Audit and Corporate Governance Committee Report

South Oxfordshire
District Council

Listening Learning Leading

Report of Audit Manager

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AGENDA ITEM NO
9

Internal Audit Activity Report 2008/2009

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 report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

Background

2. Internal Audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the Councils' objectives. It assists the Councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.

3. After each audit assignment, Internal Audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by Internal Audit indicate the following:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following ratings:

High: Fundamental control weakness for senior management action

Medium: Other control weakness for local management action

Low: Recommended best practice to improve overall control

Internal Audit Activity

6. Since the last Audit and Corporate Governance Committee meeting, the following planned audits have been completed:

Planned Audits

	Assurance Rating	No. of Recs	High Recs.	No. Agreed	Medium Recs.	No. Agreed	Low Recs.	No. Agreed
Sundry Debtors	Limited	8	4	4	1	1	3	3
Cleansing Service	Satisfactory	1	0	N/A	1	1	0	N/A
Housing Allocations	Satisfactory	7	0	N/A	4	3	3	2
Elections	Limited	14	3	3	6	6	5	5
Treasury Management	Satisfactory	7	0	N/A	1	1	6	5
ICT	Satisfactory	6	0	N/A	0	N/A	6	6
Capital Accounting	Satisfactory	9	0	N/A	3	3	3	3
Creditor Payments	Satisfactory	11	0	N/A	6	6	5	5
Risk Management	Limited	14	7	7	5	3	2	2
BCP	Satisfactory	9	0	N/A	6	6	3	3
Data Protection	Limited	6	0	N/A	5	5	1	1

Bank Contract & Arrangements	**Satisfactory**	**1**	1	1	0	N/A	0	N/A
Tenders	Limited	**12**	2	2	9	9	1	1
Budgetary Control	Satisfactory	**10**	0	N/A	6	6	4	4
NNDR	Limited	**9**	0	N/A	6	2	3	2
Dog Control	Limited	**9**	2	2	6	6	1	1
Housing & Council Tax Benefits	Limited	**6**	1	1	4	4	1	1

Follow Up Reviews

	Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Building Control	**Satisfactory**	3	1	2	0	0

6. **Appendix 1** of this report sets out the key points and findings relating to the completed audits.

7. Members of the Committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.

8. A copy of each report has been sent to the appropriate Service Manager, the relevant Strategic Director, the relevant Section 151 Officer and the relevant Member Portfolio Holder.

9. A 6 month follow up is undertaken on all audits completed to establish the implementation status of agreed recommendations.

SUNDRY DEBTORS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 26th February 2008.

1.2   The following areas have been covered during the course of this review:

- Implementation of previous recommendations
- Implementation of revised debt recovery strategy/procedures
- Effectiveness of recovery of outstanding debt
- Write offs, Adjustments and Cancellations
- Contract Monitoring and Performance Management
- Review of the level of debt outstanding

2. BACKGROUND

2.1   The contractor providing the Sundry Debtors function is Capita and the contract commenced on 31 July 2006. Capita also provide the function at Vale of White Horse District Council.

2.2   Since the contract was awarded to Capita, a new financial management system has been implemented (Agresso). The implementation of Agresso has impacted on the processes and procedures relating to Sundry Debtors. The recovery process has changed as a result of the implementation of the Agresso system and also administration procedures have been amended to reflect the introduction of Agresso.

3. PREVIOUS AUDIT REPORTS

3.1   Sundry Debtors was last subject to an internal audit review in January 2007 and 14 recommendations were raised and a satisfactory opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Eight recommendations have been raised in this review. Four High, One Medium and Three Low.

5. MAIN FINDINGS

5.1   **Previous Recommendations**

5.2   Fourteen recommendations were made following the 2006/2007 audit review and all were agreed. It was ascertained that the implementation of ten recommendations is ongoing and that action had been taken for the four remaining recommendations. Internal Audit considers that the recommendations had been implemented where possible and appropriate action had been taken where necessary.

5.3   **Debt Recovery Strategy and Procedures**

5.4   Internal Audit confirmed that the Debt Recovery Strategy and Debt Recovery Procedures are clear and comprehensive in how debts should be treated. The recovery procedure is still evolving with the addition of a number of recovery stages being introduced at the point when debts are referred to Legal Services. Internal Audit acknowledges that work instructions are being developed by Capita and as a result has made no recommendations at this time

following the work undertaken in this area.

5.5 **Debt Recovery**

5.6 Internal Audit acknowledges the work currently being undertaken by Capita and the Revenues and Benefits Client Manager relating to the debt recovery process, however due to issues highlighted during the review the testing undertaken by Internal Audit was limited.

5.7 Following a review of the Aged Debt Report provided by Capita, Internal Audit noted that:
- The total aged debt figure included Housing Benefit overpayments, of which some had been inaccurately included within Finance's cost centre;
- The Housing Benefit cost centre did not have any debt listed as over one year old; and
- The total aged debt figure included £114K of unallocated cash.

Due to these issues, Internal Audit could not place any reliance on the Aged Debt Report.

5.8 The recovery stages are currently limited to three before the debt is referred to Legal. The legal recovery stages are yet to be agreed. Internal Audit testing confirmed that there had been instances where reminders had not been issued at the appropriate time, therefore debts have been allowed to stagnate. Overall, Internal Audit cannot give assurance on the satisfactory pursuance of debts and an effective recovery process. One recommendation has been made as a result of our work in this area.

5.9 **Write offs, Adjustments and Cancellations**

5.10 Internal Audit noted that the procedures for dealing with amendments and cancellations differs between both Councils, and consider that they should be harmonised across both sites to ensure consistency. In addition, cancellations and amendments should be processed promptly to ensure the integrity of reminder runs.

5.11 In relation to write-offs, it was evidenced that bad debts are not being reviewed on an on-going basis and proposed for write-off where applicable. Internal Audit considers that debts should be reviewed and where relevant, put forward for write-off if all other recovery avenues have been pursued. It was also noted that the authorisation limits of write-offs at South Oxfordshire District Council, differs to the limit at Vale of White Horse District Council. Internal Audit considers that the authorisation limits should be harmonised across both Councils to assist with a consistent approach.

5.12 There is also a need for a review of the write offs recorded as proposed on Powersolve (system pre-April 2007), to verify that they have been processed on Agresso. Five recommendations have been made as a result of our work in this area.

5.13 **Monitoring Arrangements**

5.14 Internal Audit did not undertake any testing relating to the calculation of performance targets as they are still in the process of being agreed upon for Sundry Debtors. Although contract monitoring meetings are occurring, a formal monitoring report process has not yet been implemented as monitoring reports are not being provided to the Revenues and Benefits Client Manager. One recommendation has been made as a result of our work in this area.

5.15 **Reduction of the Level of Debt**

5.16 It is stated in the minutes of the Audit and Corporate Governance Committee (11 April 2007) that the Cabinet member for Finance estimated a reduction of £200,000 within a year. In addition, the Committee could expect to see progress towards this estimation in six months time. In order to evidence this reduction, the Revenues and Benefits Client Manager required 'snapshots' of the level of outstanding debt. It was noted in the contract monitoring meeting minutes that the required snapshots remain outstanding despite agreement from Capita to provide the information. The Revenues and Benefits Client Manager cannot assess whether the reduction has been made without this information. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

DEBT RECOVERY

1. Debt Recovery **(High)**

Recommendation	Rationale	Responsibility
The Revenues and Benefits Client Manager should work with Capita to ensure that debt is being pursued in a satisfactory manner, and the Contractor should provide evidence to support the effectiveness of the recovery process within Sundry Debtors.	Best Practice Debts should be pursued promptly so as to not stagnate and to ensure successful recovery. The age of debts should be not be excessive and should be kept to a manageable level. Findings Due to the fact that further work needs to be undertaken to implement a full recovery process, and that no reliance could be placed on the Aged Debt Report, Internal Audit was only able to undertake limited testing in this area. Internal Audit testing confirmed that reminders are not being issued at the appropriate time, and therefore debts are being allowed to stagnate. Risk There is a risk of debts becoming stagnant, increasing the age of debt which makes recovery more difficult and the level of debt exceeds a manageable level.	Capita & Revenues and Benefits client Manager

Management Response	Implementation Date
Recommendation is **Agreed** A large amount of work has been done in recent months by both Capita and council staff, and debts are now being progressed as per the debt recovery process. Parameters have been set within the Agresso system so there is no reason why the current debt (and old debt when reviewed) should not flow through the process automatically. This continues to remain as a high priority, and focused upon by both parties.	Part of continuing Agresso implementation and action plan.

WRITE OFFS, ADJUSTMENTS AND CANCELLATIONS

2. Adjustments and Cancellations **(Low)**

Recommendation	Rationale	Responsibility
That the procedures for dealing with amendments and cancellations are reviewed with a view to adopting harmonised arrangements across both Councils.	Best Practice The procedures adopted following the commencement of the Ridgeway Shared Service Partnership and Agresso should be consistent across both Councils. Findings The procedures followed for amendments and cancellations differ from those adopted at the VWHDC.	Capita & Revenues and Benefits client Manager

	Risk Staff are not aware of the correct procedures and therefore may act inconsistently.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Work is underway to harmonise procedures.		31 March 08

3. Adjustments and Cancellations   **(Medium)**

Recommendation	Rationale	Responsibility
That cancellation and amendments are processed promptly to ensure the integrity of the Sundry Debtors reminders runs.	<u>Best Practice</u> Processing adjustments promptly helps ensure the integrity of the Sundry Debtors reminder runs. <u>Findings</u> Internal Audit noted that a cancellation request which had been received by Capita on 11 October 07 had still not been processed 3 weeks later. <u>Risk</u> The reminder run could be compromised if adjustments are not processed promptly.	Capita & Heads of Service
Management Response		**Implementation Date**
Recommendation is **Agreed** Processes need to be documented so all parties are aware of what is required.		31 March 08

4. Write Offs   **(Low)**

Recommendation	Rationale	Responsibility
Authorisation limits should be harmonised across both Councils to assist with a consistent approach to write offs.	<u>Best Practice</u> The procedures adopted following the commencement of the Ridgeway Shared Service Partnership and Agresso should be consistent across both Councils. <u>Findings</u> Internal Audit noted that the Sundry Debtors Write Offs Procedure has different authorisation levels for SODC and VWHDC. <u>Risk</u> The Councils are inconsistent in how they deal with write offs across both Councils.	Revenues and Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		31 March 08

5. Powersolve Write Offs   **(High)**

Recommendation	Rationale	Responsibility
That Capita undertake a review of	<u>Best Practice</u>	Capita

the agreed write offs from the Powersolve system to verify that the write offs have been undertaken on the Agresso system.	Write offs are processed promptly to ensure the Council has accurate information regarding the level of debt due to the Council. Findings The Senior Legal Assistant stated that he is currently processing a number of cases which he has highlighted were marked as "Proposed for write off" from the Powersolve system (pre April 07). He has identified that they have not been processed on the Agresso system and submitted a request for the write off to be processed on 27 September 2007. Internal Audit confirmed that these transactions as at 9 November 2007 have yet to be processed on the Agresso system. Risk The Council has an inflated debt level as debts are not written off promptly.	
Management Response		**Implementation Date**
Recommendation is **Agreed** As part of the debt recovery plan, heads of services are being met with to review their old debt, and confirm what action is required. The write-offs highlighted by the Senior Legal Assistant have now been processed.		Part of continuing Agresso implementation and action plan.

6. Write Offs   (Low)

Recommendation	Rationale	Responsibility
Aged debts are reviewed on an on-going basis and where relevant are proposed for write-off if all other recovery avenues have been pursued.	Best Practice Write offs are processed promptly to ensure the Council has accurate information regarding the level of debt due to the Council. Findings Internal Audit noted that bad debts were not being reviewed and proposed for write off as a matter of priority, with very few write offs being processed since 1 April 2007. Internal Audit was unable to undertake any substantial testing of write offs in view of the small amount of transactions. Risk The Council has an inflated debt level as debts are not written off promptly.	Capita
Management Response		**Implementation Date**
Recommendation is **Agreed** This is being harmonised across both councils. Monthly reports are being submitted to heads of service and legal departments identifying aged debts and those debts which have progressed through the recovery process(for decisions to be made on whether they should be written off or passed to legal). The process has not been consistent to date but should improve in due course.		Part of continuing Agresso implementation and action plan.

MONITORING ARRANGEMENTS

7. Monitoring Information (High)

Recommendation	Rationale	Responsibility
Whilst Internal Audit acknowledges that the performance targets are yet to be agreed with the Contractor and Service team, it is considered that regular performance reports should be sent to the client to ensure that basic performance monitoring can be undertaken.	**Best Practice** Regular performance monitoring information should be passed to the Client as a matter of course, allowing the Client to monitor the performance of the Contractor. **Findings** Internal Audit did not undertake any testing relating to the calculation of performance targets as they are still in the process of being calculated/agreed upon for debtors targets. Although contract monitoring meetings are occurring, a formal monitoring reporting process has not yet been implemented as monitoring reports are not being provided to the Revenues and Benefits Client Manager. **Risk** Without regular monitoring of contractor performance, the Client would not be aware if the service is becoming ineffective. Performance indicators cannot be compiled.	Revenues & Benefits Manager, Capita
Management Response		**Implementation Date**
Recommendation is **Agreed** Monitoring information has been agreed, based on the previous information that came out of Powersolve (stage reports, aged debt, cost centre performance). This is due to be distributed on a monthly basis within the suite of Capita monitoring information.		Part of continuing Agresso implementation and action plan.

REDUCTION OF THE LEVEL OF DEBT

8. £200,000 Reduction (High)

Recommendation	Rationale	Responsibility
In accordance with the action agreed at Audit and Corporate Governance Committee (11 April 2007), the Contractor is to provide the required 'snapshots' to the Client in order to evidence the expected reduction.	**Best Practice** The Revenues and Benefits Client Manager should be able to assess whether the required reduction agreed at Audit and Corporate Governance Committee (11 April 2007) has been achieved in order to report to the Cabinet Member for Finance. **Findings** It was noted in the contract monitoring meeting minutes that the required snapshots remain outstanding despite previous promises from Capita. The Revenues and Benefits Client Manager cannot assess whether the	Capita & Revenues & Benefits Manager

	reduction has been made without this information. Risk Without the snapshots being provided, the Revenues and Benefits Client Manager would not be able to assess whether the reduction has been made. Also, a non-reduction could indicate a weakness within the recovery process.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The snapshot has been provided and needs to be reviewed by all three parties.		1 March 2008

CLEANSING SERVICE 2007/2008

1. INTRODUCTION

1.1   Final issued on the 18th March 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that policies and procedures are in place and are relevant and up to date.
- To ensure that the specification of the Cleansing Services Contract is adequately controlled and managed by the Council.
- To ensure that the contract performance information available to management is accurate, timely and verified and that performance is adequately managed by the Council.
- To ensure that the recommendations made following the 2002/2003 audit review have been implemented.
- To ensure that management have processes in place to pro-actively identify any evidence of fraud and corruption within their business area.

2. BACKGROUND

2.1   The cleansing service contract was awarded to Cannon Horticulture in January 2001 for a period of five years. It was then extended in 2005 for another three years until January 2009. In addition to street cleansing and washing, the specification of the contract includes other services such as removal of litter from Local Authority Land, de-littering of public footpaths and bridleways and also the removal of graffiti and fly posters.

3. PREVIOUS AUDIT REPORTS

3.1   Cleansing Service was last subject to an internal audit review in August 2002 and one recommendation was raised and a satisfactory opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   One recommendation has been raised in this review. The categorisation of the recommendation is Medium.

5. MAIN FINDINGS

5.1   **Policies and Procedures**

5.2   The service links into the Councils strategic objectives through BVPI199. Strategic objective 7 of the Council 'Environment – To maintain and enhance the environment' is met through BVPI199 in that the service aims to protect and improve the quality of the built environment and streetscape to reduce the levels of litter and detritus on land in South Oxfordshire.

5.3   Internal Audit was informed that the Head Of Environmental Services has introduced a 'Quality Management System' in which all function processes will be documented. This process is ongoing and an electronic folder has been set up on the network which contains the procedures. It is clear that many of the functions within Street Cleansing have been documented and copies of 'BVPI199 scheduling procedure' and 'Cannon Contract variation and payments office procedure' were obtained. A review of the procedure notes identified that they are comprehensive and would allow

another member of staff to undertake the specific function if key personnel were absent. It should be noted that this process is ongoing and there may be areas in which procedure notes still need to be written, however Management are aware of this and efforts are being made to ensure that they are completed. Internal Audit has no recommendation to make in this area.

5.4

Contract Specification

5.5

Monitoring of the contract specification is closely linked to performance monitoring as performance targets have been set according to the contract specification. The contract is monitored at the monthly contract meetings held between the Council and Cannon Horticulture. A review of the minutes of the contract meetings confirmed that they are being held monthly and that the contract and any issues arising are discussed. Through discussion with the Senior Waste Management Officer, it was ascertained that there is good communication between the Council and the

5.6   Contractor.

There are two Contract Monitoring Officers who, as part of their duties, carry out inspections in accordance with Best Value Performance Indicator (BVPI) 199. BVPI199 measures the performance of the contractor in relation to the cleanliness of the district, therefore by undertaking these inspections, the Council is monitoring the contractors performance in relation to the main specification of the contract. Internal

5.7   Audit has no concerns in this area.

5.8   **Performance Monitoring**

Performance is monitored through five Key Performance Targets (KPT's) which include quality of cleansing in outer areas of the towns, quality of cleansing in town centres, quality and timing of channel sweeping, time taken to clear fly tipping and

5.9   village cleanses.

A performance review of Cannon Horticulture was undertaken by the Council and a report was presented to Cabinet in October 2007. The report included the contractors performance in relation to the KPT's, therefore Internal Audit reviewed the supporting documentation for each KPT. From the testing undertaken, Internal Audit is satisfied that the KPT's are regularly monitored and that they have been compiled accurately.

5.10

As part of the performance review, the team completed a 'Council Satisfaction' document in which key areas of the service provision are graded. Overall, the Council considers the service provision to be excellent however three areas for improvement

5.11   were raised and it was noted that the performance report had been discussed at the November contract meeting.

From the testing undertaken, Internal Audit is satisfied that the contractors

5.12   performance is being adequately managed by the Council.

Previous Recommendations

5.13   One recommendation was made and agreed following the 2002/2003 audit review. The recommendation was reviewed and it was identified that it no longer remained relevant as it related to the previous contractor. The six month follow up undertaken in March 2003 confirmed that the recommendation had been implemented at that time. Internal Audit has no concerns in this area.

5.14   **Pro-Active Anti Fraud**

5.15   It was ascertained that the Anti-Fraud and Corruption Policy has not been read, however the Head of Environmental Services stated that she is aware of her responsibility in relation to occurrences of fraud and corruption. It was noted that a risk of collusion to defraud had been included in the operational risk register but the

key risk areas for fraud and collusion had not been identified.

5.16   Whilst it was stated that there is an awareness within the business area in relation to fraud and corruption, there is no evidence of a formal management process which would pro-actively identify evidence of fraud and corruption. With regard to the annual review of internal control arrangements, the current arrangements of management review do not appear to be pro-active. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

PRO-ACTIVE ANTI FRAUD

1. Pro-Active Anti Fraud   **(Medium)**

Recommendation	Rationale	Responsibility
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	<u>Best Practice</u> The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken. <u>Findings</u> Key areas for fraud have not been identified within the business area and it was ascertained that there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. In relation to the Statement of Internal Control, the process for formulating risks does not appear to be pro-active. <u>Risk</u> If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring which could lead to significant financial, operational, legal and reputational implications.	Waste Services Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		May 2008

HOUSING ALLOCATIONS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 20th March 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that roles and responsibilities are clearly defined and adequate separation of duties are in place.
- To ensure that all applications are correctly assessed and calculated.
- To ensure that there are adequate controls in place to review and progress eligible tenants applications.
- To ensure that there is adequate documentary evidence in support of all allocation cases.
- To ensure that all records are secure and protected against loss or unauthorised access.
- To ensure that all relevant records are updated to record all transactions.

2. BACKGROUND

2.1   The Council is obliged to comply with the provisions of Part 6 of the Housing Act 1996 in the nomination of applicants to assured tenancies in RSL stock. The requirement to keep the Housing Register was rescinded under the 2002 Homelessness Act but South Oxfordshire District Council has decided to retain its Housing Register.

2.2   At the time of the audit, the Housing Needs Manager had just returned to the role having previously fulfilled the position of Acting Head of Housing. The Housing Team have just started the informal consultation stages of a restructure, but key dates are not yet available for when the restructure would take effect.

2.3   The Council is due to implement a Choice Based Lettings system which involves migrating to new software. As previous Audit Recommendations largely related to system controls on the system which is soon to be replaced, the Audit Manager agreed with the Acting Head of Housing that this audit should concentrate more on processes rather than IT systems.

2.4   At the time of the audit the Housing Team was incurring extra workload due to issues arising from the conversion to the Agresso Sundry Debtors system. Extra queries are being generated by the late issue of invoices. The Administration Team was severely affected by having to investigate 170 Rent Deposit Scheme cases, which had not been invoiced for several months as they had not been transferred from the previous debtors system onto Agresso. The Information and Resources Manager had also been given a list of 1089 outstanding debtors to investigate. Whilst outside the scope of the current audit, it is acknowledged by Internal Audit that there are significant resource issues within the team.

3. PREVIOUS AUDIT REPORTS

3.1   Housing Allocations was last subject to an internal audit review in January and February 2006, 13 recommendations were raised and an unsatisfactory opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Seven recommendations have been raised in this review. Four Medium and Three Low.

5. MAIN FINDINGS

5.1   **Roles and Responsibilities**

5.2   Whilst job descriptions and adequate separation of duties are in place, the job descriptions are only reviewed as a position becomes available rather than as changes to working practices and officers roles occur. The job descriptions also do not contain any version control or date last reviewed. It is acknowledged that a restructure of the team is expected but dates of when this will occur are not yet established. One recommendation has been made as a result of our work in this area.

5.3   Documented procedures are in place for the service area, but they are not comprehensive or combined into a procedure manual with a formal review process in place. It is accepted that the introduction of the Choice Based Lettings System will result in changes to existing processes, and management recognise that a formal procedure process is required. One recommendation has been made as a result of our work in this area.

5.4   **Application Assessment**

5.5   Testing undertaken to check applications highlighted no areas of concern as far as the points awarded and the process of dealing with the application. It was noted that Housing post is not opened in the presence of two officers. Whilst few cheque or cash payments are received, important personal documents are received which require careful handling. One recommendation has been made as a result of our work in this area.

5.6   The Housing Allocations Policy is issued as a hard copy document to applicants and is also available on the Council's website. The document on the website was, at the time of the audit, a different version to the hardcopy as it details the new Choice Based Lettings scheme which has not yet been implemented and has different target dates and criteria. One recommendation has been made as a result of our work in this area.

5.7   **Review and Progress Applications**

5.8   Testing was undertaken to assess the processing of applications and changes of circumstances. The Abritas system holds an event log in a CRM area for each applicant. Findings indicate that where changes are made, the pointings sheet in the file isn't always fully completed. However, evidence of actions was seen to be held on the Abritas system, so the need to initial the pointings sheet in each file was discussed with the Housing Needs Manager. Internal Audit has no recommendations to make in this area

5.9   Annual renewals were seen to be issued and followed up but testing highlighted a period in 2006/2007 during which renewals hadn't been issued. This backlog was known by Management and an officer had been appointed to catch up on renewals for this period. One recommendation has been made as a result of our work in this area.

5.10   **Documentary Evidence**

5.11   From the testing undertaken, supporting documentation was seen to be adequately date stamped and noted. Internal Audit have concerns that not all the required proof of ID and evidence is obtained early on, which causes a delay during the nominations process. One recommendation has been made as a result of our work in this area.

5.12   **Security of Records**

5.13   A review of the security of records during the previous audit resulted in several

changes which were seen to be in place. Internal Audit has no recommendation to make in this area

5.14   **Recording Transactions**

5.15   A walkthrough of the nominations process was undertaken and no issues were highlighted. The Abritas system produces a listing of suitable applicants once a nomination is set up, and the list is worked through by the Temporary Allocations Officer who carries out checks to ascertain each applicant's readiness for nomination. A record of each applicant's nomination is held on the Abritas system, and the printed list is noted appropriately until a suitable candidate for nomination is reached. A delay can then occur if the application does not have the required evidence and proof of ID. A recommendation regarding obtaining proof has already been made in 5.11 so Internal Audit has no further recommendations to make in this area.

5.16   **Pro-Active Anti Fraud**

5.17   The Housing Needs Manager is aware of the anti fraud and corruption policy. It was noted that a procedure had been implemented to deal with housing applications from staff and relatives but this had not been included in the operational risk register.

5.18   Whilst it was stated that there is awareness within the business area in relation to fraud and corruption, there is no evidence of a formal management process which would pro-actively identify evidence of fraud and corruption. One recommendation has been made as a result of our work in this area.

