EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

29 September 2016

Report by Clerk

LOCAL EXTERNAL AUDIT REPORT ON KEY CONTROLS 2015/16

PURPOSE OF REPORT

1.   To update the Committee on the publication of a local External Audit report on *Key Controls 2015/16.*

RECOMMENDATION

2.   It is recommended that the Committee considers the report.

PUBLICATION OF LOCAL EXTERNAL AUDIT REPORTS

3.   The local External Audit report on *Key Controls 2015/16* (Appendix 1 refers) published in August 2016 is attached to this report. The Members of the Committee who are leading the review of this report are Councillor Wallace and Councillor Grant.

EXTERNAL AUDIT REPORT ON KEY CONTROLS 2015/16

4.   The External Audit report clarifies that the key controls operating within the financial systems of the Council have been subjected to testing to ensure that they are operating satisfactorily. It explains that, when looking at such systems, assurances are sought that the audited body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements and effective management of assets and interests; has systems of internal control which provide an adequate means of preventing and detecting material misstatement, error, fraud or corruption; and complies with established policies, procedures, laws and regulations.

5.   The report reflects that planned controls assurance was sought on six key financial systems (payroll; treasury management; trade receivables; trade payables (including the Care Finance System); council tax billing and collection; and housing rents, with testing strategies developed and related work completed between January to May 2016. The review involved identifying and assessing risks inherent in the key systems and assessing the adequacy of procedures and controls in place to address those risks. In accordance with International Standard on Auditing 330, audit judgements were based on current year testing of controls and, where appropriate, prior year results. The work also included an assessment and, where appropriate, re-performance of testing undertaken by internal audit and an assessment of whether there had been any changes to key controls during the year.

6.   Overall the systems of control were reported to be operating effectively other than in a few areas where some control weaknesses were identified. Appendix 1 of the External Audit report specifies the key financial systems supporting the preparation of the financial statements, their associated key controls, conclusions reached and where weaknesses have

been identified. The conclusion reached regarding a large majority of the controls is that the position is satisfactory. Where weaknesses were identified, the External Auditor has noted the impact this has on the planned financial statements, listing these and commenting on them in Appendix 1.

7.   As specified in the report, the main control weaknesses identified were associated with the payroll system, council tax system and trade payables element of the Care Finance system. The issues identified are listed together with the associated client responses and comments on the audit impact. Reference to these issues is also made in Paragraphs 9 to 12 of the External Auditor's covering report.

INTERNAL AUDIT

8.   The report reiterates that where it can be demonstrated that Internal Audit objectives are similar to those of External Audit, findings and results of Internal Audit exercises can be considered when determining the nature and extent of planned External Audit coverage. This ensures that audit resources are used efficiently and that work is not unnecessarily duplicated.

9.   Three issues are itemised (creditor payments; debtors control; and council tax reduction/liability) where formal reliance on the work of Internal Audit was planned for. A further two issues are listed (the Local Government Benchmarking Framework; and Non Domestic Rates) where External Audit plan to review the findings and consider other areas of Internal Audit's work. The attached report explains that the 2015/16 Internal Audit Plan is complete and that a review of it found Internal Audit work to be of a high quality. This detailed review enabled Audit Scotland to conclude that reliance could be placed on Internal Audit's work on the areas referred to above and as reflected in Appendix II of the report.

GOVERNANCE

10.   The report comments that the External Audit review in the area of Governance highlighted that a review of the Council's Financial Regulations commenced in 2014/15 but had not yet been formally approved by the Cabinet. At March 2016 the Regulations were being refined, including to align with Culture and Leisure Trust and Integration Joint Board documents and Standing Orders, and with a view to them being submitted to the Cabinet in due course.

RECOMMENDATION

11.   It is recommended that the Committee considers the report.

Local Government (Access to Information) Act 1985

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Background Papers: Audit Scotland Report "East Renfrewshire Council Key Controls 2015/16 Report" (August 2016)

AUDIT SCOTLAND

East Renfrewshire Council

Key Controls Report 2015/16

Prepared for East Renfrewshire Council

August 2016

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Accounts Commission has appointed Brian Howarth as the external auditor of East Renfrewshire Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of East Renfrewshire Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

Contents

Summary

1. Auditing standards require that external auditors obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan the audit and develop an effective financial statements audit approach.

