

Agenda



Listening Learning Leading



**Vale
of White Horse**
District Council

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Date: 19 July 2019

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A MEETING OF THE

Joint Audit and Governance Committee

WILL BE HELD ON MONDAY 29 JULY 2019 AT 6.30 PM

MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14
4SB

Members of the Committee:

South Oxfordshire District Council
Mocky Khan (Co-Chair)
Peter Dragonetti
George Levy
Jane Murphy

Vale of White Horse District Council
Simon Howell (Co-Chair)
Amos Duveen
Andy Foulsham
Eric de la Harpe

Preferred Substitutes

South Oxfordshire District Council
David Bartholomew
Sam Casey-Rerhaye
Sarah Gray
Victoria Haval
Axel Macdonald
Jo Robb
Anne-Marie Simpson
Alan Thompson
Ian White
Celia Wilson

Vale of White Horse District Council
Samantha Bowring
Nathan Boyd
Andy Cooke
Alison Jenner
Janet Shelley
Elaine Ware

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1 Apologies for absence

To record apologies for absence and the attendance of substitute members.

2 Minutes (Pages 4 - 8)

To adopt and sign as a correct record the Joint Audit and Governance Committee minutes of the meeting held on 25 March 2019 (attached).

3 Declarations of interest

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

4 Urgent business and chairman's announcements

To receive notification of any matters which the chairman determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chairman.

5 Public participation

To receive any questions or statements from members of the public that have registered to speak.

6 Corporate risk review (Pages 9 - 29)

To consider the report of the head of corporate services (attached).

7 Statements of accounts 2018/19

To receive a verbal update.

8 Internal audit activity report quarter one 2019/2020 (Pages 30 - 81)

To consider the report of the internal audit manager (attached).

9 Internal audit management report quarter one 2019/2020 (Pages 82 - 89)

To consider the report of the internal audit manager (attached)

10 Internal audit annual report 2018/2019 (Pages 90 - 100)

To consider the report of the internal audit manager (attached).

11 Internal audit charter 2019/20 (Pages 101 - 110)

To consider the internal audit charter 2019/2020 (attached).

12 Work programme (Pages 111 - 116)

To consider the committee's work programme (attached).

MARGARET REED

Head of Legal and Democratic

Minutes



Listening Learning Leading



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON MONDAY 25 MARCH 2019 AT 6.30 PM
NORTHBOURNE ROOM, DIDCOT CIVIC HALL, BRITWELL ROAD, DIDCOT
OX11 7JN

Present

Members:

South Oxfordshire District Councillors: Alan Thompson, John Walsh and Ian White (Co-Chairman acting as Chairman)

Vale of White Horse District Councillors: Mike Badcock, Debby Hallett, Simon Howell (Co-Chairman acting as vice-Chairman) and Chris Palmer

Apologies:

Toby Newman tendered apologies.

Officers

Ben Coleman, Simon Hewings, Victoria Hughes, William Jacobs, Fergus Nugent, Adrianna Partridge, Margaret Reed, Ron Schrieber, Mark Stone and Sally Truman

Also present:

South Councillors David Dodds, Jane Murphy and David Turner

Vale Councillors Ed Blagrove, Helen Pighills, Judy Roberts and Emily Smith

Emily Hunt (Capita) and Kevin Suter (EY)

47 Minutes

RESOLVED: to approve the minutes of the committee meeting held on 28 January 2019 as a correct record and agree that the Chairman signs them as such.

48 Declarations of interest

None.

49 Urgent business and chairman's announcements

None.

50 Public participation

None.

51 2017/18 Year end audit: lessons learned and corrective action

The committee considered the report of the head of finance/strategic finance manager/finance business partner which:

- provided a summary of the factors which resulted in the external auditors not completing their planned audits in June 2018 and consequently not signing the financial statements for either council in accordance with the new reporting deadline of 31 July: and
- highlighted the corrective actions being taken to seek to ensure that the 2018/19 and future year statements were audited and signed in accordance with the statutory reporting deadline.

The committee welcomed the improvements to the process agreed with Capita Accountancy (CA), as set out in an appendix to the report. It noted that the strategic finance team would be seeking to establish regular communication with CA and the external auditor and requested that the committee co-chairs be included in this process.

