

Audit and Corporate Governance Committee Report



Report of Head of Finance

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AGENDA ITEM NO 5

Internal Audit Reports 2006/07

Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the Committee to consider. The Committee is asked to review the reports and the main issues arising, and seek assurance that action will be/has been taken where necessary.

Background

2. Internal Audit's primary role is to provide an independent and objective opinion on the effectiveness of the control environment. This ranges from checking that effective arrangements for good governance are in place, through to testing that internal controls within systems are operating as they should.
3. Reports are produced at the end of the audit fieldwork, the aim being to:
 - set out the scope of the audit work

- communicate the results of the audit assignment
 - provide the internal auditor's overall opinion on the area under review
 - secure acceptance on audit recommendations and a commitment to action where improvements are suggested
4. The work undertaken and reports produced focus on a review of the internal controls, integrity of the system and occasionally on performance or outputs from that system. Not all aspects of a service or function will be examined in each audit, but over successive audits there will be a comprehensive review of the systems involved. The scope of each audit is agreed in advance with the manager of the service.
 5. Every recommendation made for improvement is allocated a risk rating (High, Medium or Low), this leading to an opinion statement for the system under review. The context in which an issue arises will dictate the risk category and the auditor will consider both the likelihood of a risk being triggered and the consequences should it occur in arriving at an overall risk level.
 6. Following the issue of a final report, Heads of Service, client officers and contractors are expected to implement all agreed recommendations by the agreed implementation dates contained in that report. They will be charged by the Chief Finance Officer to sign off their agreement to implement those agreed recommendations by the implementation dates contained in the final report action plan and also to confirm that the control weaknesses/risks identified will be assessed and where applicable incorporated into the risk management process. This will include their own assessment of the likelihood and impact of the risks, and actions will be included in the risk management action plan.

2006/07 Audit Reports

7. Appendix A of this report sets out the key points and findings relating to the following completed audits

Audit	Audit Opinion
Sundry Debtors	Unsatisfactory
Procurement	Satisfactory
Housing and Council Tax Benefits	Satisfactory
Bank Reconciliation	Good

8. Members of the Committee are asked to seek assurance from the Head of Service that the agreed action will be or has been undertaken where necessary.
9. A copy of each summary report has been sent to the appropriate Head of Service and the Cabinet Member for Finance.

10. A 6 month follow up is undertaken on all audits undertaken to establish the implementation status of agreed recommendations. Follow ups have been programmed for July 2007.

APPENDIX A

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

SUNDRY DEBTORS AUDIT 2006/07

The audit fieldwork was undertaken in October and November 2006 and the final report was issued to the Revenues and Benefits Client Manager in January 2007.

The work undertaken concentrated on analysing performance in relation to different areas of debt recovery rather than analysis of controls within the system. Internal Audit felt it important to highlight the areas where recovery may not be as effective as desired so that in such areas, Capita management would be aware of the required action before the implementation of the new system occurred rather than after. It was also thought more sensible to identify areas that required improvement, rather than looking in detail at the controls within the system which would change upon the implementation of the new system.

The scope of the audit included the following areas:

- Implementation status of the recommendations made following the 2005/06 audit
- Effectiveness of recovery of outstanding debt (including outstanding Liberata invoices)
- Comparison of aged debt as at September 2006 to that of 30 November 2005
- Debt recovery stages
- Write offs
- Contract Monitoring Reports

The Revenues and Benefits Client Manager asked Internal Audit to specifically review Capita's resources engaged on the sundry debtor function.

The recovery of overpaid Housing Benefit, Foxhall Manor Park and Commercial Sites debts were not included in this audit.

Audit Opinion

From the work undertaken Internal Audit is of the opinion that performance within the area of Sundry Debt recovery is **unsatisfactory**.

Key Points, Findings and Recommendations

- Internal Audit is satisfied with the implementation of the recommendations made following the 2005/06 audit.
- Data used in previous audits over the last four years was used to ascertain the progress made towards debt recovery. Testing identified balances on thirty three (33) accounts which have not changed since the 2003 Sundry Debtors audit. From the sample selected, Internal Audit considers the progress towards debt recovery in relation to these debts to be unsatisfactory/poor. Additional testing highlighted that in many instances, recovery was not progressing and debts were being allowed to stagnate.