5.19   **Previous Recommendations**

5.20   Thirteen recommendations were made following the 2005/2006 audit review. Eleven were agreed, one was not agreed and the follow up in October 2006 deemed it to be not applicable, and one recommendation was to be addressed by the implementation of the Choice Based Lettings system. The six month follow up undertaken in October 2006 confirmed that ten of the eleven agreed recommendations had been implemented and one had been followed up but not fully addressed at that time.

5.21   The partially addressed recommendation has since been resolved and the implementation of the Choice Based Lettings system should address previous concerns regarding the system controls. Internal Audit has no concerns in this area.

OBSERVATIONS AND RECOMMENDATIONS

ROLES AND RESPONSIBILITIES

1. Job Descriptions   (Low)

Recommendation	Rationale	Responsibility
Job descriptions for Housing Allocations staff should be regularly reviewed and version control added showing the date they were last amended. The job descriptions should be updated as necessary to reflect changes as they occur.	<u>Best Practice</u> Adequate and up to date job descriptions should be in place for all staff within the service area which reflect expected roles and responsibilities. <u>Findings</u> Job descriptions are in place but are only reviewed as a position becomes available rather than as part of a regular review process. The job descriptions provided did not contain any version control. It is acknowledged	Housing Needs Manager

	that a restructure of the team is expected but no dates are yet agreed for this. Risk If staff do not have up to date job descriptions then they may not be aware of their responsibilities and accountabilities and may make unauthorised and inappropriate decisions.	

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Job descriptions for Housing Needs Officers would be updated if there was a significant change to their role. Otherwise they are reviewed when a vacancy occurs. Therefore staff are aware of their current responsibilities. We will add a date to the current versions for the purpose of version control.	March 2008

2. Policies and Procedures (Medium)

Recommendation	Rationale	Responsibility
Comprehensive and up to date policies and procedures covering the Housing Allocations processes should be produced as part of the implementation of the Choice Based Lettings System. A formal process should be developed to include adequate version control, regular reviews, and appropriate authorisation.	Best Practice Relevant and up to date policies and procedures should be in place for all aspects of the service which are regularly reviewed by a nominated officer. Findings Internal Audit accept that the imminent introduction of the Choice Based Lettings system will result in changes to existing processes and acknowledge that management are aware that a formal procedure process is required once the new system is in place. Whilst some documented procedures are in place, they are not comprehensive or combined into a procedure manual with a formal review process. Handwritten comments and amendments on hard copies of procedures, such as those observed on the extract from 'Processes/Procedures' should be incorporated into the procedures so that the update is available for everyone. Risk If staff do not follow up to date policies and procedures they may make unauthorised and inappropriate decisions which impact on the Council's reputation.	Housing Needs Manager

Management Response	Implementation Date
Recommendation is **Agreed** Comprehensive policies and procedures will be implemented and reviewed once we have a fully implemented and operational CBL	September 2008

system	

APPLICATIONS

3. Post Opening   **(Low)**

Recommendation	Rationale	Responsibility
Housing Allocations post should be opened in the presence of two or more staff.	<u>Best Practice</u> Post should be opened in the presence of two or more employees in order to adequately witness the supply of sensitive evidence in support of housing applications. <u>Findings</u> There is only one officer on post opening duties. Discussions indicate that two staff used to carry out this duty but as few cheques are now received by the team it was viewed as less of a risk and only one officer is involved each day. <u>Risk</u> If an applicant should query missing documents (i.e. original birth certificates and passports) the Council and staff are more vulnerable if there isn't a witness to the receipt (or non-receipt) and handling of sensitive documents.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** We agree this is a low risk. We therefore do not consider the level of risk warrants using the resources that would be required to implement this recommendation. We do not currently have this resource available within the current staffing structure. If a cheque is received, the current procedure is for the Information and Resources Manager to be advised. We do not receive cash.		N/A

ASSESSMENT

4. Document Versions   **(Medium)**

Recommendation	Rationale	Responsibility
All available versions of Housing Allocation Policies and procedures should be the same up to date version.	<u>Best Practice</u> All available versions of the Housing Allocations policy and related documents should be the same, up to date version to ensure that accurate information is provided to Housing Applicants. <u>Findings</u> It is acknowledged that the documentation provided to applicants will be changing when the Choice	Housing Needs Manager

| Based Lettings system is implemented, but there appear to be discrepancies in the different versions of policies currently available.

A hardcopy of the Housing Allocations Policy issued to applicants was provided and this was compared to the same policy held on the Council's website. Discrepancies were identified such as the web policy stating a home seeker would be advised in writing within 10 working days but the printed policy states this would be 5 days. The policy on the website lists 5 scenarios where applicants are ineligible to join the register but the hardcopy has an additional 4 scenarios. Also, the date that the Housing Allocations Policy was last reviewed differs between the two versions.

<u>Risk</u>
Applicants may be given conflicting information if different versions of the policy are available, which could be embarrassing to the Council should a decision which has been based on that information be questioned. |

Management Response	Implementation Date
Recommendation is **Agreed** All versions of the Housing Allocations Policy are normally the same. The copy available on the website at the time of the audit was a consultation document and this was not clear. This situation was rectified as soon as it was brought to our attention.	Implemented

RENEWALS

5. Backlog of Renewals   **(Low)**

Recommendation	Rationale	Responsibility
The backlog in renewals should be monitored, reported and addressed as soon as possible.	<u>Best Practice</u> Renewals are issued on a regular basis and followed up where they are not returned. <u>Findings</u> During the testing, evidence that renewals are now being issued and returned was seen. However, two of the ten sample cases should have had renewals but hadn't. One was due Oct 2007 & the other July 2007. Internal Audit was advised that an officer has been nominated to addressing the backlog and that daily renewals are now being issued. <u>Risk</u> If renewals are not up to date then an	Information and Resources Manager

	applicant's status on the register may not reflect their present circumstances which could result in delays in housing a suitable applicant when a nomination is available.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Teething problems with Abritas IT system caused a delay in processing the renewals. This has now been rectified and the renewals are up to date. The onus is on the applicant to keep the Council informed of any change in their circumstances as they arise. The renewal process is aimed at keeping our records limited to those that are current and live cases. This is to avoid retaining files for those applicants who have gone away.		Implemented

NOMINATIONS

6. Proof of ID and Supporting Evidence   (Medium)

Recommendation	Rationale	Responsibility
Consideration should be given to including wording on the application to encourage the supply of evidence and proof of ID at an early stage in order to avoid delays in the nomination process.	<u>Best Practice</u> Applications are backed up by adequate evidence in support of the details provided in order to avoid delays to the nomination process. <u>Findings</u> The team appear to be more pro-active in this area, as evidenced by the introduction of the sheet included with the application giving examples of the proof of ID required. During the testing of the nominations process, once a suitable applicant is reached on a shortlist, the files do not always have all of the required documentary evidence so the nomination is held while evidence is obtained. <u>Risk</u> If documentary evidence is not obtained in support of an application then delays in homing an applicant can occur.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** It would be too resource intensive at the initial stage to follow up every application which did not fully comply compared to the reduced number of applications that progress to an actual nomination. We have therefore made a management decision to do the final checks at the nomination stage. This does not delay nominations due to the arrangements we have in place with our RSL partners. A review of the current housing application form is being undertaken as part of the CBL project.		N/A

ANTI-FRAUD AND CORRUPTION

7. Pro-Active Anti Fraud   **(Medium)**

Recommendation	Rationale	Responsibility
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	<u>Best Practice</u> The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken. <u>Findings</u> The risk register for housing does not identify potential areas for fraud and corruption. Whilst a policy and checklist has been introduced to deal with staff and relatives applications, this isn't reflected in the risk register. No other key areas for fraud have been identified within the business area and there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. <u>Risk</u> If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring, which could lead to significant financial, operational, legal and reputational implications.	Head of Housing Services

Management Response	Implementation Date
Recommendation is **Agreed** The risk register for 2008/09 has been updated to include these risks to enable them to be kept under regular review. Currently the practice, as also required by the Abritas IT system, is that approval is required by different officers at different stages of the process. Final approval is required by a Senior Officer.	Ongoing

ELECTIONS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 27th March 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that adequate procedures and monitoring arrangements are in place to ensure that any electoral registration process is conducted in accordance with the relevant legislation.
- To ensure that roles and responsibilities are clearly clarified in relation to the Electoral Registration and Returning Officer and his/her clerks, presiding officers at polling stations and polling/counting staff.
- To ensure that the Council agreed a scale of payments for the Returning Officer and his/her staff in fulfilling their statutory duties at the May 2007 district elections.
- To ensure that appropriate recharges were made following the May 2007 district election to the necessary individual parish councils for administering their elections.
- To ensure that a clear budget for the May 2007 district elections was established and that the cost of and accounting arrangements for the elections were documented, signed off and reported appropriately.
- To ensure that the Electoral Registration and Returning Officer conducted a post-elections performance review, and developed an action plan to address areas of improvement for future elections.

2. BACKGROUND

2.1   There are several Acts covering the administration of the election, the electoral registration process and areas such as the registration of political parties but the key Acts are as follows:
- The Council has a statutory duty under the Electoral Administration Act 2006 to maintain the registration of electors and administer and conduct elections.
- The Representation of the People Act 1983 and related legislation requires the Council to appoint an Electoral Registration Officer.
- Section 41 of the Local Government Act 1972 and related legislation requires the Council to appoint a Returning Officer.

2.2   In September 2006 changes were made in the appointments of the Electoral Registration Officer and Returning Officer following the retirement of the previous holder of those posts. The Electoral Services Officer and Democratic Services Manager are due to undergo the Council's job evaluation process but no dates were agreed for this at the time of the review.

3. PREVIOUS AUDIT REPORTS

3.1   Elections was last subject to an internal audit review in October 2005 and four recommendations were raised and a satisfactory opinion was issued.

3.2   Following the staffing changes referred to in 2.2 and new policies and procedures coming into effect since the introduction of the Electoral Administration Act 2006, the Chief Executive requested an independent 'health check' of the Elections and Electoral Registration Services. This was carried out by Solace Enterprises Limited in January 2007 and did not highlight any major issues but did provide a list of issues for consideration. These issues have been mostly addressed.

4. 2007/2008 AUDIT ASSURANCE

4.1 **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 14 recommendations have been raised in this review. Three High, Six Medium and five Low.

5. MAIN FINDINGS

5.1 **Electoral Registration Process**

5.2 Documentation covering the Elections and Electoral Registration legislation and system use was seen but adequate working procedures were not evident. This has been acknowledged by the team as a weakness. One recommendation has been made as a result of our work in this area.

5.3 Although access to data appears to be secure and hard copy documents are locked away, no retention policy was evident. Control of the issue of registers was seen to be adequate except hard copy registers are not issued by a secure method. Evidence that spot checks of registration forms against the EROS system are carried out were not available. Three recommendations have been made as a result of our work in this area.

5.4 **Roles and Responsibilities**

5.5 Training and handbooks were seen to have been provided to staff on Election duties and adequate job descriptions are in place for these and the canvasser roles. However, this was not seen to be the case for the Electoral Registration roles. It is acknowledged that a job evaluation review of the team is expected but dates of when this will occur are not yet established. One recommendation has been made as a result of our work in this area.

5.6 **Scale of Payments**

5.7 Suitable scales of payments had been implemented and agreed for Election duties but the fees for canvass duties were not seen to have been formally documented. Detailed calculations of individual payments due to be made were not found to be comprehensive and did not readily facilitate reconciliation with general ledger transactions. Evidence of control and reconciliation of the fees paid was not seen and testing indicates that some overpayments have been made which will need review.

5.8 Evidence of control and reconciliation of the expense payments was not seen and testing indicated that two mileage claims have been paid twice. Vat on mileage expenses is not claimed back by the Council. Although the supply of VAT invoices when submitting a claim is requested, only 39 of 135 claims checked during this audit had supplied petrol receipts. Four recommendations have been made as a result of our work in this area.

5.9 **Recharges**

5.10 Parish recharges for the May 2007 elections were not raised until December 2007 and there was no evidence of an independent check of the calculated amounts. From the testing undertaken on general ledger transactions, one parish had two invoices raised, two parishes had minor calculation discrepancies and one parish appeared not to have had an invoice raised. One recommendation has been made as a result of our work in this area.

5.11 **Budgets**

5.12   A budget has been set and is being monitored through regular meetings with the Finance Team. Evidence was seen of overall amounts being monitored against the budget. Testing undertaken under the other objectives suggest that more detailed checks of individual transactions are needed. These are covered in sections 5.6 – 5.10. Transactions within the general ledger do not appear to be directly related to a specific election, so separate reporting of individual election costs is not readily available. One recommendation has been made as a result of our work in this area.

5.13   **Post-Elections Performance Review**

5.14   Evidence was seen that a post elections review was held but a formal follow up plan allocating responsibilities and implementation dates was not provided. The review did not include the canvass process. Two recommendations have been made as a result of our work in this area.

5.15   **Anti Fraud and Corruption**

5.16   The Head of Legal and Democratic Services is aware of the Council's anti fraud and corruption policy and guidance on identifying potential areas of fraud within the Elections process is provided by the Electoral Commission. However, potential exists for fraud and corruption within areas such as expense claims and fees for duties which have not been included in the operational risk register.

5.17   Whilst it was stated that there is awareness within the business area in relation to fraud and corruption, there is no evidence of a formal management process which would pro-actively identify evidence of fraud and corruption. One recommendation has been made as a result of our work in this area.

5.18   **Previous Recommendations**

5.19   Four recommendations were made and agreed following the 2005/2006 audit review. The follow up undertaken in April 2006 confirmed that three of the four agreed recommendations had been implemented and one partially implemented.

5.22   At the time of the current audit, one of the previously implemented recommendations is no longer relevant as the method of calculating canvasser payments has since changed. The partially addressed recommendation that income from the sale of registers is accounted for and reconciled, is still not fully implemented following the conversion from Powersolve to Agresso. The need for adequate reconciliations was raised during this current audit.

OBSERVATIONS AND RECOMMENDATIONS

ELECTORAL REGISTRATION PROCESS

1. Working Procedures   **(Medium)**

Recommendation	Rationale	Responsibility
Procedure notes should be produced to reflect current practices in elections and electoral registration. These should include adequate version control, be regularly reviewed, appropriately authorised and available to all the relevant officers.	<u>Best Practice</u> If key personnel are absent then procedure notes will allow other members of staff to cover their role and meet legislative requirements. <u>Findings</u> Hard copies of legislation are available in the Elections office covering elections and canvassing. The EROS system does contain some flowcharts	Electoral Services Officer

and details to assist users and documentation s provided to temporary staff such as canvassers. However, working office procedures are not evident to cover performance of duties should key personnel be absent. Whilst it is noted that this area has been recognised by the team as a weakness and work has commenced on producing office procedures, this needs to be followed up. Risk Responsibilities cannot be covered if key personnel are absent.	

Management Response	Implementation Date
Recommendation is **Agreed**	Canvassing July 2008 Elections October 2008

2. Retention of Data   (Medium)

Recommendation	Rationale	Responsibility
A policy should be implemented covering the retention period required for hard copy documentation and the process of disposal.	Best Practice Historic documents shouldn't be retained any longer than is necessary and a retention policy in line with Data Protection and Freedom of Information legislation should be in place. Findings Whilst historic documents such as previous year's registration forms are held in a secure filing room, documents should not be retained any longer than is necessary. There is no current policy in place covering how long documents should be retained and the appropriate method of disposal. Risk If a retention policy isn't in place, information may held longer than is necessary for its purpose resulting in a failure to comply with Data Protection Requirements and potential financial penalties.	Democratic Services Manager Electoral Services Offcier

Management Response	Implementation Date
Recommendation is **Agreed**	July 2008

3. Security of Hard Copies of Register   (Medium)

Recommendation	Rationale	Responsibility
Paper copies of the register should be sent by an appropriate and secure method.	Best Practice Adequate security is required to cover the distribution of information. Findings The sale of registers includes electronic and hard copy versions.	Electoral Services Assistant

| | Hard copy registers are currently not issued by a secure method but are included in the normal post.

Risk
If information is not transmitted in a secure way then it could be intercepted and used for unauthorised purposes resulting in an adverse effect on the Council's reputation. | |
|---|---|---|
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed** | | December 2008 |

4. Documenting Sample Checks		(Low)
Recommendation	**Rationale**	**Responsibility**
Sample checks of registration forms against the EROS system should be carried out in accordance with a planned scheduled and appropriate evidence retained	Best Practice
Sample checks of registration forms against the EROS system to validate data should be carried out by an appropriate officer and documented.

Findings
The Electoral Services Officer carries out occasional spot checks but this process is not evidenced and is not on a regular basis. Consideration should be given to incorporating a specified sample testing process into the registration procedures.

Risk
If sample checks are not carried out then errors may go undetected and replicated. | Electoral Services Officer |
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed** | | March 2008 |

ROLES AND RESPONSIBILITIES

5. Job Descriptions (Medium)

Recommendation	**Rationale**	**Responsibility**
Job descriptions for Electoral Registration staff require updating to reflect current processes and provide clearly defined responsibilities.	Best Practice
Adequate and up to date job descriptions should be in place which reflect current practices and detail expected roles and responsibilities.

Findings
Whilst the duties of officers fulfilling election requirements are prescribed by legislation and documents exist to cover these, the duties of the Electoral Services Officer and Democratic Services Manager are not clearly defined as far as their role within Electoral Services. It is acknowledged that a job evaluation is expected in this | Head of Legal and Democratic Services

Democratic Services Manager

Electoral Services Officer |

| | area but dates are not yet agreed for this being implemented.

Risk
Responsibility and accountability cannot be effectively covered if there are not clearly defined roles | |
|---|---|---|

Management Response	Implementation Date
Recommendation is **Agreed**	June 2008

SCALE OF PAYMENTS

6. Agreed Scale of Fees - Canvassers   **(Low)**

Recommendation	Rationale	Responsibility
The scale of fees for canvassers should be formally documented, include a version control covering the date it is in force and agreed at an appropriate level.	Best Practice
The agreed scale of fees for payments made to canvassers should be appropriately authorised and version controlled.

Findings
The Electoral Registration Officer has agreed a revised method of payment for canvassers but this isn't documented in the same way as the fees for elections. The details have been provided by the ESO in the form of a spreadsheet used to calculate fees. A signed version of the fees showing the date period that the fees relate to and a version control is recommended.

Risk
Agreed scales of fees should be used or amounts could be overpaid or made inappropriately. | Democratic Services Manager

Electoral Services Manager |

Management Response	Implementation Date
Recommendation is **Agreed**	August 2008

7. Calculation of Payments   **(Medium)**

Recommendation	Rationale	Responsibility
The calculation of fees should be expanded to include a comprehensive overview and summary of the calculations used referring back to the agreed scale of fees. The calculations should be independently checked and agreed before payment is made.	Best Practice
Documentation should be in place to cover how fees are calculated, checked and recorded. This will assist with reconciling to the general ledger budget transactions and checking of calculations.

Findings
The ESO provided spreadsheets showing the calculations used for | Head of Legal and Democratic Services

Democratic Services Manager

Electoral Services Officer |

	elections and canvass payments but there wasn't a clear overall summary pulling together the various elements, so matching these items to codings on the general ledger proved difficult and highlighted several queries which could have been resolved sooner had the documentation been comprehensive. In addition, there didn't appear to be an independent check of the calculated amounts.	
	Risk Fees are not correctly recorded or paid, which could result in inappropriate payments being made which could impact on the Council's reputation.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		June 2008

8. Authorisation of Payments   (High)

Recommendation	Rationale	Responsibility
All claims should be appropriately completed and authorised. Guidance should be provided to authorising officers stating what is allowable, what evidence must be supplied and how VAT should be recorded and dealt with.	<u>Best Practice</u> All expense claims should be appropriately completed and authorised prior to payment. Vat receipts should be obtained where mileage expenses are claimed in order to meet tax requirements. <u>Findings</u> Of the 135 elections mileage claim forms for 2007 checked during this audit, three forms were found to have no authorising signature and three others had no claimant signature. 39 had vat receipts for petrol. One claim seemed to be for an inappropriate amount of mileage and one claim had been authorised and paid twice. The forms with no authorising or claimant signature were not rejected by payroll. <u>Risk</u> Incorrect amounts may be paid if forms are not checked and authorised.	Pay Officer, HR Democratic Services Manager Electoral Services Officer
Management Response		**Implementation Date**
Recommendation is **Agreed**		April 2008

9. Reconciliation of Payments   (High)

Recommendation	Rationale	Responsibility
Adequate controls should be implemented to reconcile payments	<u>Best Practice</u> All payments made should be reconciled to ensure that the agreed	Democratic Services Manager

	amounts have been paid.	Electoral Services Officer
made with the agreed calculated amounts and to the authorised documentation.	**Findings** There is no evidence to confirm that a reconciliation is carried out. From the testing undertaken it would appear that some overpayments have been made, for example transactions on EL01/1209 totalling £1118.80 appear to be duplicate payments and £2920.53 was not explained at the time of the audit. **Risk** Without a reconciliation, expenses and claims paid incorrectly may not be identified.	

Management Response		**Implementation Date**
Recommendation is **Agreed**		April 2008

RECHARGES

10. Invoices - Recharges (High)

Recommendation	Rationale	Responsibility
Tighter controls are needed to ensure correct invoices are raised in a timely manner. The calculations should be subject to an independent check and invoices raised reconciled back to the agreed calculations and any discrepancies investigated.	**Best Practice** Invoices to recharge parishes should be raised in a timely manner, include details of the amounts comprising the invoice and be matched with calculated and checked amounts due. **Findings** Invoices for May 2007 were not raised until the second week of December, and they did not appear to have been checked by an independent officer. Inconsistencies were found on the invoices for Great Haseley and Didcot when compared to the calculated amounts. One parish had two invoices raised (Long Wittenham) and one hadn't been raised (Horspath). The total from the narrative didn't match the invoice amount for Didcot. **Risk** Accurate invoices need to be raised in an appropriate and timely manner in order to avoid inappropriate costs.	Democratic Services Manager Electoral Services Officer

Management Response		**Implementation Date**
Recommendation is **Agreed**		April 2008

BUDGETS

11. Election Expenses Uniquely Coded (Low)

Recommendation	Rationale	Responsibility
Elections expenses should be coded in such	**Best Practice** Election expenses should be uniquely	Electoral Services Officer

| a way that each election can be reported separately if the general ledger system allows this functionality. | coded so that costs can be related to each election.

Findings
Recharges to the parishes are lumped together when one invoice is produced resulting in one transaction on the general ledger. Where 4 parishes held two sets of elections, only one coding covering the costs means these costs are not related to each election. Two transactions are listed in EL01/1209 which relate to duties for a parish poll in April. These do not appear to be separately identified to the transactions relating to May elections. From the testing undertaken it seems that the individual elections are not identified and recorded separately as far as the transactions within the general ledger.

Risk
If codings are not identified to individual elections then it is harder to adequately report on expenses for each election, and identify an overspend or misappropriation of funds. | |
|---|---|---|
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed** | | May 2008 |

POST-ELECTIONS PERFORMANCE REVIEW

12. Post Election Review to Include Canvass Review   **(Low)**

Recommendation	Rationale	Responsibility
A post canvass review should be held with key staff in order to address any issues and develop an action plan identifying areas of improvement for future canvasses. The review should assign responsibility and due dates for implementation of agreed points. The review should be documented and list participants	Best Practice
The post-elections performance review should include a review of the canvass process and an action plan developed and implemented to address areas for improvement.

Findings
A post elections review was undertaken but it did not include a review of the canvass process.

Risk
Weaknesses may not be identified or addressed so may be replicated in future years. | Democratic Services Manager

Electoral Services Officer |
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed**
A canvass review was undertaken after the 2006 annual canvass. | | December 2008 |

13. Post Election Review Action Plan   **(Low)**

Recommendation	Rationale	Responsibility
A formal action plan	Best Practice	

should be developed from the post election review, showing who is responsible, and set dates for implementation of actions. The notes should in future detail who is participating in the review.	A post-elections performance review is held and an action plan developed and implemented to address areas for improvement. Findings Although the review was carried out and notes made, a formal action plan has not been put into force to identify who will carry out the recommendations and when. The ESO advised that these changes are expected to be made ready for the 2009 elections. Risk Any weaknesses identified may be replicated in future years.	Electoral Services Officer
Management Response		**Implementation Date**
Recommendation is **Agreed**		July 2008

ANTI-FRAUD AND CORRUPTION

14. Pro-active Identification of Fraud and Corruption   (Medium)

Recommendation	Rationale	Responsibility
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	Best Practice The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken. Findings Some areas for fraud are covered by Electoral Commission Guidance, for example checks on postal vote initiation, but key areas have not been identified within the business area and it was ascertained that there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. Potential for fraud exists in areas such as expense claims and duty fees. Risk If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring which could lead to significant financial, operational, legal and reputational implications.	Democratic Services Manager Electoral Services Officer
Management Response		**Implementation Date**

| Recommendation is **Agreed** | August 2008 |

TREASURY MANAGEMENT 2007/2008

1. INTRODUCTION

1.1   Final issued on the 11th March 2008.

1.2   The following areas have been covered during the course of this review:

- Previous Audit Recommendations;
- Review the Council's Treasury Management Strategy regarding the investment of funds;
- Regular Monitoring of Treasury Management Performance.
- Sampling of Transactions;
- Adherence to CIPFA Code of Practice;
- Access Controls to Computerised Systems;
- Adequate Separation of Duties;
- Proactive Anti-Fraud & Corruption arrangements.

