

Audit and Corporate Governance Committee



Listening Learning Leading

Report of Audit Manager

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To: Audit and Corporate Governance Committee

DATE: 30 January 2012

AGENDA ITEM 8

Internal audit activity report quarter three 2011/2012

Recommendation

(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.

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 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

Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

Planned Audits

Full Assurance: 2

Satisfactory Assurance: 2

Limited Assurance: 3

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Car parks	Satisfactory	10	0	0	6	6	4	4
Building control	Satisfactory	3	0	0	1	1	2	2
Council tax	Full	1	0	0	1	1	0	0
Planning fees	Full	3	0	0	0	0	3	3
1. Payroll	Limited	14	2	2	8	7	4	4

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
2. Waste mgt & recycling	Limited	14	2	2	7	7	4	4
3. Establishment listing	Limited	3	2	2	0	0	1	1

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
ICT	Satisfactory	5	3	0	1	1
Gifts & Hospitality	Sat/Limited	4	3	0	1	0
4. Pest Control	Limited	4	0	0	2	2

7. **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.
8. 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.
9. 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. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.
10. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Systemic Control Weaknesses

11. **Appendix 2** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of

Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

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.

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. PAYROLL 2011/2012

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in August 2011 and the final report was issued on 22 November 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- the administration of payroll is appropriate and up-to-date so that the payroll process runs efficiently and securely, i.e. policies and procedures, security of records;
 - amendments to payroll standing data are appropriately authorised, documented and actioned in a timely manner, including:
 - all starters and leavers have appropriate authorisation;
 - addition and deductions to pay are processed in a timely manner to avoid over/under payments;
 - variations to pay, i.e. overtime, are authorised, documented and processed in a timely manner; and
 - only the employee can access the part of HR Pro system to amend personal data;
 - payroll data is transferred between payroll, HR and finance systems in an accurate and timely manner, as appropriate;
 - Capita has an adequate audit trail and authorisation procedures in place for authorisation of and amendment to payroll;
 - employees are paid in a timely manner; and
 - payroll records are reconciled with the council's establishment listing and general ledger.

2. BACKGROUND

- 2.1 Since 1 February 2008, SODC and Vale of White Horse District Council (VWHDC) payroll team harmonised, which is based at SODC. The current payroll system used is known as Ingenuity@Work and was implemented in January 2007. The system is managed through an agreement with Capita.
- 2.2 The management structure of the council was revised on 1 April 2009 and as a result, the payroll team was transferred from human resources (HR) to finance. The payroll team currently carries out all the day-to-day payroll activity up to authorising Capita to release the BACs payment. Payroll services are currently under review to determine the future placement of the payroll function.

3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in November 2010 and 17 recommendations were raised. A limited assurance opinion was issued.
- 3.2 From the 17 recommendations, internal audit was able to evidence that eight recommendations have been implemented, one recommendation

was partly implemented and eight recommendations were not implemented. Having reviewed the recommendations internal audit considers that six recommendations not implemented and the partly implemented recommendation are still relevant and should be brought forward in the current year review.

4. 2011/2012 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 Seven recommendations have been raised in this review and seven recommendations have been carried forward from the 2010/2011 audit review. Two High risk, eight Medium risk and four Low risk recommendations.

5. MAIN FINDINGS

5.1 Administration of payroll

5.1.1 Internal audit established that draft payroll procedures are in place, but are not completed due to long-term sickness. After reviewing the draft procedures, internal audit was satisfied with the information within the procedures. Internal audit established that the overtime policy is in draft format and due to go to management team for approval. In February 2011, an email from the Head of HR, IT and Customer Services was sent out to all heads of service and service managers stating the rates for officers claiming overtime.

5.1.2 Internal audit is satisfied that access to the payroll system is restricted to only the payroll team based at South Oxfordshire District Council and the Capita team based in Carlisle. The system prompts the user to change their password every 60 days. Internal audit noted that the HR pro system prompts users to change their password every 90 days. Internal audit observed the payroll area when no payroll officers were on site and was satisfied that payroll documentation is locked away in a cupboard, where the key is kept securely. One recommendation has been made as a result of our work in this area.

5.2 Variation to payroll data

5.2.1 Internal audit found some areas of weakness whilst testing both starters and leavers. The request to recruit forms were not completed for all starters nor approved by the HR manager as required. There was no audit trail to confirm that both appointment forms and leaver forms were signed by HR; and on one occasion, internal audit found that a leaver form was not completed for an officer leaving the council.

5.2.2 Internal audit was overall satisfied with the overtime claimed in 2011/2012 to date (July 2011), but there were a couple of issues identified during testing. Two overtime claims were not authorised in line with the overtime arrangement guidance nor were they date stamped; and one claim form

was submitted after the cut off date.

- 5.2.3 Internal audit found areas requiring improvement during testing of amendments to payroll data. Internal audit established that HR receives amendment forms via email to which the email is the authorised signatory for the amendment forms. On three occasions, internal audit could not trace back to the email to confirm that the line manager authorised the amendment as there was no audit trail. On one occasion, the payment system was not accurately updated. Six recommendations have been made as a result of our work in this area.

5.3 **Transfer of payroll data**

- 5.3.1 Internal audit established that on a monthly basis Capita produce an interface file from the payroll system and transfer the file to the general ledger. The file is checked and the net pay total is balanced to the BACs file to confirm accuracy before input onto the general ledger. Accountancy also carries out checks by undertaking monthly reconciliations of the payroll system and the general ledger. No recommendations have been made as a result of our work in this area.

5.4 **Capita authorisation procedures**

- 5.4.1 Internal audit established that Capita carry out no amendments to payroll data as they are conducted by the payroll team. Capita would await instruction from the payroll team to recalculate the payslips after the amendments have been completed. No recommendations have been made as a result of our work in this area.