2. We seek to gain assurances that the audited body:

   - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements and the effective management of assets and interests

   - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption

   - complies with established policies, procedures, laws and regulations.

3. The key controls operating within the financial systems of East Renfrewshire Council have been subjected to testing by audit to ensure that they are operating satisfactorily. Our audit testing has identified a small number of control weaknesses and our approach to the financial statement's audit has been amended to reflect the identified control weaknesses.

4. The 2015/16 internal audit plan is complete and our detailed review of internal audit work concluded that internal audit work is of a high

quality and that we could place reliance on their work in the following areas:

   - Creditor Payments

   - Debtors Control

   - Council Tax Reduction/Liability.

5. It is the responsibility of management to decide on the extent of the internal control systems appropriate to East Renfrewshire Council. The weaknesses identified represent those that have come to external audit's attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist.

Systems of Internal Control

6. Our audit approach included planned controls assurance on the key financial systems of:

   - payroll

   - treasury management

   - trade receivables

   - trade payables (including the Care Finance system)

   - council tax billing and collection

   - housing rents.

7. To obtain our controls assurance, testing strategies were developed and work completed in the period January to May 2016. Our review involved the identification and assessment of the risks inherent in the key systems, and the adequacy of the procedures and controls

in place to address these risks. In accordance with ISA 330, paragraphs 14 and 15, our audit judgements are based on current year testing of controls and where appropriate, prior year results. Our work also includes an assessment and, where appropriate, re-performance of testing undertaken by internal audit and an assessment of whether there have been any changes to key controls during the year.

8. **Appendix II** identifies the key financial systems which support the preparation of the financial statements with their associated key controls. Following our audit testing we have concluded on the operation of each of the key controls and, where weaknesses have been identified, we have noted the impact that this has for our planned financial statements audit in **Appendix I**. The main control weaknesses we identified were in the payroll system, council tax system and the trade payables element of the Care Finance system as set out below:

Payroll

9. **Employee validation** - Our review noted that an annual employee validation against the payroll had not been carried out by end of March 2016. We were informed that the Council were considering a new more efficient approach to this however it had not been completed at the time of our review, although the validation work is being progressed.

10. **User access** – A review of the user access list noted that three members of staff have 'supervisor' access to both the HR and Payroll functions on the system and that there is no control in place

to restrict the access. There is a risk that HR and payroll system functions are not adequately segregated and some members of staff have access to both without the necessity for approval by another party.

Council Tax

11. There continues to be no regular physical inspection of void properties during 2015/16. This was previously reported in our 2014/15 Key Controls Report. Instead, the Council places reliance on documentary evidence supplied by individuals. We will test additional council tax items as part of the financial statements audit.

Trade Payables – Care Finance

12. 2015/16 was the first year that payments to care providers were made through the Care Finance system. A significant amount of work has gone into the transition / migration to Care Finance but during this time we noted some variations to key controls which are detailed below. Management have agreed actions to address these risk areas as detailed in Appendix I.

- A review of the system identified a software / system weakness that does not allow for segregation of duties in this area, in particular 3 members of staff have authorisation to match and complete HSCP invoices, service agreements and financial assessments / reassessments.

- A reconciliation between the amounts paid and commitment logs with the financial ledger had not been completed prior to 31 March 2016.

- Staff can vary/amend supplier invoices by + 5% or any amount lower than the service agreement where the amount is disputed within tolerances, for example, if incorrect contribution rates have been charged, or if a service user banks support hours. The reason for allowing staff to vary/amend the invoice is to reflect the flexible nature of care packages and to avoid unnecessary delays in paying suppliers. This means that an additional process is required to reconcile subsequent adjustments.

- Payments have been made to suppliers who are not part of the council Framework Agreement, but this is a consequence of self directed support legislative requirements.

Conclusions

13. Audit testing has not identified any other significant controls weaknesses that we need to bring to your attention. We have concluded that overall the systems of internal control are operating effectively other than the areas stated above.