2. BACKGROUND

2.1   The Treasury Management Policy, agreed by the Council in 25 April 2002 requires the approval of an annual Treasury Management and Investment Strategy before the beginning of each financial year. This sets the borrowing limits, investment objectives approved organisations for investment, guidelines, and the performance criteria for the in-house operation. The Council's Treasury Management Investment Strategy for 2007/2008 was approved by Council on 19 April 2007 after Cabinet recommended approval on 1 March 2007.

2.2   The Treasury Management function is the responsibility of the Cabinet and all executive decisions on borrowing, investment or financing are delegated to the Head of Finance (s.151 Officer). He is ultimately responsible for ensuring that the authority obtains the optimum return on investments consistent with the risks and policies laid down in the Treasury Management Investment Strategy.

2.3   The Council has capital reserves in excess of £100 million available for investment. In general terms the Council makes three types of investments:

- Managed fund investments. This is a £30million fund that is managed by an external fund manager (Tradition UK). The fund manager has a three-year contract to provide the Council with investment advice about which counterparty should be used and interest rates for long-term investments of up to 5 years. The Council moves the funds according to whether or not to invest following the fund manager's advice.

- On-call investments where a fixed sum is invested for an unspecified period at an agreed rate of interest.

- Other long-term investments based on advice about counterparties and interest rates from fund managers, including TUK, where other funds are involved. In these cases the Council moves the funds.

3. PREVIOUS AUDIT REPORT

3.1   Treasury Management was last subject to an internal audit review in March 2007. Three recommendations were made for improvement from this audit review and a satisfactory opinion was given.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control

although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Seven recommendations have been raised in this review, one Medium and six Low.

5. MAIN FINDINGS

5.1   **Previous Audit Recommendations**

5.2   The previous Internal Audit report was issued in July 2007 and three recommendations were made. Internal Audit considers that the recommendations made in the 2006/07 audit report have been implemented and no further action is necessary. No recommendations have been made as a result of our work in this area.

5.3   **Review the Council's Treasury Management Investment Strategy**

5.4   The Treasury Management & Investment Strategy (TMIS) 2007/2008 was recommended for approval by Cabinet on 1 March 2007 and approved by Council on 19 April 2007. The Strategy sets out the related Treasury Management policies and statements and provides information about the contracts the Council has entered into with Butlers, for provision of advice about investments and the money markets, and the external Fund Manager, Tradition UK, for specific advice on long-term interest rates for periods of up to five years.

5.5   Internal Audit is concerned that the negotiations with the Fund Manager may not have been tested against the market but acknowledges that there are only two service providers in this field. Previously, the Strategic Director and Head of Service had given authorisation to renew the agreement with the Fund Manager without the need to seek formal tenders from other parties, in accordance with the Council's Standing Orders for contracts. One recommendation has been made as a result of our work in this area.

5.6   **Regular Monitoring of Treasury Management Performance**

5.7   Under the agreement with the Council, the Fund Manager is required to report quarterly to the Council. The report provides a statement about the money market and expectations for the next quarter and a schedule of the Outstanding Investments decisions made by TUK at the end of the reported quarter, including forward deals. The Fund Manager's performance is also reviewed by Butlers who also report quarterly.

5.8   The Fund Manager's performance is reported to Members as part of the annual Treasury Management performance report. The Treasury Management 2006/2007outturn performance was reported to Cabinet on 6 September 2007 by the Head of Finance. Cabinet resolved to recommend the report to Council, who approved it on 13 September 2007.

5.9   The Fund Manager's quarterly reports are not routinely reconciled to Treasury Management records. Internal Audit noted that the Finance Officer had identified a discrepancy between those records and the Fund Manager's list of outstanding investments shown in the report for the second quarter of 2007/2008. Although the discrepancy was only a difference of one (1) day in the maturity date the sum invested was £5million, over two years, it highlighted a lack of reconciliation between the reports and records.

5.10   Internal Audit acknowledges that the Treasury Management arrangements across both Councils within the RSSP changed from 2 January 2008 when the Technical

Team started. It is anticipated that the scope and nature of records to be maintained will be reviewed and rationalised. Four recommendations have been made as a result of our work in this area.

5.11   **Sampling of Transactions**

5.12   Internal Audit verified eleven (11) transactions from the Fund Manager's (TUK) quarterly report for 30 September 2007. The transactions were verified to the Treasury Management Daily Investment Calculation sheets for the period 1/8/07 – 31/10/07.   Additionally, three (3) transactions identified from the Treasury Management Daily Investment Calculation sheets were reconciled to the Investments (Managed) Funds) Register. No further anomalies were noted and no recommendations were made as a result of our work in this area.

5.13   **Adherence to CIPFA Code of Practice**

5.14   Internal Audit considers that the Council has not fully complied with the CIPFA Code of Practice. Element 4 of key recommendation 4 is not explicitly stated in the TMIS which contains neither statements about delegated responsibility for implementation and monitoring of the treasury management policy and practices nor for the execution and administration of treasury management decisions, as per the CIPFA Code.

5.15   Whilst the TMIS does not adopt the CIPFA Code to the letter, the spirit of the Code's key recommendation 4 is adopted elsewhere by the Council. One recommendation has been made as a result of our work in this area.

5.16   **Access Controls to Computerised Systems**

5.17   The system used is BusinessMaster which is owned by Barclays Bank. The software is loaded on a stand-alone PC situated in the Finance Team office and twelve (12) members of staff have 'Active' Operator access to BusinessMaster of which three (3) have System Administrator level access. System access is by unique user ID and password. Users are prompted by the system to change passwords every 28 days and passwords have to be 8-digit (alpha-numeric). If users forget passwords a System Administrator can facilitate access but only until the user remembers the original password. Only the bank can change passwords or issue new ones. System Administrators have to write to the bank in order to set up a new user

5.18   Internal Audit considers that satisfactory controls and procedures are in place to protect information and data from unauthorised access and to ensure data are backed up and protected from loss or damage. One recommendation has been made as a result of our work in this area.

5.19   **Adequate Separation of Duties**

5.20   Twelve (12) members of staff have 'Operator' status of which 3 are 'System Administrators', ensuring separation of duties. None of the System Administrators' are able to carry out financial transactions on the BusinessMaster system. Neither are authorising officers able to 'send/transmit' funds.

5.21   Performance is monitored by the Accountant and Principal Accountant on a routine basis and periodic reports are made to the Head of Finance and thereafter to members. Performance is also monitored on a weekly basis by the Accountant submitting documented reports to the Chief Accountant, comprising reports from the Treasury Management spreadsheet. No recommendations were made as a result of our work in this area.

5.22   **Anti-Fraud & Corruption Arrangements**

5.23   Internal Audit discussed the arrangements with the Chief Accountant. When the

Finance Team undertook the annual review of the service area's risks, those associated with Treasury Management were identified and considered to be at a low level. This is due mainly to the control procedures in place for the Treasury Management function. These are pro-active in the sense that any suspected transaction that fails the controls is likely to be challenged by the bank before being processed.

5.24   Internal Audit considers that management has processes in place to pro-actively identify any evidence of fraud and corruption within Treasury Management. No recommendations were made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

TREASURY MANAGEMENT STRATEGY

1. Fund Manager Agreement   **(Medium)**

Recommendation	Rationale	Responsibility
When the agreement with TUK for the provision of external fund management services to the Council is next due for renewal, it should be tested against the market.	Best Practice Negotiations for renewing agreements and contracts should be in accordance with the Council's Financial Regulations and Standing Orders for Contracts. Findings The Council's agreement with Tradition UK for the provision of external fund manager services has not been competitively tested since 1999. Risk The Council could be accused of patronage and anti-competitive behaviour.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Agreed subject to a review of the market for external fund manager services.		Expiry of current contract

REGULAR MONITORING AND REPORTING

2. Treasury Management Register   **(Low)**

Recommendation	Rationale	Responsibility
The Council should discontinue the use of the Treasury Management Registers.	Best Practice Electronic records of investment transactions are more efficient and effective than manual records. The latter are not backed-up; the former are routinely backed-up. Findings The details recorded in the Register are replicated in the TM spreadsheet. The former is a manual record that could be lost or mislaid and for which there is no second copy. The latter is held electronically on the Council's	Chief Accountant

	network, contains formulae and is backed up routinely. When an investment matures the line of entry is ruled through but this control is not signed off by anyone. From an analytical viewpoint it would be time-consuming to extract statistics from the manual register, whereas the converse is true of the electronic spreadsheet. <u>Risk</u> Duplication of records and inefficient manual systems.	

Management Response	**Implementation Date**
Recommendation is **Agreed in Principle** At present the manual records are essential to the current method of operation of treasury management. To cease using them would require new procedures to be considered and agreed. However, this will be considered as part of the review and harmonisation of treasury management procedures within the RSSP, and changes will be subject to agreement of the principal technical accountant.	31 July 2008 – dependent on the return to work of the principal technical accountant

3. Maturity Date Correction (Low)

Recommendation	**Rationale**	**Responsibility**
The Chief Accountant should remind TUK that the maturity date for the £5m CBS investment should be correctly stated as 12/3/08 and not 13/3/08, as has been stated in the TUK quarterly reports to 30/9/07.	<u>Best Practice</u> Reports from the Council's Fund Manager should be valid, accurate, complete and reconciled to the Council's Treasury Management records. <u>Findings</u> The maturity date for the £5m CBS investment is incorrectly stated as 13/3/08 and not 12/3/08 and has been stated thus in the TUK quarterly reports to 30/9/07. <u>Risk</u> Investment decisions could be made based on flawed information/data.	Chief Accountant

Management Response	**Implementation Date**
Recommendation is **Agreed** The investment concerned matured on the correct date.	Implemented

4. Fund Manager Reports (Low)

Recommendation	**Rationale**	**Responsibility**
The Chief Accountant should introduce a procedure whereby TUK quarterly reports of Outstanding Investments are reconciled to the TM spreadsheet and signed off and dated by an Officer not involved in	<u>Best Practice</u> Reports from the Council's Fund Manager should be valid, accurate, complete and reconciled to the Council's Treasury Management records. <u>Findings</u> Schedules of outstanding investment	Chief Accountant

the transactions.	decisions provided by the external fund manager have contained an undetected error for over 18 months, highlighting that they are not checked routinely. Risk Investment decisions could be made based on flawed data.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		31 July 2008

5. Reconciling Treasury Management Spreadsheet (Low)

Recommendation	Rationale	Responsibility
The Chief Accountant should introduce a procedure for checking that the TM spreadsheet has been promptly and correctly reconciled to the following documents: • Council's faxed instruction to the counterparty confirming the investment; • Faxed confirmation from the fund manager; and • Counterparty document confirming the investment transaction	Best Practice Reconciliation is a key control to ensure the existence of a complete management trail. Findings Documents relating to investment transactions are not checked to Council records for some considerable time after receipt. Risk Investment decisions could be made based on flawed data.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed**		31 July 2008

CIPFA CODE OF PRACTICE FOR TREASURY MANAGEMENT

6. CIPFA Code of Practice (Low)

Recommendation	Rationale	Responsibility
The Council's Treasury Management Investment Strategy (TMIS) for 2008/09 should explicitly incorporate the four elements of the CIPFA Code, key recommendation 4	Best Practice The Council's Treasury Management Investment Strategy (TMIS) should explicitly incorporate the four elements of the CIPFA Code, Key Recommendation 4. Findings A key recommendation of the CIPFA Code of Practice for Treasury Management in the Public Service is the adoption of four (4) standard clauses. Element 4 of key recommendation 4 is not explicitly stated in the TMIS which contains neither statements about	Chief Accountant

	delegated responsibility for implementation and monitoring of the treasury management policy and practices nor for the execution and administration of treasury management decisions, as per the CIPFA Code. Risk The Council is not fully compliant with the CIPFA Code of Practice.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** This is accepted subject to the agreement of the principal technical accountant. However, the 2008/09 treasury management investment strategy has already been agreed without this change and therefore, if the amendment is agreed, it will be applied to the 2009/10 strategy.		31 March 2009

SYSTEM ACCESS & SECURITY

7. Fund Manager Reports   **(Low)**

Recommendation	Rationale	Responsibility
The stand-alone PC used for processing BusinessMaster transactions should be upgraded to the Council's current Windows standard.	Best Practice All the Council's PCs should operate to a common standard Findings The PC used for BusinessMaster operations uses Windows 95 whereas the Council's standard is a more up-to-date version Windows. Risk Out-dated technologies require procedures that are less efficient.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Not Agreed** The Business Master PC is owned and serviced by Barclays and, as such, we are not responsible for its upgrading. However we will be discussing with Barclays the future plans for Business Master, with a view to a more up-to-date and efficient solution.		

ICT 2007/2008

1. INTRODUCTION

1.1 Final issued on the 10th April 2008.

1.2 The following areas have been covered during the course of this review:

- To ensure that policies and procedures are in place to guide the use of all IT related systems
- To ensure that there are adequate access and security measures in place to control the inward and outward flow of network data;
- To ensure that the Council has the necessary software licenses in place;
- To ensure that user management processes are operating effectively;
- To ensure that internet and e-mail usage is appropriately controlled.

2. BACKGROUND

2.1 IT and IT Support is part of the Business and Information Systems Team. All PC's, Network Support, Web Applications and Telecommunications are managed by this section of the team. The team also includes Development, Data Capture and Team Business Improvement.

2.2 This team has a wide remit within the Council and since most projects have at least an element of electronic requirements, they tend to have some role with most of the Council's targets. The section consists of eight officers including the IT Support Manager. There is currently one vacancy for a Web Applications Support Officer.

3. PREVIOUS AUDIT REPORTS

3.1 ICT was last subject to an internal audit review in September and October 2005. Seven Recommendations were raised and a Satisfactory Assurance opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1 **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2 Six recommendations have been raised in this review, all Low.

5. MAIN FINDINGS

5.1 **Policies And Procedures**

5.2 Whilst there is no specific IT policy in place, there is a document on the Intranet, 'Information and Computers – A Guide to Good Practice'. A review of this document confirmed that it is comprehensive in its coverage. However, it was last updated in February 2006 and requires some amendments. One recommendation has been made as a result of our work in this area.

5.3 This document is available on the Intranet but is difficult to locate as it is not listed with the Council's other policy documents. In addition Internal Audit considers that the document should be re-titled as a policy document rather than its existing title. One recommendation has been made as a result of our work in this area.

5.4 **Access And Security**

5.5 There has been no penetration testing of the network undertaken in recent years and Internal Audit consider that some degree of penetration testing could be of use in identifying potentially less secure areas of the network. One recommendation has been made as a result of our work in this area.

5.6 **Software Licenses**

5.7 Internal Audit sought to establish the way in which software licenses are managed. The Council has an agreement in place with Phoenix (a licensing company) and reports from them were compared to the Helpdesk's Asset Management system. Entries could be cross checked with no difficulty. In addition, Phoenix are responsible for ensuring that the Council has sufficient software licenses. Internal Audit has no recommendations to make in this area.

5.7 **Management Processes**

5.8 Currently Human Resources inform ICT of leavers by email and there is no official form creating a risk that a leavers account may remain live. One recommendation has been made as a result of our work in this area.

5.9 **Internet And Email Usage**

5.10 By discussion Internal Audit was informed that no monitoring of officers' internet activity occurs. However, when required, reports can be run for the benefit of Managers, enabling them to view a specific officer's internet activity. One recommendation has been made as a result of our work in this area.

5.11 A review of the Council's standard email disclaimer revealed that personal emails do not mention that the views expressed within are those of the individual and not necessarily those of the Council. Such a disclaimer may prevent embarrassment to and protect the reputation of the council. One recommendation has been made as a result of our work in this area.

5.12 **Previous Recommendations**

5.13 Seven recommendations were made following the 2005/2006 audit review. Five were agreed and two were considered by IT management to be non-applicable.

5.14 Internal Audit emailed the Head of Business and Information Systems the previous report and requested an update as to their current position. The responses were all satisfactory and Internal Audit has no recommendations to make in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Information and Computers – A Guide to Good Practice   (Low)

Recommendation	Rationale	Responsibility
The document, 'Information and Computers – a Guide to Good Practice' should be reviewed by ICT to ensure that it remains up to date, amendments are made and the updated version re-published on the Intranet.	Best Practice Any documentation available to officers should be accurate and up to date. Findings The guide was out of date and required amending. Risk Officers may inadvertently use	E-government Officer

	incorrect information resulting is errors and potential embarrassment.	
Management Response		**Implementation Date**
Recommendation is **Agreed.** Work is already in progress to update this document and make it more easily available on the intranet.		30 September 2008

2. Information and Computers – A Guide to Good Practice   (Low)

Recommendation	Rationale	Responsibility
The document 'Information and Computers – a Guide to Good Practice' should be re-located on the Intranet to where the Council's other policy documents are located. In addition, Internal Audit considers that the document should be re-titled as a policy document rather than its current title of 'Information and Computers – a Guide to Good Practice'.	<u>Best Practice</u> All policy documents for the organisation should be held in the same repository and be easily accessible. <u>Findings</u> The guide was not found to be with the other policy documents of the Council. <u>Risk</u> Officers may not be able to find the guide and therefore make incorrect assumptions and decisions resulting in errors and potential embarrassment.	E-government Officer
Management Response		**Implementation Date**
Recommendation is **Agreed.** Work is already in progress to update this document and make it more easily available on the intranet.		30 September 2008

ACCESS AND SECURITY

3. Penetration Testing   (Low)

Recommendation	Rationale	Responsibility
The testing software packages "CHECK", "TIGER" and "CREST" are checked out for their sutability in putting the Council through a degree of penetration testing.	<u>Best Practice</u> A Council should be comfortable that its security measures in place to protect the network are adequate and secure and that they are being tested on a regular basis. <u>Findings</u> Penetration testing has not been recently undertaken to test the networks security. <u>Risk</u> The network may have vulnerabilities that a vindictive person my use to cause damage to the Council's web site or network.	IT Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle.** We will organise some penetration testing but not necessarily using the packages specified above.		30 September 2008

MANAGEMENT PROCESSES

4. Redundant Users   **(Low)**

Recommendation	Rationale	Responsibility
Procedures should be enhanced to include a standardised leaver notification form to ensure ICT are notified by a uniform and consistent approach.	Best Practice The ICT Team should be informed by HR of all users who are no longer required to have a network presence. Findings There is no standard form currently in use to inform ICT of redundant users. Risk Without a standard form being used, there is a possibility that redundant users may remain on the system, thereby increasing the risks were a malicious person to gain access to the network.	IT Support Manager / HR Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle.** The standard HR form for notification of leavers does already include a prompt to inform the help desk. However, in practice this procedure is not always followed. The IT Support Manager will discuss this issue with the HR Manager to see whether the situation can be improved.		30 September 2008

INTERNET AND EMAIL USAGE

5. Review of Internet Activity   **(Low)**

Recommendation	Rationale	Responsibility
A periodic review of internet activity should be undertaken to ensure adequate control is in existence.	Best Practice Internet usage is monitored to endure that its use is appropriate and not excessive. Findings No monitoring of internet usage occurs. Risk Without adequate monitoring of internet usage, employees may be inappropriately using the internet during work time.	IT Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** There is a risk of inappropriate internet use, which is already mitigated by URL filtering software and also by a process of monthly reporting in which heads of service are alerted to any apparently anomalous use of the internet. However, these processes will not detect all instances of inappropriate use. Ultimately, the conduct of employees in the work place is a line management issue. Nevertheless, we will investigate the use of tools which would offer an immediate alert of suspect activity.		Review potential benefit of new tools by 31 July 2008.

6. Email Disclaimer **(Low)**

Recommendation	Rationale	Responsibility
A disclaimer should be appended to the end of all personal external emails stating that the views expressed in the message are those of the writer and not necessarily those of the Council.	<u>Best Practice</u> All external emails of a personal nature should include a disclaimer stating that the views expressed are those of the individual and not those of the organisation. <u>Findings</u> No disclaimer is currently automatically appended to personal external emails. <u>Risk</u> An officer may jeopardise the reputation of the Council or bring the Council to legal proceedings as a result of statements made within the email.	IT Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle.** The standard external disclaimer is applied automatically and cannot distinguish between personal and official email. An alternative approach is therefore for individual users to append some suitable text as part of their email signature. We will provide suggested wording and details of how to do this, but because it is an individual responsibility it will not be possible for us to enforce compliance.		31 July 2008

CAPITAL ACCOUNTING 2007/2008

1. INTRODUCTION

1.1   Final issued on the 19th May 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that agreed recommendations from the previous audit have been implemented and are being adhered to;
- To ensure that the Council has established and keeps up to date a capital financing strategy and asset management plan to enable it to develop and manage its capital programme;
- To ensure that the Council is monitoring its capital contracts against approved budgets;
- To ensure that the Council's capital accounting arrangements adopt CIPFA best practice and comply with the Council's Financial Regulations and Contract Standing Orders;
- To ensure that there is adequate authorisation of additions, disposals, write-offs, transfers and amendment of the Asset Register
- To ensure the Asset Register is periodically reconciled against other sources;
- To ensure that management has processes in place to pro-actively identify any evidence of fraud and corruption within their business area.

2. BACKGROUND

2.1   The Council prepares annual financial statements that are subject to external audit by the Audit Commission. The financial statements include details of the Council's capital assets and related capital expenditure. Capital expenditure is generally the expenditure approved by the Council for inclusion in the approved capital programme and includes projects for which the Council has received funding by way of developers' contributions agreed under Section 106 Agreements via the Planning development system. The Head of Finance is responsible for producing the Council's Medium Term Financial Strategy which incorporates the Council's planned capital budgets for a 3-4 year period.

2.2   A key element of the financial statements involves the data held on the Council's Asset Register which are related to the Council's land and property portfolio. CIPFA's Capital Accounting for Local Authorities (Consolidated Guidance Note - July 2003) provides good practice guidance on the scope and nature of Asset Registers and who should maintain them. The Head of Leisure & Economic Development is the Council's Corporate Property Officer and as such is responsible for maintaining a database of the Council's land and property portfolio.

2.3   As part of the government's initiative to get local authorities to take a more proactive role in managing its assets in 2003 the Council was required to produce a Capital Strategy and Asset Management Plan (AMP). At that time the requirement to produce the two documents was dependent on an assessment by the Department for Communities & Local Government (DCLG) (then the ODPM). Once the Council attained a 'Good' report from the DCLG the requirement lapsed. Thereafter, it was perceived as good practice that the two documents should be updated annually.

2.4   The Council undertook a Corporate Property Review in 2004 that recommended the disposal of a number of the land and property assets that were not contributing to the achievement of the Council's corporate objectives. The consultants engaged to carry out the Corporate Property Review were tasked with updating the AMP but this has proved to be unsatisfactory. The Audit Commission stated in its Annual Audit and Inspection letter dated March 2007 that the Council arrangements for financial management remain strong but with some scope for improvement, including the update of the Capital Strategy following completion of the Asset Management Plan.

3. PREVIOUS AUDIT REPORTS

3.1   An audit of Asset Management was completed in March 2007 as part of the South Oxfordshire District Council's Internal Audit plan for 2006/2007.   Six (6) recommendations were made in the draft audit report but no responses were received from management and a final report was not issued.   The draft report contained a Satisfactory Assurance audit opinion.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Six (6) recommendations have been raised in this review. Three (3) Medium priority and three (3) Low priority.

5. MAIN FINDINGS

5.1   **Previous Audit Recommendations**

5.2   An audit of Asset Management was completed in March 2007 as part of South Oxfordshire District Council's (SODC) Internal Audit plan for 2006/2007.   Six (6) recommendations were made in the draft audit report but no responses were received from management and a final audit report was not issued. The Head of Leisure & Economic Development, responsible for the areas covered by four of the recommendations, acknowledged that they had not been implemented due to a lack of available resources and other commitments.

5.3   The two main recommendations related to the Capital Strategy and Asset Management Plan. Internal Audit noted that the Audit Commission (AC) in its Annual Audit & Inspection Letter, dated March 2007, referred to the Council's arrangements for financial management noting that the arrangements remain strong but with some areas with scope for improvement, including the update of the capital strategy following completion of the Asset Plan review. Taking cognisance of the weight attached to the Audit Commission's comments Internal Audit has not re-stated the previous recommendations.

