

Audit and Corporate Governance Committee Report

Report of Head of Finance

Author: William Jacobs

Tel: 01491 823326 (SODC)

Tel: 01235 540455 (VWHDC)

E-mail: william.jacobs@southandvale.gov.uk

Cabinet Member responsible: Rodney Mann

Tel:

To: Audit and Corporate Governance Committee

DATE: 29 June 2010

AGENDA ITEM NO 8

Internal audit activity report quarter one 2010/2011

Recommendations

- (a) That members note the content of the report

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.

Strategic Objectives

2. To assist the Council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

Background

3. 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.
4. 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.
5. 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.

6. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

2010/2011 Internal Audit Activity

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

Planned Audits

Full Assurance: 0

Satisfactory Assurance: 2

Limited Assurance: 2

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
1. Information Governance	Satisfactory	8	0	0	3	3	5	4
2. Brown Bins	Limited	16	2	2	11	10	3	3
3. Creditors	Limited	27	0	0	19	17	8	6
4. Financial Systems reconciliations	Satisfactory	11	0	0	5	5	6	6

Follow Up Reviews

	Original Assurance Given	No. of Recs	Recs due to be completed at the time of Follow Up audit				Later Recs
			Implemented	Partly Implemented	Not Implemented	Ongoing	
4. Partnership Performance Monitoring	Satisfactory	6	2	0	1	0	3
5. Temporary Accommodation	Satisfactory	6	4	0	0	2	0
6. Contract Monitoring	Satisfactory	4	3	1	0	0	0
7. VFM CCTV Contract Arrangements	Satisfactory	5	4	0	0	1	0
8. Records Management	Limited	8	3	1	4	0	0

8. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to Committee.

9. 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.
10. A copy of each report has been sent to the appropriate Head of Service, the relevant Strategic Director, the Section 151 Officer and the relevant Member Portfolio Holder.
11. Internal Audit continues to attempt to carry out a 6 month follow up on all non-financial audits undertaken to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Financial Implications

12. There are no financial implications attached to this report.

Legal Implications

13. None.

Risks

14. Identification of risk is an integral part of all audits.

1. BROWN BINS 2009/2010

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in February and March 2010, and the final report was issued on 31 March 2010.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that management information is used to monitor and manage the brown bin scheme adequately and accurately.
 - To ensure that income is appropriately processed and reconciled to budgeted income and management information.
 - To ensure that the procedure for controlling the renewals and non renewals of brown bins is comprehensive and adequate and being adhered to.
 - To ensure that brown bin operations are controlled in accordance with the contractual terms.
 - To ensure that recent activities carried out surrounding data integrity and process catch-up are fully complete.

2. BACKGROUND

- 2.1 The Council provides a garden waste service with fortnightly collections from wheeled bins. The charge is £32 for a year's service.
- 2.2 The service is managed by the Waste Services Manager which sits within Environmental Services. Due to a number of process and procedural issues, the scheme is currently being monitored by the Strategic Director with an action plan to reconcile the two management systems and to ensure revenue is recovered appropriately.

3. PREVIOUS AUDIT REPORTS

- 3.1 Brown Bins was last subject to an internal audit review in 2008 and six recommendations were raised. A Limited assurance opinion was issued.
- 3.2 Of the previous recommendations two have been implemented, and based on the fieldwork during this audit the remaining four have not been implemented and have been restated.

4. 2009/2010 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 Sixteen recommendations have been raised in this review. Two High risk, eleven Medium risk and three Low risk. This number includes the four recommendations restated from the 08/09 audit.

5. MAIN FINDINGS

5.1 Management Information

- 5.2 In the area of policies and procedures, it was identified that documented procedures are in place and that a new harmonised procedure is being developed to address gaps in the process. Data matching between the Public Amenities (PA) database and Agresso accounts receivable (AR) module is a known problem, and is actively being addressed with the adoption of a working action plan. A high level of monitoring is required in order to manage the data mismatches and to ensure that the invoice process is followed. Five recommendations have been made as a result of our work in this area.

5.3 Income

- 5.4 A budget monitoring process is in place with appropriate ownership. A reconciliation process is in place to align the PA database and Agresso system. There was a process gap in the acknowledgment and processing of direct debit documentation, with customer data not being controlled appropriately. There appeared to be a lack of adherence to certain elements of the Garden Waste Service AR Procedure, including a number of invoices for 2008 not being raised and also a lack of reminder letters being sent to customers. Payment information for renewals is not being back loaded from Agresso to the PA database. Three recommendations have been made as a result of our work in this area.

5.5 Renewals

- 5.6 The reconciliation efforts are driving the renewal process, with regular data being sent to Capita for inputting into Agresso for the first renewal date targets. Going forward, the Agresso relation values (e.g.: DDJAN1) will be the vehicle for driving the invoice process. It was found during testing that the renewal process is not starting early enough in order to hit the renewal targets. Another area highlighted being customers who have since cancelled the service but are still receiving the service due to data mismatched between Agresso AR and PA database. Two recommendations have been made as a result of our work in this area.

5.7 Contractual terms

- 5.8 A contract is in place with a good level of service, performance and quality requirements built in. Regular meetings are in place to review performance and problems highlighted with the service. Statistical

information in the form of waste tonnage is supplied and reviewed on a regular basis. It was noted that a customer satisfaction survey has still not taken place, based on the previous audit. It was also noted that the process capability is not yet in place to allow for data collection on missed brown bin collections. Two recommendations have been made as a result of our work in this area.

5.9 Process Catch-up

5.10 A number of system and process issues were identified with the brown bins process that resulted in the two databases diverging and mismatches occurring. A short term action plan is now place to perform the corrections on the AR process. Following the action plan, a harmonised procedure is being developed to bring control back into the process. No recommendations have been made as a result of our work in this area.

5.11 Previous Recommendations

5.12 Four of the six recommendations from the 08/09 audit have not been implemented. The four recommendations were in the areas of Direct Debits, Telephone Payments, Invoice data compatibility and customer satisfaction surveys.