5.5 **Employees paid in a timely manner**

- 5.5.1 Internal audit established that there is a cut off date whereby the payroll team would like to receive all variable information, i.e. overtime claim forms, to ensure that the pay run is carried out in a timely manner. Internal audit noted that an email is sent to all employees on a monthly basis notifying them of the cut off date. A checklist is in place for the payroll team to follow when undertaking the pay run process, which is initialled and dated when a task is completed.
- 5.5.2 Internal audit is satisfied with the process undertaken to ensure that all employees are paid in a timely manner. Dummy pay runs are carried out monthly and checked against the previous month; and the main pay run is then carried out and reconciled with the dummy pay run to confirm accuracy. After the payroll team is satisfied with the accuracy of the main pay run, they would sign and email Capita the bacstel release authorisation form, so that Capita can make payment to all employees. No recommendations have been made as a result of our work in this area.

5.6 **Payroll reconciliation**

- 5.6.1 Internal audit established that reconciliations between the payroll system and the general ledger are conducted on a monthly basis by an Accountant. After testing two reconciliations internal audit are satisfied that both the payroll system and general ledger balance.

5.6.2 It is noted that the establishment listing reconciliation between the payroll system and the establishment list is to be carried out as part of the establishment listing 2011/2012 review. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

2010/2011 PREVIOUS AUDIT RECOMMENDATIONS

1. Retention of Supporting Documentation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All source documentation for payroll is filed on a timely basis.</p> <p><u>2010/2011 Findings</u> During sample testing of starters, two of the five tested did not have a request to recruit form on their personnel file.</p> <p><u>2011/2012 Findings</u> During sample testing of starters, three of the 10 tested did not have a request to recruit form on their personnel file.</p> <p><u>Risk</u> Incomplete audit trail and/or an unauthorised starter could be set up on the system.</p>	All permanent staff positions should be supported by a request to recruit form.	Shared HR Business Support Manager
2010/2011 Management Response		Implementation Date
Recommendation is Agreed		31 March 2011
Management Response: Shared HR Manager		
2011/2012 Management Response		Implementation Date
Recommendation is Agreed		Immediate
Management Response: Shared HR Manager		

2. Authorised Signatory List for Members' Expenses

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An approved signatory list is in place to which approval of all amendments is agreed.</p>	An authorised signatory list should be created to ensure variations to pay have been approved by an	Payroll Supervisor

<p><u>Findings</u> Members do not have the facility at present to submit expenses electronically and return paper forms which contain an 'authorised signature'. During testing it was highlighted that there is currently no authorised signatory list in place against which payroll can verify the 'authorised signature' to ensure that the expenses have been appropriately approved.</p> <p><u>Risk</u> Amendments to pay may be processed without the required authorisation.</p>	<p>appropriate person.</p>	
<p>2010/2011 Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed All members/councillors claims are authorised for payment by one individual (or their substitute) from democratic services and a list of specimen authorised signatories from democratic services will be obtained and held within the payroll. Work has been completed to provide members/councillors with access to submit claims electronically, only a few members are unable to use this format. Access and authorisation rules are built in to the electronic process. Management Response: Payroll Project Lead</p>		<p>31 December 2010</p>
<p>2011/2012 Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed An authorised signatory list has been drawn up for staff who have been authorised by their Heads of Service to sign off any payroll input forms. Management Response: Payroll Supervisor</p>		<p>30 November 2011</p>

3. Maternity Calculations

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All members of the payroll team are able to proficiently perform maternity pay calculations.</p> <p><u>Findings</u> Internal audit noted that</p>	<p>Additional members of the payroll team should be given training on the process for calculating maternity payments to prevent over reliance on individual payroll staff.</p>	<p>Head of Finance/Capita</p>

<p>maternity pay calculations are currently being performed by only two members of the payroll team. One employee is responsible for completing the calculations and the other responsible for checking the accuracy of the calculations. One of these members of staff is the temporary Payroll Project Lead.</p> <p><u>Risk</u> Maternity calculations may not be able to be completed or incorrectly calculated in the event of staff absence.</p>		
2010/2011 Management Response		Implementation Date
<p>Recommendation is Agreed An ongoing training need has been identified by the payroll project lead. (See rec 18) 2 substantive and 1 temporary member of staff received in house training on 23 March 2010. The 3rd substantive post holder that will be returning to work from maternity leave in January 2011 is already trained and holds a payroll qualification. A refresher in house training session has been arranged and all in house training is notified to HR for training record purposes</p> <p>Management Response: Payroll Project Lead</p>		31 January 2011
2011/2012 Management Response		Implementation Date
<p>Recommendation is Agreed in principal It is felt that the existing level of knowledge is sufficient in the short-term pending the transfer of this function to Capita. Capita is planning to use functionality within the payroll system to carry out the calculation in future.</p> <p>Management Response: Head of Finance</p>		1 March 2012

4. Capita Contract

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A detailed service level agreement is in place setting out the roles of each organisation, with service standards included.</p> <p><u>Findings</u> The current contract between the Council and Capita is extremely limited in detail of the service to be provided and effective monitoring arrangements.</p> <p><u>Risk</u> The Council may not be achieving value for money. There is little recourse against poor or inefficient service.</p>	<p>The council should ensure that the service level agreement (SLA) currently under preparation is implemented as soon as possible.</p> <p>This should include specific monitoring arrangements, measurable service standards and agreed facilities to include but not be limited to the following:</p> <ol style="list-style-type: none"> 1) An exception report is generated that details all amendments made to standing data on a regular basis for payroll staff to agree to source documentation. 2) A list of standard monthly reports required from Capita to ensure all relevant monthly reports are received. 3) The Council are notified when Capita upload the payroll payment details to the finance system. 	<p>Head of Finance/Capita</p>
2010/2011 Management Response		Implementation Date
<p>Recommendation is Agreed in Principle Unfortunately, Finance has inherited a poor contract and they are working with Capita to prepare a detailed SLA.</p> <p>Management Response: Payroll Project Lead</p>		<p>31 March 2011</p>
2011/2012 Management Response		Implementation Date
<p>Recommendation is Agreed Both the contractual arrangements and performance indicators are being reviewed as part of the project to fully outsource payroll Capita</p> <p>Management Response: Head of Finance</p>		<p>1 March 2012</p>