(Three recommendations made Report Ref. 4.17, 4.18 and 4.20 – Risk Ratings all Medium)

- Testing identified that a significant majority of debts are less than £50 and therefore time spent administering and chasing them is not greatly efficient.

(Recommendation made Report Ref. 4.24 – Risk Rating Low)

- There are a number of debts outstanding to either commercial organisations, some of this Council's partners or indeed town or parish Councils. The debts owed by these are the ones that Internal Audit would expect to require the least recovery action. From a recovery perspective, this is of concern to Internal Audit.

(Recommendation made Report Ref. 4.31 – Risk Rating Low)

- SOHA Housing Act Work debts have remained outstanding for a number of years. Internal Audit has been informed that an issue has recently arisen about the way in which VAT had been dealt with for these invoices. The Finance and Resources Officer (Public Amenities) is currently dealing with this issue, writing to customers and informing them of the position, sorting out refunds and the new values of the invoices.

(Recommendation made Report Ref. 4.37 – Risk Rating Low)

- There are still a number of Housing Act Work debts that remain outstanding from 2004 and 2005, that are not in respect of SOHA owned properties,

(Recommendation made Report Ref. 4.40 – Risk Rating Medium)

- Credit balances have increased significantly since August 2005. Internal Audit is of the opinion that an exercise should be undertaken as a matter of urgency to review, allocate and where necessary refund credit balances on the Sundry Debtor system.

(Recommendation made Report Ref. 4.55 – Risk Rating High)

- From the testing undertaken, the accounts where the debt is being recovered by instalments appear to have stagnated. Many relate to Bed and Breakfast invoices, however the Housing Team are not provided with the recovery history associated with the debt and/or details of when the most recent payments were received. Internal Audit considers that such information would clearly show when the situation requires attention.

(Recommendation made Report Ref. 4.61 – Risk Rating Medium)

- Testing highlighted that in a number of instances, recovery actually ceases for no apparent reason. It is clear that recovery of instalments in this manner cannot be allowed to continue.

(Recommendation made Report Ref. 4.64 – Risk Rating High)

- Debts of less than £50 that have not been recovered will not be pursued through legal means as they are considered uneconomical to pursue and will be written off. It was noticed that one debt under £50 was for an annual periodic rent which was being written off each year. This is unacceptable and it is the view of Internal Audit that if periodic debts are to be written off, then the service or availability of the facility should be withdrawn.

(Recommendation made Report Ref. 4.70 – Risk Rating Medium)

- It was confirmed that the latest batch of general write offs was put forward during February and March 2006. All potential write offs should be periodically reviewed to ensure the debt is not stagnating.

(Recommendation made Report Ref. 4.74 – Risk Rating Medium)

- A discrepancy was identified following a review of the Contract Monitoring Reports. Such a document is considered a useful management tool for monitoring the performance of the contractor and therefore should be accurate and reflect the actual position of all outstanding debts.

(Recommendation made Report Ref. 4.79 – Risk Rating Medium)

- There remains an issue relating to the resourcing of the function. During the course of the audit numerous examples were found where action against an outstanding debt was overdue or administrative action had not been taken. It would appear that the function is not being effectively managed as has previously been the case.

(Recommendation made Report Ref. 4.87 – Risk Rating High)

Management Response

Fourteen (14) recommendations were made and accepted. Various implementation dates were provided and the report and action plan accepted.

Audit Review Timetable

A follow up review has been programmed for July 2007 to ensure the accepted recommendations have been implemented. Sundry Debtors is a fundamental system and is reviewed annually by Internal Audit.

Annex A, the Action Plan for Sundry Debtors detailing the recommendations made and the management response follows.

SUNDRY DEBTORS AUDIT 2006/07 ACTION PLAN Annex A

Report Ref.	Internal Audit Recommendations	Risk Rating	Management Response	R
4.17	Effectiveness of Recovery General Debt Recovery Testing The owning departments be informed that in future, all debts will be aggressively pursued and the Revenues and Benefits Client Manager's authorisation will be required for the recovery of the debt to be halted in any way.	Medium	Agreed. This will be included in the new harmonised (SODC & VWHDC) debt recovery procedures.	R B M
4.18	The debt recovery process be enhanced so that debts will automatically go to Legal Recovery Stages.	Medium	Agreed, although this would increase the workload of the legal department especially in the first instance. The quality of the debts forwarded to Legal Services will	R B M