OBSERVATIONS AND RECOMMENDATIONS

MANAGEMENT INFORMATION

1. Performance Targets

(Low Risk)

Recommendation	Rationale	Responsibility
To include Key Performance Indicator 1 and 2 in the performance management system.	<p><u>Best Practice</u> In order to measure and assess service delivery, relevant KPIs should be included in the performance management system.</p> <p><u>Findings</u> Upon review of the performance management system, it was noted that although NI 192 and 195a are included in the Council's performance management system, key measureables for service delivery are not, including KPI 1 – Missed Collections and KPI 2 – Rectification of missed collections.</p> <p><u>Risk</u> Without relevant data in the management information system, the Council cannot monitor the brown bin scheme adequately which may lead to loss of income for the Council.</p>	Waste Services Manager
Management Response		Implementation

	Date
Recommendation is Agreed	April 2010
Management Response: Sally Wilson, Waste Services Manager	

2. Data Reporting –

(Medium Risk)

Recommendation	Rationale	Responsibility
To define and implement a report to allow officers to easily compare the number of brown bin renewal customers to invoices raised and revenue received.	<p><u>Best Practice</u> Standard detailed reports should be available to easily assess the financial position of the garden waste service.</p> <p><u>Findings</u> There did not appear to be any Agresso accounts receivable (AR) reports in place, utilising the relation values (e.g. DDJAN1), to compare the number of brown bin renewal customers to invoices raised and revenue received.</p> <p><u>Risk</u> Without appropriate data reporting in the financial management system, the Council cannot monitor the brown bin scheme adequately which may lead to loss of income for the Council.</p>	Louise Brown, Admin Manager
Management Response		Implementation Date
Recommendation is Agreed		April 2010
Management Response: Strategic Director		

3. Automated Data Transfer -

(Medium Risk)

Recommendation	Rationale	Responsibility
To investigate an automated data transfer system to allow realtime data transfer between Agresso AR and the PA database.	<p><u>Best Practice</u> Databases used to monitor and manage the brown bin scheme should be accurate and adequately maintained.</p> <p><u>Findings</u> It was found that renewal payment information is not being back loaded to the PA database from Agresso, to ensure that both systems accurately reflect payment information. There is no direct link between the two systems and therefore open to a number of potential errors and mismatches and which requires a resource to Import/extract the data.</p> <p><u>Risk</u> Without a robust method of data management, data accuracy between systems will become poor, management of the service will become difficult with</p>	IT Manager

	potential embarrassment and financial loss to the Council.	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>The recommended action to provide an automated interface to keep both computer systems in synch is agreed in principle as it would overcome the main scheme weaknesses of the last 4 years. However in practice any such interface may be technically impossible or cost-prohibitive. We will investigate and assess whether a business case can be made for this work. The alternative will be to continue manually updating each system and regularly reconciling them to identify mismatches for correction (s.term) before exploring outsourcing the scheme entirely to the waste contractor (m.term).</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		30/06/10

4. Data Matching -

(Medium Risk)

Recommendation	Rationale	Responsibility
To review and action data mismatches between Agresso AR and PA database.	<p><u>Best Practice</u> Customer data between systems should match. Where mismatches occur, data is rectified in a timely manner.</p> <p><u>Findings</u> Upon review of data matching between Agresso AR and the PA database, Internal Audit found a number of data mismatches including: 1 customer address mismatch , 1 Agresso AR customer with no external reference (Bin number) and 3 customer accounts with the relation of BBCANX (cancelled) on Agresso AR with active customer accounts on the PA database.</p> <p><u>Risk</u> Without relevant data in the management information system, the Council cannot monitor the brown bin scheme adequately which may lead to loss of income for the Council.</p>	Louise Brown, Admin Manger
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Louise Brown</p>		Ongoing (from 1/2/10)

5. Invoices and Debt -

(High Risk)

Recommendation	Rationale	Responsibility
To review and address the areas of invoice reminders, service	<p><u>Best Practice</u> The AR process should be adhered to and customers who fail to pay invoices</p>	Strategic Director (Section 151 Officer)

<p>delivery of unpaid customer invoices and customers not invoiced for the 2008 period.</p>	<p>within the designated timeframe should be removed from the garden waste service.</p> <p><u>Findings</u> A number of issues were uncovered during the sample review of invoices. 4 invoices at least 11 days past due date with no reminder. 3 customers with unpaid invoices from 2007, with additional overdue invoice payments from 2009. 3 customers not invoiced in 2008.</p> <p><u>Risk</u> Without the necessary controls in place, unpaid invoices will continue and some members of the public may not be paying for the services received.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Originally planned to complete the arrears & debt recovery catch-up exercise by xmas 2009, which slipped to Jan 2010 due to other budget time pressures. Further slippage to Feb 2010 but no later.</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		<p>21/04/10</p>

INCOME PROCESSING

6. Accounts Receivable Process -

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To review areas of the AR process highlighted to ensure that actions take place to ensure the process is followed.</p>	<p><u>Best Practice</u> The documented garden waste AR process should be adhered to at all times, with any process issues being identified and corrected in a timely manner.</p> <p><u>Findings</u> Inconsistencies between documented and actual practice were found: Invoices are not sent from Capita to the Waste Management Team for postage to customers along with a direct debit mandate. Completed direct debit forms are not sent to the Waste Management Team in order to send the original to the customers bank and forward a copy to Capita for processing in Agresso. Rejected Direct Debit data is not sent to the Waste Management Team for review and action. Invoice proposals numbers are not sent to the Council prior to the invoices run.</p> <p><u>Risk</u> Lack of adherence to documented</p>	<p>Procedure manual – Strategic Director (Section 151 Officer)</p> <p>Enforcement of manual - Waste Services Manager</p>

	procedures could lead to breakdown in operations which may lead to loss of income for the Council.	
Management Response		Implementation Date
Recommendation is Agreed		Complete & approve manual – 30/4/10
Management Response: Strategic Director (Section 151 Officer)		Mgt enforce – from 1/5/10

7. Direct Debit Setup -

(High Risk)

Recommendation	Rationale	Responsibility
To ensure that direct debit forms are processed in a timely manner.	<p><u>Best Practice</u> Direct debit (DD) forms should be controlled and processed in a timely manner. Customer requirements recorded in the PA database should be reflected in the Agresso system within a reasonable timeframe.</p> <p><u>Findings</u> Two customers with a dual bin requirement only had a single relation setup in Agresso. No additional Agresso customer accounts were found. The 3 DD's that were in the sample size and which were added to the PA database in October, have not been added to Agresso and in addition, PA stated that they experienced difficulty in obtaining ownership within the Capita team for signing for and taking responsibility for the customer DD forms.</p> <p><u>Risk</u> Unless the direct debit process can be relied upon, lack of payment information and requirements will result in financial loss to the Council.</p>	Strategic Director (Section 151 Officer)
Management Response		Implementation Date
Recommendation is Agreed		Complete & approve manual – 30/4/10
This will be clarified within the procedure manual.		Mgt enforce – from 1/5/10
Management Response: Strategic Director (Section 151 Officer)		

8. Income Coding

(Medium Risk)

