RAM and also to promptly remove users once they have left the Authority or their role within the Authority has changed.

Review of the current user list identified that there were two additional users and one leaver, compared to the previous year.

Northampton Borough Council (NBC)

Third Party Assurance – LGSS Treasury Management 2014/15

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion (Please see Appendix 1 for definitions)
Strategies & Policy	Full
Guidance and Procedures	Full
Stakeholder Skills & Capacity	Full
Cash Flow Management	Full
Counterparty Management	Substantial
Transactional Processing	Full
Accounting & Reconciliation	Moderate
Reporting & Performance	Full
Overall Level of Assurance	Full

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Background to the review

Internal Audit is required as part of the managed audit approach agreed with external audit to carry out regular audits of key financial systems. Treasury Management is one such system. It was last reviewed in 2013/2014 by PWC who gave an assurance level of low risk.

The LGSS Treasury Function is a single team based in Northamptonshire which currently provides services to Northamptonshire County Council, Cambridgeshire County Council and Northampton Borough Council. The number of councils serviced by the team may increase as LGSS gains more partners or customers.

A review of staff, responsibilities and systems and administrative functions took place in 2014/2015 and a fully integrated administrative system has now been introduced.

The ultimate aim was that all councils Treasury Activity would be administered using a single set of standard process forms and templates etc. This has also increased resilience within the team.

A Cash Wizard has been introduced which reduces the risk of mis-calculation of daily cash balances taking place. Key figures are now typed into the relevant spreadsheets and the surplus/deficit balance for the day is calculated thus reducing the risk of error.

An LGSS Inter Authority Lending policy has been developed following findings in last year's audit for NCC and CCC and has been approved by the respective S151 Officers.

An afternoon post dealing check on balances has also been introduced which now ensures there is a review of balances to check if there have been any significant changes to balances post dealing and if any additional movements of cash are required.

These key changes to procedures have improved resilience and control and have also contributed to efficiencies and the effectiveness of the team.

Approach

Internal Audit's approach for the completion of this audit was to review the systems for Northampton Borough Council transactions, obtaining and documenting an understanding of the internal controls in place and to assess the control risk.

In order to test the operating effectiveness of the controls in place we performed sample testing as follows:

- Reviewed the approval of the annual Treasury Management Strategy;
- Reviewed compliance with the CIPFA code of practice for Treasury Management;
- Reviewed the frequency and content of reports provided to members;
- Reviewed the staffing compliment in the Treasury Management team, their qualifications and training;
- Reviewed the training provided to members;
- Reviewed the procedures in place for the selection of organisations to lend to and invest with;
- Tested the procedures in place for a sample of five investments/recalls to confirm that a cash calculation had been completed, interest rates had been checked, counter party checks had been completed, there was a separation in place between the dealer and checker, and that all documentation to evidence the movement of monies was on file;
- Tested the same transactions to the bank accounts and to the General Ledger;
- Tested the reconciliations of the treasury management systems (Treasury Live to Agresso) to see that these were completed monthly and subject to a management check.

Main conclusions

Based on the completion of our fieldwork and the testing carried out, we are giving **substantial** assurance for the controls in place within LGSS to effectively mitigate the risks associated with the Treasury Management process.

Reconciliations

Following the introduction of Treasury Live it was necessary to develop new systems and methods for reconciling the treasury transactions to Agresso and the new system Treasury Live.

There were therefore delays in the completion of the monthly reconciliations while these systems were developed and refined. The April, May and June investments and borrowing were not reconciled until August and there was no management check in place on this. Also

interest payable and interest receivable had not been reconciled from April until October 2014.

Improvements had been made in the promptness and checking of reconciliations; from November 2014 the reconciliations had been completed each month.

Counterparty lists

Although investments had been made with approved counterparties evidence had not been retained on file to confirm the level of monies held by these pre and post dealing. This could result in unauthorised levels of funds being placed with a counterparty. A suitable control improvement has been agreed.