5. Staff responsibilities

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Up-to-date training records for</p>	<p>Staff within the payroll section should be aware of</p>	<p>Head of Finance/Capita</p>

<p>payroll staff are maintained.</p> <p><u>Findings</u> When the Payroll service was established it was intended to be simply an input function. This has meant that the majority of staff do not hold a payroll related qualification. Under the current payroll service set-up, Capita is responsible for keeping up to date with all changes to laws and regulations and ensuring that these are accurately implemented.</p> <p><u>Risk</u> An error made by Capita may not be identified. Current payroll team may not have appropriate skills for accurate completion of the payroll function.</p>	<p>all changes to laws and regulations and their implications for the payroll.</p>	
2010/2011 Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The implementation of this recommendation is determined by the future direction of the payroll service. The current team are not experienced and only 1 member of the team holds a payroll qualification. In house training is currently being provided on a temporary basis and a longer term solution is being considered.</p> <p>Management Response: Payroll Project Lead/Shared HR Manager</p>		<p>31 March 2011</p>
2011/2012 Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The whole of the payroll function is being outsourced to Capita. One of the reasons for this is the lack of in-house qualified expertise.</p> <p>Management Response Head of Finance</p>		<p>1 March 2012</p>

6. Insurance records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Employees are adequately insured when conducting Council basis.</p> <p><u>Findings</u></p>	<p>A record of the annual confirmation that staff retain car insurance for business purposes should be retained by the council on the HR pro system.</p>	<p>N/A</p>

<p>We noted that the Council has updated its driving at work policy to include the need for service managers to ensure staff provide an annual confirmation that they retain car insurance for business purposes. We were informed that the facility to record this has been incorporated into the HR Pro system but has not been used to date.</p> <p><u>Risk</u> Employees may be driving on Council business when not adequately insured, which may expose the council to legal action.</p>		
<p>2010/2011 Management Response</p>	<p>Implementation Date</p>	
<p>Recommendation is Agreed</p> <p>Management Response: Shared HR Manager</p>	<p>30 June 2011</p>	
<p>2011/2012 Management Response</p>	<p>Implementation Date</p>	
<p>Recommendation is Not Agreed</p> <p>Scanning a copy of an insurance document onto an employee's HR pro record or alternatively recording on HR pro that the employee's manager has seen the insurance document is likely to create unnecessary work. This is because if either of these options were implemented there would need to be a trigger in the process to prompt the employee to submit evidence of having an updated policy every year.</p> <p>Requiring all employees to tick a box on the electronic mileage claim form to declare that they have adequate business insurance would address the risk outlined above without creating a significant amount of work. An employee will not be eligible to make a mileage claim without ticking this box. If an employee makes a false declaration relating to business insurance in order to make a mileage claim they are likely to be subjected to the disciplinary process.</p> <p>Management Response: Shared HR Manager</p>	<p>N/A</p>	

7. Documented roles and responsibilities

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Roles and responsibilities are documented to ensure staff awareness of their position</p>	<p>The current roles and responsibilities document should be revised to include the roles of each</p>	<p>Head of Finance</p>

<p>and function within the team.</p> <p><u>Findings</u> A document has been produced that outlines all the payroll related tasks that each member of the team undertakes. However, it gives no indication of the line management responsibilities or the hierarchy of the payroll process.</p> <p><u>Risk</u> Aspects of the payroll function may not be delegated or undertaken resulting in delays in the payroll process.</p>	<p>member of the payroll team.</p>	
2010/2011 Management Response		Implementation Date
<p>Recommendation is Agreed A hierarchy chart will be included in the Payroll Procedure Manual and this will also be included in the roles and responsibilities document.</p> <p>Management Response: Payroll Project Lead</p>		31 January 2011
2011/2012 Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The current documentation is considered sufficient pending the impending outsourcing to Capita.</p> <p>Management Response: Head of Finance</p>		1 March 2012

2011/2012 AUDIT RECOMMENDATIONS

ADMINISTRATION OF PAYROLL

8. Payroll procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Payroll procedures are fully completed and distributed to all payroll officers.</p> <p><u>Findings</u> Internal audit established that payroll procedures are currently in draft format and not completed due to long-term sickness within the payroll team.</p>	<p>To complete the payroll procedure notes as soon as possible and distribute them to all the payroll officers.</p>	<p>Payroll Supervisor</p>

<u>Risk</u> If payroll procedures are not in place, there is a risk of payroll officers not carrying out their duties appropriately.		
Management Response		Implementation Date
Recommendation is Agreed in Principle This will not be completed now that the payroll function is to be fully outsourced to Capita. The draft procedures have been shared with Capita. Management Response: Payroll Supervisor		Implemented

VARIATION OF PAYROLL DATA

9. Appointment and amendment forms

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All appointment/amendment forms are signed by HR officers. <u>Findings</u> During sample testing of starters, for six of the 10 tested, the appointment form was not signed by an HR officer. During sample testing of amendment to data, for two of the 20 tested the amendment form was not signed by a HR officer. <u>Risk</u> If the appointment/ amendment forms are not signed by the HR team, there is a risk of the HR team not receiving the forms and not updating the HR system.	All appointment forms and amendment forms should be signed by an officer from HR as required.	Shared HR Business Support Manager
Management Response		Implementation Date
Recommendation is Agreed Management Response: Shared HR Manager		Immediate