Recommendation	Rationale	Responsibility
To review the reasons for the items on suspense, and put in place appropriate controls to ensure income is	<p><u>Best Practice</u> Payments are coded correctly and any items on the suspense account should be investigated, monitored and cleared.</p>	Exchequer Services Manager

correctly coded.	<p><u>Findings</u> Internal Audit reviewed the suspense accounts to review whether income was being correctly coded. It was noted that a total of £3104 was sat in suspense with line values of £32.00. The general suspense account (9999 Error Account) contained £1536. The AR suspense account (B9001 Cash Interface Suspense) contained £1568. In particular, account 9999 only included amounts for £32 between October and December 2009 which suggests a recent coding process problem.</p> <p><u>Risk</u> Items could be posted to the suspense account in error which are not investigated and cleared in a timely manner</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Every day the council receives a "CAMT" file from Barclays. This contains details of miscellaneous payments that have been made by customers by standing order, telephone/internet banking, etc. Prior to the OCR line being amended for debtor invoices, these transactions also came through on the CAMT file.</p> <p>The CAMT file is imported into Civica ICON each day and any unidentified items are posted to the general "Z" suspense account. This suspense account is reviewed by Accountancy daily and any items that are clearly for Accounts Receivable are moved to the AR suspense account (B9001) and the details are passed to Capita, along with the customer name, reference, etc. It is Capita's responsibility to then move these items from the AR suspense account to the individual debtor accounts.</p> <p>Capita should therefore clear all existing items and clear any new items on a daily basis.</p> <p>Management Response: Senior Revenues & Benefits Client Officer</p>		1 March 2010

RENEWALS

9. Customer Information -

(Low Risk)

Recommendation	Rationale	Responsibility
To include instructions on change of customer details and how the information is transferred to Capita and updated in Agresso.	<p><u>Best Practice</u> Service information for potential and existing customers of the garden waste service is available, including details on requesting change of details and internal controls are in place for processing of information supplied.</p> <p><u>Findings</u></p>	Strategic Director (Section 151 Officer)

	<p>It was unclear how customers can request a change of bank and/or address details, and how this information is logged and processed with Capita for amending in Agresso AR.</p> <p><u>Risk</u> Customer information is not up to date with knock on consequences with billing and payment.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This will be clarified within the procedure manual.</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		<p>Complete & approve manual – 30/4/10</p> <p>Mgt enforce – from 1/5/10</p>

10. Timely Renewals

(Medium Risk)

Recommendation	Rationale	Responsibility
To implement a process to ensure that renewal invoices are issued in advance of renewal dates.	<p><u>Best Practice</u> Invoice processes start early enough to ensure that payment is received in line with renewal dates.</p> <p><u>Findings</u> Payment is taken for initial sign up to the service and, in order to drive the renewal process, first annual monthly renewals information is sent to Capita by PA in order to provide a mechanism to setup the Agresso relation (eg: DDJAN1) and drive the invoice process. Of the samples tested, 9 of the customer relations for September and October had invoices dated in November. This shows that the invoice process is starting too late for renewals. [Recommendation 13]</p> <p><u>Risk</u> If renewal invoices are not issued in accordance with renewal schedules, delays in receipt of income will occur.</p>	Strategic Director (Section 151 Officer)
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This will be clarified within the procedure manual.</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		<p>Complete & approve manual – 30/4/10</p> <p>Mgt enforce – from 1/5/10</p>

CONTRACTUAL TERMS

11. Data Logging

(Medium Risk)

Recommendation	Rationale	Responsibility
----------------	-----------	----------------

<p>In order to provide accurate information on missed brown bin collections, the address detail database should be uploaded onto the AMCS Routeman system.</p>	<p><u>Best Practice</u> Statistical data should be supported by accurate means of data capture</p> <p><u>Findings</u> The Verdant reported figures for missed garden waste collection were zero in all weeks. Internal Audit questioned these figures with the Waste Services Manager, who mentioned that the address detail database has not yet been uploaded onto Verdants AMCS Routeman system in order for the data to be recorded and reported.</p> <p><u>Risk</u> Missed garden waste collections are not highlighted at source and managed appropriately resulting in a poor service delivery and embarrassment to the Council.</p>	<p>Waste Services Manager</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Management Response: Sally Wilson, Waste Services Manager</p>		<p>30/04/10</p>

12. Waste Weight Data

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To review the data in question and to put in place measures to allow for data to be easily compared for errors or inconsistencies.</p>	<p><u>Best Practice</u> Records of statistical data should be accurate with any data inconsistencies highlighted and logged accordingly.</p> <p><u>Findings</u> Internal Audit reviewed the weigh bridge data supplied and logged by PA to the data supplied from Verdant and of the 6 weeks reviewed, only two of the six data points matched (04/10/2009 and 11/10/2009). It was not clear why the weekly weight data did not match between Verdant and the weigh bridge ticket data.</p> <p><u>Risk</u> Stated performance could be inaccurate against actual performance resulting in potential claims of falsifying statistics to gain additional funding.</p>	<p>Admin Manager</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Management Response: Louise Brown, Admin Manager</p>		<p>31/03/10</p>

2008/2009 UNIMPLEMENTED RECOMMENDATIONS

13. Direct Debits -

(Medium Risk)

Recommendation	Rationale	Responsibility
That collection of payment through Direct Debit should be examined.	<p><u>Best Practice</u> All common methods of payments should be available to the general public.</p> <p><u>Findings</u> There has been a problem with DD payments due to the links to Agresso AR, and this has caused a number of transactions to be posted to the suspense account.</p> <p><u>Risk</u> Unless the direct debit payments can be correctly posted and their accuracy relied upon, reminders may be sent out for payments already made causing embarrassment to the Council.</p>	Strategic Director (Section 151 Officer)
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This will be clarified within the procedure manual.</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		<p>Complete & approve manual – 30/4/10</p> <p>Mgt enforce – from 1/5/10</p>

14. Telephone Payments

(Medium Risk)

Recommendation	Rationale	Responsibility
That Agresso should be linked to / or be allowed to communicate with telephone payments to reduce the number of unresolved suspense accounts.	<p><u>Best Practice</u> All common methods of payments should be available to the general public.</p> <p><u>Findings</u> There is no communication link between Agresso and telephone payments. When a member of the public makes a payment by telephone, it goes straight to suspense and because of the volume it is difficult to reconcile.</p> <p><u>Risk</u> Unless the telephone payments can be correctly posted and their accuracy relied upon, reminders may be sent out for payments already made causing embarrassment to the council.</p>	
Management Response		Implementation Date

15. Invoices

(Medium Risk)

Recommendation	Rationale	Responsibility
The invoicing numbering	<u>Best Practice</u>	

<p>system should be reviewed and made compatible with the PA database system by way of a common reference across both systems.</p>	<p>Invoice references should be uniform across the different systems involved.</p> <p><u>Findings</u> The invoices are pre-numbered and issued by Capita, however, the invoice numbering format is not compatible with the community database thereby making it difficult to reconcile participants in the scheme to invoices raised/paid.</p> <p><u>Risk</u> Without knowing that participants have been invoiced and paid, some members of the public may not be paying for the services received</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Not Agreed</p> <p>The Agresso invoices are not pre-numbered, but they are numbered sequentially, which is different. Changing the numbering process of the council's key financial system which covers numerous different debt types is not the solution. If anything should be changed, it is the in-house written PA database so that it is compatible with Agresso.</p> <p>Management Response: Senior Revenues & Benefits Client Officer</p>		