The committee thanked the finance officers for their efforts to complete the 2017/18 statement of accounts, and agreeing improvements for the future.

RESOLVED: to note the report.

52 Statement of accounts 2018/19

The committee considered the report of the head of finance/senor accountant (Capita) which outlined progress being made towards the completion of the 2018/19 statement of accounts, and presented revised statements of accounting policies for approval.

The report detailed the main changes in accounting policies arising from changes in International Financial Reporting Standards. These changes would have minimal effect on the councils' financial statements.

RESOLVED: to

1. note progress on completing the 2018/19 statement of accounts;
2. approve the revised statements of accounting policies as shown in Appendix 1 (South Oxfordshire District Council) and Appendix 2 (Vale of White Horse District Council).

53 Annual report on the councillors' code of conduct

The committee considered the report of the monitoring officer which provided an update on code of conduct work during the 2017/18 municipal year, including the number of district and parish code of conduct complaints received. The report also included information on significant potential changes to the code of conduct regime.

The report stated that, although South and Vale councils had direct responsibility for maintaining Standards in Public Life, they were very limited in terms of sanctions, particularly in relation to parish councillors. This meant that it was often necessary to take a pro-active and/or alternative way to resolve disputes. A short summary of complaints dealt with in the 2017/18 municipal year were set out in an appendix to the report.

Each council retained the services of two “independent persons” to assist in maintaining and promoting high ethical standards in the district councils and the parish councils in South and Vale. The terms of office of the current independent persons expire on 30 September 2019 and a recruitment exercise to fill the roles for the period 1 October 2019 – 30 September 2023 will commence in summer 2019.

The committee was advised that, in January 2019, the Committee on Standards in Public Life published its review report on local government ethical standards, recommending significant changes in the code of conduct regime. It was not yet clear whether the government will accept these recommendations and, if so, what will be the timetable for implementation. A further report would be submitted to the committee and both Councils should any changes to the current arrangements be required.

RESOLVED: to note the annual report on the councillors’ code of conduct for the 2017/18 municipal year.

54 Review of complaints received during 2017/18

The committee considered the head of corporate service’s report which provided information and statistics about formal complaints received during 2017/18.

For South Oxfordshire, the number of stage one and stage two complaints was similar to those in 2016/17, whilst the number of complaints to the Local Government and Social Care Ombudsman (LGO) had reduced. For Vale of White Horse, the number of stage one and LGO complaints had risen slightly, whilst the number of stage two complaints had remained the same.

The official annual complaints reports from the LGO for South and Vale were included as appendices to the report.

RESOLVED: to note the review of complaints received during 2017/18.

55 South Oxfordshire and Vale of White Horse audit planning report 2018/19

The committee considered EY’s audit plan 2018/19 which set out how they intended to carry out their responsibilities as the councils’ external auditor.

No significant financial statement risks had been identified other than the accepted general risk of fraud in revenue recognition and management override. In addition, the implementation of revised arrangements for the corporate services contract, the programme governance review, and financial resilience (South Oxfordshire only) had been identified as significant value for money risks.

RESOLVED: to note the South Oxfordshire and Vale of White Horse District Councils’ audit plan 2018/19.

56 Corporate fraud and cyber security risk review

The committee considered the report of the corporate fraud officer which provided an update on the corporate and cyber security risk review, commissioned by the strategic management team and summarised current progress and initial findings.

A final report together with documentation outcomes would be reported to the July committee meeting. Recommendations would be considered for incorporation into the 2019/20 internal audit plan.

RESOLVED: to note the report.

57 Internal audit activity report quarter four 2018/2019

The committee considered the internal audit manager's report on internal audit activity during the fourth quarter of 2018/19. This summarised the outcomes of recent audit activity.

Two audits had been completed during the quarter, neither of which had received limited assurance.

Overdue recommendations

The committee noted the current timetable for relaunching the recommendations database.

RESOLVED: to note the internal audit activity report for the fourth quarter of 2018/19.

58 Internal audit management report quarter four 2018/2019

The committee considered the internal audit manager's management report on internal audit for the fourth quarter of 2018/19.

Recruitment for the two vacant auditor posts was in progress. However, these vacancies would impact upon the delivery of the 2018/19 audit plan.

RESOLVED: to note the internal audit management report for the fourth quarter of 2018/19.