			need to be monitored and Cost Centre Managers need to be challenged if performance is poor. This will be included in the new harmonised procedure.	
4.20	Any request for the recovery process to be put on hold after a debt reaching legal recovery status must be explained to and approved by the Revenues and Benefits Client Manager.	Medium	Agreed, but Capita should ensure that accounts put on hold are regularly reviewed so they are not allowed to stagnate. Cost centre managers need to be challenged if an account continues to be on hold indefinitely. This will be included in the new harmonised procedure.	R B M G
4.24	Analysis of the Spread of Debt Consideration be given to insisting upon pre-payment for debts of less than £50 as a way of reducing administration and freeing up more time to address issues relating to more substantial debts.	Low	Agreed. The Revenues and Benefits Client Manager is already pursuing extending the payments in advance facility across service teams e.g. land charges and building control.	R B M R B O
4.31	Councils and Organisation Recovery A similar review be undertaken by Capita as undertaken by Internal Audit to establish all outstanding invoices relating to commercial organisations, this Council's partners such as town or parish councils and that the details of these debts be forwarded to the originating departments for them to resolve as a matter of urgency.	Low	Agreed	R B M G
4.37	The SOHA Debt and Housing Act Works The issue relating to incorrect invoices having been raised, be used as an opportunity to contact SOHA, start afresh and resolve the issues relating to the outstanding debts.	High	Agreed – 06/07 invoices have been corrected and re-issued. However, previous years not done yet as there are legal implications. These need to be resolved first.	B L O ar O A
4.40	Renewed efforts are made to address the issues relating to Housing Act Works and since they are predominantly annual payments rather than one-offs, aggressively pursue them.	Medium	Agreed – enquiries will also be made into discontinuing the service for debtors who don't pay. Will discuss with Public Amenities.	R B M G A (F

	Credit Balances			
4.55	An exercise be undertaken prior to the implementation of the new Agresso system to review, allocate and where necessary refund credit balances on the Sundry debtors system.	High	Agreed	B L O
	Debt Recovery Stages – Instalments			
4.61	A Business Objects report containing sufficient information for the Housing team to assess the effectiveness of recovery and act accordingly when it is not, be regularly produced and sent to them relating to Bed and Breakfast debts being cleared by instalments.	Medium	Agreed. The introduction of Agresso will also give users the opportunity to review report requirements. Cost centre users will also be given access to Agresso if they require it.	B L O
4.64	The reason for recovery action ceasing against certain debts being cleared by instalments be investigated as a matter of urgency especially with the imminent implementation of the Agresso system.	High	Agreed.	B L O ce
	Write-Offs			
4.70	If periodic debts are to be written off, then the service or availability of the facility should be withdrawn	Medium	Agreed.	R B M
4.74	Working practices and procedures are enhanced to ensure all amounts pending write off are periodically reviewed and regularly processed.	Medium	Agreed – will be included in the new harmonised procedure.	R B M
	Contract Monitoring Reports			
4.79	Management information is verified to source documentation by an independent officer prior to being passed to the client.	Medium	Agreed	B L
	Sundry Debtor Resources			
4.87	The resources allocated to the management of the Sundry Debtors system be reviewed as a matter of urgency to ensure that adequate attention is given to both the day to day functions and the pro-active recovery of outstanding debt prior to the implementation of the Agresso system.	High	Agreed	B L M

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

PROCUREMENT AUDIT 2006/07

The audit fieldwork was undertaken between August and November 2006 and the final report was issued to the Acting Head of Corporate Development (Business Development) in January 2007.

The aims of the audit were to ensure that controls within the procurement function are adequate, operating effectively and in accordance with approved policies, procedures, guidance, legislation and regulations.

Internal Audit sought to ensure:

- The accomplishment of the goals and objectives around procurement
- Compliance with legislation and laws e.g. EU Procurement legislation, UK Government Procurement requirements
- Reliability and integrity of management information e.g. reporting to Corporate Management team ongoing procurements and the various stages of each procurement
- Value for money in all areas of purchasing be that equipment and/or goods and services e.g. partnership arrangements
- Documentation relating to procurements e.g. invitation to tenders, contracts are held securely

Procurement of goods, works, services or assets is integral to the delivery of most of the Council's strategic objectives. The improved approach to procurement set out in the Procurement Strategy and action plan will help the Council to achieve its strategic objectives within the resources available. The procurement strategy directly addresses Strategic Objective 1 Key Aim 1 "To keep future increases in Council's budget requirement at or below inflation".