16. Customer Satisfaction Survey

(Low Risk)

Recommendation	Rationale	Responsibility
<p>That a quarterly satisfaction survey should be conducted to enable the Council to monitor the scheme and ensure that it meets customer needs.</p>	<p><u>Best Practice</u> A process for obtaining regular feedback should be in place to ensure that the council is aware of the participants' views on the schemes.</p> <p><u>Findings</u> Currently, there is no process in place to obtain feedback from Brown Bin participants.</p> <p><u>Risk</u> If the Council is not aware of the views of the participants in relation to the brown bins scheme, shortcomings may not be addressed resulting in dissatisfied customers.</p>	<p>Waste Services Manager</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in Principle</p> <p>It is felt that annual surveys will be more appropriate.</p> <p>Management Response: Sally Wilson, Waste Services Manager</p>		<p>October 2010</p>

2. CREDITORS 2009/2010

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in January and February 2010. The final report was issued 15 April 2010.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that invoices are promptly processed through Agresso.
 - To ensure that there is documentation to support all payments made.
 - To ensure that manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised and paid correctly.
 - To ensure that adequate controls are in place to prevent duplicate payments.
 - To ensure that all refunds are appropriately authorised and actioned.
 - To ensure that VAT is being appropriately dealt with.

2. BACKGROUND

- 2.1 Within Agresso, the Financial Management System, there is a Creditors Module through which orders are made, invoices are processed and payments are made.
- 2.2 From the 1st September 2009, Exchequer Services (creditors and debtors) provided by Capita are being handled from its service centre in Shepton Mallet rather than locally at SODC.

3. PREVIOUS AUDIT REPORTS

- 3.1 Creditor payments was last subject to an internal audit review in 2008 and twenty two recommendations were raised. A Limited assurance opinion was issued.
- 3.2 Of the twenty two recommendations made during the 2008/2009 audit, based on the responses and evidence obtained during the audit, only nine were implemented at the time of the review with eight being restated and the remaining five incorporated into new findings.

4. 2009/2010 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 Twenty seven recommendations have been raised in this review.

Nineteen Medium risk and eight Low risk.

5. MAIN FINDINGS

5.1 Prompt Processing of Invoices

5.2 Training and guidance notes are available for officers on South Oxfordshire District Council's intranet site with relevant sections on the accounts payable (AP) process. Although a degree of training had seemingly taken place, evidence to support this was not available. IA raised concerns that Officers are allowed to access the Agresso system with very little or no evidence of training. Similarly, there was no evidence to suggest that Capita employees have in place a skills matrix/training plan to ensure competency levels are attained for dealing with the Creditors system. It was noted that although a report is generated by Capita detailing invoices awaiting action, the frequency of the information supplied is not adequate. Appropriate controls need to be introduced to prevent duplicate accounts being set up, and a review exercise of the supplier masterfile should be regularly undertaken to identify any duplicate accounts. In addition, a regular review of credit balances should also be undertaken. Performance levels of percentage of invoices paid within 30 days, although not on target to reach the 99 per cent, is at a cumulative quarterly level of 97.45 per cent against last year's performance of 94.25 per cent. Eight recommendations have been made as a result of our work in this area.

5.3 Supporting Documentation

5.4 It was clear that a number of control measures are lacking in the areas of date stamping of payment documentation, coding group distribution, workflow bugs and supporting documentation. It is considered that the Purchase Ordering (PO) module within Agresso is not being fully utilised by officers in relation to Creditor purchases. Internal Audit is also of the opinion that the manual payment voucher process could be replaced by using Agresso for directly entering the payment voucher, with a view to a reduction in process time and data input errors. Seven recommendations have been made as a result of our work in this area.

5.5 Control Of Payments

5.6 Housekeeping issues relating to the general maintenance of supplier direct debits and their respective supporting documentation were highlighted during the 2008/2009 audit, with no actions taken in implementing those recommendations. The Sundry Supplier was being used when valid supplier accounts were in place and available to use. The usage of purchase orders (PO's) was reviewed and out of forty five payments, only fifteen had a related purchase order. Two recommendations have been made as a result of our work in this area.

5.7 Duplicate Payments

- 5.8 A duplicate payment analysis programme was not available within the Agresso system. Checks are performed at the front end for duplicate accounts, however, there did not appear to be any further controls in place. Internal Audit found it difficult in extracting the required information from Capita in order to provide an appropriate assurance level. One recommendation has been made as a result of our work in this area.
- 5.9 **Refunds**
- 5.10 Procedural documentation was in place in the areas of refunds using the standard approval process embedded within the AP procedure. There were control measures lacking in the areas of workflow evidence and scanned images and also a refund found to be underpaid. One recommendation has been made as a result of our work in this area.
- 5.11 **VAT**
- 5.12 An officer is in place to deal with aspects of VAT and in addition, control procedures are in place to perform the relevant VAT duties. The application of VAT codes is also detailed in the Accounts Payable procedure, detailing how the VAT rate and the supplier's VAT registration number should be applied, with guidance on seeking advice and the implications of applying the wrong code. Procedures are available to all officers depending on the level of information required. No recommendations have been made as a result of our work in this area.
- 5.13 **Previous Recommendations**
- 5.14 Of the twenty two recommendations made during the 2008/2009 audit, based on the responses and evidence obtained during the audit, only nine were implemented at the time of the review. A significant amount of work is required to ensure those recommendations still outstanding are reviewed and implemented in addition to the recommendations being made in the current audit. Five of the recommendations have been incorporated into 09/10 findings. Eight recommendations have been made (reinstated) as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

INVOICE PROCESSING

1. Council Training/Skills Matrix

(Medium Risk)

Recommendation	Rationale	Responsibility
a) To determine the training requirements for all Agresso AP users.	<u>Best Practice</u> Training requirements for systems usage are highlighted with adequate training provided to address any skills	Capita/Head of Finance

<p>b) To develop a training matrix/plan.</p> <p>c) To implement Agresso AP training.</p>	<p>shortfall. Appropriate records are maintained and updated as required.</p> <p><u>Findings</u> Internal Audit requested from HR, evidence of a training matrix and training plan for all users of the Agresso system of which AP module. The Corporate Learning and Development Officer stated that although a degree of training has taken place, no training records exist. Work is currently underway to make available a training server on which to carry out Agresso training. It was mentioned that training is being carried out on-the-job by the super users.</p> <p><u>Risk</u> Without an appropriately actioned training plan in place, officers will be inappropriately equipped to carry out their duties correctly and effectively, resulting in an inefficient AP process.</p>	
<p>Management Response</p>	<p>Implementation Date</p>	
<p>Recommendation is Agreed in Principle</p> <p>Agresso superusers have been identified and trained. Capita is completing a training matrix. Training requirements will be discussed at the agresso superuser meeting and an appropriate training process will be put in place.</p> <p>Management Response: Capita/Head of Finance</p>	<p>1 April 2010</p>	