59 Internal audit annual plan 2019/20

The committee considered the internal audit manager's report which explained the process for setting the internal audit plan and for calculating the resources available and which set out the proposed internal audit plan for 2019/20.

RESOLVED: to approve the internal audit plan 2019/20.

60 Work programme

The committee reviewed its work programme and noted that, in addition to the items already scheduled for the July meeting, there would be a further report on the corporate fraud and cyber security risk review (see Minute 56 above) and possibly one on the programme governance review (see Minute 61 below).

In view of the large number of items coming to each meeting it might be necessary to increase the frequency of meetings in the new municipal year.

61 Programme governance review

The committee considered the report of the acting deputy chief executive – transformation and operations which updated the committee on progress of the review and which summarised the findings from completed reviews.

Five individual reviews had been completed with a further three still in progress. Should these three reviews identify any new findings, they will be reported to the July committee.

South Councillor David Turner addressed the committee and asked a number of questions relating to the review. Due to the content of the questions, the committee agreed that responses would be provided in the confidential part of the meeting.

The committee was advised that significant action had already been taken by officers and members to address the findings from the review and ensure that appropriate and ongoing changes were made to the councils' governance framework. However, it would take time to embed the required cultural shift.

The committee thanked the chief executive and acting deputy chief executive – operations and transformation for their work over the last six months to establish and implement the review.

RESOLVED: to note the report.

62 Exclusion of the public

RESOLVED: to exclude members of the press and public from the meeting for the following items of business under Part 1 of Schedule 12A Section 100A(4) of the Local Government Act 1972 and as amended by the Local Government (Access to Information) (Variation) Order 2006 on the grounds that:

- i. it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, and
- ii. the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

63 Programme governance review - confidential appendix

The appendix was noted.

The meeting closed at 8.40 pm

Chairman

Date

Joint Audit and Governance Committee



Report of the Head of Corporate Services

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Debby Hallett

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To: Joint Audit and Governance Committee

Date: 29 July 2019

Corporate risk review

Recommendation

That members undertake a half yearly progress review of the corporate risk registers as outlined in the risk management strategy.

Purpose of the review

1. This is the half yearly progress review of the corporate risk registers for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). This review follows on from the joint audit and governance committee report in October 2018.
2. The contact officer is Yvonne Cutler Greaves, Assurance Team Leader and acting Risk and Insurance Officer for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422493.

Strategic Objectives

3. Managing the business effectively.

Background

4. The corporate risk registers attached have been compiled as outlined in the risk management framework.
5. There is a total of 43 risks (42 last report) on the South Oxfordshire District Council corporate risk register and 42 risks (41 last report) on the Vale of White Horse District Council corporate risk register.
6. The top 10 risks for both councils are shown below in table one.

Table one		
Rank	Risk ref (South/Vale)	Description
1	2/2	IT cyber security breach
2	3/3	IT infrastructure not fit for purpose
3	15/15	Failure of third-party contracts
4	38/37	Failure to deliver a major election in accordance with statutory requirements
5	11/11	Failure to fulfil GDPR requirements
6	12/12	Poor/inconsistent level of programme and project management
7	40/39	Failure to learn from contractor poor performance on core council services
8	9/8	Dependency on temporary and contract staff in key operational and strategic areas
9	8/9	Failure to have an effective health and safety managements system in place
10	19/18	Failure to capitalise and influence national initiatives that benefit the districts.

7. No risks reported have increased their risk score since last reported in October.
8. Four risks have a reduced risk score since last reporting in October as shown in table two below.

Table two	
Risk ref (South/Vale)	Description
12	Poor/inconsistent level of programme and project management expertise
34/33	Failure to provide suitable council office accommodation
37/36	Failure to prevent corporate fraud activity
38/37	Failure to deliver a major election in accordance with statutory requirements

9. There is one new risk for both councils.

Table six	
Risk ref (South/Vale)	Description
45/44	Brexit may impact the economic viability and services in the districts.

Financial Implications

10. There are financial implications attached to managing the risks outlined in the corporate risk registers, and risk owners are responsible for ensuring costs of mitigation are proportionate to the risk exposure.