10. Alignment of data

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All personnel details on the payroll system are accurate to HR records.</p> <p><u>Findings</u> During sample testing of starters, for three of the ten tested, internal audit established that the post titles on the payroll system was not correct to the HR records.</p> <p>The payroll supervisor stated that payroll input the post number given by HR. HR has updated the post numbers on their systems, but now some HR post titles do not tally with the post titles on the payroll system, when inputting the same post number. The payroll supervisor stated that they cannot change the post titles on their records as they agree with the information on the financial management system. Changes would incur significant charges from Capita to align the information on all three systems.</p> <p><u>Risk</u> If personnel details on the payroll system are not accurate to HR records, there is a risk of inaccuracy in officer's salary.</p>	<p>Whilst discussions are taking place with Capita to outsource payroll, the possibility of aligning the data (post number and titles) held on the HR, payroll and Agresso system should be discussed as part of the transfer negotiations.</p>	<p>Head of Finance</p>
Management Response		Implementation Date
<p>Recommendation is Agreed This will be investigated. Although it is not possible to change the employee reference number in the payroll system as it must be consistent within and across years for tax reasons, it may be possible to set up an additional reference that</p>		<p>1 April 2012</p>

matches that in the HR system.	
Management Response: Head of Finance	

11. Leaver forms

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A leaver form has been completed for all officers leaving the council.</p> <p><u>Findings</u> During sample testing of leavers, for one of the five tested, internal audit established that a leaver form was not completed.</p> <p><u>Risk</u> If a leaver form is not completed for all employees leaving the council, there is a risk that the leavers might not get deleted off the system and get paid for an extra month.</p>	HR should ensure that a leaver form is completed for all employees leaving the council, even if they are on a temporary contract.	Shared HR Business Support Manager
Management Response		Implementation Date
Recommendation is Agreed		Immediate
Management Response: Shared HR Manager		

12. Emails attached to appointment/leaver/amendment forms (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> For all appointment/ leaver forms received via email, the email is filed alongside the form so that an audit trail exists.</p> <p><u>Findings</u> During sample testing of starters, for four of the 10 tested, internal audit established that the appointment form was not signed by the service manager. The HR business support manager stated that</p>	For all appointment/ leaver and amendment forms received via email, HR should ensure that the email is filed alongside the forms.	Shared HR Business Support Manager

<p>the forms are received via email and the email is sent by the service manager, so the appointment is not required to be signed. Internal audit obtained emails for three of the four appointment forms. The fourth email could not be located.</p> <p>During sample testing of leavers, none of the five leaver forms were signed by the service manager. Internal audit requested copies of the email to confirm approval from the service manager, but HR did not send copies of the email.</p> <p>During sample testing of amendment to data, for three of the 20 amendment forms, internal audit established that the amendment forms were not signed, and also the email confirming approval from the line manager was not found.</p> <p><u>Risk</u> If there is no audit trail to confirm that appointment forms, leaver forms and amendment forms are approved by the line manager, there is a risk of the forms being fraudulently sent to HR and payroll.</p>		
Management Response	Implementation Date	
Recommendation is Agreed Management Response: Shared HR Manager	Immediate	

13. Overtime claim forms

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> For all overtime claim forms	If overtime claims are submitted via email, the	Payroll Supervisor

<p>received via email, the emails are filed alongside the forms so that an audit trail exists.</p> <p><u>Findings</u> During sample testing of overtime claims, two of the 20 overtime claim forms were not appropriately authorised. The payroll team stated that an email was sent by the appropriate signatory but could not be located.</p> <p><u>Risk</u> If there is no audit trail to confirm that the overtime claim forms are authorised appropriately, there is a risk of the payroll team paying unauthorised claim forms.</p>	<p>payroll team ensure that all emails are printed and filed with the overtime claim forms.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Payroll staff have been advised and procedures have been updated to reflect this process in the future.</p> <p>Management Response: Payroll Supervisor</p>		<p>immediate</p>

14. Accuracy of payroll data

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All amendments are accurately made on the payroll system.</p> <p><u>Findings</u> During sample testing of amendments to data, one of the 20 amendments was not accurately made on the payroll system.</p> <p><u>Risk</u> If amendments to data are not accurately made on the payroll system, there is a risk of officers being paid the incorrect amount.</p>	<p>The payroll team should ensure that all amendments should be accurately made on the payroll system.</p>	<p>Payroll Supervisor</p>

Management Response	Implementation Date
Recommendation is Agreed Management Response: Payroll Supervisor	Immediate

2. WASTE MANAGEMENT & RECYCLING 2011/2012

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in November 2011 and the final report was issued on 19 December 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- Policies and procedures are comprehensive, up to date and available to appropriate employees;
 - The council's waste management and recycling strategies and the relevant service plans reflect government national initiatives and include appropriate objectives and targets;
 - The accuracy of weighbridge and weight/volume tickets to council records, recharges and reconciliation to contractor invoices;
 - Arrangements for formulating data submissions are adequate and returns are consistent with council records and presented coherently;
 - The value of recycled materials recorded by the council is valid; accurate, up-to-date and supported by a management trail;
 - Adequate promotion of recycling, waste management service and reduction strategies;
 - There are adequate stock control processes in place, and stock data can be verified.

2. BACKGROUND

- 2.1 The waste management team is led by the Shared Waste Manager and are responsible for waste collection and recycling. The delivery of the service has been outsourced to Biffa Group Limited; however the management of the contract remains the responsibility of the council.
- 2.2 The team works across South Oxfordshire and Vale of White Horse District Councils (SODC & VWHDC) and consists of three Waste Management Technical Officers (3 FTE), a Shared Administration Team Leader (1 FTE) and two Administrators (1.5 FTE). For 2011/2012 of the total amount of materials, the total amount of refuse collected aggregated to 7723 tonnes – as at 30 September 2011 for 2011/2012. Recycling information cannot be verified as at audit date as wholly correct, this has been acknowledged in our audit work.

3. PREVIOUS AUDIT REPORTS

- 3.1 Waste management and recycling was last subject to an internal follow up audit review in November 2008 and the one low risk recommendation reviewed was implemented.

4. 2011/2012 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 Thirteen recommendations have been raised in this review. Two are high risk, seven are medium risk and the remaining four are low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

- 5.1.1 Internal audit through discussion with the Shared Administration Team Leader established there is a need to formulate policies and procedures across a number of areas, e.g. waste management, recycling, performance and financial administration. Similarly, there is a need to revise roles and responsibilities within the department. Two recommendations have been made as a result of our work in this area.