2. Access to Agresso

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Access to the Agresso system is only granted upon successfully completing formal Agresso training.</p>	<p><u>Best Practice</u> Access to the management systems are only granted upon successfully completing formal training to show that a pre-defined competency level has been attained.</p> <p><u>Findings</u> Officers are granted access to the Agresso system, irrespective of whether any training has been completed.</p> <p><u>Risk</u> Without appropriate training, officers will be inappropriately equipped to carry out their duties correctly and effectively, resulting in an inefficient AP process.</p>	<p>Capita/Head of Finance</p>

Management Response	Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Ideally this is the procedure which should happen. However, formally training is not required for all users. On the job instruction by a superuser is suitable in many instances. This will be determined as part of the action agreed in recommendation 1 above.</p> <p>Management Response: Capita/Head of Finance</p>	1 April 2010

3. Capita Training/Skills Matrix

(Medium Risk)

Recommendation	Rationale	Responsibility
That Capita develop and implement a training/skills matrix for employees who are involved in the Agresso AP process.	<p><u>Best Practice</u> Training requirements for systems usage are highlighted with adequate training provided to address any skills shortfall. Appropriate records are maintained and updated as required.</p> <p><u>Findings</u> With the recent Exchequer Services change of location and the resulting operational problems in mind, Internal Audit requested from Capita evidence of a training matrix and training plan for all users of the Agresso AP system. It was stated that under the contract specification, Capita are not required to keep any such matrix for Creditor Payment Users and therefore nothing of that nature currently exists.</p> <p><u>Risk</u> Without an appropriately actioned training plan in place, Capita staff may be inappropriately equipped to carry out their duties correctly and effectively, resulting in an inefficient AP process.</p>	Exchequer Services Manager
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Agreed, training matrix should exist to ensure that all Capita staff have undertaken required training in order to undertake tasks for AP/AR. Training matrix to be implemented and maintained by relevant team leader within service centre.</p> <p>Management Response: LGS Business accountant</p>	31 Jan 2010	

4. Invoice Report Distribution

(Medium Risk)

Recommendation	Rationale	Responsibility
To implement a process to ensure the 'invoices	<p><u>Best Practice</u> Required reporting mechanisms are in</p>	Capita Exchequer Services Manager and

<p>awaiting action' report is made available to the Council on a regular basis.</p>	<p>place and reports are circulated on a regular basis to ensure resulting decisions are made in a timely manner.</p> <p><u>Findings</u> It was ascertained that a report entitled 'invoices awaiting action' is generated by Capita which is sent to the Senior Revenues and Benefits Client Officer for circulation to Council officers.</p> <p>It was noted from email correspondence from the Senior Revenues and Benefits Client Officer that no reports were received or circulated between 11th August and 30th September 2009.</p> <p><u>Risk</u> Without timely, accurate management information available to the Council, invoices awaiting action will become stagnant and could result in exceeding invoice payment deadlines.</p>	<p>Senior Revenues & Benefits Client Officer</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Until such time as the council is performing at the required level for payment of invoices, the Senior Revenues & Benefits Client Officer (SR&BCO) will continue to distribute the "invoices awaiting action" reports. Capita will ensure that these reports are sent to the SR&BCO promptly on a weekly basis.</p> <p>Management Response: LGS Business accountant</p>		<p>Immediately</p>

5. Duplicate Supplier Accounts

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>That Capita review the duplicate supplier accounts highlighted during the audit.</p>	<p><u>Best Practice</u> There should be one account for each supplier within the masterfile.</p> <p><u>Findings</u> Internal Audit produced a supplier aged debt report from Agresso and reviewed the report for any evidence of duplicate suppliers. From the review, Internal Audit found four instances where two accounts had the same or similar supplier name and the same address.</p> <p><u>Risk</u> If there is more than one account for a supplier, there is a risk that an invoice may be processed twice leading to duplicate payments being made.</p>	<p>Exchequer Services Manager and Head of Finance</p>

Management Response	Implementation Date
<p>Recommendation is Agreed in principle</p> <p>Capita will provide report detailing supplier accounts that are potential duplicates and will action according to the council's wishes.</p> <p>Management Response: Capita/Head of finance</p>	31 March 2010

6. Duplicate Supplier Accounts Checks

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>That a periodic review of the supplier master file is performed to ensure duplicate supplier accounts only exist for valid reasons, with clear information to distinguish between them.</p>	<p><u>Best Practice</u> That a periodic review of the supplier master file is performed in order to prevent duplicate invoices being raised on separate accounts.</p> <p><u>Findings</u> Although there is a control process prior to the new supplier form being received by the departments, Internal Audit could not ascertain from the audit responses received from Capita, whether appropriate checks are being made on duplicate supplier accounts (the supplier master file) in order to prevent duplicate invoices being raised on separate accounts.</p> <p><u>Risk</u> If there is more than one account for a supplier, there is a risk that an invoice may be processed twice leading to duplicate payments being made.</p>	<p>Exchequer Services Manager and Heads of Service</p>
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Capita will provide a report detailing supplier accounts that are potential duplicates and will action according to the council's wishes.</p> <p>However, going forward, instructions will be given to Agresso AP users via the superuser group to advise that a thorough search of the Agresso database should be conducted before forwarding any new supplier requests to Capita. For its own part, upon receipt of any new supplier requests, Capita will also conduct a thorough search of Agresso to ensure that the supplier does not already exist.</p> <p>Management Response: Capita/Head of Finance</p>	31 March 2010	

7. Credit Balances

(Low Risk)

Recommendation	Rationale	Responsibility
The debit balances	<u>Best Practice</u>	Exchequer Services

highlighted during testing should be reviewed by Capita and appropriate action taken where necessary.	<p>Balances on supplier accounts should be accurate and any credit notes that have been outstanding for a period of time should be 'cashed in' with the supplier.</p> <p><u>Findings</u> Whilst reviewing the 'Supplier Aged Debt' report it was noted that there are 15 debit balances on supplier accounts.</p> <p><u>Risk</u> Inappropriate management of debit balances within the accounts is inefficient and may lead to cash-flow issues within the accounts.</p>	Manager
Management Response		Implementation Date
<p>Recommendation is Agreed in principle</p> <p>The ultimate decision regarding debit balances on supplier accounts will sit with the council, however we will provide details of any account with a debit balance and action according to the instruction received from the council – Assumption is this instruction needs to be from service team or from accountancy.</p> <p>Management Response: LGS Business Accountant</p>		31 March 2010

8. (2008/2009) Disputed Invoice Flag

(Low Risk)