Within this objective Internal Audit sought to establish the internal control framework, how management manage the risks associated with Procurement, and whether value for money is achieved. Where appropriate, recommendations were made to enhance control and mitigate risk and achieve value for money

In view of the above, work was undertaken within the following areas:

- A review of the Procurement Strategy and its application within the Council
- Progress towards implementing the actions flowing from the Procurement Strategy
- Confirm that the Council's Procurement Strategy and Flowcharts comply with appropriate legislation and best practice
 - Procurement Intranet site
 - Review the Council's procurement training programme.
- Establish the Council's compliance with the processes and procedures detailed in the Procurement Manual
- Discussions with staff to ensure they are aware of their role and responsibilities when purchasing goods and services

The work involved undertaking 'walk-through' tests to enable an opinion to be formed as to the robustness of the control framework within these areas. Internal Audit referred to the NAO/OGC 'Getting Value for Money from Procurement – How auditors can help', the National Procurement Strategy, I&DeA – Modern Procurement Practice in Local Government - Local Performance Indicators, and OGC – EU Procurement Guidance during the course of the audit.

Audit Opinion

From the work undertaken Internal Audit is of the opinion that the procurement framework which requires officers to either obtain written/verbal quotations, undertake a tender exercise or comply with EU regulations, depending on the size of the contract is **satisfactory**.

Key Points, Findings and Recommendations

- Procurement has a critical role to play in delivering strategic objectives and improving the quality of services delivered to the public. The Corporate Improvement Scrutiny Committee (CIOSC) has requested, as part of its work programme, to receive an update on the Council's progress in developing its approach to procurement.
- The Procurement Strategy Action Plan is the mechanism for delivering the Council's Procurement Strategy. Internal Audit's review of the progress towards implementing the actions contained in the plan suggests that reasons of clarity, actions that have been completed should be shown with a different colour code, as the difference between completed and on target for completion is currently not clear.

(Recommendation made Report Ref. 5.12 – Risk Rating Low)

- Elements of the National Procurement Strategy for Local Government (NPS), which provides a set of policy arguments and targets for better local government procurement, have been incorporated into the Council's Procurement Strategy. The NPS also provides milestones for achievement which have not been fully reflected in the Council's Procurement Strategy Action Plan.
- Discussions with the Acting Head of Corporate Development (Business Development) and others involved in procurement within the Council would indicate that progress is being made in achieving the milestones although there is no formal mechanism in place to record performance against the milestones.

(Recommendation made Report Ref. 5.19 – Risk Rating Medium)

- Completion of the best practice checklist by Internal Audit provided by the NPS highlighted good business practices but also areas where further work is required to maximize opportunities within the procurement function. However, the Acting Head of Corporate Development (Business Development) stated that there does not appear to be any mechanism in place from Government to measure Council's achievement of the milestones.
- Compliance with EU Directives governing public procurement is a legal requirement. Where applicable, the Council must place Notices advertising the procurement in the Official Journal of the European Union (OJEU).
- Following a review of the recent Financial Services tender process, Internal Audit was unable to identify any evidence of an independent review of the time frame in relation to compliance with the EU requirements. However based on the evidence available it would appear that the time scales required under EU regulations have been complied within including the new 10 day stand still requirement.
- Internal Audit considered that a review of the reasons for the 'negotiated' approach in relation to the Financial Services Contract should be undertaken to ensure that the Council complied with the EU Regulations.

(Recommendation made Report Ref. 5.30 – Risk Rating Medium – Not agreed by Management)

- Information is required, by the Department of Communities and Local Government, for each contract awarded during 2005 where the actual or estimated value is above the threshold of the Regulations (or is otherwise caught by the aggregation rules) and which is not excluded from them. This is a legal requirement, not a matter of discretion. Internal Audit was informed that the return was passed to Legal and Democratic Services for completion, but at the time of the audit could not be located.
- One specific milestone target in the National Procurement Strategy for Local Government to assist councils on e-procurement and in meeting their 2005 e-Government target is that for low value purchases, every council should be making appropriate use of the Government Procurement Card (GPC). Internal Audit considers the use of such cards should be introduced within the Council to comply with NPS milestones and to ensure that the purchasing procedures for low value procurement is not disparate to the financial value.