5.2 National initiatives

- 5.2.1 The waste management strategy adopted by the council is the document formulated by the Oxfordshire Waste Partnership (OWP). The service plan includes SMART targets. Central government no longer require local authorities to report national indicators, however retain the need to input municipal waste data on the government reporting database, WasteDataFlow. On review of the contractor meetings file, for three meetings, agenda documents were found however no accompanying minutes or notice of cancellation of the meeting could be evidenced. One recommendation has been made as a result of our work in this area.

5.3 Weighbridge records

- 5.3.1 Internal audit reviewed the allocation of costs for all invoices which had been processed for 2011/2012 as of the audit date, from the contractor (up until August 2011) and recycling credits (up until June 2011). Internal audit identified the need to reallocate cost centre allocations, and documentation of invoice and credit checks were not in all instances occurring. Following discussion with the Waste Management Technical Officer, internal audit established the data provided from outside the council related to recycling and waste collected is not checked to primary evidence (e.g. tickets) on a sample basis by the council. The Shared Administration Team Leader stated the workings behind the 2011/2012 price list for duties (bill of quantities) conducted by the contractor is unclear. Five recommendations have been made as a result of our work in this area.

5.4 Data submissions

- 5.4.1 The Waste Management Technical Officer is responsible for inputting data on behalf of the council onto the national WasteDataFlow database. Internally, the Waste Management Technical Officer reports the raw waste management and recycling data in a summarised format to the Performance and Project Officer. This data is used as part of the monthly 'Board Report: A graphical summary of the councils' performance' which is presented

to Cabinet. No recommendations have been made as a result of our work in this area.

5.5 Recycling credits

5.5.1 The Waste Management Technical Officer receives recycling data from a variety of providers, which include the contractor and charities (e.g. the Salvation Army). This information is mapped for reporting purposes. Internal audit identified the July, August and September recycling invoices had not been issued – and the use of electronic rather than manual authorisation would speed up the process. The Contract Manager confirmed the mix of recycling materials sent to the materials recovery facilities reported to the council – is as at the end of the financial year 2010/2011 and not up to date. Three recommendations have been made as a result of our work in this area.

5.6 Communication

5.6.1 The communications team use a variety of methods to publicise services (e.g. social networking sites). There is a specific communications plan set each year, and the Communications Officer consults with both the Head of Corporate Strategy and the contractor to discuss issues which arise in the year. The council also work in conjunction with the Oxfordshire Waste Partnership (OWP) to promote waste reduction. Campaigns by the council included the new waste service introduced in 2009 and collections days at specific times of the year, e.g. christmas and bank holidays. One recommendation has been made as a result of our work in this area.

5.7 Stock control

5.7.1 Currently, other than a year end stock take – there are no other stock monitoring arrangements in place, e.g. perpetual inventory checks, and no stock register. The Shared Waste Manager and Shared Administration Team Leader has acknowledged there is a need to improve stock control. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Policies and procedures

(High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> There are authorised, comprehensive and up to date policies and procedure notes which cover all key areas, e.g. waste management, recycling	Ensure there are policies and procedures covering: <ul style="list-style-type: none"> - waste management, - recycling activities, - performance 	Shared Waste and Parks Manager

<p>and performance management.</p> <p><u>Findings</u> The Shared Administration Team Leader stated there is a need to develop new policies and procedures for all activities. There are no policies and procedures, e.g. for waste/recycling/data/stock management.</p> <p><u>Risk</u> There is a lack of procedure or compliance with best practice which may lead to, for example: poor performance/stock/data management or inefficient administration of financial transactions.</p>	<p>management, - financial administration and checking of waste and recycling information and invoices, - data management, - stock management.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management response: Shared Waste and Parks Manager</p>		31 March 2012

2. Job descriptions

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There are clear and up-to-date job descriptions in place for all officers.</p> <p><u>Findings</u> From discussion with human resources (HR,) it was confirmed there are no up to date job descriptions for all officers within the corporate strategy department responsible for waste management and recycling e.g. the Shared Administration Team Leader. Furthermore, the Shared Administration Team Leader stated roles and responsibilities needed to be revised.</p> <p><u>Risk</u></p>	<p>Ensure there are job descriptions and/or roles and responsibilities up to date for all members of staff.</p>	<p>Shared Waste and Parks Manager</p>

Duties are not carried out due to confusion over roles and responsibilities, and poor performance may not be managed appropriately.		
Management Response		Implementation Date
<p>Recommendation is Agreed Shared Team Leader job description has been written and has been evaluated, with a temporary person currently in post.</p> <p>Management Response: Shared Waste and Parks Manager</p>		31 March 2012

NATIONAL INITIATIVES

3. Meetings

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All formal meetings with contractors have agendas, minutes and are recorded throughout the year.</p> <p><u>Findings</u> From review of the contractor meetings file - there is an agenda for the June meeting – but no formal minutes. This is similarly the case for July and May operations meetings.</p> <p><u>Risk</u> Without a clear record of all meetings or reasons for cancellation – there is a lack of compliance with good practice and lack of visible audit trail, e.g. which may be required in the event of a dispute.</p>	Ensure all operations, contract and other key meetings are minuted, if meetings are cancelled this should be recorded within the minutes file.	Shared Waste and Parks Manager
Management Response		Implementation Date
<p>Recommendation is Agreed Procedures have been put in place and all operations, contract and other key meetings are minuted and have agendas.</p> <p>Management Response: Shared Waste and Parks Manager</p>		30 December 2011

ACCURACY OF WEIGHBRIDGE RECORDS AND INVOICES

4. Spot Checks

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a regular complete or spot check of weighbridge and recycling records to the tickets.</p> <p><u>Findings</u> Following discussion with the Waste Management Technical Officer, internal audit established the data related to recycling and waste collected is not checked to primary evidence (e.g. tickets) on a sample basis.</p> <p><u>Risk</u> Incorrect records of waste collection and recycling leading to incorrect financial payments and strategic decisions.</p>	<p>Ensure there are the necessary spot checks of tickets to data received by the council.</p>	<p>Shared Waste and Parks Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed This will be checked as part of a monthly reconciliation of data provided by Biffa, County Council and Agrivert.</p> <p>Management response: Shared Waste and Parks Manager</p>		<p>31 March 2012</p>