5.4   The Corporate Improvement Scrutiny Committee's (CISC) 2006/07 review of the operation of the capital programme made twenty-one (21) recommendations and produced an Action Plan in August 2006. A progress report on the delivery of the Action Plan was due to be presented to that committee in February 2007 but it has not been made. Internal Audit notes that new joint accountancy function of the Ridgeway Shared Services Partnership, introduced with effect from 2 January 2008, has responsibilities for capital and considers that it should take cognisance of the recommendations made in the CISC's 2006/07 review and their potential implications for any new capital arrangements. Two recommendations have been made as a result of our work in this area

5.5   **Capital Financing Strategy and Asset Management Plan**

5.6   Although the Council has not updated its Capital strategy since it was first published in 2003, it has prepared a medium term financial strategy (MTFS) 2008/09 – 2010/11 which is linked to the Strategic objectives. The MTFS states that the Council's capital expenditure is to be financed from its own resources without recourse to borrowing, reserves are to be held and invested in the medium and long term to generate income and the land and property portfolio is not specifically held to generate investment income as there are substantial reserves which enable the Council to be debt free.

5.7   Internal Audit acknowledged the arrangements at Vale of White Horse District Council (VWHDC) regarding the Capital Strategy and Asset Management Plan particularly the arrangements for their joint ownership by Accountancy and Property Services and strategic overview by an Asset Management working party. Currently, there is no similar arrangement at SODC. One recommendation has been made as a result of our work in this area.

5.8   **Monitoring Capital Contracts**

5.9   The Council operates a Project Management system that incorporates routine monitoring and reporting and there is an established methodology for monitoring and reporting spend against capital budgets to Heads of Services, Management Team and Members where outturn is published by the Council's Weekly Information Service.

5.10   At paragraph 5.4 Internal Audit refers to the overdue report on progress of the delivery of the Action Plan drawn up following the CISC's 2006/07 review of the operation of the capital programme and considers that it would be inappropriate to make further comment or recommendations until that report has been made. Therefore, no recommendations have been made as a result of our work in this area.

5.11   **CIPFA Best Practice and Compliance**

5.12   The Audit Commission's Annual Governance report for 2006/07 confirmed compliance with applicable laws and regulations and the Statement of Recommended Practice (SORP) on Local Authority accounting.

5.13   The Council's constitution contains Financial Procedure Rules and Standing Orders for the award of Contracts. Both of these refer to compliance with laws and regulations. The Constitution is reviewed periodically and a copy is available via the Council's website. The latest version was reviewed and updated in November 2007. No recommendations have been made as a result of our work in this area.

5.14   **Acquisitions and Disposals of Assets**

5.15   Internal Audit confirmed that Members' approval is sought for major acquisitions, disposals or other transactions associated with the Council's land and property portfolio. Amendments to the Asset Register are generally made at the year-end for the financial statements and close-down procedures.

5.16   As an independent check on the integrity of the Asset Register and the monitoring arrangements Internal Audit obtained from Capita details of all empty SODC properties shown on the Business rates system and reconciled them to the Asset Register. Minor anomalies were noted indicating that there is scope for improving the Council's arrangements for notifying different aspects of legal completion of some transactions. Two recommendations have been made as a result of our work in this area.

5.17   **Reconciling the Asset Register**

5.18   The Asset Register contains financial details of the Council's vehicles, land and property assets. The land & property database is maintained during the year by Leisure & Economic Development staff and is updated and finalised at the year-end. This process involves a reconciliation of asset values in the Asset Register with the land & property database and takes account of revised valuations, depreciation and transactions effected during the year.

5.19   Internal Audit noted that the Insurance Officer insures certain ad hoc items as part of the Council's All risks policy. The items are few and of relatively low monetary value but with potentially irreplaceable traditional and ceremonial values and are on display in locked cupboards or on the walls of the Chairman's Office at the Council's

Crowmarsh offices. Internal Audit obtained a copy of the list of items and verified their existence satisfactorily, noting at the time that the door to the Chairman's office was unlocked; it opens onto the Council's reception area. Two recommendations have been made as a result of our work in this area.

5.20   **Anti-Fraud Initiatives**

5.21   The Head of Leisure & Economic Development produced a copy of the SODC Anti-Fraud and Corruption Policy and pointed out to Internal Audit that the document was last reviewed in 2003. He acknowledged his responsibilities regarding fraud & corruption and that although he carries out various checks as a routine measure neither the checks nor the results are documented.

5.22   The Head of Leisure & Economic Development reviews business risks as part of the annual corporate risk register review but unless specifically identified as an area requiring further attention the risks and mitigating actions relating to fraud & corruption are not being documented. Internal Audit acknowledged that a separate audit of pro-active anti-fraud measures is included in the Council's 2007/2008 Internal Audit plan. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS AUDIT RECOMMENDATIONS

1. Legal Completion   (Low)

Recommendation	Rationale	Responsibility
It is recommended that the Head of Leisure & Economic Development should seek clarification about what constitutes legal completion in respect of acquisitions and disposals of assets.	<u>Best Practice</u> Economic Development staff and Finance team should be consistent in their interpretation of what constitutes legal completion of acquisition and disposal transactions for the purposes of closing down the Council's accounts at the year-end. <u>Findings</u> This was a recommendation from the previous audit that has not been implemented due mainly to the lack of suitably qualified resources within the Economic Development section. A new Economic Development Manager has been appointed recently and the post has been tasked to liaise with Legal services over a number of issues. <u>Risk</u> Delays in updating the Asset Register that span two financial years could lead to errors in the Council's financial statements	Economic Development Manager
Management Response		**Implementation Date**

Recommendation is **Agreed** We will clarify what constitutes legal completion and actual completion and the point at which notification is made to relevant parties, including legal, economic development, insurance and land charges staff.	By 31 July 2008

2. Corporate Improvement Scrutiny Committee Review (Medium)

Recommendation	Rationale	Responsibility
The Head of Finance should take the steps necessary to update the Review Group's Action Plan taking cognisance of the new working arrangements under the RSSP.	<u>Best Practice</u> The Review Group's Action Plan should be fully implemented and reported to Members. <u>Findings</u> The Corporate Improvement Scrutiny Committee review of the operation of the capital programme produced an Action Plan containing 21 recommendations. The Review Group was due to report to Cabinet on 2 February 2007 with an implementation update. The update report was not submitted and there has been no other report to Members. An RSSP Finance Technical Team has been set up with responsibilities for capital accounting. <u>Risk</u> Improvements recommended by the Review Group may not have been implemented resulting in less than effective operational arrangements continuing.	Chief Accountant

Management Response	**Implementation Date**
Recommendation is **Agreed** Action plan to be reviewed and an update report on the implementation of the action plan, and other developments, to be taken to September Corporate Improvement Scrutiny Committee, dependent on the return to work of the principal technical accountant from sickness absence.	CISC – 9 September 2008

Capital Financing Strategy and Asset Management Plan

3. Ownership of the Capital Programme (Medium)

Recommendation	Rationale	Responsibility
An Asset Management Working Party comprising members of the Senior Management team, Accountancy and Leisure & Economic Development is formulated to progress both the Council's Capital Strategy and Asset Management Plan.	<u>Best Practice</u> One officer or a group of officers reporting to a senior officer should be designated with responsibility for the Capital programme. <u>Findings</u> The Capital Programme is monitored on a project by project basis by individual project managers but it is not generally monitored as a programme against the Council's strategy or	Chief Accountant

	corporate objectives.
	The Council's current Finance team share the Internal Audit view that the capital programme lacks ownership.
	Risk The Capital Programme fails to add value to the overall strategic corporate aims of the Council and projects could be approved that provide limited service enhancements.

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Agreed that a working party could be beneficial to better ownership and management of the capital programme, but the Head of Finance has expressed concern that it needs a clear remit to ensure it is an effective forum, and to ensure that it is not replicating activities undertaken elsewhere. The remit for such a team should be agreed and discussed with management team, with due recognition of the constitution and finance procedure rules. In addition, it should be clear that the working party is serviced, and not driven, by finance staff. A review of the remit for such a working party is recommended, which finance staff can lead on.	31 July 2008 (for completion of review, subject to return to work of principal technical accountant)

ASSET REGISTER

4. Business Rates Database   **(Medium)**

Recommendation	Rationale	Responsibility
The Economic Development Manager should liaise with Capita with a view to ensuring that the business rates register correctly reflects the asset register.	Best Practice The Council's service teams should be aware of the consequence of their actions on other service areas. Findings There have been disposals and transfers of leases involving the Council's assets that have not been correctly reported to Capita (previously Liberata) for business rate purposes. Risk The Council's business rates records are incorrect and new tenants of business properties may not be billed properly for business rates. The Council could lose money or have difficulty recovering unpaid amounts due to delays in correcting the business rates database.	Economic Development Manager

Management Response	Implementation Date
Recommendation is **Agreed** Work is already underway in systematically reviewing all records and putting in place a system to provide any disposals and transfers information to Capita and other relevant parties in a streamlined and timely fashion.	31 July 2008

5. Completion Notices   (Low)

Recommendation	Rationale	Responsibility
The Economic Development Manager and Legal Services should liaise over the scope and coverage of Completion Notices so that there is provision for notification to Capita of changes in tenure and also to ensure that VAT liability is determined correctly.	<u>Best Practice</u> Completion Notices should include all matters that are to be considered by the Council upon legal completion of transactions such as acquisitions, disposals, new rentals and transfer of leases. <u>Findings</u> Audit testing of Council properties shown on the business rates database as empty had been the subject of disposal and change of lease but the correct details had not been recorded on the business rates database. <u>Risk</u> The Council's business rates records are incorrect and new tenants of business properties may not be billed properly for business rates. The Council could lose money or have difficulty recovering unpaid amounts due to delays in correcting the business rates database.	Economic Development Manager

Management Response	Implementation Date
Recommendation is **Agreed** We will review completion notices with legal services to ensure all relevant details of key matters are included and to ensure that the information provided is as required by Capita and is provided in a timely manner to ensure no inaccurate charges are raised. This will involve establishing a procedure to ensure effective receipt and action by reviewing existing methods.	31 July 2008

RECONCILING THE ASSET REGISTER

6. Risk Insured Items   (Low)

Recommendation	Rationale	Responsibility
a) The value of the items insured against all risks (£10,000 @ June 2005 valuation) should be recorded in the Asset Register; b) Photographs of the items themselves should be held by the Insurance Officer for control purposes; c) The door to the Chairperson's	<u>Best Practice</u> All items are properly valued, insured and recorded in the asset register. <u>Findings</u> Valuable items held in the Chairman's office are not recorded in the Asset Register. The Valuable items held in the Chairman's office are recorded by the Council's Insurance Officer for insurance purposes but they are not recorded in the Asset Register. There is no photographic record of the valuable items. At the time of the audit	a) Economic Development Manager and Chief Accountant b) Chairman's PA c) Chairman's PA

| office should be locked when unoccupied. | the room in which they were held was not locked.

Risk
Valuable items held in the Chairman's office could be lost or misappropriated and may not be able to be replaced due to lack of photographic evidence. | |

Management Response	**Implementation Date**
Recommendation a) is **Agreed** We will carry out a review to ensure that the asset register and the list of insured items include all individual council assets valued at over £10,000 at present value. Recommendation b) is **Agreed** Photographs will be taken of the items on the all risk policy that are kept in the Chairman's Office and these photographs will be kept by the Chairman's PA and the Insurance Officer. Recommendation c) is **Agreed** The Chairman's Office will be kept locked unless it is in use, and the key holder will be the Chairman's PA.	a) 31 August 2008 b) 30 April 2008 c) 30 April 2008

CREDITOR PAYMENTS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 11th March 2008.

1.2   The following areas have been covered during the course of this review:

- Implementation of agreed recommendations from previous audits.
- Procedures.
- Review performance against BVPI 8.
- Verify that refunds are dealt with appropriately.
- Verify that invoices are bona fide and contain all relevant details.
- Verify that VAT is being dealt with appropriately.
- Verify the procedures relating to duplicate payments.

2. BACKGROUND

2.1   The Council commits significant expenditure each year buying in goods and services from a wide range of suppliers and contractors, some of whom are local and others, national. As a major player in the local and regional marketplace the Council has a responsibility to pay its suppliers on time. The Government has consistently applied pressure on local authorities to pay its (undisputed) invoices on time, i.e. within the time limits agreed with individual suppliers or where there are no such agreed time limits, 30 days.

2.2   The Department for Communities and Local Government (DCLG) has monitored local authorities' performance in paying suppliers on time by way of a Best Value Performance Indicator (BVPI 8). The Council's Performance Plan for 2006/07 reported outturn for BVPI 8 as 99.40% for 2006/07 and set a target of 99% for 2007/08.

2.3   In April 2007 the RSSP and its financial services provider (contractor), Capita, implemented a new financial management system, Agresso (version 5.5) at both Councils. Agresso is a fully integrated computerised financial management system incorporating electronic processing of suppliers' invoices.

2.4   Implementation of the Agresso system has not been without problems associated with the introduction of the 'workflow' arrangements resulting in a number of suppliers being paid more than once and a small number of suppliers having to wait a considerable time for payment. As a result of the implementation problems SODC BVPI 8 performance has deteriorated.

3. PREVIOUS AUDIT REPORTS

3.1   The Creditors system was last subject to an internal audit review in September 2006 and eleven (11) recommendations were raised. A Satisfactory opinion was issued.

4. 2007/08 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Eleven (11) recommendations have been raised in this review. Six Medium and five Low.

5. MAIN FINDINGS

5.1   **Previous Audit Recommendations**

5.2   Eleven (11) audit recommendations were made and agreed in the previous Internal Audit report.   Of the 11 recommendations, 10 were deemed to have been implemented with immediate or almost immediate effect, whilst Powersolve, the previous financial information system, was operating. The remaining recommendation was stated as being implemented as part of the data cleansing exercise leading up to the implementation of Agresso 5.5. No recommendations have been made as a result of our work in this area.

5.3   **Procedures**

5.4   Implementation of the new Agresso financial management system represented a major change at SODC. The Council had been using Powersolve, a conventional manual system, but Agresso 5.5 was implemented which introduced electronic 'workflow' comprising the raising of requisitions and purchase orders and invoice approval and authorisation of invoices.

Due to the Agresso 5.5 implementation problems SODC has reverted to the manual system for the processing of all suppliers' invoices and refunds that it had whilst using Powersolve.

Internal Audit found that neither the Council nor Capita had produced documented procedure guidance notes to accompany the implementation of Agresso 5.5. This is compounded by the Council's Financial Regulations being out of date. Four recommendations have been made as a result of our work in this area.

5.5   **BVPI 8**

5.6   The Council published its 2006/07 BVPI 8 outturn in its 2006/07 Performance Plan as having paid 99.4% of its suppliers' invoices (undisputed) within 30 days or within payment terms agreed with individual suppliers.

The Council has acknowledged that BVPI 8 outturn will deteriorate due to the problems associated with the implementation of the Agresso 5.5 but had accepted Capita's outturn data as correctly stated. Internal Audit found that the outturn reported by Capita to the Council for October 2007 is flawed and potentially over-stated. A cursory review of the data supported a slight reduction in the declared outturn (67.13% to 67.02%) arising from items being included in the calculation that the BVPI 8 definition requires to be excluded. A lack of narrative accompanying the data precluded Internal Audit from making a thorough assessment of the outturn. Five recommendations have been made as a result of our work in this area.

5.7   **Refunds**

5.8   All refund requisitions are completed by the service area, a pink slip is attached and authorisation and approval follows. Supporting documentation is attached to the payment voucher which carries additional details regarding the refund request.

All service areas are fully conversant with the manual refund processing arrangements and Internal Audit confirmed that the procedures work well. No recommendations have been made as a result of our work in this area.

5.9   **Bona Fide Invoices**

5.10   Internal Audit noted that due to the problems experienced by SODC with regard to the Agresso 5.5 workflow arrangements staff have reverted to the former manual process whereby a pink creditor voucher ('pink slip') is attached to the invoice and then sent for approval prior to being paid. These arrangements are temporary pending the completion of the Agresso Recovery Plan. No recommendations have been made as

a result of our work in this area.

5.11 **VAT**

5.12 Internal Audit noted that the Council has recently had a VAT Control visit from HMRC that found no anomalies relating to Accounts Payable. No recommendations have been made as a result of our work in this area.

5.13 **Duplicate Creditors and Payments**

5.14 Internal Audit found that the Agresso Operations Board had noted the absence of adequate controls to prevent duplicate payments being made. Subsequently, the Agresso Recovery Plan agreed by the Board includes initiatives to correct previous duplicate payments. Internal Audit noted that SODC had identified a number of financial control weaknesses that had not been addressed by Capita because of the priority attached to the Agresso Recovery Plan. Two recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

PROCEDURES

1. Financial Regulations   (Low)

Recommendation	Rationale	Responsibility
The Council's Financial Regulations should be updated to reflect the operational changes resulting from the implementation of the Agresso financial management system.	<u>Best Practice</u> Financial Regulations should be accurate and up to date reflecting operational changes associated with both the commencement of the Ridgeway Shared Services Partnership (RSSP) and implementation of the Agresso Financial Management system. <u>Findings</u> The Agresso financial management system has been in operation since April 2007 however no reference is made to the Agresso system, the current workflow arrangements or best practice in the Councils Financial Regulations. <u>Risk</u> Staff not aware of the correct procedures therefore inconsistencies in treatment may occur.	Chief Accountant in consultation with Head of Legal and Democratic Services
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The Council's Financial Procedure Rules are, in general terms, generic and do not need to be amended to reflect changes in system. However, the Financial Guidance Manual is now out of date as it refers to the previous system. Both sets of documents will be reviewed by finance staff to ensure they are up to date.		30 September 2008

2. Creditors Function   (Medium)

Recommendation	Rationale	Responsibility
All procedures relating to	<u>Best Practice</u>	Capita and Chief

the Creditors function should be documented, updated and expanded as necessary to reflect the operational changes resulting from the implementation of the Agresso financial management system	Staff have access to up-to-date and comprehensive operational procedures to facilitate consistent and effective working practices Findings Capita staffs have user notes to assist them in delivering the creditors system. Internal Audit found that these notes are inadequate. Internal Audit noted that the Council's Intranet indicates a link within Financial Services to Guidance Notes for Payments – Accounts Payable. When activated the link refers to guidance notes but there are none. Risk Staff not aware of the correct procedures therefore inconsistencies in treatment may occur.	Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed** Documentation is being prepared by Capita as part of the Agresso recovery plan		2 April 2008 (Agresso recovery plan end date)

3. Workflow   (Low)

Recommendation	Rationale	Responsibility
SODC should reinstate the workflow process subject to a review of the coding/approval process by Capita as soon as possible to ensure both Authorities are operating harmonised procedures for the creditors system.	Best Practice The Council will maximise the full range of benefits of a fully integrated and online financial management system Findings Implementation of Agresso 5.5, 'workflow' operated inefficiently, resulting in delays in making payments. Staff were instructed to revert to the previous manual system for authorising and paying suppliers' invoices Risk The Council does not maximise the full range of benefits of a fully integrated and online financial management system. The Council wastes time in seeking to recover from anomalies in implementation of a new system.	Capita; Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed**		2 April 2008

4. Authorised Signatories   (Low)

Recommendation	Rationale	Responsibility
The authorised signatory	Best Practice	Chief Accountant &

listing/Agresso approval list are updated and matched to show the correct and appropriate financial limits for those Officers who approve purchase orders and suppliers' invoices.	All invoices are validated against the authorised signatory and appropriate approval levels. Findings Internal Audit noted that this recommendation is outstanding from previous Accounts Payable audit. The recovery plan acknowledges that this is one of the areas that need to be developed and corrected due to the problems associated with coding and approval. Risk Payment could be made without the appropriate approval.	Capita
Management Response		**Implementation Date**
Recommendation is **Agreed** The approval limits in Agresso have been updated and approved. When workflow is re-instated, for operation of Agresso the signatory listing will not be required.		2 April 2008

BVPI 8

5. Local Performance Target   (Low)

Recommendation	Rationale	Responsibility
For 2008/09 the Client should require Capita to report outturn against a Local Performance Target for the payment of suppliers' invoices	Best Practice Suppliers' invoices should be paid promptly, within a 30-day period Findings The government has announced plans to replace BVPIs with National Indicators from 1 April 2008. There is no corresponding National Indicator for BVPI 8. Risk Suppliers may withdraw credit facilities if the Council is late in making payments.	Client Manager & Capita
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The client will determine a replacement for BVPI8 as part of its service planning process. However, under the terms of the contract with Capita, whilst BVPI8 has been replaced nationally, its requirements will still apply to the contract for 2008/09.		30 April 2008

6. Supporting Data   (Medium)

Recommendation	Rationale	Responsibility
Capita should be required to provide the Client with the data that support each month's BVPI 8 outturn	Best Practice The Client should be provided with a copy of the monthly data that support Capita's outturn Findings Despite reminders Capita had not	Client Manager & Capita

	supplied monthly data to the Client Manager to support BVPI 8 outturn reports. Incorrect data have been included in the calculation of the monthly outturn for October 2007. <u>Risk</u> The Council could be embarrassed by having to publish corrections to prior year outturn reports.	
Management Response		**Implementation Date**
Recommendation is **Agreed** This is now being distributed by Capita. Discussions now need to take place with Capita to ensure that the data received is in an appropriate and meaningful format.		30 April 2008

7. Use of Correct Dates   **(Medium)**

Recommendation	Rationale	Responsibility
The Client should check a sample of invoices from the BVPI 8 data to confirm that the correct dates have been applied.	<u>Best Practice</u> The Client is able to test check monthly data to verify the outturn reported by Capita. <u>Findings</u> Incorrect data have been included in the calculation of the monthly outturn for October 2007. <u>Risk</u> The Council could be embarrassed by having to publish corrections to prior year outturn reports.	Client Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		1 April 2008

8. Definition   **(Medium)**

Recommendation	Rationale	Responsibility
The Client should require Capita to apply the criteria set out in the BVPI 8 definition and to re-calculate the monthly 2007/08 BVPI 8 outturn for the year to date.	<u>Best Practice</u> There is a prescribed definition that should be applied. <u>Findings</u> Incorrect data have been included in the calculation of the monthly outturn for October 2007. The October outturn is incorrect; it is over-stated. Internal Audit found it to be 67.02 but the declared figure was 67.13. <u>Risk</u> The Council could be embarrassed by having to publish corrections to prior year outturn reports	Client Manager & Capita

Management Response	Implementation Date
Recommendation is **Agreed** This has been completed by Capita.	Implemented

9. 2006/2007 Outturn   (Medium)

Recommendation	Rationale	Responsibility
The Client should require Capita to provide evidence to confirm that the declared outturn for 2006/07 for BVPI 8 is fairly stated	Best Practice The Council has to publish annual BVPI 8 outturn in a local newspaper. Findings Incorrect data have been included in the calculation of the monthly outturn for October 2007. Capita took over responsibility for providing BVPI 8 outturn with effect from 1 August 2006. It is possible that the outturn for 2006/07 is not fairly stated. Risk The Council could be embarrassed by having to publish corrections to prior year outturn reports.	Client Manager & Capita

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Sample checking to be undertaken by client and Capita to identify if there is a material mis-statement.	31 May 2008

Duplicate Payments

10. Embedded Controls   (Medium)

Recommendation	Rationale	Responsibility
The client's accountancy staff should assist with documenting a range of expected controls relevant to duplicate payments for Capita to implement and that these controls should be replicated across both Councils.	Best Practice Controls should be embedded in the Agresso system to reflect robust arrangements for identifying possible duplicate payments. Findings The Agresso Operations Board noted the absence of adequate controls to prevent duplicate payments being made. The Agresso Recovery Plan includes initiative to correct previous duplicate payments. Risk The Cllent could suffer financial loss and embarrassment by trying to recover payments made more than once. Suppliers could withhold payment (of duplicate amounts) claiming that they were received in good faith.	Clients' accountancy staff

Management Response	Implementation Date
Recommendation is **Agreed** This was undertaken by the client's accountancy staff. Preparing the control documentation is a recovery plan task.	End of April 2008 for the implementation of the procedure.

11. Duplicate Suppliers   (Low)

Recommendation	Rationale	Responsibility
Capita should undertake periodic reviews of suppliers in conjunction with service areas to maintain a robust database and minimise the risk of erroneous or duplicate payments.	<u>Best Practice</u> The purchase ledger should be accurate and kept up-to-date. <u>Findings</u> There is no current process undertaken to review possible duplicate creditors/supplier, although Capita recognise that this should be undertaken on a periodic basis. <u>Risk</u> There is risk of erroneous or duplicate payments if suppliers' are recorded more than once within the purchase ledger.	Client & Capita

Management Response	Implementation Date
Recommendation is **Agreed**	1 April 2008

RISK MANAGEMENT 2007/2008

1. INTRODUCTION

1.1   Final issued on the 16th April 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that an adequate risk management policy is in place;
- To ensure that an appropriate risk management network is in place to promote risk management;
- To ensure that adequate risk management guidance notes and procedures are in place;
- To ensure that all appropriate Members and officers receive risk management training;
- To ensure that risk identification, management and analysis processes are operating effectively;
- To ensure adequate risk management performance and management reporting processes are in place; and
- To ensure that performance is measured to best practice.