Recommendation	Rationale	Responsibility
A 'Disputed Invoice Flag' should be introduced to creditors to allow officers to identify all invoices that are currently in query.	<p><u>Best Practice</u> The performance calculation excludes any invoices in dispute and these should therefore be readily identifiable.</p> <p><u>Findings</u> In order to calculate the performance of Creditors, an officer has to manually check for invoices in dispute.</p> <p><u>Risk</u> Performance of Creditors may be understated due to disputed invoices being included in the calculation leading to inaccurate calculations being relied upon.</p>	N/A
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>Functionality is not available in this version of Agresso, or scheduled to be included in any future releases due to BVPI8 indicator no longer being a national indicator and the dispute functionality being a pre workflow (therefore pre Agresso 5.4) piece of functionality.</p>		N/A

<p>This has been raised numerous times and is not a decision of Capita, it is a fundamental restriction of the finance system due to workflow functionality being introduced.</p> <p>Management Response: LGS Business Accountant</p>	
---	--

SUPPORTING DOCUMENTATION

9. Duplicate Invoice and Payment

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To review the duplicate registration and payment highlighted during the audit and recover any overpayments from suppliers.</p> <p>To confirm the control and analysis measures in place to prevent reoccurrence</p>	<p><u>Best Practice</u> Appropriate controls are in place to prevent duplicate invoice registration and payments.</p> <p><u>Findings</u> Upon sample testing of payments, Internal Audit highlighted that Thames Water Invoice 29793 81543 for £2886.02 for period 12 Nov to 11 May 2009, for Market House, Upper High Street, appeared to have been registered and paid twice. It was also found that one of the transactions (3017912) had no workflow in place. Internal Audit approached Capita as to whether any kind of duplicate payment analysis is available within Agresso. It was stated that no duplicate payment module is available from within the Agresso system, controls are in place at the front end to avoid duplicate invoices, however if slight variations exist or multiple suppliers are setup then control weaknesses are created. Internal Audit is of the opinion that a control weakness exists in the area of highlighting of duplicate payments.</p> <p><u>Risk</u> Without appropriate controls in place, duplicate invoice registration and payments will occur.</p>	<p>Exchequer Services Manager and Head of Finance</p>
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>Two key actions have been implemented to make the payment process more robust:</p> <p>1 – When registering invoices Capita staff ensure that the invoice details are entered carefully, including the invoice number which Agresso AP uses to prevent duplicate payments.</p> <p>2 – Members of staff coding and approving payments are accountable for those payments. They have been reminded to carefully check the details in Agresso AP and not just assume that</p>	<p>Immediately</p>	

Capita has entered them correctly.	
Management Response: Capita/Head of Finance	

10. Approval Workflow

(Medium Risk)

Recommendation	Rationale	Responsibility
That invoice workflow approvals are visible within all available workflow enquiry screens within the Agresso AP system and that approvals are evidenced for the payments highlighted during the audit.	<p><u>Best Practice</u> An invoice approval system is in place and transactional information is freely available to provide the Council with an appropriate control mechanism for invoice approvals.</p> <p><u>Findings</u> Internal Audit noted that a number of invoices appear to have been paid without any evidence of being approved. Internal Audit approached the Capita Business Accountant in order to ascertain the reasons for no workflow attached to the invoices. The Capita Business Accountant explained that there was a known system bug that drops the workflow from the workflow enquiry screen. Internal Audit was of the opinion that although this may be the case, the Agresso system should provide sufficiently accurate management information surrounding creditor payments. No additional evidence was provided to show the transactions had been approved.</p> <p><u>Risk</u> Without a robust invoice approval system in place, payments are, or appear to be made without the necessary system controls in place.</p>	N/A
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>A workflow replacement enquiry has been produced and can evidence that officers authorised the transactions and the associated dates. It was also stated that workflow wasn't dropped for transactions however the workflow map becomes unavailable for viewing (A system bug on the current version – one that the software provider has stated is fixed in future releases)</p> <p>Management Response: LGS Business Accountant</p>		N/A

11. Invoice Distribution

(Medium Risk)

Recommendation	Rationale	Responsibility
To implement a process to ensure invoices are sent to the correct coding	<p><u>Best Practice</u> In order to support an efficient AP process, invoices are sent to the</p>	N/A

<p>group in order to provide an efficient and complete AP process.</p>	<p>correct Agresso coding group.</p> <p><u>Findings</u> Internal Audit found 3 instances where the invoices were sent to the wrong coding group 3 times before being sent to the correct group for coding and authorisation.</p> <p><u>Risk</u> Without the timely turn around of the coding and authorisation process, delays in payments will occur, resulting in poor AP performance figures.</p>	
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>There is an adequate process already in place. When Capita first moved Exchequer Services to Mendip there was a steep learning curve for its staff and mistakes were made when distributing invoices. This has since improved and far less are being sent to the wrong coding group. However, invoices in respect of purchase orders do not need to go through the coding process therefore the council should concentrate on increasing the number of purchase orders to improve payment performance.</p> <p>Management Response: Capita</p>		N/A

12. Supporting Documentation

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To implement a process to ensure invoices are scanned and attached to invoice registrations in order to provide an efficient and complete AP process.</p>	<p><u>Best Practice</u> All invoices are scanned and attached to invoices registration in order to allow for the necessary reviews, approvals and payments to be made.</p> <p><u>Findings</u> Internal Audit found 3 transactions where there was no scanned image (invoice) available to view.</p> <p><u>Risk</u> Without the appropriate supporting invoice attached, payments could be coded, approved and paid without any review of the payment details.</p>	Exchequer Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The invoice registration process only commences with the receipt of a scanned image, sample check to commence to ensure images are not being dropped part way through process.</p> <p>Management Response: LGS Business Accountant</p>		Implemented

13. Purchase Order Usage

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The Purchase Order Module within Agresso should be utilised wherever possible.</p>	<p><u>Best Practice</u> Where appropriate, purchases should be supported by an order and the Purchase Ordering Module within Agresso should be used for this process.</p> <p><u>Findings</u> Of a sample of 25 payments (20 BACS and 5 cheques), there were 16 instances where a purchase order had not been raised. It was however noted that the usage of PO's is a high level item within the Agresso development plan with a number of resolution items noted.</p> <p><u>Risk</u> Goods may be obtained without being ordered through Agresso leading to the Council being charged for inappropriate goods or services. In addition, commitment accounting provides more effective budgetary control. It depends on purchase orders, therefore with low PO coverage, there are fewer commitments raised and increased risk of budget overspends.</p>	<p>Exchequer Services Manager and Head of Finance</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>We are in the process of introducing stricter rules whereby non PO invoices will only be allowed onto the Agresso AP system where a PO is unavailable and appropriate management authorisation is obtained to send such non PO invoices for payment.</p> <p>Management Response: LGS Business Accountant/Head of finance</p>		<p>1 April 2010</p>

14. Invoice Acknowledgement

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To implement a process to ensure invoices are date stamped by Exchequer Services upon receipt.</p>	<p><u>Best Practice</u> In order to prevent the possibility of duplicate invoice registration, all invoices should be date stamped at all times upon receiving of the payment request.</p> <p><u>Findings</u> Of the 25 invoices reviewed (20 BACS and 5 cheques), 8 invoices were not</p>	<p>Exchequer Services Manager</p>