5. Bill of quantities

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A responsible officer has a clear record and knowledge of the bill of quantities and its compliance with the contracted terms.</p> <p><u>Findings</u> Following discussion with the Shared Administration Team Leader, the workings behind the current bill of quantities is unclear and clarification is needed with the contractor</p>	<p>Clarify the workings behind the bill of quantities and ensure rates are approved yearly.</p>	<p>Shared Waste and Parks Manager</p>

<p>over whether the current contract is being complied with.</p> <p><u>Risk</u> Without knowledge of the formulation of the bill of quantities – incorrect payments may be made and the contracted terms may not be complied with.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed Discussions with Biffa have started and further clarifications are to be agreed.</p> <p>Management response: Shared Waste and Parks Manager</p>		31 January 2012

6. Rate checks

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a documented check of all calculations and rates applied on each invoice presented to the council.</p> <p><u>Findings</u> Following discussion with the Shared Administration Team Leader, whilst there is a check of the rates used – this is not formally documented for waste invoices.</p> <p>For recycling, from our sample testing it has been noted the documentation of the check of the recycling breakdown has not been done on all occasions (1 out of 6 – not signed off).</p> <p><u>Risk</u> Without formal sign off, there is a lack of visible audit trail and record of rates and quantities being checked.</p>	<p>The invoices and recycling breakdown received should be marked when the rates are checked.</p>	<p>Shared Waste and Parks Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p>		31 December 2011

The core invoice will be checked following any changes and the variable will be checked monthly.	
Management response: Shared Waste and Parks Manager	

7. Variable work

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a record of all variable work requested which is used to reconcile with waste invoices.</p> <p><u>Findings</u> Through discussion with the Shared Administration Team Leader, a spreadsheet is currently being developed to record all new resident requests for bins to be collected.</p> <p><u>Risk</u> An incorrect invoice charge may not have been identified, possibly leading to unnecessary financial loss to the council.</p>	Ensure there is a record of variable work required, e.g. new residents and requests made by waste management team.	Shared Waste and Parks Manager
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle We are currently putting in place procedures that will address this issue.</p> <p>Management response: Shared Waste and Parks Manager</p>		29 February 2012

8. Invoice recharges

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All invoice recharges are correctly allocated and subject to review where necessary.</p> <p><u>Findings</u> Through discussion with the Shared Administration Team Leader, there was an acknowledgement that there</p>	Ensure all allocations across cost centres are reviewed and corrected.	Shared Waste and Parks Manager

<p>is need to review the allocation of invoice splits for 2011/2012. For example, the invoice for core work for June 2011 is currently incorrectly allocated across cost centres.</p> <p><u>Risk</u> Incorrect allocation of invoice charges will result in incorrect financial records.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management response: Shared Waste and Parks Manager</p>		29 February 2012

RECYCLING MATERIALS

9. Electronic authorisation

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Electronic authorisation enables prompt processing of recycling invoices.</p> <p><u>Findings</u> Currently, once the recycling credits are approved the forms are manually transported from VWHDC to SODC location for processing. On review of the Recycling credits – as at audit date – the July, August and September credit invoices have not been issued to Oxfordshire County Council. Given the period of time which has elapsed (audit date: 14th October), internal audit highlighted the time lag is excessive.</p> <p><u>Risk</u> A lack of adherence to good financial practice and the possibility of a loss of interest.</p>	Consider using electronic authorisation of recycling credits	Shared Waste and Parks Manager
Management Response		Implementation Date

<p>Recommendation is Agreed We will do this for December and then ongoing after that.</p> <p>Management response: Shared Waste and Parks Manager</p>	31 December 2011
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10. Turnaround time targets

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is an established time within which all invoicing is expected to be completed.</p> <p><u>Findings</u> On review of the recycling credits – as at audit date – the July, August and September credit invoices have not been issued to Oxfordshire County Council. Given the period of time which has elapsed (audit date: 14th October), internal audit highlighted the time lag is excessive.</p> <p><u>Risk</u> A lack of adherence to good financial management and the possibility of monies not being recovered by the council or a loss of interest.</p>	Establish internal time targets to ensure recycling credit invoices are issued promptly.	Shared Waste and Parks Manager
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle Recycling credits are subject to external data being provided which we do not have direct control over, however we will establish internal time targets.</p> <p>Management response: Shared Waste and Parks Manager</p>		31 January 2012

11. Materials recovery facilities

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The mix of recycling materials sent to the materials recovery facilities reported to the council is reported on a monthly basis.</p>	Ensure the contractor provides monthly up-to-date breakdown of materials sent to the materials recovery facilities (MRFs).	Shared Waste and Parks Manager

<p><u>Findings</u> The Contract Manager confirmed the mix of recycling materials sent to the materials recovery facilities reported to the council – is as at the end of the financial year 2010/2011 (i.e. March 31st 2011), however processes are being put in place to ensure the mix is reported on a monthly basis.</p> <p><u>Risk</u> Incorrect allocation of invoice charges will result in incorrect financial records.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management response: Shared Waste and Parks Manager</p>		31 January 2012

PROMOTION

12. Service user feedback

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An action plan should be drawn up, as a result of, any service user feedback exercise to address any outstanding issues.</p> <p><u>Findings</u> There is no evidence that an action plan was drawn up as a result of the latest SODC survey (July 2010) regarding waste management and recycling services.</p> <p><u>Risk</u> The council may fail to act on service user feedback to improve service delivery.</p>	Ensure there is an action plan devised as a result of service user feedback.	Shared Waste and Parks Manager
Management Response		Implementation Date
Recommendation is Agreed		31 March 2012

Management response: Shared Waste and Parks Manager	
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STOCK CONTROL