Internal Audit

14. Internal audit supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses to management for action.

15. Where it can be demonstrated that internal audit objectives are similar to those of external audit, the findings and results of internal audit exercises can be considered when determining the nature and extent of planned external audit coverage. This ensures that audit resources are used in the most efficient way and work is not unnecessarily duplicated. Formal reliance on the work undertaken by internal audit in 2015/16 was planned for:

- Creditor Payments

- Debtors Control

- Council Tax Reduction/Liability.

16. In respect of our wider governance and In terms of paragraph 78 of the Code of Audit Practice we plan to review the findings and consider other areas of internal audit work including:

- LG Benchmarking Framework

- Non Domestic Rates

17. The 2015/16 internal audit plan is complete and our review has found that internal audit work is of a high quality. Our detailed review of internal audit work concluded that we could place reliance on the areas noted above, and this is reflected in **Appendix II.**

Governance

18. Our review in the area of governance highlighted that a review of the Council's Financial Regulations was commenced in 2014/15 however it has yet to be formally approved by the Cabinet. The position as at March 2016 was that the Financial Regulations were undergoing further refinement to align with the Culture and Leisure Trust and the IJB documents and Standing Orders. They are also

being updated to remove unnecessary detail that is duplicated in procedural notes as well as a plain English review. The updated regulations will be presented to Cabinet for consideration by June 2017.

Appendix I: Risk Areas and Planned Management Action

No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
Payroll			
1. (71001)	**Employee validation** – There is no evidence of employee validation against the payroll for 2015/16. There is a risk that the payments could be made to fictitious employees.	The employee validation email was issued in March and returns received between April and June. Other councils were contacted to determine if there was a more efficient way to perform this exercise as it is resource intensive however no other method has been established at this stage. This exercise is calendared to be completed on an annual basis between January and March in future years.	Head of HR, Customer and Communications March 2017
2. (71156)	**User access** – We noted that three members of staff have 'supervisor' access to both the HR and Payroll functions on the system and that there is no control in place to restrict the access. There is a risk that HR and payroll system functions are not adequately segregated and some members of staff have access to both without the necessity for approval by another party.	The supplier of the HR and Payroll system, Northgate recommend that the supervisors have full access as back-up may be required. Currently the HR and Payroll teams are separate with HR Direct placing employees on the system and Payroll making the payment. There are regular new employee lists issued to departments from Payroll. The team do not access areas that they do not use in current roles and a signed form will be introduced across both teams to cover this.	Head of HR, Customer and Communications December 2016

No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
Council Tax			
3. (72628)	**Council Tax** Regular inspections of void properties are not carried out by the council. We have noted this in previous years, but no progress has been made. There is a risk of fraud as properties could be occupied without being declared.	The Council Tax team currently carry out "ad hoc" visits to exempt/void dwellings where there is a vulnerable or elderly resident and/or when there have been difficulties in receiving appropriate documentary evidence or suspicion of a fraudulent claim. Revenues services have agreed to enter into a joint working arrangement with the Housing section to resource a void property officer. Unoccupied Council Tax exemption categories will therefore be checked on a routine and proportionate basis.	Revenues & Business Support Manager Dec 2016
Trade Payables – Care Finance			
4. (72669, 72671)	**Care Finance – System Access/Segregation of Duties** The Finance Business Partner (Transformation) has super-user access to the Care Finance system. Three individuals have authorisation to match and complete HSCP invoices, service agreements and financial assessments / reassessments on the Care Finance system and we found evidence of these same individuals both matching and authorising payments. There is a risk that payments are made which are not in	The CareFirst System Manager has confirmed that access permissions to match and complete invoices cannot be separated. We have confirmed with the system manufacturers that it is not possible to split permissions for matching and completing payments. Our system administrator also raised this issue at the CareFirst Scottish Users Group on 9th June 2016. No other authorities noted this as having been raised as an issue. This is not an issue specific to ERC we are operating the system as intended. We do accept however this is a	Further ongoing review by Chief Financial Officer (IJB) 31 March 2017