Legal Implications

11. None.

Risks

12. Risk identification is an integral part of this progress review.

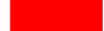
Other Implications

13. None

Background Papers

- Corporate risk register South Oxfordshire District Council
- Corporate risk register Vale of White Horse District Council

Risk rating:

-  Limited /no assurance/critical
 Satisfactory assurance/risks
 Full/substantial assurance /risks

KEY**SODC Strategic objectives**

- Sa** All strategic objectives
Sb Provide value for money
Sc Invest in the districts future
Sd Unlock the potential of Didcot
Se Services that reflect residents needs

Corporate Risk Register - South Oxfordshire District Council

Risk No/Ref	Strategic objective ref	Risk category	Risk description / consequences	Gross risk rating	Risk owner	Mitigation actions	Action owner	Net risk rating	Tolerable Y/N	Further mitigation actions if required	Review by when
1	Sb	Customer	Poor customer insight and failure to act upon findings will impact the delivery of excellent services and not meet the needs of residents.	2/3	Adrianna Partridge	Regular residents surveys (due Feb/March 2018). Council consultations on specific service and policy changes via the council consultation officer. Framework for dealing with customer complaints; FOI's and MP enquiries. Town and Parish forums are held twice yearly. Business breakfasts with local businesses held twice yearly. Customer user workshops as part of website project.	Sally Truman	1	Y	The new management structure includes a dedicated customer services team to coordinate information on our customers and customer insight. Conduct a feasibility study into whether or not a CRM system could improve customer insight by reviewing complaints trends to inform service planning.	Oct-19
2	Sa	Technology security	IT Cybersecurity breach due to inadequate security protection and naïve user behaviour may lead to the council systems being hacked . Resulting in the council being unable to operate effectively and securely and subject to loss of reputation as well a financial loss.	9	Adrianna Partridge	CAPITA information security infrastructure provides continuous updates of security software, firewalls and patches. Information security group regularly meets to discuss issues and mitigation actions. Cybersecurity awareness campaign to raise awareness of employee responsibilities to mitigate against data security issues. The risk and insurance officer along with risk champions review council risk exposure and mitigation actions. The new data security and data protection officer has been appointed. Roles and responsibilities to be defined going forward.	Lee Brown Sally Truman Yvonne Cutler Greaves Sandy Bayley	8	Y	Ongoing effective management of security arrangements provided by CAPITA contract. Ongoing cybersecurity awareness campaign. Ensure cybersecurity awareness as part of induction training for new starters. All cybersecurity breaches are investigated. Review mobile device security through a mobile device management procedure. New campaign summarising key messages from 2018 to include regular real time news items on Jarvis outlining actual incidents; email phishing exercises and training. Set up a cybersecurity incident plan across the councils.	Oct-19
3	Sb	Technology	IT infrastructure not fit for purpose with no back up or BCP (no separate WAN line from this building) and insufficient IT hardware and software licenses to support employees to undertake council activities, may result in poor customer service and loss of council reputation.	8	Adrianna Partridge	5CP and council BCP arrangements to mitigate against IT infrastructure failure. Risk Champion in place to support and promulgate BCP knowledge of arrangements across service teams. IT Infrastructure lead has been recruited.	Lee Brown Simon Turner Yvonne Cutler Greaves	8	Y	Embed revised BCP arrangements into the councils new structure. Review of the adequacy of the IT infrastructure is ongoing. Once BCP is in place a programme of testing the plan will commence. The council plans to increase in house resource to support work in this area going forward. IT infrastructure lead has been recruited. Joint working group underway with 5CP DR team. IT technical strategy approved, await steer from new administration.	Oct-19