13. Stock

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There should be regular stock counts and an updated stock register.</p> <p><u>Findings</u> Through discussion with the Shared Administration Team Leader, internal audit identified there is no formal stock control system in place. There is in addition, no threshold established for the minimum level of stock, i.e. bins, held.</p> <p><u>Risk</u> A misappropriation of stock may not be identified leading to unnecessary financial loss to the council.</p>	<p>A stock control system needs to be put in place:</p> <p>(a) stock register (b) regular monitoring, count and reconciliation of stock levels. (c) establish a threshold for the minimum level of bins held.</p>	<p>Shared Waste and Parks Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed Work has already began - will be put immediately in place.</p> <p>Management response: Shared Waste and Parks Manager</p>		<p>Immediately</p>

3. ESTABLISHMENT LISTING 2011/2012

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in October and November 2011 and the final report was issued on 20 December 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- roles and responsibilities for preparing, maintaining and using the establishment listing are clearly defined and communicated;
 - adequate controls are in place for making amendments to the establishment listing;
 - the establishment listing contains all of the necessary data which is up to date;
 - access to the establishment listing is given to appropriate officers; and
 - appropriate reconciliations are undertaken between the establishment listing, accountancy records and payroll records, and any discrepancies are investigated and resolved appropriately.

2. BACKGROUND

- 2.1 An establishment list supports the development and management of an agreed organisational structure, by ensuring control of the number and grade of authorised posts and the agreed budget and number of employees that are assigned to each post within a team. Each service area within the council has an agreed establishment, and any changes to the establishment must be processed and authorised in accordance with human resources (HR) policy.
- 2.2 The business support manager within HR is responsible for maintaining the council's establishment list, but all senior managers are responsible for ensuring that information held within the establishment list is up to date. The establishment list is the primary source of information for salary budget setting.

3. PREVIOUS AUDIT REPORTS

- 3.1 A specific establishment list audit has not previously been undertaken. Controls relating to the establishment list are normally undertaken as part of the annual payroll audit. In the 2010/2011 payroll audit, one recommendation was made which related to a reconciliation process between the establishment list and payroll records. A process has been introduced, but this has not yet been implemented. A recommendation has been made as part of the current year review.

4. 2011/2012 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 Three recommendations have been raised in this review, two high risk and one low risk.

5. MAIN FINDINGS

5.1 Roles and responsibilities

5.1.1 Roles and responsibilities for preparing, maintaining and using the establishment list have now been clearly defined within Human Resources. Internal HR procedures have been drafted for updating the establishment list, and these are accessible to the relevant officers. The establishment list is now subject to a monthly review by the HR Business Support Manager. No recommendations have been made as a result of our work in this area.

5.2 Amendment control

5.2.1 Documented processes are in place to govern how amendments are made to the establishment list, and spreadsheets are used to log, action and track amendments. From a review of six recent amendments, internal audit is satisfied that suitable authorisation was obtained. All amendments are subject to monthly management review; however there is no evidence of this checking process. One recommendation has been made as a result of our work in this area.

5.3 Up to date data

5.3.1 Internal audit is satisfied that the relevant information is included within the establishment list, and a process has been introduced to ensure that it is reviewed on a monthly basis. However, internal audit reconciled the establishment list as at 31 July 2011 to the payroll report as a 4 August 2011 and found 40 discrepancies between the two reports. As at the date of issuing the draft report, these discrepancies had not been reviewed and resolved. One recommendation has been made as a result of our work in this area.

5.4 Access

5.4.1 Internal audit could confirm that access to the establishment list is controlled and appropriate. On a monthly basis senior managers, HR and Accountancy are sent a copy of the most recent establishment list. No recommendations have been made as a result of our work in this area.

5.5 Reconciliations

5.5.1 Internal audit is satisfied with the proposed reconciliation process between the establishment list and payroll report, but as reported in section 5.3 above, 40 discrepancies have been identified between the two reports. The proposed reconciliation process needs to be implemented as soon as possible.

5.5.2 Internal audit is satisfied that the establishment list feeds into the salary budget setting process, and relevant officers are consulted in the budget setting process. Historically there has been confusion within the council as to how the establishment list and budget relate to each other, but

internal audit is satisfied with the guidance notes that have been drafted by accountancy to address this issue. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

AMENDMENT CONTROL

1. Evidence of monthly check

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Documented evidence of checks made should be in place.</p> <p><u>Findings</u> The business support manager currently reviews all amendments to the establishment list on a monthly basis, however there is not evidence of this check.</p> <p><u>Risk</u> Without an adequate trail of the checking procedure, there is a risk that should the checking not occur this would not be identified and rectified.</p>	<p>The payroll spreadsheet should be signed off by the Business Support Manager at the end of the each month to evidence the checking process.</p>	<p>Shared Business Support Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management response: Shared HR Manager</p>		<p>31 March 2012</p>

UP TO DATE DATA

2. Identified discrepancies

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Payroll records and the establishment should reconcile.</p> <p><u>Findings</u> Internal audit reconciled the establishment list as at 31 July 2011 to the payroll report as at 4 August 2011, and found 40 discrepancies between the establishment list and the</p>	<p>The discrepancies identified by internal audit between the establishment list and payroll report should be reviewed and investigated by payroll and HR and records amended/reconciled accordingly.</p>	<p>Capita payroll and HR</p>

<p>payroll report.</p> <p><u>Risk</u> Without appropriate reconciliations and up to date data, there is a risk that incorrect information is not identified and amended appropriately. This could result in inappropriate/unauthorised payments and/or ghost/duplicate employees not being identified and removed from payroll.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed This will be discussed as part of determining the new payroll processes following the outsourcing of the full payroll service to Capita.</p> <p>Management response: Shared HR Manager and Head of Finance</p>		31 March 2012