No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
	accordance with underlying care files.	system weakness. The mitigating actions in place are: • The Finance Team procedure notes state that only a qualified accountant should authorise payments. Currently, this is only undertaken by the Finance Business Partner (Transformation) and the Development Accountant, this will be extended to the 2 Senior Accountant posts. All staff in the team are aware of who this authorisation is restricted to. • A data file is sent automatically from CareFirst to E-financials system which lists all individual invoices that have been authorised. This data file is the master list used by creditors to request supporting invoices (this is read only so cannot be changed). When all invoices are collated to send to creditors to release payment, this list is signed off by a qualified accountant confirming invoice validity and checking invoices initialled only by qualified staff. The Finance Business Partner (Transformation) did key, match and complete an invoice, which is an exception to normal procedure, as this was during a period of sustained complaint from a supplier where payment of the invoices was urgently required. The invoice amount was the exact amount which had been	

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No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
		authorised by frontline staff.	
5. (72169, 72674, 72729)	**Care Finance Reconciliations** At the time of our audit, we found that no reconciliations between the Care Finance system and the Council's financial ledger had been completed from October 2015 until March 2016. We also found evidence in 10 out of 20 invoices sampled, where staff had varied / amended the amount payable in ranges from 3% and 17% of the original invoice value. Therefore these 10 invoices didn't match the Council's ledger or Care Finance reports. This 'variation' process gives rise for the need to perform additional reconciliations for over/underpayment of invoices. There should be a process in place for ensuring significant variances are; • authorised by a senior staff member and, • monthly reconciliations are done to track and agree these variations with the ledger updated. There is a risk that under/overpayments are not identified and addressed when the financial statements are prepared, leading to misstatement.	As of 14 June 2016 all 2015/16 reconciliations were completed and a timetable has been put into place for 2016/17. It needs to be recognised that for 2015/16 the plan was always to continue with the long standing practice of year end reconciliation, and to develop periodic reconciliation for implementation for 2016/17. For 2015/16 additional mitigation was provided by a month on month analysis of movement in projected costs. All transactions processed through each cost centre and account code combination which relates to care costs will be picked up as a matter of course through the reconciliation of CareFirst to the financial ledger, regardless of whether these payments were processed through CareFirst or not. Any anomalies will be investigated and this will be fed into routine budgetary control work and ledger maintenance. Actual costs are compared to initial budgets, commitments and also projected outturns regularly throughout the year, and any material deviations are investigated. Payments outwith Care Finance are still subject to East	Now complete June 2016

No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
		Renfrewshire Council's rules on creditor payments, with goods/services being receipted though the c-pops system under the relevant Purchase Order before payment can be made.	
		Actual costs and commitments with respect to care packages have been validated and verified at team level as part of the implementation of delegated budgets in 2016/17. This ensures managers with local knowledge of care provision have full sight of monies committed for care.	
		Development work is ongoing to improve the use and distribution of variation reports which will be a standing item on budget monitoring agendas.	To be implemented during 2016/17
6. (72336)	**Care Finance – Vetting Framework Agreements** The Council has a Framework Agreement with 12 suppliers for delivering non-residential care. These suppliers have been vetted by the former CHCP Commissioning Team. Testing identified 27 non framework providers who were added to the system.	There are 22 Framework providers; however under the statutory provision of Self Directed Support (SDS), individuals can choose support outwith framework providers. Contracted providers are expected to have a minimum Care Inspectorate grade for care and support. Where an existing provider falls to 2 in this area then it triggers a review of their provision. Providers outwith our frameworks similarly must have a grade of no less than 3 in care and support, if they do we will withdraw	Further ongoing review by Head of Strategic Services and Chief Financial Officer 31 March 2017

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No. / MKI Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
		funding until they can demonstrate a sustained improvement of their regulated performance. Under the successor framework, currently being procured, we are bringing option 2 of the legislation into the scope of the framework to provide even greater transparency in terms of price and quality to support greater user choice and control. In light of the level of spend outwith the framework, along with routine review, the Departmental Management Team have agreed a review of the SDS approach and framework.	