2. BACKGROUND

2.1   The Council's approach to risk management was evaluated during the 2003 Comprehensive Performance Assessment, and this concluded that risk management was a weakness and not yet part of the Council's culture. In response, the Council employed risk management consultants who assisted in establishing a risk management approach for the Council which has now been in place for 3 years. The approach involves an annual process to identify operational and strategic risks.

3. PREVIOUS AUDIT REPORTS

3.1   This area has not been subject to any previous internal audit review.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Fourteen (14) recommendations have been raised in this review. Seven (7) High, Five (5) Medium and Two (2) Low.

5. MAIN FINDINGS

5.1   **Risk Management Policy**

5.2   A 3 year risk management strategy is in place, which is due for revision in July 2008. It was noted that it has not been subject to any formal review since its implementation. Three recommendations have been made as a result of our work in this area.

5.3   **Risk Management Network**

5.4   It was noted that the Audit and Corporate Governance Committee have not been receiving risk management reports consistently on a six monthly basis. In addition, risk management is not a regular agenda item at Corporate/Senior Management Team meetings, and at all service area team meetings.

5.5   Responsible officers have been identified within the Council for risk management, however it

was noted that reporting lines need to be clarified and the current arrangements do not provide adequate resources. Five recommendations have been made as a result of our work in this area.

5.6 **Risk Management Guidance Notes**

5.7 Comprehensive risk management guidance notes are in place, with information available to all staff on the Council's intranet. However, it was noted that risk management is not a formal part of the corporate training programme. One recommendation has been made as a result of our work in this area.

5.8 **Risk Management Training**

5.9 It was identified that limited risk management training has been received by members and officers. A related recommendation has been made within the findings of objective 3 – Risk Management Guidance Notes.

5.10 **Risk Identification, Management and Analysis**

5.11 Risk identification and analysis instructions are available to all staff within the risk management guidance notes. Strategic and operational risk registers are in place, but Internal Audit considers that the format of these needs to be revised to bring them into line with best practice. Service areas also need to review the complete the risk registers on an on-going basis. Four recommendations have been made as a result of our work in this area.

5.12 **Risk Management Performance and Monitoring**

5.13 Risk management performance monitoring and management reporting processes within the Council need to be strengthened. Related recommendations have been made within the findings of objective 1 – Risk Management Policy, objective 2 – Risk Management Network, objective 5 – Risk Identification, Management and Analysis.

5.14 **Best Practice**

The risk management approach and processes are not currently being measured to best practice. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Review of RM Strategy (Medium)

Recommendation	Rationale	Responsibility
Once the risk management strategy has been formally reviewed in 2008, the approach and the supporting procedures should be reviewed on an annual basis. If necessary, any amendments should be reported to the Audit and Corporate Governance Committee in the risk management annual report.	Best Practice The risk management strategy should be reviewed on a regular basis to ensure that the aims and objectives are relevant and support the corporate strategic objectives. Findings The risk management strategy was implemented in 2005 and has not been subject to any review. The strategy expires in July 2008, and it is anticipated that a working group will be established to formally review the strategy in January 2008. Currently, any revisions to the process and procedures are not formally documented.	Business Improvement Manager

	Risk If the risk management strategy and supporting procedures are not up to date, the Council's risk management approach may not deliver its intended outcomes which could impact on the Council's ability to meets its strategic objectives.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The risk strategy represents an industry standard best practice approach to risk management, together with an annual process for reviewing risks, which has been working effectively. For these reasons, we don't accept that any lack of review of the strategy is a 'medium risk' in audit terms. Most three year strategies are that long because there is no real value in reviewing in a shorter time period.		December 2008

2. Job Descriptions   (Medium)

Recommendation	Rationale	Responsibility
The Business Improvement Manager's job description should be updated to reflect his risk management responsibilities.	Best Practice The key roles, responsibilities and structures in place for managing risk should be clearly defined. Findings The Business Improvement Manager is the key responsible officer for risk management within the Council, and it was evidenced that the Business Improvement Manager's job description does not include any reference to risk management. Risk If roles and responsibilities are not clearly defined there is a risk that staff do not fulfil their expected obligations, and an effective and embedded risk management process is not implemented.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** The council does not value job descriptions as a means of clarifying ownership of roles. The ownership of risk management by the business improvement manager has been established by discussions with line manager, by addition of actions to service plan, by review of these actions in quarterly one-to-one meetings, and by expecting the jobholder to make presentations to committees. Ownership has also been documented in structural reviews of the role of the business improvement team presented to line manager and management team. The business improvement manager has clear personal ownership of risk management by the above means, and creating a job description would not affect this.		N/A

3. Access to RM Strategy on the Internet   (Low)

Recommendation	Rationale	Responsibility
The risk management strategy should be made available to the public on the Council's website.	Best Practice The Council should demonstrate a clear commitment to managing risk and meeting its strategic objectives, by evidencing a	Business Improvement Manager

	clear risk management strategy.	
	Findings The Council's risk management strategy is not available to the public on the Council's website.	
	Risk The Council needs to establish a strong risk management culture. Without a clear commitment, risk management will not be taken seriously and the intended outcomes will not be achieved.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The risk management strategy was published on the website as part of the report to Cabinet on 7 July 2005. We agree it needs to be easier to find.		June 2008

RISK MANAGEMENT NETWORK

4. Audit and Corporate Governance Committee (High)

Recommendation	Rationale	Responsibility
a) The Audit and Corporate Governance Committee should be receiving risk management reports on a regular basis to provide them with assurance on the effectiveness of the risk management process. b) The Audit and Corporate Governance Committee should also review the strategic risk register on a six monthly basis, to satisfy themselves that those risks are being managed to an acceptable level within the agreed risk appetite of the Council.	**Best Practice** Risk management should be embedded within the Council, with regular reports being submitted to accountable Committees/officers to ensure that risks are being discussed and managed effectively in accordance with the risk management strategy. **Findings** Detailed risk management reports, providing the Committee with both assurance on the risk management process and information on the management of strategic risks, are not being received on a regular basis by the Audit and Corporate Governance Committee. **Risk** If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** We have been sending regular, if not annual reports to Audit and Corporate Governance Committee. The risk management process is annual, so it is quite difficult to invent new content on a timescale more frequent than this.		Ongoing

5. Corporate Management Team **(High)**

Recommendation	Rationale	Responsibility
The Corporate Management Team should be receiving risk management assurance reports and reviewing the strategic and operational risk registers on a regular basis, to satisfy themselves that risks are being managed to an acceptable level within the agreed risk appetite of the Council.	<u>Best Practice</u> Risk management should be embedded within the Council, with regular reports being submitted to accountable Committees/officers to ensure that risks are being discussed and managed effectively in accordance with the risk management strategy. <u>Findings</u> Risk management assurance reports and the strategic and operational risk registers are not being received and reviewed on a regular basis by the Corporate Management Team. <u>Risk</u> If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	Business Improvement Manager

Management Response	Implementation Date
Recommendation is **Agreed** Corporate Projects Officer to oversee annual review of strategic risks and action plan and produce annual report to management team on reduction of strategic risks.	Ongoing

6. Heads of Service **(High)**

Recommendation	Rationale	Responsibility
Heads of Service should include risk management and a review of the service area (operational) risk register as an ongoing agenda item at team meetings.	<u>Best Practice</u> Risk management should be embedded within the Council, with risks being managed by the service areas on a continuous basis to ensure that all strategic and operational risk registers reflect salient risk exposures and any resourcing issues within the service areas. <u>Findings</u> Through consultation with the Heads of Service, it was confirmed that only 4 from 9 discuss risk management at their team meetings – Finance, Legal & Democratic Services, Housing and Business and Information Systems. Operational risk registers are reviewed on an annual basis, but no formal ongoing risk awareness measures are in place within service areas. <u>Risk</u> If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be	Heads of Service

Management Response	Implementation Date
	reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	

Management Response	Implementation Date
Recommendation is **Agreed** Head of business and information systems to brief colleagues on the need to manage risk in the way recommended. Corporate projects officer to monitor whether this is happening and offer to provide support, for example by attending team meetings	Ongoing

7. Risk Management Reporting Line (High)

Recommendation	Rationale	Responsibility
The current risk management reporting line should be reviewed and clarified within the revised risk management strategy. It should clearly allocate a responsible Corporate Management Team champion, and a responsible Head of Service and Manager/Officer.	<u>Best Practice</u> A clear approach to risk management should be documented within the risk management strategy, with an effective risk management reporting line in place to escalate risk management issues. <u>Findings</u> Risk management reporting lines are currently unclear, as the Business Improvement Manager (key responsible officer) reports to the Head of Business & Information Systems, yet the Head of Finance is the designated Head of Service responsible for risk management. There is currently no Corporate Management Team champion. <u>Risk</u> If a clear approach to risk management is not documented and embedded within the Council, then risk management issues may not be escalated and dealt with by the officers who have the appropriate technical skills and authority.	Business Improvement Manager

Management Response	Implementation Date
Recommendation is **Agreed** Corporate projects officer to name responsible officers in update of risk management strategy	December 2008

8. Risk Management Resources (High)

Recommendation	Rationale	Responsibility
The resource provision for risk management should be reviewed, to ensure that adequate resources are in place for the promotion and implementation of the risk management process (i.e. designated risk management officer and a risk management group).	<u>Best Practice</u> Sufficient resources should be in place for the promotion and implementation of the risk management process in accordance with the risk management strategy. <u>Findings</u> The Business Improvement Manager and the Corporate Projects Officer have key responsibility for risk management, however the two roles are not full time resources for risk management. The Business Improvement Manager calculated	Head of Business and Information Systems

that approximately 5 days a year is spent on risk management, and the Corporate Projects Officer apportioned 15 days a year to risk management. Although risk management champions have been identified for each service area, a formal risk management group is not in place to review/monitor the risk management process and discuss emerging risks within the public sector. <u>Risk</u> If insufficient resources are allocated to the risk management process its objectives may not be achieved.	

Management Response	Implementation Date
Recommendation is **Agreed** Business and information systems have already made a proposal to management team for resources to support a more proactive approach to risk management. These high level discussions are ongoing and linked to similar discussions about a shared post with Vale of White Horse District Council.	Depends on whether management team and Vale agree

RISK MANAGEMENT GUIDANCE

9. Risk Management Training (Medium)

Recommendation	Rationale	Responsibility
Risk management training should be incorporated into the annual corporate training programme on a six monthly basis, and all members and new staff officers should be invited to attend. It should be a requirement that all members of the Audit and Corporate Governance Committee and all new managers should be required to attend.	<u>Best Practice</u> All members and officers should understand risk and risk management, and officers with management responsibilities should be competent in risk identification, management and analysis. <u>Findings</u> A formal continuous risk management training programme is not available to members and staff. The Audit and Corporate Governance Committee received risk management training from an external consultant in August 2007. However from 13 members, only 6 attended and from 8 substitutes only 2 attended. <u>Risk</u> If responsible officers are not competent in risk identification, management and analysis skills, risks may not be identified and managed to a tolerable level and the Council's objectives may not be achieved.	Business Improvement Manager

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Councillor attendance at risk management training isn't mandatory so it is hard to enforce. Risk management will be written into the corporate induction	December 2008

programme.	

RISK IDENTIFICATION, MANAGEMENT AND ANALYSIS

10. Risk Registers   **(High)**

Recommendation	Rationale	Responsibility
The format and content of the combined risk register should be reviewed to ensure that it: • is up to date; • links to the objectives of the Council; • identifies risk across the organisation in a coherent manner; • includes a financial assessment of the cost of controls and risks; • clearly identifies a responsible officer for each risk; • evaluates inherent and residual risk; • lists key controls to manage the risk; and • records the acceptable level of exposure.	<u>Best Practice</u> Risk registers should be comprehensive to ensure that management adequately manage their risks and Members can receive assurance on the adequacy of the existing controls and levels of residual risk. <u>Findings</u> A review of the combined risk registers for 07/08 and 08/09 found that: • the risks are not clearly linked to the objectives of the Council; • the risk register does not contain any clear financial assessment of the cost of controls and risks. Through a review of the risk matrix within the strategy and guidance notes, it was also confirmed that financial indicators are given to assist in assessing the impact; • responsible officers are not clearly identified; • inherent and residual risk is not evaluated; • existing controls are not listed; and • the acceptable level of exposure is not documented for 08/09 <u>Risk</u> If adequate risk registers are not in place to be used as a management tool and to provide assurance to members, risks may not be managed effectively and the Council's objectives and risk management strategy may not be achieved.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The risk register will be reviewed and updated when the new strategy is developed. We had previously agreed with a strategic director that to assess financial costs of controls and risks is a large piece of work, and even with additional resources, we may not be able to do this.		December 2008

11. Approval of Risk Registers   **(Medium)**

Recommendation	Rationale	Responsibility
The combined risk register should be formally approved by the Corporate Management Team and endorsed by	<u>Best Practice</u> The risk register should be formally approved on an annual basis by members and officers, to ensure that risks are identified and being managed within the	Business Improvement Manager

the Audit and Corporate Governance Committee on an annual basis.	Council's agreed risk appetite. Findings The strategic and operational risk registers are not being received and reviewed on a regular basis by the Corporate Management Team, and the risk registers are not subject to any formal approval. Risk If risk registers are not subject to any formal approval, appropriate and salient risks not considered may not be identified and inappropriate and/or an absence of mitigating action may not be identified and dealt with.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		Ongoing

12. Risk Improvement Plans (Medium)

Recommendation	Rationale	Responsibility
Formal risk improvements plans should be developed for all risks which are identified as not being managed effectively.	Best Practice A documented action plan should be in place for all risks which are not being managed to a tolerable level. Findings Formal risk improvement plans are not in place. There is a requirement within the current risk register format to complete any management action required if a risk is below the tolerance level, however the existing controls, required management action and officer responsible columns are not being completed on a consistent basis. Risk If risks are not managed to a tolerable level, the Council's objectives and risk management strategy may not be achieved.	Risk champions
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Risk mitigation actions plans are included in the risk register. We agree there needs to be more work in ensuring that risk champions fill these in correctly.		Ongoing

13. Service Plans (Medium)

Recommendation	Rationale	Responsibility
All service plans should require risk implications to be considered, both in the narrative and within the action plan.	Best Practice All service plans should consider and document risk implications which may affect the achievement of the short term objectives. Findings A sample of 3 from 9 service level plans 07/08 were reviewed (Environmental	

| | Health, Financial Services RSSP and Human Resources and Facilities), and it was noted that whilst service issues are considered for the forthcoming year, specific risk implications within the service plan narrative or action plans are not documented. However, the 08/09 service plan template was reviewed and it was noted that risk implications are now required in the narrative but not in the action plan.

Risk
If risks are not clearly identified and managed on an on-going basis to a tolerable level, the objectives outlined within the service plans may not be achieved. | |
|---|---|---|
| **Management Response** | | **Implementation Date** |
| Recommendation is **Not Agreed**
In 2008, the strategic director with responsibility for service plans requested that their format was considerably simplified. Risk implications are now referred to in the narrative but not in the action plan table. However, the annual risk update requires that above-tolerance risk mitigation actions are included in the service plan table if judged sufficiently important. | | N/A |

MEASUREMENT TO BEST PRACTICE

14. Measurement to Best Practice   **(Low)**

Recommendation	Rationale	Responsibility
The Council's risk management approach and processes should be reviewed against best practice.	Best Practice The Council should assess its approach and processes against best practice on an on-going basis. Findings The Council's risk management approach has not been measured against best practice. Risk The Council's approach may not be the most effective and efficient approach to risk management in accordance with best practice.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** This will be done as part of the work involved in redrafting the risk management strategy		December 2008

BUSINESS CONTINUITY PLANNING AUDIT 2007/2008

1. INTRODUCTION

1.1   Final issued on the 21st April 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that an adequate and up to date Business Continuity Strategy is in place.
- To ensure that reasonable budget arrangements have been made for Business Continuity Planning.
- To ensure that a business impact assessment has been carried out to identify critical functions and the findings are adequately documented.
- To ensure that adequate Business Continuity Plans are in place for each service area, which include the requirements from key suppliers.
- To ensure that roles and responsibilities for implementing the Business Continuity Plans are clearly established and documented.
- To ensure adequate testing and reviews of Business Continuity Plans are carried out on a regular basis.
- To ensure that monitoring arrangements are in place once the Business Continuity Plans are activated, and on completion of the plan following a major incident.

2. BACKGROUND

2.1   The Council has a statutory duty under the Civil Contingencies Act 2004 to "maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs, the body is able to continue to perform its functions". The 2006 CPA Pilot Assessment Report noted that business continuity arrangements need to be in place.

2.2   The Business Improvement Manager has indicated that he would like to incorporate electronic links to harmonise systems and enable updates of key data, such as contact details, to feed into other documents such as the Continuity Plans. Whilst this is not actively under development, Internal Audit would support this initiative which would promote accurate and up to date records and avoid duplication of tasks hence saving time.

3. PREVIOUS AUDIT REPORTS

3.1   This is the first audit undertaken of Business Continuity Planning.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Nine recommendations have been raised in this review. Six Medium and three Low.

5. MAIN FINDINGS

5.1   **Business Continuity Planning Strategy**

5.2   A Business Continuity Strategy was approved by Cabinet 3rd August 2006 for 2006-2009. The strategy clearly states its purpose and is available to all staff via the intranet within the Risk Management section, however, awareness of continuity planning arrangements needs to be more proactively encouraged within the service areas.

5.3   The testing undertaken has highlighted that the stated review process is not currently being followed by the service area plan owners. The Crisis Management Plan includes a section for the Strategic Crisis Team to incorporate relevant records from the Continuity Plans in their

service areas. No records are listed in this section although they do exist within the Service Area Continuity Plans. Two recommendations have been made as a result of our work in this area.

5.4   **Business Continuity Planning Budget**

5.5   A growth bid for £25,000 was approved in 2005/2006 for the development and implementation of Business Continuity Planning arrangements. Invoices totalling £16150.00 (excl VAT) were paid to Garrison Continuity who were employed as consultants for developing the processes. Ownership of the Business Continuity Plans has been passed out to the service areas now that they are implemented. No recommendations have been made as a result of our work in this area.

5.6   **Business Continuity Planning Impact Assessment**

5.7   An impact assessment exercise was carried out via workshops attended by representatives of each service area (mainly Heads of Service) and the findings were analysed and reported by the appointed consultants. Whilst this was seen to be comprehensive, the Business Continuity Institute Good Practice Guidelines 2008 recommend an annual review of the impact analysis but there are no plans in place for this.

5.8   As staff involved in the initial assessment may no longer be involved in managing the Continuity Plans, Internal Audit recommend that the plan holders and administrators have access to the detailed impact assessment evaluation for their own service area. This would assist the service area in carrying out reviews of critical functions whilst reviewing their Continuity Plans. One recommendation has been made as a result of our work in this area.

5.9   **Business Continuity Plans**

5.10   Clear, well structured and comprehensive plans were seen to be in place for each service area with appointed plan holders and administrators. Only two of the eleven plans in place had a fully completed version control (which comprises three elements). Contact details for external suppliers are incomplete in two of the eleven plans. Not all of the Recovery Team Members are listed as plan holders in four of the plans but staff who are no longer employed here are still listed. Key IT systems detailed in the service areas are not always listed in the ICT continuity plan.

5.11   Discussions with the Recovery Team Members listed on one plan indicate that three team members and the second emergency contact did not have copies of the plan offsite, even if listed as holding a copy of the plan, so would have been unable to implement it in the absence of the recovery team leader. A full set of Business Continuity Plans should be held offsite as stated in the Crisis Management Plan but this is not currently the case. Only one service area lists the need for external suppliers to have adequate business continuity arrangements as a risk on the risk register. Four recommendations have been made as a result of our work in this area.

5.12   **Business Continuity Planning Roles and Responsibilities**

5.13   Each plan details which role the actions for the objectives are assigned to and lists the officers nominated for those roles. One plan did not have a Deputy Recovery Team leader nominated and one plan had a Recovery Team Leader appointed who is also a Deputy Team Leader on the Strategic Crisis Team. Discussions with Recovery Team Members and an Administrator of one plan indicate that not all of the staff involved are aware of their role or have had a chance to be involved in a walkthrough of the plans. This was seen to be as a result of being new to the team or the infrequency of needing to look at the plan. One recommendation has been made as a result of our work in this area.

5.14   **Business Continuity Planning Testing and Reviewing**

5.15   Each Service Area Continuity Plan should be walked through once it is implemented and

then the Corporate Development Team plan to monitor testing by having two planned exercises per year. This may result in a test only occurring every five years.

5.16   Whilst a review mechanism is in place, testing indicates that current practices of reviewing plans annually or six monthly are not in accordance with the Business Continuity Strategy, which suggests they are reviewed quarterly. Plans do not always appear to be fully reviewed and did not appear to reflect staff in position at the time or key IT systems in use. Plans should be more proactively reviewed and updated as necessary. The findings from testing in this area have been incorporated into recommendations listed under other objectives.

5.17   **Business Continuity Planning Monitoring**

5.18   Should an incident occur requiring Business Continuity plans to be implemented, then monitoring arrangements are built into the Crisis Management Plan which contain forms and documents to support that monitoring. However, a post implementation review process was not listed as a part of the process. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY

1. Strategic Crisis Team update the Crisis Management Plan and promote   (Low) awareness of continuity planning.

Recommendation	Rationale	Responsibility
The Strategic Crisis Team should update the Crisis Management Plan to reflect details of the plans within their own service area and promote awareness of the process within their area.	<u>Best Practice</u> Under the Civil Contingencies Act 2004 the Council is required to not just have plans in place but to ensure they are reviewed and kept up to date. The Crisis Management Plan is a critical part of the Business Continuity Planning so it is vital that it is maintained accurately. <u>Findings</u> The Crisis Management Plan (CMP) contains an Appendix where each member of the Strategic Crisis Team is required to record relevant vital records resulting from their review of plans within their own service portfolio. At the time of the audit no vital records were listed in the CMP. The Appendix detailing Command Centre Locations refers to an option of 'Michael Jaques house' but no contact details are available within the plan if this is still the case. <u>Risk</u> If the Crisis Management Plan is not kept up to date then the plan may be ineffective in the event of a disaster and recovery of key systems could be delayed.	Business improvement manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Corporate projects officer to work with the Strategic Crisis Team to update the crisis management plan.		September 2008

2. Awareness of Business Continuity Planning is included in staff   **(Low)**
induction.

Recommendation	Rationale	Responsibility
The staff induction process should inform new staff of the Council's Business Continuity Planning arrangements.	<u>Best Practice</u> Business Continuity management should be embedded into the Council's culture and staff awareness of the processes developed in order to minimise the impact of disruptions. <u>Findings</u> The Business Continuity Strategy is available to staff via the intranet in the risk management section. Not all of the staff listed as Recovery Team Members in one service area were aware of the process. The current staff induction document doesn't mention continuity planning arrangements. <u>Risk</u> If staff are not aware of the arrangements then delays may result should a plan be invoked due to the need to explain what is the processes are whilst contacting staff.	Business improvement manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Business continuity will be covered more comprehensively in the revised corporate induction training programme, which starts on 24 July 2008.		July 2008

IMPACT ASSESSMENT

3. Service plan administrators should have a copy of the impact   **(Low)**
assessment for their service area.

Recommendation	Rationale	Responsibility
The service area owners/administrators should have access to the details which made up the impact assessment for their own service area and use this as part of their review process.	<u>Best Practice</u> The impact analysis should be reviewed on a regular basis to identify any factors which have changed that may affect the continuity plans. <u>Findings</u> There is no process in place to review the impact analysis. Staff who now review the service area plans may be different to those who were originally involved in the impact analysis hence may be unaware how their service area was assessed. <u>Risk</u> If the service plan owners are not aware how a disruption has been assessed as impacting upon their area, it makes it harder to adequately review and update the plans, which may result in a failure to fully recover the service should a plan be invoked.	n/a
Management Response		**Implementation Date**

Recommendation is **Agreed in Part** All plan owners and administrators have access to the business continuity folder which contains the business impact assessment (BIA). We understand that it is helpful for plan owners to view the BIA when reviewing the plans but we don't see any benefit in the BIA being reviewed frequently. The BIA was a one off exercise and the impact of the disruption of service delivery isn't likely to change in the near future.	n/a