RECONCILIATIONS

3. Reconciliation process

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Payroll records and the establishment should reconcile.</p> <p><u>Findings</u> HR and payroll have agreed to a four monthly reconciliation process, but this has not yet commenced.</p> <p><u>Risk</u> Without appropriate reconciliations and up to date data, there is a risk that incorrect information is not identified and amended appropriately. This could result in inappropriate/unauthorised payments and/or ghost/duplicate employees not being identified and removed</p>	<p>The proposed reconciliation process of the establishment list to payroll records needs to be implemented as soon as possible.</p>	<p>Capita payroll and HR</p>

from payroll.		
Management Response		Implementation Date
<p>Recommendation is Agreed This will be discussed as part of determining the new payroll processes following the outsourcing of the full payroll service to Capita.</p> <p>Management response: Shared HR Manager and Head of Finance</p>		31 March 2012

4. PEST CONTROL FOLLOW UP 2010/2011

1. INTRODUCTION

- 1.1 This report details the findings from internal audit's follow-up review of Pest Control 2010/2011. The original fieldwork was undertaken in April 2011 and the final report was issued in June 2011. Follow-up work has been undertaken in accordance with the 2011/2012 audit plan agreed with the Audit and Corporate Governance Committee of South Oxfordshire District Council, to ensure that the agreed recommendations have been implemented within the timescales provided.

2. INITIAL AUDIT FINDINGS

- 2.1 The final report made five recommendations and four were agreed. A limited assurance level opinion was issued.

3. FOLLOW UP MAIN FINDINGS

- 3.1 The review found that two recommendations are ongoing as the procurement date for a new pest control contract is not yet known. Two recommendations are not yet implemented and a revised date has been provided.

FOLLOW-UP OBSERVATIONS

CONTRACT

1. Current service agreement

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Contracts for services provided to the council are current, appropriately documented and recorded on the councils contracts register.</p> <p><u>Findings</u> The council has an agreement with Total Pest Control (TPC) for the period 1 May 2009 to 31 October 2009. Whilst TPC continue to provide the service, written notice of an extension has not been provided. The contract is not listed within the council's contracts register.</p> <p><u>Risk</u> If an agreement has ceased and no written extension is in force then the contractor is</p>	<p>It is recommended that:-</p> <p>a) written notice of the extension to the agreement with TPC is instigated</p> <p>b) the contract is recorded within the contracts register.</p>	<p>Shared Environmental Protection Manager</p>

under no obligation to provide the service which may have an embarrassing impact to the council.		
Management Response		Implementation Date
Recommendation is Agreed		29 July 2011
Management Response: Shared Environmental Protection Manager		
Follow-Up Observations		
<p>a) A formal extension of the contract with TPC has not yet been arranged. The Shared Environmental Protection Manager expects to discuss this by 31 December 2011 and confirm arrangements in writing by 31 January 2012.</p> <p>b) The contract could not be found on the register held on the council's intranet or on the register available on the council's website. The Shared Environmental Protection Manager expects to address this by 31 January 2012.</p>		<p>Not Implemented</p> <p>Revised date: 31 January 2012</p>

2. Future contracts

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Contracts for services include performance targets, monitoring and reporting requirements and a process for recording and managing comments and complaints.</p> <p><u>Findings</u> The agreement with TPC, although expired, did not contain any requirement for the provision of monitoring information or reports and no process for recording and managing comments and complaints. Whilst it was acknowledged that a tender process is needed for the future provision of the service, this had not been instigated at the time of review.</p> <p><u>Risk</u> If contracts for the provision of services do not include monitoring and reporting requirements then there are no</p>	<p>It is recommended that the tender for future provision of pest control services should be initiated and the specification should include:-</p> <p>a) monitoring information and reporting requirements, for example, monitoring response times,</p> <p>b) a suitable process to record and manage comments and complaints.</p>	<p>Shared Environmental Protection Manager</p>

standards against which to judge performance.		
Management Response		Implementation Date
Recommendation is Agreed Management Response: Shared Environmental Protection Manager		Date of procurement not known.
Follow-Up Observations		
At the time of follow up, discussions had commenced regarding a shared contract with Vale of White Horse District Council but this was still to be agreed hence timescales are unknown. It is hoped that a contract would be in place by June 2012.		Ongoing

MONITORING

3. Performance monitoring

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Stated performance targets are suitably reported and monitored. <u>Findings</u> The agreement for the provision of the pest control service states target response times for the contractor however these are not monitored. <u>Risk</u> If stated performance targets are not suitable reported and monitored then any areas of underperformance may remain unidentified and unresolved.	It is recommended that stated performance targets are reported and monitored.	Shared Environmental Protection Manager
Management Response		Implementation Date
Recommendation is Agreed Total Pest Control will be asked to supply performance data. This will be audited by administration on a quarterly basis. Management Response: Shared Environmental Protection Manager		29 July 2011
Follow-Up Observations		
Monitoring will be discussed together with extending the existing contract.		Not Implemented Revised date: 31 January 2012

4. Charges levied

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Where charges are made for services provided the council should endeavour to cover the cost of providing the service.</p> <p><u>Findings</u> According to pest control statistics, in 2010/2011 the council provided the pest control service at a loss of £671.41 as the charge from the contractor was not met by the money paid to the council for provision of the service. This does not allow for the council's cost of administering the service and the loss is expected to be more as the amount of Vat, which is included in the charge paid to the council, has increased to 20%.</p> <p><u>Risk</u> If charges are not regularly reviewed and increased to cover costs then the council will operate at a loss.</p>	<p>It is recommended that consideration is given to increasing charges made to the public in order that it is not operated at a loss or reviewing the provision of the pest control service. A regular review of charges levied should be introduced to ensure the service is cost effective.</p>	<p>Shared Environmental Protection Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The service operates at a loss because residents on income support are given a free service which was agreed by senior management and cabinet member. All fees and charges will be reviewed when the new contract is procured.</p> <p>Management Response: Shared Environmental Protection Manager</p>		<p>Date of procurement not known.</p>
Follow-Up Observations		
<p>A standard set of fees for the contract will be reviewed and agreed as part of the tender process with a view to at least covering costs. A timescale has still to be agreed for re-tendering the service, see recommendation 2 above.</p>		<p>Ongoing</p>

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