(Recommendation made Report Ref. 5.39 – Risk Rating Medium)

- Following a review of the Procurement Page on the Council's Intranet site, Internal Audit is of the opinion there is too much information, some of it is old and it is unclear whether or not the information is relevant or has been superseded. If the Council intends for the Intranet to provide a reliable, informative, user friendly source of information for staff embarking on a procurement exercise then it is essential that the data is complete, accurate and up to date at all times.

(Recommendation made Report Ref. 5.51 – Risk Rating High)

- A flowchart for procurement is under construction. An initial overview recommends that consideration is given to simplifying the flowchart such that it stands alone and require no additional reference to other documents.

(Recommendation made Report Ref: 5.55 – Risk Rating Medium – Not agreed by Management)

- Discussions held during the course of the audit fieldwork would indicate that there is no independent review of the documentation in relation to procurement to ensure compliance with procurement polices and procedures across the Council.

(Recommendation made Report Ref. 5.59 – Risk Rating Medium)

- There would appear to be a lack of clarity and potential confusion around two clauses in the Council's Constitution regarding the involvement of Cabinet Members in relation to procurements in excess of £10,000. The Head of Legal and Democratic Services agreed to change them at the next Constitution update in December 2006.
- It is intended that local procurement performance targets will form part of the Council's performance management system and will be monitored regularly and reported to management team, cabinet and the appropriate scrutiny committee. Consideration will also be given to the adoption of any further procurement performance indicators introduced by the ODPM/Audit Commission or recommended by the I&DeA. As yet the Council does not have any formal procurement performance targets in place, however Capita have agreed to perform a number of local procurement performance indicators but there are questions as to whether all required information is available. Internal Audit suggests that rather than wait for the implementation of the new Financial Management System (Agresso), performance targets around the NPS milestones should be used to provide visibility in relation to the performance of procurement initiatives within the Council.

(Recommendation made Report Ref. 5.70 – Risk Rating Medium)

- The Procurement Strategy, presented to Cabinet on 1 September 2005, focuses largely on the area of major contracts on which the Council spends a significant part of its budget and which should therefore provide most scope for improving value for money. However, analysis of information from Powersolve revealed that for procurement transactions of less than £1,000 the Council deals with approximately 1000 plus suppliers. Internal Audit recommends that as part of the Agresso project a request is made for creditor payments to be split into grants, employees, Parish Councils, government departments and general suppliers to facilitate reporting and data analysis.

(Recommendation made Report Ref. 5.73 – Risk Rating Medium)

- Whilst the Contracts and Procurement Group (CPG) is responsible for overseeing the letting, management, monitoring and review of Council contracts, and for coordinating and advising on procurement initiatives designed to help the Council achieve best value; operational responsibility for procurement rests with individual managers throughout the Council, who will manage and undertake procurement activity in line with the Council's strategy and acting within the Contracts Procedure Rules and the Financial Procedure Rules specified within the Constitution. To reflect the political commitment to the Procurement Strategy the Cabinet Member for finance has assumed lead responsibility for procurement.

- The review found that Corporate Development is not directly involved in procurement activity, but provide support and advice. Internal Audit considers that it is not sufficient to issue guidance and support, there is also a requirement to ensure adherence to the guidance provided.

(Recommendation made Report Ref. 5.79 – Risk Rating Medium)

- Internal testing undertaken revealed that the Council is using vast amounts of paper and spending considerable sums to provide information to Councillors. Internal Audit considers that this area needs to be reviewed for potential efficiency savings.

(Recommendation made Report Ref. 5.81 – Risk Rating Medium)

Management Response

Eleven (11) recommendations were made and nine (9) were accepted. The report was accepted and various implementation dates were provided.

Audit Review Timetable

A follow up review has been programmed for July 2007 to ensure the accepted recommendations have been implemented. Based on the risk assessment, Procurement is next due to be reviewed during 2009/10.

Annex B, the Action Plan for Procurement detailing the recommendations made and the management response follows.