SERVICE AREA PLANS

4. Checklist to assist plan owners/administrators in maintaining and reviewing plans.   (Medium)

Recommendation	Rationale	Responsibility
A checklist should be used to prompt the plan administrators/owners whilst reviewing the service area continuity plans. These could be held by the officer who monitors the plans overall and should include:- • version control fully updated • review dates updated • Check/update contact details internal/external • Incorporation of changes in other plans is managed. • Deputies and team members are nominated Sign off by an appropriate officer	<u>Best Practice</u> Continuity plans are in place for each service area and are up to date, adequately version controlled, changes to be mirrored in other plans are implemented. <u>Findings</u> Of the 11 plans checked (including Crisis management Plan) only two had all 3 of the areas where version control is stated correctly updated. Some plans listed IT systems such as AXXIA which are not listed on the ICT plan so cross referencing is needed. One plan did not have a deputy nominated in the recovery team. Staff in one service area are not listed in the contact lists suggesting the plans are not adequately maintained or to date. Two service area plans have an officer listed as a Strategic Crisis Team member who is not listed on the Crisis Management Plan itself as a team member. The strategy states that plans will be updated quarterly but testing suggests reviews are held either 6 monthly or annually. Details should be updated as they change rather than left until a review and a more pro-active awareness of arrangements should help address this and a checklist ensure each area of the plan is reviewed. <u>Risk</u> If plans are not maintained and updated with key details as needed then delays will occur should a plan be invoked and the recovery of service may take longer than it should.	Business improvement manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** On recommendation 4, the Axxia system is not specifically mentioned in the ICT plan because it will be restored as part of the MAIN1 recovery - which is documented. Corporate projects officer to produce checklist to issue to all plan owners and administrators (SP4904).		September 2008

5. Plans are available to necessary staff   **(Medium)**

Recommendation	Rationale	Responsibility
Service Area Plan owners and administrators should ensure that all key staff have up to date copies of the plan held off site.	Best Practice Continuity plans need to be held off site by critical staff such as the recovery team members for each service area to enable them to carry out their duties should a crisis occur. Findings Discussions with recovery team members listed on one service areas plan indicated that the 3 team members did not have a copy of the plan off site and the 2nd emergency contact was unaware of their role and had not seen the plan. Other service area plans had recovery team members listed who were not also stated as plan holders. Risk If key staff do not have up to date access to plans off site then there is likely to be a significant delay in recovery of their service area functions should an incident occur resulting in an adverse impact on the Council's reputation.	Business improvement manager, heads of service

Management Response	Implementation Date
Recommendation is **Agreed** Corporate projects officer to request heads of service that all members of service recovery teams keep a copy of their plan offsite.	September 2008

6. An up to date set of plans should be held offsite.   **(Medium)**

Recommendation	Rationale	Responsibility
The 'Battlebox' currently used by ICT, should hold a full and up to date set of Business Continuity Plans.	Best Practice A full set of up to date Business Continuity documentation should be held off site. Findings The crisis management plan states that the 'battlebox' contains a full set of paper and electronic continuity plans. Discussions with the administrator of the battlebox suggest that this is only used for ITC's emergency software and it does not contain copies of the plans. Risk If an incident occurs affecting the Council offices then the task of the recovery team would be easier if they have access to a full and up to date set of documents off site resulting in a more controlled and smoother implementation of the plans.	Business improvement manager

Management Response	Implementation Date
Recommendation is **Agreed** Copies of the business continuity plans will be put in the battlebox and stored off site.	July 2008

Corporate projects officer to research possibility of hosting electronic versions of the plans on a password protected site.	September 2008

7. Service areas should monitor business continuity plans of key external suppliers.   (Medium)

Recommendation	Rationale	Responsibility
Each service area should obtain details of and monitor key suppliers' business continuity arrangements and reflect this in the risk register.	Best Practice External suppliers should be required to have business continuity plans in place. Findings Although workshops have been held for key suppliers, and the tender process now requires suppliers to document their continuity planning, only one service area has recorded on the risk register that external contractors need monitoring to ensure that continuity arrangements are in place. Whilst other areas may be aware of this requirement, documentary evidence of monitoring is needed. Risk If an incident occurs and external suppliers do not have adequate continuity arrangements in place then there may be sever disruption and delay to the provision of key services with an adverse affect on the Council.	Risk champions and business improvement manager

Management Response	Implementation Date
Recommendation is **Agreed in Principle** We asked the top 7 suppliers for their business continuity plans. Only one had one, and others are not yet appreciative of the need. It is now a contractual requirement of new suppliers to have business continuity arrangements in place. It is also part of the annual contractor performance review process.	N/A
Risk champions to assess key suppliers' business continuity arrangements and reflect this in the risk register as part of the risk management process.	Ongoing
The corporate projects officer will explore ways of further engagement with the Council's existing key suppliers.	Sept 08

ROLES AND RESPONSIBILITIES

**8. Service areas should use walkthrough and desktop exercises to   (Medium)
promote awareness of the process**

Recommendation	Rationale	Responsibility
Each service area should carry out a regular test of the continuity plan to ensure that staff involved are aware of their role and the plan is adequate. The level of testing would	Best Practice Staff involved in the recovery of a service area should be comfortable and confident in the role and responsibilities required to implement the continuity plan. Findings	Business continuity plan owners & business improvement manager

depend on the degree of change within the area.	Test exercises are carried out when each plan is developed and then it is expected that two plans will be tested each year as part of the monitoring of the continuity arrangements. This may result in plans only being tested every five years. The testing could be used as a useful training exercise and form part of the review. Risk Delays may occur in implementing a plan and recovering a service area if key staff are not fully aware and comfortable with carrying out their roles and responsibilities.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Advice on how to test and review the plan will be communicated to plan owners and administrators. Business continuity testing and review to be included in the corporate timetable and team work plans.		September 2008

MONITORING ARRANGEMENTS FOLLOWING IMPLEMENTATION

9. Post implementation review (Medium)

Recommendation	Rationale	Responsibility
The Crisis Management Plan should include a process to carry out a post implementation review should the plan be invoked, and develop an action plan from the findings.	Best Practice If a Business Continuity Plan should be invoked then a post implementation review should be held to review and learn from the experience. Findings Whilst the plan has not had cause to be invoked, a formal review of the performance of the implementation of arrangements is not a documented requirement in either the strategy or the Crisis Management Plan. Risk If a post implementation review is not held then the Council's performance in achieving recovery may not be satisfactorily reported and any lessons learnt may not be identified and used to improve the plans.	Business improvement manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Corporate projects officer to add post implementation review to crisis management plan (SP4904)		June 2008

DATA PROTECTION 2007/2008

1. INTRODUCTION

1.1   Final issued on the 24th March 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that current legislation as detailed in the Data Protection Act 1998 is being adhered to;
- To ensure that the Council has the appropriate registration;
- To ensure that adequate policies and procedures exist;
- To ensure that data protection enquires are managed, recorded and monitored appropriately;
- To ensure requests for disclosure of personal data have been processed correctly.

2. BACKGROUND

2.1   The Council has a statutory duty under the Data Protection Act 1998 to register with the Information Commissioners Office and also to renew the registration annually (ICO). It is the responsibility of the Council to ensure that it abides by the Eight (8) Principles of Data Protection and that members of staff are aware of their responsibilities under the Act.

3. PREVIOUS AUDIT REPORTS

3.1   Data Protection was last subject to an internal audit review in August 2004 and Twelve [12] Recommendations were raised and a limited level opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Six [6] recommendations have been raised in this review. Five (5) Medium and One (1) Low.

5. MAIN FINDINGS

5.1   **Adherence To Data Protection Act 1998**

5.2   In the area of adherence to the Data Protection Act 1998 the Council is registered with the appropriate authority Information Commissioner Office (ICO). Members of staff involved in data management are aware of their responsibilities under the Data Protection Act 1998, but training has not been provided for members of staff for over two years ago. Additionally Data Protection training is not included in new starter's induction process. The Council also has no Data Protection group in place to support the Data Protection Officer and enforce the requirement of the Data Protection Act 1998. Two recommendations have been made as a result of the work undertaken in this area.

5.3   **Appropriate Data Protection Registration**

5.4   SODC has two notifications with Information Commissioner's Office (ICO),one for general data protection activity and the other for a specific data controller. Registrations were adequately renewed for year 2007/2008 and will be expiring on 29th April 2008 when details will be reviewed and updated as necessary.

5.5   **Policies And Procedures**

5.6   SODC has some documented statements on Data Protection in place but they are not comprehensive. Procedures should include staffing and reporting arrangements, guidance on managing enquiries, and expectation on data quality processes in the Council and guidance on disclosure to the third parties. One recommendation has been made as a result of the work undertaken in this area.

5.7   **Data Protection Enquiries**

5.8   There is no Data Enquiries Management procedure in place. Inflow and out flow of information is currently not recorded. There is no Subject Access Request Form in place neither is there a written guideline on disclosure to third parties. Two recommendations have been made as a result of the work undertaken in this area.

5.9   **Requests For Disclosure**

5.10   There is no written procedure in place detailing how to handle requests for disclosure. In addition, officers within each service area have not been designated to handle requests and liaise with the Data Protection Officer on all data protection issues. One recommendation has been made as a result of work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

ADHERENCE TO DATA PROTECTION ACT 1998

1. Training   **(Medium)**

Recommendation	Rationale	Responsibility
a. There should be a training plan in place to annually update members of staff on new developments in data protection. b. Data Protection training should be included within the induction courses arranged for new starters. c. Data protection training should be incorporated into the Council's annual Corporate Training Programme.	<u>Best Practice</u> A written comprehensive Training Plan/ Programme should be in place with both Human Resources and the Data Protection Officer detailing how members of staff will be updated on new developments in data protection and also the arrangements for briefing/ training new starters on the Council's Data Protection Practice & Procedure. <u>Findings</u> It was found during the audit review that Data Protection Training was last organised for staff over two years ago. Data Protection training is also not included in induction courses available for newly employed members of staff. <u>Risk</u> Members of staff are not aware of their responsibilities under the Data Protection Act 1998 which may lead to litigation or embarrassment to the Council.	Head of Business and Information Systems Corporate Learning & Development Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** The corporate induction programme is currently being reviewed		30 September 2008

and we have already agreed to introduce data protection (and FOIA) training.	

2. Data Protection Group (Medium)

Recommendation	Rationale	Responsibility
a. A data protection group (either member and/or officer based) should be established with responsibility for the data protection policy and handling any data protection enquiries or investigations.	Best Practice A Data Protection Committee is expected to be in place to support the nominated Data Protection Officer with the responsibility for preparing and implementing the Council's Data Protection Policy and resolving any data protection problems that might be encountered. Findings There is no Data Protection group in place to manage and resolve data protection issues. Risk A data protection policy will not be produced and implemented. Data protection issues will not be managed and resolved by an appropriate committee. This could lead to the Council not fulfilling its obligations under the Data Protection Act 1998.	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** It would be worthwhile to establish an informal group including a data protection representative from each service team. The remit of such a group could include data protection policy, the dissemination of good practice, and discussion of any data protection issues. I am willing to discuss this course of action with heads of service. If it is necessary to report to a formal committee on data protection matters, Audit and Corporate Governance would appear to be well suited to the purpose. I do not therefore see any need for any further group involving members.		30 September 2008

B. POLICIES AND PROCEDURES

3. Data Protection Policy (Medium)

Recommendation	Rationale	Responsibility
a. The current data protection procedures should be reviewed to specify the Council's top level goals and to include comprehensive supporting procedures. b. The Policy should be available to all members of staff.	Best Practice A comprehensive Data Protection Policy/ procedures should be in place. Its content should be acceptable to management and meet the specifications of the Data Protection Act 1998 and should also specify the Council's top level goals. Findings Currently a comprehensive Data Protection Policy and supporting procedure is not in place.	Head of BIS

	Risk The Council does not have an up to date Data Protection Policy in place leading to a lack of aims and objectives relating to Data Protection and possible confusion in dealing with requests.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The council's current policy is stated in staff information leaflet 21, the data protection act 1998 local agreement, and advice is provided in the document "Information and computers – a guide to good practice". Through these documents the council's position on data protection is thus already available to staff in the form of a number of documents on the intranet. However, I agree that it would be beneficial to update existing policy and bring it all into one place.		30 September 2008

DATA PROTECTION ENQUIRIES

4. Data Protection Enquiries procedure   **(Medium)**

Recommendation	Rationale	Responsibility
a. A data request register, should be implemented for recording information on the inflow and out flow of enquiries (either hard copy or electronically) for each service area's use. b. All requests should pass through the data protection officer to enable him to monitor accuracy and correctness of the disclosure.	Best Practice A documented step by step procedure/ approach of how to process enquiries should be in place to guide staff. A data request register should be in place to record the inflow and outflow of requests Findings There is currently no formal process in place to manage record and monitor data requests. Risk There is no Data Protection Policy in place governing data enquiry management, It is not possible to monitor both inflow and out flow of requests and how they are processed and managed. This could result in the Council not fulfilling their responsibilities adequately in accordance with the Data Protection Act 1998	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed** The recommended approach would be good practice, though the number of enquiries received is extremely small (less than ten per year) and the risk is in my view therefore low.		30 September 2008

5. Subject Access Request Forms   **(Low)**

Recommendation	Rationale	Responsibility
Subject access request forms should be available in the office of the Data Protection Officer.	Best Practice There should be a subject access form available for use when required. Findings There are no subject access forms in the office of the Data Protection Officer	Head of BIS

	because there have been no subject access requests. Risk Subject access forms not available making it become more difficult for the Council to adhere to the act.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The recommended approach would be good practice, though as noted above the council has in practice received no subject access requests in the past year.		30 September 2008

PROCESSING OF REQUESTS FOR DISCLOSURE OF PERSONAL DATA

6. Disclosure of Personal Data		(Medium)
Recommendation	**Rationale**	**Responsibility**
Each service area should have a designated officer responsible for Data Protection.	Best Practice An officer designated for data protection should be in place in each service area. This officer should liaise and seek advice from the Council's data protection officer on any issues that may arise. This officer should also update the Council's data protection officer in relation to received requests. Findings Three service areas were consulted (HR, ICT & Elections) and they confirmed that there is no officer designated within their service area to manage data protection issues and report them to the Council's Data Protection Officer. Risk Staff may not know who to contact and what to do with request for data, which could lead to delays in responding to a request or uncoordinated approach and the Council not fulfilling it's obligations in accordance with the Data Protection Act 1998.	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed** It would be worthwhile to establish an informal group including a data protection representative from each service team. The remit of such a group could include data protection policy, the dissemination of good practice, and discussion of any data protection issues. I am willing to discuss this course of action with heads of service.		30 September 2008

BANK CONTRACT AND ARRANGEMENTS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 6th May 2008.

1.2   The following areas were proposed to be covered during the course of this review:

- To ensure that the process for agreeing the new Bank Contract was transparent, managed by appropriate officers and adequately documented.
- To ensure that arrangements are in place for the Bank Contract specification to be adequately controlled and managed by the Council.
- To ensure that all monitoring information is prompt, accurate and checked by an appropriate officer.
- To ensure that any issues/queries are investigated and promptly resolved by the Contractor.

1.3   Due to a key officer being on long-term sickness absence, Internal Audit was unable to complete all areas of the review. Therefore, only objective 1 was completed and the other areas will be reviewed at the time of follow-up.

2. BACKGROUND

2.1   The Council has a statutory duty under its constitution to change or continue its Bank Contract and Arrangement after its expiration. The Bank Contract and Arrangement was signed with Barclays Bank ten [10] years ago and expired on the 31st March 2008.

3. PREVIOUS AUDIT REPORTS

3.1   Bank Contract and Arrangements was last subject to an internal audit review in October 1998 and Nine [9] Recommendations were raised and a Limited level opinion was issued. As a new bank contract is now in place, and a key officer was on long-term sickness absence, these recommendations have not been followed-up.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   One high recommendation has been raised in this review.

5. MAIN FINDINGS

5.1   **Transparency Of Contract's Procedure**

5.2   Internal Audit acknowledges that the tender process for agreeing the new bank contract was transparent and appropriately documented and managed. An experienced consultant was hired to advise the Council due to the speciality of the contract. However, there has been delay in completing the signoff of the contract. One recommendation has been made as a result of our work in this area.

5.3   **Adequacy Of Control And Management Contract**

5.4   Internal Audit was unable to complete this objective due to a key officer being on long-term sickness absence. This area will be reviewed at the time of follow-up.

5.5   **Prompt And Accurate Information Monitoring**

5.6   Internal Audit was unable to complete this objective due to a key officer being on long-term sickness absence. This area will be reviewed at the time of follow-up.

5.7   **Investigation And Resolution Of Queries / Issues**

5.8   Internal Audit was unable to complete this objective due to a key officer being on long-term sickness absence. This area will be reviewed at the time of follow-up.

OBSERVATIONS AND RECOMMENDATIONS

1. Signing of the Contract   **(High)**

Recommendation	Rationale	Responsibility
a. The Bank Contract should be signed and sealed as a matter of urgency. b. The Legal Department should be adequately briefed at every stage of future contract processes to minimise delay.	<u>Best Practice</u> Bank Contract and Arrangements are expected to be signed, sealed and completed prior to its commencement date. <u>Findings</u> Currently the contract commencing on the 1st April 2008 is not signed and sealed. It is noted that the Legal department was not adequately briefed towards the end of putting the terms and conditions of the contract in place, which has resulted in the delay. <u>Risk</u> If the terms and conditions of contract are not signed prior to the commencement of contract, expected contractual obligations may not be met which could result in significant financial, legal and operational implications.	Chief Accountant / Head of Legal and Democratic Services
Management Response		**Implementation Date**
Recommendation is **Agreed** The procurement process was managed by staff at VWHDC, but when, on conclusion of the tender review process it was agreed that the councils would contract with different suppliers, the responsibility for the management of the contract negotiation and signing process transferred to SODC staff. Unfortunately, with the prolonged sickness absence of the officer responsible for the bank tender process at SODC, this transfer of responsibilities was not undertaken swiftly enough to enable the completion of contract negotiation and signing by 1 April 2008. We have agreed with the bank an extension of our current contract until we can complete the signing of the new contract, which we aim to complete no later than 31 May 2008.		31 May 2008

TENDER PROCESS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 12th May 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that adequate policies and procedures are in place;
- To ensure that tender exercises within the Council are undertaken in accordance with the relevant legislation, corporate guidance and best practice;
- To ensure that tender documentation is maintained in a secure manner for all procurement exercises.

2. BACKGROUND

2.1   The Council is one of the major buyers in the district spending approximately £9m on bought in goods and services annually. It has a track record of using external suppliers (contractors) to deliver some of its major, front-line services, such as housing benefits, council tax and business rates. In out-sourcing in this way the Council has to attract top-class suppliers and to achieve this it has adopted a Procurement Strategy underpinned by procurement policies and procedures designed to be business-focused.

2.2   The Council's Procurement strategy and policies operate within the framework of Standing Orders and Financial Procedure Rules set out in the Council's Constitution. These reflect the legal requirements imposed on the Council by central government and the EU (Public Procurement Directives) and are designed to demonstrate that the Council operates in a competitive manner in seeking to award contracts and shows no bias or favour when awarding contracts.

3. PREVIOUS AUDIT REPORTS

3.1   Tender procedures have not been subject to any previous internal audit review as a stand-alone system.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Twelve (12) recommendations have been raised in this review; two (2) High, and nine (9) Medium and one (1) Low priority.

5. MAIN FINDINGS

5.1   **Policies and Procedures**

The Business Improvement Team (BIT) is responsible for overseeing the Council's Procurement Strategy and the procedures involved in seeking tenders. BIT submitted a paper to Management Team on 21 January 2008, recommending that the threshold for tenders should be increased to £100K from the existing £50K with a proviso that for any specific procurement project where it was considered prudent tenders could be sought for values less that £100K. Management Team is seeking a more business-focused tendering process that relieves the burden on business, particularly in respect of responding to tender invitations and rejected the recommendation asking BIT to obtain benchmark data from other local authorities. BIT has done this in relation to the Oxfordshire councils but is extending its survey to include other authorities rated Excellent for CPA purposes.

5.2   BIT has responsibility for keeping the procedures up to date. The report to management Team reflects this and the Action Plan included in the report translates their initiatives into a planned agenda. Internal Audit considers that BIT demonstrates good practice by seeking an input from the Contracts & Procurement Solicitor (Legal & Democratic Services) to ensure continuing compliance with legislation is an integral part of the development of a more business-focussed strategy and procedures. Four recommendations have been made as a result of our work in this area.

5.4   **Compliance with the Legislation, Corporate Guidance and Best Practice**

5.5   Internal Audit selected a sample of five tenders covering four different service areas. Each tender was reviewed to confirm whether or not the correct procedures had been adopted and whether each had been adequately documented.

5.6   Generally, all tenders comply with Contract Tender Procedures but various anomalies were identified from reviewing documentation The findings were summarised and are dealt with in paragraphs 5.7 – 5.9. No recommendations have been made as a result of our work in this area.

5.7   **Tender Documentation**

5.8   Internal Audit's testing (see 5.4 – 5.6) highlighted an absence of Registered Files, required under the provisions of the Council's Records Management Policy, published in October 2004. Internal Audit considers that seeking/obtaining tenders is a matter that should require a Registered File being set up from the outset particularly in relation to the Council's responsibilities under the Freedom of Information Act 2000 and the possible implications should disclosure be sought under the Act.

5.9   Internal Audit's testing also indicated that in two out of the five tenders reviewed the deadline for receipt of tenders had been extended. In one case the Project Officer thought that invitations to tender had not gone out to all interested parties at the same time. In the other case the decision was taken at Strategic Director level following advice from the Head of Legal Services after the original deadline had passed. Both cases highlight the absence within Contract Procedure Rules of any reference to extending deadlines and the circumstances in which such action could be permitted with implications associated with disclosure under the Freedom of Information Act.

5.10   Receipt of tenders is a key stage in the tender process and Internal Audit noted that in some instances tenders received before the deadline had gone astray after receipt and had not been opened with others at the formal opening time. The Contracts & Procurement Solicitor suggested that there should be a period of time, 'buffer zone', between receipt & opening of tenders to facilitate the process of identifying possible late or misdirected tenders that should be included in the tender opening process. Nine recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. E-tender Process   **(Medium)**

Recommendation	Rationale	Responsibility
The E-tender Process and Instructions should be amended.	Best Practice Instructions to staff are valid, accurate and complete, and are sufficient to enable the task to be performed efficiently and correctly every time. Findings	Business Improvement Manager

	There are a number of minor drafting and cross-referencing anomalies that, if revised, could improve efficiency and effectiveness. <u>Risk</u> Excessive resource time and financial implications if staff are not given the clearest of instructions in Procedure Notes and Guidance.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		Implemented

2. Instructions to Legal & Democratic Services (Low)

Recommendation	Rationale	Responsibility
The document headed Instructions to Legal & Democratic Services should be revised as follows: 1. Reference to the use of this form as part of the tendering stage of a procurement should be made early in the form. 2. The various steps on the form should be numbered to facilitate cross-referencing & corrections.	<u>Best Practice</u> Instructions to staff are valid, accurate and complete, and are sufficient to enable the task to be performed efficiently and correctly every time. <u>Findings</u> The current version of the form downloaded by IA refers to Property and Contracts. This could be misleading to staff required to complete the document. Also there is only 1 reference to Tender, at page 2. <u>Risk</u> Excessive resource time and financial implications if staff are not given the clearest of instructions in formal documentation used to instruct Legal Services.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		Implemented

3. Website (High)

Recommendation	Rationale	Responsibility
The Council's website should be reviewed to ensure that the links to the Constitution work and that the most recent version of the Constitution is published on the website.	<u>Best Practice</u> The most recent version of any document published on the Council's website should be available at the right time, every time. <u>Findings</u> When IA accessed the Council's website on 17 March 2008 the April 2007 version of the Constitution was available whereas the most recent version is that dated February 2008. <u>Risk</u> The Council could be criticised if a stakeholder incurred costs as a result	Head of Legal & Democratic Services

	of following out of date guidance that was published as the current version on the Council's website. This could cause financial or other embarrassment to the Council.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The current version is now published on the web site and on the intranet.		Implemented

4. Changes to the Constitution (Medium)

Recommendation	Rationale	Responsibility
Staff should be notified when the Constitution has been amended and that a suitable process is introduced to highlight the text or areas that have been amended.	Best Practice All staff are advised when any Council strategy or policy has been changed so that everyone is made aware of the changes. Findings When IA accessed the Council's website on 17 March 2008 the April 2007 version of the Constitution was available whereas the most recent version is that dated February 2008. It was not clear from the updated version what had changed. Risk In relation to any change, excessive resource time and financial implications if staff have to read more than is necessary in order to establish what has changed.	Head of Legal & Democratic Services
Management Response		**Implementation Date**
Recommendation is **Agreed** This is already largely in place. An email is sent to management team and heads of service when changes are issued. This highlights key changes and refers to the Council report which lists all the changes that have been agreed. It is not practical or appropriate to issue a full track changed version. We will review how widely we circulate future notifications.		December 2008 (following next constitution review)

TENDER DOCUMENTATION

5. Registered Files (Medium)

Recommendation	Rationale	Responsibility
For each tender sought a Registered File is set up and a unique reference number allocated in line with the provisions of the Records Management Policy.	Best Practice Compliance with the Council's Records Management Policy. Findings Testing indicated that there is evidence of satisfactory management trail but an absence of a formal registered File under the Council's Records Management Policy.	Business Improvement Manager

	Risk	
	Non-compliance could expose the Council unnecessarily should there be a request for Disclosure under the Freedom of Information Act 2000.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		July 2008