Corporate Risk Register July 2019

4	Sb	Security - resources	Council offices site security insufficient at 135 where the location of business lounge and staff entrance increases risk of intruder entering the building.	8	Suzanne Malcolm	135 security has been reviewed and recommendations made to reduce tailgating at the business lounge doors. A new disabled access point separate from the main access point has been instigated to reduce likelihood of tailgating through automatic doors.	Angela Baker	5	Y	Continuous review of security arrangements for 135 to eliminate the possibility of tailgating through the reception area doors, the door closure mechanism need review to either remove or speed up closure. The emergency exit side door at the rear of 135 is now designed for disabled access, this has reduced the risk of tailgating through the business lounge. Self closure doors to be reviewed as part of ongoing security updates.	Oct-19
5	Sb	Resources	Insufficient staff capacity may result in the council not fulfilling its regulatory and compliance requirements and subsequently may result in fines. Lack of prioritisation of activities, staff capacity pressures and capabilities, resulting in inefficiencies in operations and missed opportunities such as alternative grant funding research as officers firefight/react to issues rather than plan ahead.	5	Mark Stone	New management structure now bedding in. Review of the Hays contract (temporary staff).	David Fairall	5	Y	Review the recruitment and Training and development elements of the HR policy framework. Develop people plans to ensure we recruit, develop and retain staff. Initiate a training and development programme. Link progress to the corporate plan/service plans, reporting to SMT. Ongoing.	Oct-19
6	Sa	Resources	Embedding the management restructure creates a period of change and uncertainty resulting in staff retention issues and loss of knowledge and expertise in key areas, which may compromise delivery of the council objectives.	5	Mark Stone	New management structure now bedding in.	Adrianna Partridge	5	Y	Continue to embed permanent council structure to operate in a steady state. Develop people plans to ensure we recruit, develop and retain staff. Initiate a training and development programme.	Oct-19
7	Sb	Resources personal security	Poor staff morale, wellbeing and personal security due increased workloads, levels of abuse from residents on social media and at meetings as well as uncertainty over restructure, may result in stress leading to increased absence and low staff retention rates, with subsequent work load pressures and increased cost implication to plug the resource gap by recruiting contract staff.	5	Mark Stone	HR support through HR Assist available to all members of staff if required. Wellbeing specialists and members from HR Assist team presentations underway to staff as to what they do and how they can help staff. The leisure team communicate community activities for staff to be involved with. Wellbeing group now in place.	David Fairall	5	Y	Wellbeing programme will be constantly reviewed to ensure it meets the user needs.	Oct-19

Corporate Risk Register July 2019

8	SC Sd	Resources	Dependency on temporary and contract staff in key operational and strategic areas , may disrupt progress of work with little time to recruit a replacement, thus leaving the council short of key resource in key projects resulting in delay and increased costs. Agency staff unfamiliarity with the councils policies may result in errors in protocols and incorrect guidance given and followed.	7	Mark Stone	Management review and reduce the dependency on temporary and contract staff throughout the councils. There has been a reduction in the number of temp/contract staff employed at the council during the period of restructure and recruitment.	Adrianna Partridge	6	Y	Deliver permanent council structure operating in a steady state.	Oct-19
9	Sb	Procedural - Health and safety	Failing to have an effective health and safety management system in place where, in some cases concerns and areas of non-compliance raised have not been acted upon because managers have been unable to gain the resources and support required to take mitigating action. This could result in: a fatality, illness or injury to staff or anyone else affected by our business; damage to property; legal action by HSE; civil claims and increased costs.	8	Adrianna Partridge	A part-time health and safety adviser is employed by the councils, health and safety policies are reviewed and updated every 3 years or when there is significant changes, managers are briefed on H&S through OMG meetings, Connect or updates on Jarvis, mandatory health and safety training is provided to employees, managers and senior management every 3 years. Health and safety review board (HSRB) and quarterly reporting to SMT (due to organisational changes this did not take place last year), health and safety audit programme in place and internal audit provide governance, challenge and oversight. Health and safety adviser is a member of the risk forum to allow concerns to be highlighted via the corporate risk register across all service teams through the risk champions.	Ben Coleman	6	Y	A health and safety strategy is being developed which allows for: • Adequate allocation of resources for health and safety • Commitment from the 'top' • Raising the profile of health and safety within the councils • Reviewing membership of the HSRB and the terms of reference of this group • Closer working with service managers to effectively raise risks to CE/HoS either for them to action or accept. Reviewing health and safety policy framework.	Oct-19
10	Sb Se	Procedural	Inconsistent approach to Third party contract monitoring in service teams , may result in a reduction in service provision and increased cost of performance.	2/3	Andrew Down	New structure includes a partnership manager.	Susan Harbour	2/3	Y	Possible central contract monitoring group linked to SMT to review quarterly. Provision of effective contract monitoring training for staff.	Oct-19
11	Sb	Procedural/regulatory	Failure to fulfil GDPR requirements may result in fines and reputational damage if data is breached or a challenge is made.	8	Adrianna Partridge	Designated DPR resource and champions across the council. DPR project board. Budget growth bid enabled to secure funding to support required changes as a result of regulations. DPR handover to Corporate services. The new data security and data protection officer has been appointed. Roles and responsibilities to be defined going forward.	Sally Truman/Sandy Bayley/Lee Brown	6	Y	Constant monitoring of legislative tests. Establish internal review procedures. Ensure a consistent retention policy across the councils. Write a new retention policy across the councils, review third party contractors and contracts to ensure processing personal data processing policies. Keep up to date on the ICO who will issue new guidance. Review council systems namely Ocella to ensure personal data is removed from the system either automatically/manually. Action plan devised.	Oct-19
12	Sb	Procedural	Poor/inconsistent level of programme and project management coordination and corporate methodology and controls, inconsistent utilisation of expertise across the councils resulting in poor delivery of projects, not realising the full benefits and understanding the risks and dependencies across the councils.	7	Adrianna Partridge	New programmes and assurance team to coordinate programme and project management. Project management methodology has been introduced which includes a project risk register approved.	Ben Coleman	6	Y	Continue to review and improve the new consistent programme and project management methodology to integrate with procurement, finance, legal and other processes across the councils. Full roll out anticipated in the autumn once SMT have approved approach. Training programme to support the new approach.	Oct-19