PROCUREMENT AUDIT 2006/07 ACTION PLAN Annex B

Report Ref.	Internal Audit Recommendations	Risk Rating	Management Response
5.12	Procurement Strategy Action Plan For reasons of clarity, actions that have	Low	Agreed. This will be done for future

	been completed should be shown with a different colour code, as the difference between completed and on target for completion is currently not clear.		updates to Corporate Improvement Scrutiny Committee.
5.19	<p>Procurement Best Practice</p> <p>Rather than await an external review the Council needs to formally document and assess its performance against the all NPS milestones not merely the ones detailed above.</p>	Medium	The most sensible time of the year to do this would be in advance of the annual procurement update each September. The auditor has already done this analysis following para 5.22 of the audit report. It should be noted that the Council's agreed procurement strategy did not commit the Council to meeting every NPS recommendation as some were not relevant to the procurement characteristics of this council or economic to resource.
5.30	A review of the reasons for the 'negotiated' approach in relation to the Financial Services Contract be undertaken to ensure that the Council complied with the EU Regulations.	Medium	<p>The negotiated procedure under European public procurement rules can be used where the nature of the services or risks involved do not permit overall pricing, or where contract specifications cannot be established with sufficient precision to award the contract using the open or restricted procedure. This was because the complexities of joint working with another council and the inter-relationship with customer services reviews in both councils meant it was not possible to specify in sufficient detail what services were required at that stage of the project. This is documented in the report to Cabinet of 7 July 2005 relating to procurement of financial services.</p> <p>The Head of Legal and Democratic Services has confirmed that the negotiated approach used for the financial services contract did comply with EU Regulations.</p>
5.39	<p>Procurement Cards</p> <p>For low value procurement (less than £5,000 per supplier) the use of the</p>	Medium	Because much of the Council's purchasing is done by its main

	<p>government procurement card VISA should be introduced, thereby complying with the NPS Milestones, and ensuring that the purchasing procedures for low value procurement is not disparate to the financial value.</p>		<p>contractors, there is limited scope to deploy further procurement cards.</p> <p>The Head of Finance has considered purchase cards in the past, but is concerned about the security of cards and their potential misuse. There could be a significant cost in scrutinising payments to ensure that staff are not adding inappropriate goods and services to their card. The Council fully understands the need to streamline financial processes, and in future, all invoices will be scanned and authorised electronically, which will improve efficiency. When introduction of the financial system is complete, we will again review, and if appropriate put in place a system for use of procurement cards.</p>
5.51	<p>Procurement Intranet Site</p> <p>(a) The content of the Procurement Intranet site be reviewed for relevance,</p> <p>(b) All out of date and/or irrelevant information is deleted and held on a separate historic archive site for reference if and when appropriate,</p> <p>(c) All current relevant information be reviewed to ensure that it is accurate, and updated as appropriate, and</p> <p>(d) All links to other websites be checked to ensure they function.</p>	High	Agreed this is important to do.
5.55	<p>Procurement Flowcharts and Training</p> <p>Consideration is given to simplifying the flowcharts such that they stand alone and require no additional reference to other documents.</p>	Medium	<p>We believe the flowchart, recommended and informed directly by a former head of Procurement at Southampton Council, greatly simplifies previous guidance. Because of the length of some of the supporting documents, it would be</p>

			difficult to design the flowchart to require no reference to other documents. Some of the guidance documents, checklists and templates are many pages long. The only way to sensibly show more than a paragraph or two actually on the flowchart is by linking it to the flowchart. User testing has revealed that this is an acceptable approach.
5.59	<p>Compliance with Processes and Procedures</p> <p>An independent review of the documentation in relation to procurement is undertaken to ensure consistency of approach across the Council and compliance with published guidance.</p>	Medium	We propose to consult the Contracts and Procurement Group about who should carry out this review. CPG may feel that it should undertake this role itself, in which case a regular item would be added to the agenda.
5.70	<p>Procurement Performance Indicators</p> <p>Rather than await the implementation of the Agresso financial management system performance targets around the NPS Milestones should be used to provide visibility in relation to the performance of procurement initiatives within the Council.</p>	Medium	<p>The procurement strategy emphasises a focus on larger contracts rather than commodities</p> <p>We have developed a shortlist of useful procurement indicators and agreed them with Capita. Some of the indicators require calculation which cannot be done by the current Powersolve system but probably can be done by the future Agresso system. When Agresso is in use, we will determine a timetable with Capita to finalise what statistics to include in our annual procurement report.</p>
5.73	As part of the Agresso project a request is made for creditor payments to be split into grants, employees, Parish Councils, government departments and general suppliers to facilitate reporting and data analysis.	Medium	This information is not used regularly. When Agresso is in place, we will carry out a cost/benefit analysis, taking into account the value of the information and the effort required to create it.
5.79	<p>Procurement Roles and Responsibilities</p> <p>The role of the corporate procurement function be extended to include a requirement to provide an assurance to</p>	Medium	To provide the suggested assurance would require involvement in specific procurements and post-procurement