6. Records Management Policy (Medium)

Recommendation	Rationale	Responsibility
The Records Management Policy should be reviewed and brought up to date.	Best Practice Policy statements should be routinely reviewed to keep pace with changes in circumstances within and outwith the Council. Findings The Records Management Policy has not been reviewed and brought up to date since it was published. Risk Failing to keep up to date could lead to Council staff adopting procedures that could expose the Council to financial or other losses.	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed** Action to improve records management policy and practice is already included in the BIS service plan for 2008/09.		September 2008

7. Freedom of Information Policy (Medium)

Recommendation	Rationale	Responsibility
The Freedom of Information policy and Guidance Notes should be reviewed and brought up to date.	Best Practice Policy statements and Guidance Notes should be routinely reviewed to keep pace with changes in circumstances within and outside the Council. Findings The Freedom of Information policy and Guidance Notes have not been reviewed and brought up to date since it was published. Risk Failing to keep up to date could lead to Council staff adopting procedures that could expose the Council to financial or other loss.	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed** Action to improve records management policy and practice is already included in the BIS service plan for 2008/09.		September 2008

8. Cross-References to Policies (Medium)

Recommendation	Rationale	Responsibility
Within updated tender procedure notes there should be inserted appropriate cross-references to the Records Management and Freedom of Information policies.	Best Practice Raising awareness and providing guidance that links to compliance with the Council's Records Management and Freedom of Information policies. Findings Testing indicated that there is evidence of satisfactory management trail but an absence of a formal registered File under the Council's Records Management Policy and thus a lack of awareness about the implications of the Freedom of Information Act 2000. Risk Non-compliance and a lack of awareness could expose the Council unnecessarily should there be a request for Disclosure under the Freedom of Information Act 2000.	Head of BIS
Management Response		**Implementation Date**
Recommendation is **Agreed**		September 2008

9. Issuing Tender Envelopes (Medium)

Recommendation	Rationale	Responsibility
The practice of issuing envelopes to potential tenderers has become redundant and should be discontinued in favour of a template showing the extent of narrative on tender envelopes or packages being published on the Council's website for downloading by potential bidders.	Best Practice Raising awareness and providing guidance that provides potential contractors with the same information about the tender procedures regardless of whether they submit in manual or electronic format. Findings Envelopes have been issued that have not been recorded by Internal Audit. Tenders may be too large to fit in one of the standard envelopes and more contractors/suppliers prefer to email tenders rather than submit using the Post Office or independent courier services. Risk Envelopes could be wrongly labelled or misdirected resulting in complaints from bidders that the Council has not acted fairly or consistently.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		June 2008

10. Internal Audit (Medium)

Recommendation	Rationale	Responsibility
Internal Audit's role should be solely as an observer at tender opening and operational tasks carried out by Internal Audit currently, e.g. issuing and recording of tender envelopes should be transferred to the Business Improvement Team.	**Best Practice** Internal Audit should have no executive role in any operational system. **Findings** Internal Audit hold stocks of tender envelopes and issues them as controlled stationer, which they are not. The practice has become outdated as more and more tenders are being received electronically. Internal Audit holds unopened tenders that have been received manually until the deadline has passed. It then has a role as an 'Observer' when tenders are opened. **Risk** Internal Audit may be unable to independently audit the system in which it has an operational role.	Business Improvement Manager

Management Response	Implementation Date
Recommendation is **Agreed**	June 2008

11. Extending Tender Deadlines (High)

Recommendation	Rationale	Responsibility
The Council's Contract Procurement Rules should include guidance on the extension of tender deadlines. A decision to extend should only be taken where there are circumstances sufficient to justify a decision being taken. Depending on the value of the contract the decision should be reported to Management Team and/or Cabinet Member.	**Best Practice** Extension of tender deadlines should be authorised only as a last resort when circumstances justify it. **Findings** Audit testing indicated that two out of five tender processes reviewed had had a deadline extension. In one case the project officer thought that invitations to tender had not gone out to all interested parties at the same time. In the other case the decision was taken at Strategic Director level following advice from the Head of Legal Services after the original deadline had passed and after receipt of a late tender, subsequently evaluated as the winning bid. **Risk** Unless all bidders are advised of an extension to the tender deadline the Council could be exposed to a Request for Disclosure under the Freedom of Information Act 2000, with potential adverse publicity and	Head of Legal & Democratic Services

potential financial loss.		
Management Response		**Implementation Date**
Recommendation is **Agreed**		December 2008

12. Buffer Zone   (Medium)

Recommendation	Rationale	Responsibility
There should be a period of time, 'buffer zone', between receipt & opening of tenders to facilitate the process of identifying possible late or misdirected tenders that should be included in the tender opening process.	<u>Best Practice</u> Tenders should be opened when those involved are certain that all tenders have been accounted for that meet the Invitation to tender criteria. <u>Findings</u> There have been instances where tenders have been received within the deadline by the Council but which have not found their way to the correct holding location within Internal Audit. Tenders could be received by Reception or Post Room staff and electronically. Guidance notes are not made available to these staff members and tenders have been temporarily mislaid. Legal & Democratic Services suggested a 'buffer zone' to allow the dust to settle after receipt of tenders and to give time to those involved to satisfy themselves that all tenders properly received within the deadline are accounted for. <u>Risk</u> A valid and potential best value (for the Council) tender is misplaced and not included in the tender opening, leaving the Council open to criticism and potential financial implications possible arising from a higher value bid being accepted as the winning bid.	Business Improvement Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Allowing a buffer zone of at least an hour would enable any last minute submissions to be properly received, either manually or electronically, and would not materially delay the process of opening and then evaluating the tenders. We will update guidelines and working practice accordingly.		September 2008

BUDGETARY CONTROL 2007/2008

1. INTRODUCTION

1.1   Final issued on the 27th May 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that the recommendations made following the 2005/2006 audit have been implemented.
- To ensure that documented procedures exist for the Budget Monitoring function.
- To ensure that monitoring information is produced and is accurate, timely and appropriate for the needs of the budget holders.
- To ensure that variations, deviations and failure to achieve targets are promptly identified for management action.

2. BACKGROUND

2.1   Agresso, the Financial Management System was implemented in April 2007 and replaced Powersolve.

3. PREVIOUS AUDIT REPORTS

3.1   Budgetary Control was last subject to an internal audit review in November 2005 and six recommendations were raised. The report was issued in draft form, however no formal management responses were received by Internal Audit. Due to this, a final report was not issued for the Budgetary Control audit undertaken during 2005/2006.

3.2   The six recommendations made following the 2005/2006 audit were not formally agreed by management. Internal Audit reviewed the recommendations as part of the 2007/2008 audit fieldwork to ascertain whether they still remain relevant and valid. This review confirmed that they related to the previous contractor and the previous financial management system, therefore no further action is required.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

4.2   Ten recommendations have been raised in this review. Six Medium and Four Low.

5. MAIN FINDINGS

5.1   **Documented Procedures**

5.2   The documented procedures in place for the Accountancy Team in relation to the budget monitoring function require updating and there is no guidance for heads of service in relation to their completion of the budget monitoring statements. It was also noted during the audit that the Financial Guidance Manual is in need of updating as it makes reference to 'Liberata' and also a member of staff who is no longer employed by the Council. Two recommendations have been made as a result of our work in this area.

5.3   **Monitoring Information**

5.4   Testing identified a discrepancy between the figures on Agresso to the figures on the Budget Monitoring Statement which is sent to Heads of Service.   Internal Audit

considers that figures on budget monitoring documentation should be checked for accuracy prior to being sent.

5.5 There is no appropriate member committee in place to receive budget monitoring information In accordance with the Audit Commissions Key Line of Enquiry – Use of Resources.

5.6 The budget timetable is in need of updating as it makes reference to employees who are no longer involved in the budget monitoring function. Also there appears to be no audit trail to evidence the actual documentation that is sent to Heads of Service.

5.7 Whilst it is envisaged that new managers will receive budget monitoring training as part of their induction to the Council, there is not a schedule to provide training to existing employees.

5.8 Five recommendations have been made as a result of our work in this area.

5.9 **Variations and Deviations**

5.10 There were instances where the variance explanation provided in the monthly budget monitoring report had not been transferred to the significant outturn report.

5.11 It was noted during the audit that whilst an overspend variance had been highlighted, based both on the actual spend and the estimated outturn figure, it was not clear what action had been taken. Internal Audit considers that appropriate action should be taken as soon as variances are identified, be it either the estimated outturn variance or the actual spend variance.

5.12 A more detailed explanation is required from one service area as to how the capital budget calculations were performed and how the service area intends to achieve a nil variance.

5.13 Three recommendations have been made a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

DOCUMENTED PROCEDURES

1. Documented Procedures   **(Medium)**

Recommendation	Rationale	Responsibility
The Accountancy guidance notes and procedures are updated to reflect current processes. In addition, consideration should be given to the production of guidance notes for Heads of Service in relation to their completion of the budget monitoring statement.	Best Practice Documented procedures / guidance notes should be up to date to allow roles to be covered within the area if key personnel are absent. They also provide a uniform and consistent approach. Findings The guidance notes in place for the Accountancy Team require updating. There are no guidance notes for Heads of Service in relation to their completion of the budget monitoring statements. Risk Roles cannot be covered during periods of absence and there is a risk	Chief Accountant

	that the function does not have a uniform and consistent approach.	
Management Response		**Implementation Date**
Recommendation is **Agreed** New guidance / procedure notes to be drafted for accountancy and heads of service ahead of the start of the 2008/09 budget monitoring cycle. This cycle will be begin in July – following the first month these procedures will be formalised based on the first month's experience		31 July 2008

2. Financial Guidance Manual (Low)

Recommendation	Rationale	Responsibility
The Financial Guidance Manual is to be updated to reflect the current process within Accountancy. In addition, the amended document should replace the previous version on the Intranet.	<u>Best Practice</u> Financial Guidance Manual should be up to date and reflect the current process. The most recent document should be available to employees <u>Findings</u> Financial Guidance Manual requires updating as it includes references to 'Liberata' and also a member of staff who no longer works for the Council. <u>Risk</u> Without up to date procedures/guidance, employees may not be aware of their responsibilities and points of contact.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed**		31 December 2008

MONITORING INFORMATION

3. Key Lines of Enquiry (Medium)

Recommendation	Rationale	Responsibility
In accordance with the Audit Commission's Key Line of Enquiry – Use of resources, an appropriate member committee should receive budget monitoring information that is accurate, relevant, understandable and consistent.	<u>Best Practice</u> The Audit Commission assesses the Councils management of its performance against its budget through these criteria. <u>Findings</u> There are currently no arrangements in place for a committee to receive budget monitoring reports. <u>Risk</u> The Council does not meet the Audit Commission's use of resources criteria.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed/Agreed in Principle/Not Agreed** Established practice at SODC for reporting budget monitoring to members is for it to be reported to all members in WIS. To change this practice to comply with this KLOE is to be considered by management team and, as such, it is not possible to offer a management response		Chief Accountant will liaise with Management Team and a response is expected by 31 July

at this stage.	2008

4. Distribution Timetable   **(Low)**

Recommendation	Rationale	Responsibility
The timetable is amended to reflect the staff involved in the current process and remove staff who are no longer employed by the Council.	Best Practice Documentation relating to the budget monitoring function should be up to date and reflect current practice. Findings A review of the timetable identified that it is in need of updating as it makes reference to staff no longer employed by the Council. Risk Without up to date information, there may be a risk of confusion as to which member of staff is responsible for each part of the timetable.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed** This will be included in the review of guidance / procedure notes highlighted above		31 July 2008

5. Audit Trail   **(Low)**

Recommendation	Rationale	Responsibility
Evidence is retained by the officer sending out the monthly budget statements to the Heads of Service and a master document is maintained to ensure appropriate information is recorded as being sent.	Best Practice There should be an adequate audit trail to evidence the monthly information sent to Heads of Service. Findings It was noted that there appears to be no audit trail to evidence the actual documentation sent to Heads of Service on a monthly basis. Risk Without an adequate audit trail, it may be difficult to evidence to who and when the information was sent.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed** This will be included in the review of guidance / procedure notes highlighted above.		31 July 2008

6. Training   **(Low)**

Recommendation	Rationale	Responsibility
A training schedule should be in place to ensure that officers are aware of their responsibilities and have an understanding of the budget monitoring role	Best Practice Officers involved in Budget Monitoring should have received appropriate training to undertake their role and understand their responsibilities. Findings	Chief Accountant

that they hold.	There is not currently a training schedule in place and recent training has not been provided. Risk Budgets may not be monitored correctly and officers may not understand their responsibilities, resulting in overspending.	

Management Response	Implementation Date
Recommendation is **Agreed** Training for new managers on budget monitoring is re-starting in June as part of the induction process. The need for formal training for existing managers will be reviewed with a view to re-introduce such training, if required, by the end of the year. It should be noted that, whilst formal training may not have occurred, informal training has always been available on request from accountancy services where required.	31 December 2008

7. Budget Monitoring Report   (Medium)

Recommendation	Rationale	Responsibility
The figures on the budget monitoring statements are checked for accuracy prior to being sent to Heads of Service.	Best Practice Information provided to Heads of Service should be accurate and reflect other budget monitoring documentation. Findings The summary of the budget monitoring report was checked to the individual budget monitoring statements and some inaccuracies were found. Risk Budgets may not be monitored correctly and accurately.	Chief Accountant

Management Response	Implementation Date
Recommendation is **Agreed** This will be included in the review of guidance / procedure notes highlighted above.	31 July 2008

VARIATIONS AND DEVIATIONS

8. Significant Outturn Variances   (Medium)

Recommendation	Rationale	Responsibility
All variances on the Significant Outturn Variances report should be supported by an appropriate explanation.	Best Practice All variances should be explained in full in order to remain transparent and provide as much explanation as possible to the Senior Management Team. Findings It was noted that there were instances where the variance explanation provided in the monthly budget monitoring report had not been transferred to the significant outturn report.	Chief Accountant

	Risk Without full explanations being provided, there is a risk that variances may go unexplained resulting in a lack of transparency.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** It is agreed that significant outturn variations should be supported by appropriate explanations, but not all variations in the budget monitoring report would be classified as significant. For the budget monitoring cycle in the new year the definition of significant for this purpose will be agreed with management team and the cabinet member for finance.		31 July 2008

9. Variance Detection   (Medium)

Recommendation	Rationale	Responsibility
Appropriate action should be taken as soon as variances are identified, be it either the estimated variance or the actual variance.	<u>Best Practice</u> Variances should be acted upon as soon as they are highlighted. <u>Findings</u> Whilst reviewing the revenue budget monitoring report, it was identified that 1 service area had an overspend on both the actual variance and also the estimated variance. It is not clear what action had been taken in this case. <u>Risk</u> Unnecessary overspends may be encountered.	Chief Accountant / Heads of Service
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** From an accountancy perspective, the review of guidance / procedure notes will ensure that the need for comments to identify action taken is highlighted. However, the responsibility for acting on variances rests with Heads of Service and their staff.		31 July 2008

10. Variance Explanations   (Medium)

Recommendation	Rationale	Responsibility
A more detailed explanation is requested from the service area highlighted during testing to ascertain how the calculations were performed and how the service area intends to achieve a nil variance.	<u>Best Practice</u> All variances should be explained as much as possible to ensure the budget is being monitored correctly. <u>Findings</u> A review of the Capital budget monitoring report highlighted that in 1 service area the estimated outturn figure is over budget, the actual spend is currently under budget and the variance (based upon the estimated outturn) is currently on target with the budget. <u>Risk</u>	Chief Accountant

	Unnecessary overspends may be encountered and incorrect virements may be authorised and processed.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** From an accountancy perspective, the review of guidance / procedure notes will identify the need to press for appropriate detailed explanations. However, the responsibility for providing those explanations rests with Heads of Service and their staff.		31 July 2008

NNDR 2007/2008

1. INTRODUCTION

1.1   Final issued on the 2nd June 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that the recommendations made following the 2006/2007 audits undertaken at both sites have been implemented.
- To ensure the NNDR system has been promptly updated with amendments to valuations and that records have been updated to record new properties and amendments to existing properties.
- To ensure that input or amendment of data affecting liability is supported by documentary evidence and that records are updated promptly.
- To ensure that billing procedures are carried out in accordance with legislation, bills are raised and despatched promptly and that demand notices are legitimate and appropriate.
- To ensure that there is documentary evidence to support both payment and refund transactions and also that the transactions are legitimate.
- To ensure that write-offs are undertaken in accordance with Council policy.
- To ensure that credit balances are reviewed regularly and appropriate action is undertaken.

2. BACKGROUND

2.1   The Council is a Billing Authority for NNDR (business rates) purposes and is responsible for working out NNDR bills, giving any reliefs that may be due and collecting the money. Business rates paid by ratepayers are collected by the Council and are remitted to the 'National Pool', a central account held by the Department for Communities and Local Government (DCLG) and then redistributed back to local authorities as part of the local government finance settlement.

2.2   The Council is required to monitor performance in respect of the percentage of business rates collected via Best Value Performance Indicator BVPI 010. For the financial year ended 31 March 2007 the Council collected 99.43% of business rates against a target of 99.20%, putting it in the top quartile of councils for performance, set at 99.36% for 2006/07.

3. PREVIOUS AUDIT REPORTS

3.1   NNDR was last subject to an internal audit review in 2006/2007 and four recommendations were raised and a satisfactory opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Nine recommendations have been raised in this review. Six Medium and Three Low.

5. MAIN FINDINGS

5.1   **Previous Audit Recommendations**

5.2   The previous Internal Audit report was issued in January 2007 and seven (7) recommendations were made of which three (3) were rejected. Internal Audit considers that the remaining four (4) recommendations made in the 2006/2007 audit

report have still not been implemented. Each of the recommendations has been addressed within 2007/2008 audit testing and recommendations made accordingly.

5.3 **Valuations and Updating NNDR Records**

5.4 A review of the weekly reconciliation by Internal Audit identified a discrepancy between the number of properties on the NNDR system and the number according to the Valuation Office (VO). It was also noted that there is no supporting evidence for accounts awaiting adjustment. Internal Audit considers that this demonstrates a delay in updating the NNDR system and should either be actioned as soon as possible or evidence to support the pending adjustments be retained.

5.5 It is acknowledged that a detailed four-monthly reconciliation is being undertaken by Capita, but Internal Audit considers that the process needs to be enhanced to ensure adequate information is available to support the amendments made / required.

5.6 It was previously recommended that reconciliations and supporting documentation should be scanned onto the Electronic Document Management System (EDMS) to ensure the Revenues Manager can inspect the records. This has not been implemented and Internal Audit considers that this recommendation remains valid and should be implemented. Four recommendations have been made as a result of our work in this area.

5.7 **Liability**

5.8 Transactions are now scanned and indexed to EDMS – Anite, and notes are recorded within the Academy system on 'Account Notes'. The latter provides an audit trail with the date, time and user's initials shown. The award of reliefs are authorised by the Client team and this is documented on individual account level documents, scanned to Anite. Academy account notes indicate that transactions are reported to senior colleagues and Notes within the Anite system show how transactions are escalated for the appropriate action to be taken.

5.9 The Council's Council tax leaflet contains NNDR explanatory notes and generally this has been enclosed with annual, first or amended bills. This document explains what NNDR is and provides information about the types of reliefs available. Internal Audit reviewed the contents of the NNDR explanatory notes and found a number of anomalies and weaknesses, including no reference to Mandatory relief. The award of such relief carries no cost to the Council as this relief is paid for by the National Pool. Three recommendations have been made as a result of our work in this area.

5.10 **Billing Procedures**

5.11 No testing was undertaken in this area due to the processing of bills being undertaken at Bromley. It is envisaged that Internal Audit will visit the Bromley site in 2008/2009 to assess the controls in operation.

5.12 **Payments and Refunds**

5.13 The controls over refunds appear to be working effectively and the Client's pre-authorisation checking procedures are rigorous and effective. However, until the Agresso reconciliation procedures are confirmed as being in place and operating satisfactorily Internal Audit cannot give assurance about the NNDR payment controls. One recommendation has been made as a result of our work in this area, and this area will be reviewed again in 2008/2009.

5.14 **Write-offs**

5.15 There is a joint VWHDC/SODC sundry debts write-off procedure which is in draft format. However, it is focused on sundry debts and makes no reference to revenues

debts, Council Tax and NNDR. It was evidenced that the joint Client/Capita Revenues meetings report on write-offs for both Council Tax and NNDR, and the Capita Revenues Manager is currently drafting an NNDR procedure which will be used for Council tax once agreed.

5.16   There have been no write-offs since Capita took over the financial services contract. Until the Council and Capita have in place an agreed policy and procedure for revenues debt write-offs Internal Audit is unable to give assurance about controls in this area. No recommendations have been made as a result of our work in this area at this time, but this area will be reviewed again in 2008/2009.

5.17   **Credit balances**

5.18   Credit balances and refunds can be generated for a number of reasons including:-
- Rateable Value reductions;
- Ratepayers vacating premises;
- Overpayments

For each account showing a credit balance an application form is issued asking the ratepayer to indicate whether they want a refund, retain the balance for a future year or transfer it to another account.

5.19   A recommendation was made following the previous audit that credit balances should be reviewed in conjunction with the implementation of Academy with a view to resolving the number of credit balances on the NNDR system. This recommendation has not been implemented and Internal Audit considers that it remains relevant. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

NNDR VALUATIONS

1. NNDR Reconciliations   **(Medium)**

Recommendation	Rationale	Responsibility
As part of the weekly reconciliation between the Valuation Office and the NNDR System, the number of properties should also be reconciled.	<u>Best Practice</u> The total Rateable Value and the total number of properties should be reconciled. <u>Findings</u> As part of the review, a discrepancy between the total number of properties on the NNDR system to the number of properties as per the Valuation Office was highlighted. <u>Risk</u> Anomalies between the NNDR system and the Valuation Office may occur resulting in in-complete / inaccurate records.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** As part of the daily/weekly balancing it is common for there to be a discrepancy between the number of properties on the system and the VOA records. The primary cause for this is that new assessments are not created until the liable party has been ascertained. However, precise records of the amendments		N/A

awaiting action are maintained at all times and there is no risk that a property could be missed. The four-monthly reconciliation balances the rateable value and the number of properties according to their description categories.

The reconciliations we undertake on a weekly basis are described below in terms of the detailed spreadsheets used. This process is very effective and does not allow for amendments to be overlooked.

2. Reconciliation Adjustments (Medium)

Recommendation	Rationale	Responsibility
Supporting evidence for accounts awaiting adjustment should be retained.	<u>Best Practice</u> Any adjustments requiring action as part of the reconciliation process should be supported by evidence. <u>Findings</u> It was confirmed that there is no evidence to support the accounts awaiting adjustment as part of the reconciliation process. <u>Risk</u> Records will not be complete and loss of income could occur if the adjustments are not actioned or are actioned incorrectly.	N/A

Management Response	Implementation Date
Recommendation is **Not Agreed** The schedules are downloaded on a weekly basis from the VOA's secure website. The information is formatted into an excel spreadsheet which details the property reference, the value, type of adjustment and a date field. When an amendment has been completed on the Academy system this date field is updated and the amendment is recorded as complete. This spreadsheet is linked to an overall work count which records the number of items outstanding, which schedules they appear on and allows for effective SLA monitoring. The initial spreadsheet provides detailed records of properties awaiting amendment. The statement that there is no supporting evidence for accounts awaiting adjustment is inaccurate. It is possible to replicate this information retrospectively but it is a time consuming exercise as each individual spreadsheet relating to the schedules would need to be filtered to remove any dates after the date specified. This would then allow for the items outstanding at any point in time to be recreated and balanced to the rateable value outstanding at any given date.	N/A

3. Four Monthly Reconciliations (Low)

Recommendation	Rationale	Responsibility
The four monthly reconciliation process should be enhanced to ensure that adequate and appropriate documentation is	<u>Best Practice</u> There should be adequate and appropriate documentation available to support any amendments required and made.	N/A

| available to support any amendments required and made. | Findings
Capita had highlighted some inaccuracies that needed amendment during the most recent four monthly reconciliation, however it was not clear as to what amendments had been made and there was no evidence to support that the amendments had been made accurately.