Appendix II: Controls Coverage

Key Control	IA[1]	AS	Conclusion
Payroll			
Human Resources and Payroll are adequately segregated.		■	Satisfactory
Employing departments periodically confirm the validity of the employees listed on the payroll.		■	Unsatisfactory – This exercise was not completed during 2015/16, **Action Plan point 1**
New starters are processed by payroll staff only on receipt of a new start form or equivalent, which is authorised by the HR department.		■	Satisfactory – Two samples selected did not have a contract on file.
Standard forms are completed to record staff leaving the organisation. This details the leave date, the notice period and any annual leave owing or funds owed to either party. The form is completed by HR and authorised by the HR manager. This is passed to payroll who process the request.		■	Satisfactory
Staff independent of those processing payroll input check all new starter and leaver output to authorised source documents.		■	Satisfactory

[1] **Indicates whether testing was undertaken by internal audit (IA) or Audit Scotland (AS) and reliance based on re-performance taken from the internal auditor's work.**

Key Control	IA[1]	AS	Conclusion
Access to the payroll system is restricted to appropriate staff.		■	Unsatisfactory – Staff have access to both HR and Payroll systems without the necessity for approval by another party. The access provided is Supervisor status meaning access to all areas of both systems. **Action Plan points 1 and 2**
Adequate exception reports are produced and evidently followed up independently of those involved in processing input.		■	Satisfactory
Checks exist to ensure that increases in salaries or rates of pay, following national settlements or increment dates have been correctly implemented		■	Satisfactory
Staff, independent of those processing payroll changes, check permanent and temporary changes to authorised source documents.		■	Satisfactory
Adequate controls are established prior to payroll processing and reconciled to output control totals.		■	Satisfactory
The payroll system is regularly reconciled to the general ledger to ensure data transfer is accurate and complete.		■	Satisfactory
Treasury Management, Borrowing and Loans			
Projections of daily balances are prepared and reviewed for appropriateness.		■	Satisfactory

Key Control	IA[1]	AS	Conclusion
There is a clear segregation of duties between officers responsible for dealing, recording and receiving confirmation of transactions.		■	Satisfactory
Dealing slips/records are subsequently agreed to written confirmations of the deal received from the other party and the system by an independent officer.		■	Satisfactory
Access to the system for both 'read' and 'write facilities is restricted to appropriate staff.		■	Satisfactory
Only authorised amendments to standing data on the borrowing and loans system are processed. Processed changes are subject to independent check.		■	Satisfactory
The system records loan repayments and interest due, and investments and interest to be recalled each day of the year. The balance is reviewed daily.		■	Satisfactory
Bank confirmation statements are checked to ensure that the correct payments are received on the due date.		■	Satisfactory
A sound system of exception reporting exists and reports are promptly investigated and action taken as necessary.		■	Satisfactory
The borrowing and loans system/loan registers are regularly reconciled to the financial ledger (principal balances, interest and brokers commission) and PWLB statements. Reconciliations are signed and dated by the preparer and reviewed by a senior officer.		■	Satisfactory
Trade Receivables			
Access to the trade receivable system is restricted to appropriate personnel.	■	■	Satisfactory
Invoices and credit notes are authorised prior to being raised, and are supported by appropriate documentation.		■	Satisfactory

Key Control	IA[1]	AS	Conclusion
Payments received are allocated to the correct customer through the use of remittance advice slips or references quoted on BACS payments.		■	Satisfactory
A formal debt write off process is in place and is documented. This covers: • the stage at which write offs can be completed • frequency of write offs • who can authorise write offs, and • how they should be processed.		■	Satisfactory
An accounts receivable ledger reconciliation is performed and reviewed by a manager on a timely basis, signed as evidence of review and retained.		■	Satisfactory
A sound system of exception reporting exists. Such reports are promptly investigated and appropriate action taken where necessary.		■	Satisfactory
Trade Payables			
Access to the system is restricted to appropriate personnel.		■	Satisfactory
Changes to supplier bank details are subject to confirmation prior to processing.		■	Satisfactory
Purchase invoices are checked for accuracy before being approved for payment by an authorised person.	■		Satisfactory
Other accounts, not raised through the purchase order system, are checked for accuracy before being approved for payment by an authorised signatory.	■		Satisfactory
Payments are only made to suppliers on receipt of an authorised invoice.	■		Satisfactory
The BACS payment run is prepared by one person and approved by an authorised individual.	■		Satisfactory

Key Control	IA[1]	AS	Conclusion
An accounts payable ledger reconciliation is performed and reviewed by a manager on a timely basis, signed to evidence review, and retained.	■		Satisfactory
A sound system of exception reporting exists. Reports are promptly investigated and appropriate action taken where necessary.	■		Satisfactory
Trade Payables – Care Finance			
Access to the Care Finance system is restricted to appropriate personnel.		■	Unsatisfactory – Staff are able to input/authorise invoices. We will review mitigating controls during 2016/17. **Action Plan point 4**
Client Service Agreements are created appropriately by Care Managers with approval by team managers.		■	Satisfactory – Service agreements on system initialisation were created by Finance and Administration staff due to migration project as a one-off process - these were pre-existing agreements. In 2016/17, we will check a sample of new Client Service Agreements to Care Files.

