

## Appendix 1

### **Action Plan to address Issues raised by MTS 2012 budget error**

#### **Ernst & Young's recommendations**

Ernst & Young made a number of clear recommendations to the Council:

1. Formal reconciliation and review points should be established throughout the MTS and BSR processes to ensure that the General Ledger, Forecasting Models and Budget Database are aligned. These reconciliations should be formally documented by the person preparing them and reviewed and signed off by a senior officer.
2. The Council should consider the timings of its current process and ensure that reconciliations between the General Ledger and the Forecasting Models are done at predefined, regular intervals and that these intervals are timed to coincide with the publication of budgetary information.
3. Effective knowledge sharing protocols should be established to aid continuity in the absence of key staff members.
4. A full and clear audit trail should be maintained for all changes made to all systems and the Forecasting Models during the MTS and BSR processes.
5. The finance team should implement its own escalation policy to ensure that any identified issues are raised in a timely manner and senior team members are involved at an early stage in the identification and resolution process.
6. The controls and methodology in respect of the forecasting and modelling processes should be reviewed to minimise the risk of future errors occurring. In particular, the Council should address the suitability of the Forecasting Model format given its complexity and the importance of forecasting to the Council's financial performance.

## Appendix 1

The Chief Executive has considered the issues raised by the budget error and the findings from the external review. The actions and proposes to take action in 4 main areas:

- a. **Improvement to the control environment for the Council's financial modelling**
- b. **Addressing staffing related issues**
- c. **Structure**
- d. **Improvements to future processes**

Issue		Action	Who	When
<b>Improvement to the control environment for the Council's financial modelling</b>	1.	Internal Audit will work with the Finance team to make improvements to the control and supervision in the service and to address Recommendations 1,2 and 4.	Head of Internal Audit Head of Accounting Services	By May 2013
	2.	The financial model will be reviewed to ensure it is fit for purpose in accordance with recommendation 6 and decisions made on whether to make changes and improvements to the existing model or to procure a new one.	Head of Accounting Services DOR	By July 2013
	3.	Any recommendations from external audit as part of their annual audit work will also be incorporated into improved process.	External Audit	As appropriate

## Appendix 1

<b>Addressing staffing related issues</b>	4.	<p>In accordance with recommendations 3 and 5, systems within the finance team will be reviewed</p> <ol style="list-style-type: none"> <li>1. to ensure that there are clear processes in place to capture information and knowledge in case of staff absence</li> <li>2. to ensure there are clear escalation polices and process for problems with the service</li> </ol> <p>All staff in the team will be provided with copies of these policies and processes and any necessary training will be provided.</p> <p>Managers tasked with ensuring these are effectively embedded in the culture and practice of the service</p>	Head of Accounting Services (supported by Head of HR)	By May 2013
	5.	Appropriate actions are being taken with accordance with council's HR polices.	CEX	Ongoing
<b>Structure</b>	6.	CEX to consult on changes to the structure of the Resources department to the separate the role of Section 151 officer from the role of Director of Resources.	CEX	End of April 2013
	7.	Implementation of agreed changes	CEX	June 2013 onwards

## Appendix 1

<b>Improvements to decision making processes</b>	8.	Make recommendations to Civic Affairs to streamline and simplify the council's financial decision making processes. The aim will be to balance the need to free up capacity and make efficient use of the organisational resources available, with the need to give members clear and transparent oversight of the council's finances.	CEX	July 2013
--	----	--	-----	-----------