	<p>date stamped by Capita, 8 were date stamped but were barely legible.</p> <p><u>Risk</u> Without the appropriate controls in place for receiving of payment requests, delays in registration or duplicate invoice registration could occur.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Staff have been instructed to be more diligent in their date stamping invoices. Black ink is now being used.</p> <p>Management Response: LGS Business Accountant (Capita)</p>		Implemented

15. Payment Voucher Process

(Low Risk)

Recommendation	Rationale	Responsibility
<p>To review whether the manual payment voucher process could be replaced by using Agresso for directly entering the payment voucher and associated supporting documents with a view to a reduction in process time and data input errors.</p>	<p><u>Best Practice</u> Duplication of data entry is kept to a minimum in order to reduce the likelihood of errors and wasted levels of applied resource.</p> <p><u>Findings</u> The current process is for payment vouchers to be completed using the Excel template provided on the intranet. The completed file is then emailed to Exchequer Services. Once acknowledged by Capita, the payment voucher is then printed, scanned and then registered onto Agresso with the information provided and then sent for approval back to the relevant Council service area. Internal Audit is of the opinion that the manual payment voucher process could be replaced by using Agresso for directly entering the payment voucher with a view to a reduction in process time and data input errors.</p> <p><u>Risk</u> Areas of cost reduction are not realised within the payment voucher process.</p>	N/A
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>Direct input by departments would then allow no functionality to include a scanned image of voucher, fundamentally requirement and previous audit point.</p>		N/A

<p>Direct input by department is not currently available due to system configuration, this task would need to be included on improvement plan, impact assessed and a suitable change control produced.</p> <p>Management Response: LGS Business Accountant</p> <p>IA comment: Following the management response, IA now acknowledge that the current Agresso AP system configuration does not allow for the recommendation to be implemented.</p>	
---	--

CONTROL OF PAYMENTS

16. Sundry Suppliers

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>The sundry supplier account should only be used in appropriate circumstances.</p>	<p><u>Best Practice</u> The sundry supplier account is only used for one off payments and where no unique supplier account is already in place.</p> <p><u>Findings</u> Internal Audit found that within the sample of 20 urgent payments, there were 4 instances where the account 99999 (sundry supplier) was used although a valid supplier account was in place. (BHL Builders, Lift Able, JH Electrical Services Ltd and Post Office).</p> <p><u>Risk</u> If the sundry supplier account is used inappropriately, there is potential for the transaction being processed through different accounts leading to duplicate payments being made.</p>	<p>Exchequer Services Manager and Heads of Service</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Capita only associate invoices (and as such make payments against the sundry supplier account) if the sundry account is provided by a council officer. Council staff need to ensure that sundry supplier account is only used as exception in order to limit the use of this sundry account and improve the use of appropriate accounts going forward. Agresso superusers will be reminded of this.</p> <p>Management Response: Capita/Head of Finance</p>		<p>31 March 2010</p>

17. Officer Reimbursements

(Low Risk)

Recommendation	Rationale	Responsibility
<p>To review whether sight test payments should be made through the payroll</p>	<p><u>Best Practice</u> Annual benefit entitlement reimbursements are controlled</p>	<p>Head of finance</p>

<p>system in order to form a consistent approach for officer reimbursements.</p>	<p>through payroll to ensure that payments are only made as part of any annual entitlements.</p> <p><u>Findings</u> It was noted that a cheque payment was made to an officer for an eye test. Internal Audit raised the question whether this type of payment should go through payroll to provide a higher degree of control.</p> <p><u>Risk</u> There should be no need to make payments to employees through creditors and to do so may lead to tax implications.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>We are looking to see if the payroll system can be amended to facilitate this payment in this way.</p> <p>Management Response: Head of finance</p>		<p>Review of options – 1 April 2010</p> <p>Implement changes – this will depend on the outcome of the review</p>

DUPLICATE PAYMENTS

18. Audit Information Requests to Capita

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To ensure that an appropriate Capita resource is in place to respond to Council requests for information in a timely manner.</p>	<p><u>Best Practice</u> Management information should be provided to Internal Audit in a timely manner.</p> <p><u>Findings</u> Internal Audit experienced difficulty in extracting audit information from Capita. Since the in house Exchequer Services Manager contact has left the Capita Business, the primary contact provided to Internal Audit was the Business Accountant. In particular, Internal Audit did not receive any response to the request for 2008/2009 audit follow up information.</p> <p><u>Risk</u> Without the required information being provided, the necessary assurances cannot be provided resulting in a poor service delivery by the internal audit team.</p>	<p>LGS Business Accountant (Capita)</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p>		<p>Immediate</p>

<p>Adequate Capita management is in place within the service centre to deal with requests for information from the client be it, internal audit, an individual service department or a council officer.</p> <p>The Exchequer Services Manager should be the point of contact for all future Internal audit requests.</p> <p>With regard to the responses to the 2008/2009 audit follow up information this was an oversight on the LGS business accountants part, a control has now been put in place to log all requests for information and updated when completed.</p> <p>Management Response: LGS Business Accountant (Capita)</p>	
--	--

REFUNDS

19. Payment Discrepancy

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To investigate the reason for the payment change and implement controls to ensure payments are made in accordance with the documentation provided.</p>	<p><u>Best Practice</u> Controls should be in place to ensure that payments always match the associated payment voucher.</p> <p><u>Findings</u> A payment voucher raised for £23 was subsequently paid with a value of £21 (transaction 3017525) with no further information available within Agresso to provide details on the reason for the payment value change.</p> <p><u>Risk</u> Without adequate controls and supporting documentation, there is a risk that incorrect payments may be made resulting in embarrassment and/or financial loss to the Council.</p>	<p>Exchequer Services Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The controls that are in place are that all non purchase order payment requests be it payment voucher or invoice are distributed to relevant coding groups / officers for review, prior to coding and subsequent approval of the payment. If amendments to value is required, a subsequent payment voucher / invoice would need to be received by the AP team.</p> <p>Procedure have been reiterated to AP team to key what they see to ensure system payment agrees with backing documentation</p> <p>Management Response: LGS Business accountant</p>		<p>Immediate</p>

UNIMPLEMENTED RECOMMENDATIONS FROM THE 2008/2009 AUDIT

20. (2008/2009) Access to the Supplier Masterfile

(Low Risk)