Key Control	IA[1]	AS	Conclusion
The accounts payable ledger reconciliation is performed for each period and reviewed on a timely basis and identified discrepancies investigated.		■	Unsatisfactory – No periodic reconciliation had been performed between Care Finance and the ledger for 2015/16. Year end reconciliation will be reviewed as part of final accounts. **Action Plan point 5**
Invoices received are matched to individual service agreements held and approved appropriately prior to payment being made.		■	Satisfactory
Variations between invoices and care finance care records are only processed within established tolerances or following proper authorisation by the Finance Business Partner – Transformation. Variances are identified for later reconciliation.		■	Unclear We identified 10 out of 20 invoices that had variances but did not establish whether variations were within tolerances or authorised levels and whether these were identified in reconciliations (which had not yet been completed). We will examine whether a sample of variations are treated in accordance with procedures and confirm they are reflected in

Key Control	IA[1]	AS	Conclusion
			year end reconciliations. **Action Plan point 5**
Financial assessments for residential care are carried out timeously with regular reassessments carried out to confirm the accuracy of contributions.		■	Satisfactory - The majority of financial assessments are completed within one month
Suppliers are appropriately verified prior to the council entering into agreements. All suppliers meet the Council's minimum care requirements, with appropriate documentation provided prior to their information being included on the council payment system.		■	Satisfactory - We found that new supplier forms did not have evidence to support the original vetting, however all suppliers tested were previously vetted and on e-financials. **Action Plan point 6**
Council Tax Billing and Collection			
All relevant data from the valuation list is promptly and correctly transferred to the billing system.		■	Satisfactory – As in prior years only an annual reconciliation will be completed and we will place reliance on this.
Regular inspections of void properties are carried out and recorded.		■	Unsatisfactory – No regular physical inspections are completed on void properties. **Action Plan point 3**

Key Control	IA[1]	AS	Conclusion
All discounts, benefits, exemptions and allowances are properly calculated recorded and authorised before being input to the system.	■	■	Satisfactory
Appropriate segregation of duties exists between the staff that raise, amend and cancels accounts and those responsible for collecting income and posting to accounts.		■	Satisfactory
Refunds are appropriately authorised and period reconciliations are conducted between amounts authorised and totals paid.		■	Satisfactory
All accounts written off have supporting documentation for the decision.		■	Satisfactory
Housing Rents			
Regular reconciliations are undertaken between the number of properties on the rent roll and another independent source (e.g. the asset register). All potential errors or omissions are investigated and prompt corrective action is taken.		■	Satisfactory – An annual reconciliation is prepared. We will review the year end reconciliation.
Rent increases are correctly applied in line with a decision taken by the Council.		■	Satisfactory
Regular reconciliations are undertaken between accumulated values on the rent roll and the gross annual debit in the ledger to the sum of the net charges on tenants' individual accounts.		■	Satisfactory
Daily control totals of rent income collected are established and reconciled to the income amounts posted to the financial ledger and the total of receipts posted to tenants' individual accounts.		■	Satisfactory

Key Control	IA[1]	AS	Conclusion
A sound system of exception reporting exists e.g. Arrears reporting. Such reports are promptly investigated and appropriate action taken where necessary.		■	Satisfactory – There is no exception reporting for rent arrears. We will review the year end process.
Employee duties are segregated between accounting, collection, rebate refunds, and write-off functions.		■	Satisfactory
Regular reconciliations are undertaken between the housing benefit system totals and rebate totals from the rent accounting system.		■	Satisfactory – An annual reconciliation is prepared. We will review the year end reconciliation
Refunds are correctly calculated, and processed only on the authority of nominated senior officers.		■	Satisfactory

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