	<p>the Corporate Improvement Scrutiny Committee that policies and procedures both internal and external are being complied with and that there is a consistent approach to procurement across the Council.</p>		<p>auditing work. This would require significant additional resources and detailed procurement knowledge. A recent growth bid to include this capacity was not approved.</p> <p>We propose that the chair of the Contracts and Procurement Group sits on the project board of major procurements to facilitate the sharing of expertise and best practice. Where there is insufficient procurement knowledge or resources within the Council, we will continue to employ external advisors for this purpose. We will explore whether there is a case for retaining a procurement expert to advise on major procurements or whether expertise exists in neighbouring councils</p> <p>Internal audit could have a role to monitor compliance with internal and external policies and procedures.</p>
5.79	continued ...		<p>Internal Audit Note: Where appropriate, Internal Audit reviews compliance to internal and external policies and procedures on the systems detailed within its annual audit plan and reviews the effectiveness of the monitoring that management undertakes against such policies. Regular monitoring of areas within systems is considered a management function.</p>
5.81	<p>An exercise be undertaken to establish the need for such vast amounts of paper each month, and whether there are any alternative solutions to provide key documents to individual Council members.</p>	Medium	<p>Following a previous initiative by the Chief Executive to move to alternative methods of delivery, councillors responded strongly that they wanted paper copies of agendas, reports and minutes that they can bring to meetings. A Legal & Democratic Services review has shown that majority of councillors would not wish to receive papers in only electronic form unless the Council provided them with laptops,</p>

		<p>printers and paid for paper and toner. At the time this was looked at, there was no agreed budget to provide the hardware or consumables. In any case, this approach would only transfer the problem, and would be costly to implement.</p> <p>The provision of PC screens in the Council Chamber for councillors to view papers electronically was evaluated prior to its refurbishment. However the multiple uses to which this room is put means that it would not be feasible to install the necessary equipment.</p> <p>A radical approach may be unacceptable or too costly or both. However there may be scope to revisit this issue following the election of a new set of councillors in May 2007.</p>
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SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

HOUSING AND COUNCIL TAX BENEFITS 2006/07

The audit fieldwork was undertaken in January and February 2007 and the final report was issued to the Revenues and Benefits Client Manager in March 2007.

Since the time of the previous review, the contractor providing the Housing Benefit function has changed from Liberata to Capita. This is a joint contract with the Vale of White Horse District Council. Both Councils are currently implementing Academy revenue software.

In addition, the Internal Audit sections of both Councils are currently in the process of merging. Because of this and the revenues function being provided by the same contractor, the Internal Audit sections examined identical areas for the purpose of this review.

The aims of the audit were to ensure that there was satisfactory evidence of controls and checks within the Housing and Council Tax Benefits system.

The purpose of the audit was to review, examine and evaluate the following controls and checks:

- Satisfactory evidence of a claimants' National Insurance Number (NINO) had been obtained
- Where a claimant did not have a NINO, details were promptly referred to the Department of Work and Pensions (DWP) Area Control Unit
- Sufficient evidence had been provided by a claimant to confirm their identity
- Evidence had been produced to confirm the claimants' capital income
- Suitable evidence had been provided by the claimant to confirm any earnings
- Any payslips provided were legitimate
- Income had been ignored where appropriate
- Appropriate capital assets had been excluded when determining capital income in accordance with DWP guidance

As part of the 2006/07 audit, the opportunity was taken to establish the implementation status of the agreed 2005/06 audit recommendations.

Audit Opinion

From the testing undertaken, Internal Audit is satisfied that the controls and checks reviewed are **satisfactory**.

Key Points, Findings and Recommendations

- From the sample of twenty (20) applications selected, there were no instances where a claimant had not provided their National Insurance Number. Therefore, there were no instances where a claimant's details had to be referred to the Department of Work and Pensions.
- The review found that in all cases adequate evidence had been provided which confirmed the claimant's identity. From the testing undertaken, it appears that sufficient evidence had been provided by a claimant to confirm their identity.
- Testing revealed adequate evidence to support the capital income received by claimants had been received in all cases.