Recommendation	Rationale	Recommendation
All accountants at South Oxfordshire District Council are given the same access to the Supplier Masterfile as the accountants at the Vale of White Horse District Council.	<p><u>Best Practice</u> There should be unified access for the accountants at South Oxfordshire District Council and Vale of White Horse District Council.</p> <p><u>Findings (2008/2009 audit)</u> The accountants at SODC do not have the same read access as their VWHDC counterparts.</p> <p><u>Risk</u> If access is not the same for both sets of accountants, there is a risk that details cannot be appropriately accessed leading to different reporting arrangements.</p>	LGS Business Accountant
Management Response		Implementation Date
Recommendation is Agreed in Principle		1 January 2010
Access to system is provided by council office and updated by Capita System admin, therefore if information passed to Capita in relation to users details both accountancy functions to have access as required Capita system admin will ensure system reflects information received.		
Management Response: LGS Business Accountant		
SODC Chief Accountant to liaise with VWHDC counterpart to determine access that VWHDC accountants have and reasons for it. Will then conclude whether same level of access is necessary and make requests to Capita accordingly.		
Management Response: Chief Accountant		

21. (2008/2009) Redundant Users

(Low Risk)

Recommendation	Rationale	Responsibility
An exercise should be undertaken to remove any redundant users from the Creditors module of Agresso.	<p><u>Best Practice</u> Access to the system should only be granted for existing and appropriate employees.</p> <p><u>Findings (2008/2009 audit)</u> Testing identified a number of users that remain on the system but are no longer employed by the Council. Their access levels remain active.</p> <p><u>Risk</u> Inappropriate access to the system leading to an increased risk of fraud or malicious damage</p>	Exchequer Services Manager and Head of Finance
Management Response		Implementation Date

<p>Recommendation is Agreed in Principle</p> <p>Capita will provide the council with a list of all active users. The list will then be reviewed and any users who are no longer employed by the council will be deactivated.</p> <p>Management Response: Capita/Head of Finance</p>	31 March 2010
--	---------------

22. (2008/2009) New / Change Supplier Request Forms (Medium Risk)

Recommendation	Rationale	Responsibility
<p>New supplier accounts and amendments to supplier records are only actioned upon the receipt of the appropriate form. Any variations to this process should be clearly documented, for example: a change from cheque to BACS payment.</p>	<p><u>Best Practice</u> Amendments to the system should only be made upon receipt of an appropriate form.</p> <p><u>Findings (2008/2009 audit)</u> Testing highlighted that from a sample of 16 cases, there were 10 accounts that had been amended without an appropriate form being submitted.</p> <p><u>Risk</u> Amendments can be made inappropriately leading to the increased risk of fraud, loss or malicious damage.</p>	Exchequer Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Supplier accounts are only setup on receipt of form from council officers</p> <p>Management Response: LGS Business accountant</p>		Immediately

23. (2008/2009) New / Change Supplier Request Forms (Medium Risk)

Recommendation	Rationale	Recommendation
<p>An investigation is undertaken to ascertain if there is a field within Agresso that allows the changes made to supplier records to be displayed within the audit log.</p>	<p><u>Best Practice</u> Any changes made to a system should be evidenced by an audit log.</p> <p><u>Findings (2008/2009 audit)</u> Only the date and the user who did the amendment show on the supplier account following any changes being made. It was not possible to ascertain what changes had been made.</p> <p><u>Risk</u> Amendments can be made inappropriately leading to the increased risk of fraud, loss or malicious damage.</p>	Staff Officer
Management Response		Implementation

	Date
<p>Recommendation is Agreed</p> <p>Within the Agresso system are a number of audit logs, these monitor the tables within the database and record changes made by users, dependant upon the nature of the change and the field that is being updated the audit log will hold details of changes made to the supplier record.</p> <p>Amendments made to the supplier master file will be held within the audit log files within the database and reviewed upon request. This addresses the concern raise above.</p> <p>Management Response: LGS Business Accountant</p> <hr/> <p>Comment from IA: IA to review the above measures as part of the audit follow up due in 2010/11.</p>	Immediate

24. (2008/2009) Urgent Cheques

(Medium Risk)

Recommendation	Rationale	Recommendation
<p>The issues relating to the appropriate use of urgent payments should be reviewed and action taken where necessary.</p>	<p><u>Best Practice</u> The urgent payment process should only be used in appropriate circumstances.</p> <p><u>Findings (2008/2009 audit)</u> Internal Audit found that within the sample of 20 urgent payments, there were four instances where the urgent payment process did not appear to be an appropriate means of making the payment. Three payments should have been made through Payroll. In the remaining case, a cheque had been made payable to an employee for reimbursement of the cost of lunch provided by the Housing Team. This payment could have been made either during the usual weekly payment run or reimbursed through Payroll.</p> <p><u>Risk</u> If the urgent payment process is used to make inappropriate payments, there is potential for the transaction being processed through different systems leading to duplicate payments being made.</p>	Head of Finance
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Since January 2010 all urgent payments need to be cleared by either the head of finance or the chief accountant. The number of urgent payments requests have fallen dramatically.</p> <p>Management Response: Head of Finance</p>	Implemented	

25. (2008/2009) Direct Debits

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The direct debits currently active which have not been paid recently should be cancelled as they appear to be no longer required.</p>	<p><u>Best Practice</u> Only required direct debits should be active on the Council's bank account.</p> <p><u>Findings (2008/2009 audit)</u> Of the 18 direct debits set up on the Council's bank account, five have not been used recently.</p> <p><u>Risk</u> There is an increased possibility of direct debits being taken inappropriately if redundant direct debits remain active on the Council's bank account.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The direct debits are in the process of review – those that it is confirmed are no longer required will be cancelled</p> <p>Management Response: Chief Accountant</p>		<p>31 March 2010</p>

26. (2008/2009) Direct Debit Supporting Documentation

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>The importance of submitting evidence to support any payments by direct debit is reminded to officers.</p>	<p><u>Best Practice</u> Direct Debit payments should be evidenced by supporting documentation.</p> <p><u>Findings (2008/2009 audit)</u> There were 2 instances where supporting documentation for direct debit payments had not been submitted to Accountancy.</p> <p><u>Risk</u> There is an increased possibility of direct debits being taken inappropriately if supporting documentation is not provided to Accountancy.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The chief accountant will remind officers that accountancy require supporting documentation for direct debits.</p> <p>Management Response: Chief Accountant</p>		<p>31 March 2010</p>

27. (2008/2009) Direct Debit Set Up

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A direct debit set up form is produced that is completed by the officer requesting the set up of the direct debit, the form must then be authorised by their head of service. The completed form should then be passed to accountancy for approval by the Chief Accountant. Only upon this authorisation should the DD then be set up. A copy of the authorised form should be retained by Accountancy.</p>	<p><u>Best Practice</u> Direct Debits should only be set up when authorised appropriately.</p> <p><u>Findings (2008/2009 audit)</u> There is no evidence in place for the set up of the direct debit and it was ascertained that any officer of the Council can set up a direct debit.</p> <p><u>Risk</u> There is an increased possibility of direct debits being taken inappropriately if the appropriate authorisation is not sought.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A form, detailing all required authorisations, will be created and officers will be informed.</p> <p>Management Response: Chief accountant</p>		<p>31 March 2010</p>