Risk
There is no audit trail to evidence the accurate updating of the NNDR system which could result in records being inaccurate. | |

Management Response		Implementation Date
Recommendation is **Not Agreed** Any discrepancies identified by the four monthly balancing are immediately corrected. Records of any discrepancies found are retained. The most common discrepancies reported are reference number errors. Reference numbers are provided by the Billing Authority to the VOA and it is not unusual for the VOA to mis-type the reference onto their records. These errors are reported to the VOA on a four monthly basis and again records are retained. Should the VOA fail to amend their records the matter is referred to the VOA customer service manager for action. All discrepancies are retained and there is therefore an audit trail to evidence the updating of the NNDR system.		N/A

4. Reconciliation Evidence (Medium)

Recommendation	Rationale	Responsibility
As previously agreed, reconciliations and supporting documentation should be scanned onto EDMS to ensure that the Revenues Manager can inspect the records.	Best Practice The Revenues Manager should have the reconciliations and supporting documentation available for inspection. Findings The previously agreed recommendation had not been implemented and Internal Audit considers that it remains relevant. The documents were faxed to Internal Audit during the review which delayed testing. Risk The Revenues Manager cannot inspect the records without requesting the information to be sent which could result in the reconciliations not being undertaken on a timely basis.	Revenues Manager (Capita)

Management Response		Implementation Date
Recommendation is **Agreed in Principle** The reconciliation evidence is retained by the Management team in Bromley and is available for inspection.		Immediately

NNDR LIABILITY

5. Guidance Notes and Applications Forms (Medium)

Recommendation	Rationale	Responsibility
The Client should undertake a thorough review of all of its NNDR guidance notes and application forms, and publish them in a consistent manner to enable ratepayers to have a clear understanding of what is required for NNDR purposes and the implications of non-compliance. In addition, the 'Council Tax' leaflet should be revised and updated to clarify the NNDR explanatory notes to give emphasis on the award of mandatory relief.	<u>Best Practice</u> NNDR application forms are published that comply with legislation and adopt Plain English standards. <u>Findings</u> Application forms do not comply with data protection legislation and lack consistency in format. <u>Risk</u> Ratepayers are not aware of what types of relief that are available and do not make their claims in the right manner or at the right time leading to additional work by both the Council and its contractor.	N/A

Management Response	Implementation Date
Recommendation is **Not Agreed** A recent review of application forms and guidance notes has already been undertaken. The NNDR explanatory notes are no longer contained within the council tax leaflet. Notwithstanding this, they are prescribed in Regulations and the Council has no discretion over their content.	N/A

6. Ratepayer Correspondence (Low)

Recommendation	Rationale	Responsibility
All outgoing correspondence to ratepayers from Capita or the Council should quote the relevant NNDR account number.	<u>Best Practice</u> Ratepayers are expected to quote the relevant account number when communicating with the Council; the converse should apply <u>Findings</u> Correspondence to ratepayers do not show the ratepayer's account number, notwithstanding the requirement for the ratepayer always to quote the account number. <u>Risk</u> A ratepayer may have more than one account and amendments could be made to the wrong account.	Revenues Manger (Capita) / Revenue and Benefits Client Manager (RSSP)

Management Response	Implementation Date
Recommendation is **Agreed**	Immediately

7. Discretionary Relief (Medium)

Recommendation	Rationale	Responsibility
The award of discretionary relief in all cases should be subject to the production and scrutiny of accounts rather than be routinely awarded.	Best Practice As discretionary relief bears a cost to the council tax payer, Internal Audit believes that the award of discretionary relief should not be routinely awarded. Findings Internal Audit testing identified that generally the 20% top up of discretionary relief was re-awarded without the provision of accounts. Risk There is a risk that discretionary relief could be re-awarded inappropriately.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** In 2005 Cabinet agreed a new simplified process of awarding discretionary relief which aligned awards with the Council's strategic objectives. If an organisation falls within one of the categories that Cabinet chose to support then the award is appropriate, up to date accounts are not a factor.		N/A

PAYMENT AND REFUND TRANSACTIONS

8. Facsimile Signature (Medium)

Recommendation	Rationale	Responsibility
The practice of the Client Officer endorsing documents with the Revenues & Benefits Manager's facsimile signature by way of a stamp should be discontinued and replaced with the Officer signing her own name under a scheme of delegation.	Best Practice Officers sign off documents in their own handwriting under delegated powers. Findings The Client officer uses a stamp showing the Revenues & Benefits Client Manager's name to endorse documents. Risk A name-stamp could be mislaid and possibly misused to obtain money from the Council.	Revenue and Benefits Client Manager (RSSP)
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The Client Manager agrees in principle, but it will need to be discussed with the Head of Finance in the first instance. The signature stamp is used for signing letters as well as signing bulk mail shots, but is being used less and less due to electronic mailings etc.		1 July 2008

Credit Balances

9. Credit Balances Review **(Low)**

Recommendation	Rationale	Responsibility
As previously agreed, credit balances should be reviewed and action taken where appropriate.	<u>Best Practice</u> Credit balances occurring on the NNDR system should be highlighted through review and appropriate action undertaken. <u>Findings</u> The recommendation made following the 2006/2007 audit review has not been implemented due to higher priority work being completed. <u>Risk</u> Credit balances may be allowed accrue and stagnate resulting in records being inaccurate.	Revenues Manager (Capita)
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Agreed in principle. However, not viable to review every credit on the system. The priority must be to collect Business Rates. Ratepayers are duly notified by receipt of a credit bill and refund application form to apply for the refund as soon as an overpayment is created e.g. due to RV reduction, vacation of a property etc.		N/A

DOG CONTROL 2007/2008

1. INTRODUCTION

1.1   Final issued on the 13th June 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure documented procedures are in place and are being adhered to.
- To ensure compliance with relevant legislation and prescribed regulations.
- To ensure the fees charged by the Council are correctly levied.
- To ensure that income is promptly received, expenditure is promptly paid and both are correctly accounted for.
- To ensure that management information is timely, relevant and accurate.
- To ensure management has processes in place to pro-actively identify any evidence of fraud and corruption within their area.

2. BACKGROUND

2.1   The Council has a statutory duty under the Environmental Protection Act 1990 to seize, detain and dispose of stray dogs. The Act was amended by the Clean Neighbourhood Act 2005 in that the Police no longer have responsibility for receiving stray dogs and this responsibility has been passed to the Local Authority. This amendment came into force in April 2008.

3. PREVIOUS AUDIT REPORTS

3.1   Dog Control was last subject to an internal audit review in July 2003 and 12 recommendations were raised and a satisfactory opinion was issued.

3.2   As the final report was issued in 2003, Internal Audit reviewed the recommendations to ensure they remained valid and relevant. The review confirmed that the system had changed considerably since the previous audit, therefore the recommendations do not remain relevant.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Nine recommendations have been raised in this review. Two High, Six Medium and One Low.

5. MAIN FINDINGS

5.1   **Documented Procedures**

5.2   There are no documented procedures in place for the Dog Control function. Without such procedures there is a risk that responsibilities cannot be covered in the absence of key personnel. One recommendation has been made as a result of our work in this area.

5.3   **Compliance with Legislation and Prescribed Regulations**

5.4   Testing identified that there are cases where relevant documentation had not been completed in all instances and release forms had not been signed by the owner claiming the dog but by an officer of the Council. It was also highlighted that a 'Transfer of Responsibility' form should be introduced and used in instances where a

stray dog is retained by the Rescue Home after the statutory 7 days.

5.5   The information held on the Dog Register (Ocella) needs to be verified to ensure it is accurate, complete and up to date as the register should be available for inspection by members of the public.

5.6   Four recommendations have been made as a result of our work in this area.

5.7   **Fees Charged**

5.8   The Council's website should be updated to include the daily kennelling fee chargeable to an owner when collecting their dog. The website details the basic release fee which includes the statutory fee, however it does not detail the cost of kennelling per day. One recommendation has been made as a result of our work in this area.

5.9
       Income and Expenditure
5.10
       From the testing undertaken, Internal Audit considers that income is not being correctly accounted for. There were instances where income had been mis-coded, not allocated to Ocella and also the evidence to support the fee charged did not support the amount received. Income should be regularly reconciled to include a reconciliation between Agresso and Ocella and also a reconciliation between Ocella and manual documentation. One recommendation has been made as a result of our
5.11   work in this area.

       Internal Audit did not undertake testing in relation to the expenditure of the Dog Control function, due to the responsible officer leaving their post shortly before the
5.12   audit commenced. Expenditure will be reviewed during the next audit of Dog Control.

5.13   **Management Information**

       As stated in the Councils constitution, the Head of Environmental Services is to approve the use of the Council's dog warden boarding establishments, kennels and veterinary services. The Council has provisions for all such services, however there are no contracts in place for the provision of the out of hours reception centre, the agreement with the kennels to retain the dog after the statutory 7 days or for the treatment of any injured stray dog with the Veterinary Surgery. One recommendation
5.14   has been made as a result of our work in this area.

5.15   **Pro-active Anti Fraud**

       Key areas for fraud have not been identified within the business area and it was ascertained that there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. In relation to the Annual Governance Statement, the process for formulating risks does not appear to be pro-active. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

DOCUMENTED PROCEDURES

1. Documented Procedures   **(Medium)**

Recommendation	Rationale	Responsibility
Documented procedures are produced for the Dog Control function. The procedures should be	Best Practice Documented procedures should be in place to ensure responsibilities can be covered during the absence of key	Environmental Services Admin Manager

comprehensive, kept up to date and be available to all relevant employees.	personnel. Procedures ensure a uniform and consistent approach. Findings There are no documented procedures in place. Risk Responsibilities cannot be covered in the absence of key personnel. An inconsistent and un-uniformed approach may be followed.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		September 2008

COMPLIANCE WITH LEGISLATION

2. Documentation   **(Medium)**

Recommendation	Rationale	Responsibility
Appropriate documentation should be completed in all cases.	Best Practice A seizure notice and release form should be completed and available for all stray dogs seized and detained by the Council. Findings Of the sample of 11 cases, there was no documentation on file for 5 stray dogs. Risk The Council is not complying with legislation and prescribed regulations.	Environmental Protection and Licensing Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		July 2008

3. Release Forms   **(Medium)**

Recommendation	Rationale	Responsibility
The release forms are no longer signed by an officer of the Council but by the owner collecting to stray dog.	Best Practice By signing a release form, the owner is confirming that payment will be made to the Council prior to collection of the dog and is also confirming that they have collected the dog from the kennels, therefore a release form should be completed in all cases. Findings In all cases (where documentation was available) the release form had not be signed by the owner. Risk The Council is not complying with legislation and prescribed regulations.	Environmental Protection and Licensing Manager

Management Response	Implementation Date
Recommendation is **Agreed**	July 2008

4. Rescue Home Ownership (Medium)

Recommendation	Rationale	Responsibility
A 'Transfer of Responsibility' form is introduced and used in instances where a stray dog is retained by the Rescue Home.	<u>Best Practice</u> Ownership of the stray dog should be vested in the recipient. <u>Findings</u> There is no form in place for instances where the stray dog is retained by Honeybottom Kennels after the statutory 7 days. The Council is therefore not signing over ownership of the stray dog. <u>Risk</u> The Council is not fulfilling it statutory duty and remains responsible for the stray dog after the statutory 7 days.	Environmental Protection and Licensing Manager

Management Response	Implementation Date
Recommendation is **Agreed**	July 2008

5. Dog Register (Medium)

Recommendation	Rationale	Responsibility
In accordance with the Environmental Protection Act 1990 (Section 8), the Dog Register is verified as accurate, complete and up-to-date. The Register should be available for inspection by members of the public therefore the information contained within it should be accurate.	<u>Best Practice</u> The Environmental Protection Act 1990 states that the Dog Register should be available, at reasonable times, for inspection by the public free of charge. It should therefore be accurate, complete and up to date. The register should accurately reflect the seizure, detention and release of all stray dogs. <u>Findings</u> There were some inaccuracies highlighted during testing relating to the actual disposal details of a stray dog, the detention days on the Register are not supported by the documentation available and also the income received in some cases does not appear to be accurate and/or included in the Register. <u>Risk</u> The Council is not fulfilling it statutory duty and not complying with legislation and prescribed regulations.	Environmental Services Admin Manager

Management Response	Implementation Date
Recommendation is **Agreed**	October 2008

FEES CHARGED

6. Kennelling Fee **(Low)**

Recommendation	Rationale	Responsibility
The kennelling fee per day is included on the Councils website to ensure that members of the public are aware of all costs involved in re-claiming a stray dog.	<u>Best Practice</u> Members of the public should be aware of all costs involved in collecting their dog and the information should be available on the website. <u>Findings</u> The guidance relating to release fees on the Councils website does not include the additional kennelling fee. <u>Risk</u> Members of the public are not aware of the costs involved which may result in the income amount being questioned.	Environmental Protection and Licensing Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		July 2008

INCOME

7. Income Reconciliation **(High)**

Recommendation	Rationale	Responsibility
Income should be regularly reconciled and include a reconciliation between Agresso and Ocella and also a reconciliation between Ocella and manual documentation. This reconciliation should be undertaken by an independent employee and not by the officer requesting the fees at time of release.	<u>Best Practice</u> Income should be reconciled to ensure appropriate fees have been received, have been coded correctly and properly accounted for. <u>Findings</u> Internal Audit considers that the key control in respect of levying the correct charge is with Environmental Services and issues highlighted during testing i.e. incorrect coding on Agresso should be detected through a detailed income reconciliation. <u>Risk</u> The incorrect fee may be levied resulting in the Council incurring additional costs.	Environmental Services Admin Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		September 2008

MANAGEMENT INFORMATION

8. Contracts **(High)**

Recommendation	Rationale	Responsibility
There should be contracts in place for all	<u>Best Practice</u> For all external services provided to	Environmental Protection and Licensing Manager

external services provided to the Council in relation to the Dog Control function.	the Council, there should be contracts in place. Findings There is no contract in place with Honeybottom, who provide the out of hours reception centre. Honeybottom also provide the kennelling facilities for the statutory 7 days and then take ownership of the dog if the owner does not come forward to claim their dog. There is no contract in place for this additional service. The Council uses Larkmeads Veterinary Surgery to treat any injured stray dogs, however there is no contract in place. Risk There is a risk that the services provided to the Council may be withdrawn at any time and also there is a risk that costs may rise without the Council having any influence.	
Management Response		**Implementation Date**
Recommendation is **Agreed**		September 2008

PRO-ACTIVE ANTI-FRAUD

9. Pro-Active Anti-Fraud   **(Medium)**

Recommendation	Rationale	Responsibility
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	Best Practice The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken. Findings Key areas for fraud have not been identified within the business area and it was ascertained that there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. In relation to the Statement of Internal Control, the process for formulating risks does not appear to be pro-active. Risk If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring which could lead to significant	Head of Environmental Services

financial, operational, legal and reputational implications.	
Management Response	**Implementation Date**
Recommendation is **Agreed**	September 2008

HOUSING & COUNCIL TAX BENEFITS 2007/2008

1. INTRODUCTION

1.1   Final issued on the 16th June 2008.

1.2   The following areas have been covered during the course of this review:

- To ensure that benefit assessments are correctly calculated and valued, are processed promptly, are evidenced by documentary evidence and adequate separation of duties are in place.
- To ensure that payments are made in accordance with regulations, standing orders and financial regulations, are supported by documentary evidence and are promptly processed.
- To ensure that overpayments are supported by documentary evidence, are adequately recorded, are correctly calculated and valued and are processed promptly.
- To ensure that the recovery of overpaid benefits is efficient and effective.
- To ensure there is an adequate audit trail to substantiate the figures on the Housing Subsidy claim, the claim is properly completed and the figures included are accurate.
- To ensure that the performance statistics of the service are recorded correctly, supported by evidence and is reviewed regularly by management.

1.3   Due to the length of time encountered in receiving information and staff shortages within the Internal Audit Team, two areas were not completed during this review. These areas were payments and recovery and External Audit has been advised of this. Internal Audit will include payments and recovery in the 2008/2009 audit review of Housing and Council Tax Benefits.

2. BACKGROUND

2.1   Capita provide the Housing and Council Tax Benefits service for both South Oxfordshire District Council and Vale of White Horse District Council.

3. PREVIOUS AUDIT REPORTS

3.1   Housing and Council Tax Benefits was last subject to an internal audit review in March 2007, no recommendations were made and a satisfactory opinion was issued.

4. 2007/2008 AUDIT ASSURANCE

4.1   **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Six recommendations have been raised in this review. One High, Four Medium and One Low.

5. MAIN FINDINGS

5.1   **Benefit Assessments**

5.2   Inaccuracies were highlighted on Academy which need to be investigated and resolved and communication between the Housing Benefit and Council Tax teams should be enhanced. Two recommendations have been made as a result of our work in this area.

5.3 There is no Policy or guidance in place relating to the authorisation of backdated claims. Instances were identified where claims have been inaccurately categorised as backdated claims for the Housing Subsidy Claim. Two recommendations have been made as a result of our work in this area.

5.4 **Overpayments**

5.5 Testing identified that manual overpayment calculations are not reconciled to Academy records to ensure that the calculation is correct. Working practices need to be enhanced to ensure that an overpayment letter is generated in all cases, the overpayment amount recorded on the letter is accurate, and the reason for the overpayment is included on the letter. Two recommendations have been made as a result of our work in this area.

5.6 **Housing Subsidy Claim**

5.7 Internal Audit requested information from the Audit Commission as to their perceived risks within the benefits system, particularly regarding the Housing Subsidy Claim. Their response indicated that they had found 'very few errors this year and a number of them were picked up by software fixes that were issued late in the year'. Due to this information, there appears to be no major issues relating to the compilation of the Housing Subsidy Claim apart from the inaccurate categorisation of backdated claims identified by Internal Audit and a recommendation has been made accordingly.

Performance Statistics

5.8

5.9 From the information supplied and reviewed by Internal Audit, performance statistics appear to be recorded correctly and reviewed regularly by management. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

BENEFIT ASSESSMENTS

1. Inaccuracy on Academy   (Low)

Recommendation	Rationale	Responsibility
The inaccuracy found during testing (600265245) is investigated and resolved.	Best Practice The data on Academy should be accurate. Findings On one account (600265245), a child with the date of birth 16/11/1991 was recorded on Academy as a 'child under 16'. The Technical Officer reviewed the account and said that this would be passed to CST. Risk Without accurate data, there is a risk that applications could be assessed incorrectly.	Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** When a child reaches the age of 16 yrs old a letter is normally sent to claimant to clarify if the young person will continue in full time education. A weekly system report is run to identify any cases.		Immediate

2. Enhancement of Communication   (Medium)

Recommendation	Rationale	Responsibility

Communication between Housing Benefits and Council Tax is enhanced to ensure up to date details are passed between the teams.	Best Practice There should be sound communication in place between the two systems to ensure up to date information is passed between the teams. Findings In one case (600331943) the initial benefit was paid to the incorrect landlord and there was a delay in resolving the matter. The amended address for the claimant had been notified to Housing Benefits in February 2008, however Council Tax correspondence was still being sent to the claimant's old address in April 2008. Risk Without up to date information being shared between the teams, there is a risk that there could be inconsistent, incorrect details on Academy.	Contract Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** There is always a need to ensure that communication between the on-site and remote teams is up to be speed and this is an ongoing process. However, in this particular case there was regular communication benefits and council tax and, there is no record of council tax sending a letter to a previous address in April 2008.		Ongoing

3. Backdating Benefit Claims (Medium)

Recommendation	Rationale	Responsibility
A policy is produced by Capita in relation to the backdating of claims. In addition, guidance notes should be produced to assist in the authorisation process.	Best Practice There should be guidance in place in relation to backdating of claims. Findings Capita are responsible for authorising backdated claims, however there is no policy in place. Internal Audit was informed that the team use the Department for Work and Pension criteria to assess such claims. It was not possible to locate the exact criteria used by Capita. Risk There could be inconsistency in authorising backdated claims if there is no Policy or documented guidance in place.	Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** All claims within the sample were found to have the correct authorisation on EDMS. However, working procedures will be circulated to all staff.		16th June 2008

4. Backdating Benefit Claims (High)

Recommendation	Rationale	Responsibility

An exercise is undertaken to ensure the data used as part of the Housing Subsidy Claim (categorisation of backdated claims) is accurate in all instances.	Best Practice All claims should be accurately categorised on both the Academy system and the Housing Subsidy Claim. Findings A sample of 5 backdated accounts was selected from the Housing Subsidy Claim data. Internal Audit could not locate any documentation to support the backdated claim (i.e. Good Cause Questionnaire) for any of the accounts. It was confirmed by the Benefits Manager that the sample cases were not actually backdated claims and in each case the categorisations had been entered incorrectly. Risk Inaccurate data being included in the Housing Subsidy Claim and also inaccurate data being held on Academy.	Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** The cases will be checked as part of the subsidy audit.		1st August 2008

OVERPAYMENTS

5. Overpayment Calculation Verification   **(Medium)**

Recommendation	Rationale	Responsibility
The overpayments amounts as recorded on the change of circumstances form should be checked to the amount recorded on Academy to ensure the amount is correct.	<u>Best Practice</u> Manual calculations should be checked by an independent employee as any errors may go undetected. Manual and computer generated calculations should be reconciled. <u>Findings</u> Testing identified instances where the overpayment amount on the Change of Circumstances form varied from Academy records. This indicates that there is a potential for an error to be made. <u>Risk</u> Without accurate calculation, there is a risk that the Council may encounter financial loss and also may have difficulty in recovering the amounts involved.	Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** All staff will be informed of the importance of cross checking manual records with Academy.		Immediate

6. Claimant Notification of Overpayment   **(Medium)**

Recommendation	Rationale	Responsibility
Working practices and procedures should be enhanced to ensure that an overpayment letter is generated in all cases, the overpayment amount recorded on the letter is accurate, and the reason for the overpayment is included on the letter.	<u>Best Practice</u> Claimant should be notified of an overpayment, the overpayment amount should be accurate and the reason as to why the overpayment occurred should be included in the notification. <u>Findings</u> From the testing undertaken there was an instance where a notification letter was not generated. In 4 cases the overpayment amount appears to be inaccurate and in 1 case the reason for the overpayment occurring was not included in the notification letter. <u>Risk</u> Without appropriate recording of details, there is a risk that the claimant is not notified of the overpayment resulting in difficulty in recovering the overpayment amount. The notification letter should also be an accurate reflection as to the transaction within Academy.	Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		1st August 2008

| All letters are currently being reviewed which will include all overpayment letters. | |

BUILDING CONTROL AUDIT - FOLLOW UP 2007/2008

1. INTRODUCTION

1.1   This report details the findings from internal audit's follow-up review of Building Control 2007/2008. The original fieldwork was undertaken in September 2007 and the final report was issued in October 2007. This report was issued on the 30th April 2008.

2. INITIAL AUDIT FINDINGS

2.1   The final report made three recommendations and three were agreed. A satisfactory opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that one recommendation had been successfully implemented with two recommendations remaining ongoing.

3.2   Internal Audit acknowledges that Building Control has reviewed their procedures in light of the revised lone working policy and is adhering to those arrangements where necessary. The Building Control team have also attempted to implement the two remaining recommendations. The delay caused by the problems encountered with Agresso has impacted on the production of accurate and meaningful monitoring reports however the Office Manager is pursuing this issue and anticipates that the information should be forthcoming shortly.

3.3   Furthermore the Principal Building Control Surveyor has made the first attempt to benchmark with other similar Councils; however the appropriate personnel are not apparent at the neighbouring Council to allow him to progress this further. He stated that performance indicators will be contained within his 2008/2009 service plan as the first step towards this process but will continue to explore this option throughout 2008/2009. Internal Audit will continue to monitor the progress of the management actions against the ongoing recommendations.

FOLLOW-UP OBSERVATIONS

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
4.2	FEES, INCOME COLLECTION and MONITORING				
4.2.4	It is recommended that the Office Manager (Planning & Building Control) responsible for the processing of building control income should continue to request from Capita, in liaison with the Revenues and Benefits Client Manager, the necessary sundry debtor monitoring reports.	Medium	**Office Manager will contact Revs and Bens Client Manager**	**Karen Claridge**	**December 2007**
			Follow Up Observations: The Office Manager stated that several requests have been made for the reports however the problems encountered by the Agresso system throughout 2007/08 has resulted in a delay in the production of monitoring reports. SODC Agresso has adopted the workflow process from 1-4-08 and it is anticipated that this will assist with the production of valid monitoring reports. **Partly Implemented: Revised Implementation Date 31 Oct 2008**		
4.5	HEALTH and SAFETY				
4.5.5	It is recommended that all building control officers should be required when undertaking site visits on the way home to inform their line manager (or designated representative) on completion of the visit. Furthermore a deadline to communicate this information to the line manager should be imposed before the line manager is required to alert the appropriate agencies	Medium	**Building Control Manager will remind staff to inform office on completion of site visits, and will investigate lone worker procedure in the process of being implemented by Environmental Services.**	**Simon Towns**	**December 2007**
			Follow Up Observations: SODC has revised the lone working policy and arrangements which became effective from February 2008. Building Control officers now adhere to these arrangements and the Principal Building Control Surveyor (PBCS) has contacted officers at the end of the day when they have failed to register when they have finished their site visit. **Implemented**		

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
4.6	MONITORING OF PERFORMANCE TARGETS				
4.6.4	It is recommended that the Building Control team should liaise with the Oxfordshire districts and neighbouring councils to formulate a benchmarking group with a view to developing the service, exploring the options for time recording and comparing service delivery to identify best practice.	Low	**Building Control Manager will consult with Oxon Building Control Managers group and other neighbours.**	**Simon Towns**	**December 2007**
			Follow Up Observations: The PBCS has made an attempt to bench with other Councils however he has noted that other Councils do not have the appropriate personnel to progress, however he will endeavour to continue with benchmarking. The PBCS is looking to adopt performance indicators in the service plan which is aligned to benchmarking practices in order to develop the service. **Partly Implemented: Revised Implementation Date: 31 Oct 2008**		