- From the sample selected, no issue arose in relation to suitable evidence being provided to support any income from earnings.
- A review of the payslips submitted to support a benefit claim where income had been received from earning confirmed that in all relevant cases, the payslips appeared legitimate.
- From the testing undertaken, no issues arose relating to the excluding and/or disregarding of income and capital.
- From the testing undertaken, Internal Audit found no instances where capital assets had not been excluded where appropriate.
- The recommendations made following the 2005/06 audit review were reviewed and their relevance assessed. Considering the impending system changes, Internal Audit is of the opinion that the 2005/06 recommendations no longer remain relevant.

Management Response

No recommendations were made and the report was accepted.

Audit Review Timetable

Housing and Council Tax Benefits is a fundamental system and is reviewed annually by Internal Audit.

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

BANK RECONCILIATION AUDIT 2006/07

The audit fieldwork was undertaken in January 2007 and the draft report was issued to the Head of Finance and the Accountancy Client Manager / Chief Accountant in January 2007.

The aim of the review was to ensure that reconciliations of bank accounts are being undertaken promptly, independently checked and discrepancies investigated and supported by adequate documentation and explanation to validate any adjustments.

The areas identified for review included:

- The Drawings Bank Account
- The General Bank Account
- Post Office Giro Bank Accounts
- Contractor Deposit Accounts
- The Cash Interface Z-Suspense Account
- Management Information

The review provided Internal Audit with the opportunity to ensure that all the agreed recommendations following the 2005/06 review had been implemented and were being adhered to. This was confirmed by observation and discussions with the appropriate officers, and by carrying out further testing.

Audit Opinion

From the work undertaken Internal Audit is of the opinion that the controls operating within the system are **good**.

Key Points, Findings and Recommendations

- Internal Audit considers that the implementation of the 2005/06 audit recommendations has been satisfactory.

- Procedure notes for all reconciliations were reviewed and no issues arose.

- Testing confirmed that the reconciliations of the Drawings Bank Account were complete, accurate and timely.

- From the testing undertaken, Internal Audit is satisfied that a reconciliation of the General Bank Account is being undertaken on a monthly basis and the reconciliation statements are appropriately signed, independently checked and dated.

- An analysis of the reconciliation statements of the Post Office Giro Bank Accounts produced April 2006 to November 2006 confirmed that reconciliations had been performed and supporting paperwork retained. The reconciliation statements reviewed had been appropriately signed, independently checked and dated.
- No issues arose relating to the Contractor Deposit Accounts and from the testing undertaken, Internal Audit has no concern in this area.
- A review of the source documentation relating to the Z-Suspense Account highlighted a discrepancy in the reconciliation. However further investigation identified that previous year adjustments had not been included in one of the cumulative totals for 2006/07. Internal Audit is satisfied that the transactions maintained on the Accountancy spreadsheet reflect the transactions on the General Ledger (Powersolve).
- It was ascertained that the reconciliation of the Z-Suspense Account is not formally documented. Without being documented, it is not possible to ascertain by whom and when the reconciliation was completed.

(Recommendation made Report Ref. 4.29 – Risk Rating Medium –

- Each month, a Financial and Budget Monitoring Report is produced which details the current position of the various bank reconciliations undertaken by the Finance Team. Following a review of the reports for the period April 2006 to November 2006, they appear comprehensive and detail the current reconciliation status, any significant issues that require addressing and a detailed analysis of the position of the z-suspense account.
- During the testing undertaken on the Z-Suspense Account, an issue was identified relating to the accuracy of the monthly management information report.

(Recommendation made Report Ref. 4.36 – Risk Rating Medium –

Management Response

Two (2) recommendations were made and accepted..

Audit Review Timetable

A follow up review will be undertaken 6 months following the issue of the final report to ensure the accepted recommendations have been implemented. Bank Reconciliation is a fundamental system and is reviewed annually by Internal Audit.

Annex C, the Action Plan for Bank Reconciliation detailing the recommendations made follows.

BANK RECONCILIATION AUDIT 2006/07 ACTION PLAN Annex C

Report Ref.	Internal Audit Recommendations	Risk Rating	Management Response	Respon
4.29	Z-Suspense Account A suitable reconciliation format is devised and completed in conjunction with the monthly reconciliation of the z-suspense account. This should be signed and dated by both the preparing and reviewing officer.	Medium	Agreed	Reconci Assistan Account
4.36	Management Information During the preparation of the Finance and Budget Monitoring Report, checks are undertaken to ensure the accuracy of information provided to management.	Medium	Agreed	Account Assistan Account