Corporate Risk Register July 2019

13	Sc	Financial	Failure to adequately manage council finances to take into account reduction in central government funding (including MHCLG grant income) results in councils inability to undertake its statutory duties at a time of increased demands (homelessness and an aging population) resulting in reduction in service level to our residents, innovative initiatives and projects going forward. Currently there is uncertainty around funding from central government which makes medium term financial planning very difficult.	2/3	William Jacobs	The council has a Medium Term Financial Plan (MTFP) that will flag potential financial resilience problems five year in advance. This allows the council to determine an approach to managing future budget pressures. The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure. The MTFP is refreshed annually. The scale of any challenge will be known more fully following the government's 2020 spending review and pending government announcements on future funding streams.	Simon Hewings	2/3	Y	Regular budget monitoring and annual refresh. Medium term financial plan ensures any potential risks are identified. Review the CIPFA findings and identify actions.	Oct-19
14	Sc	Community services	Failure to maximise opportunities to realise areas of revenue growth may impact overall future council finances.	5	HOS	The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure.	HOS/SM's	2/3	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed alongside an action plan once the CIPFA findings are reported.	Oct-19
15	Sb Se	Programmes	Failure of third party contracts to deliver acceptable levels of service results in a reduction in council service provision. (See separate risk registers)	8	Mark Stone	Constant review of contractors financial viability. Prioritise the introduction of business continuity plans. A new procurement officer is now in place and a review of the contracts database is underway.	SMT	8	Y	Develop business continuity plans across all services. Review contract governance and clarify roles and responsibilities. Up to date contracts register.	Oct-19
16	Sc Se	Programmes	Failure to deliver Berinsfield development: due to lack of funding or inability to release land to purchase for development results in council loss of reputation and financial backing. Project is impacted by NICS.(see separate risk register).	5	Suzanne Malcolm	Once Capita contract has been ratified, the councils responsibilities and approach will be reviewed. Cushman and Wakefield (C&W) have undertaken a project review to inform the forward plan. Garden village status bid,C&W have been commissioned to review this work on the councils behalf. Stakeholders communication to ensure all residents are on side and informed as to why the pace of development has slowed. Jayne Bolton has regular updates with parish councils and residents.Cabinet have recently discussed and agreed a way forward whcih is now being implemented by officers with emphasis on active collaboration and engagement with all our partners (Oxfordshire County Council and Homes England) to ensure favourable future outcomes. The new management structure is enabling closer working wth the economic development team.	Jayne Bolton	2/3	Y	New management restructure will enable closer working with the Economic Development team taking both business and residents views and requirements into account in any future plans for Berinsfield. Link with housing development team to enable seamless approach to business and housing developments. Working closely with South Local plan (LP) to ensure any development is within the LP framework. Plans of the approach have gone for approval though cabinet.	Oct-19
17	Sc Se	Programmes	Enterprise zone 1 pace of expansion is not quick enough to realise the business rate income over 25 years to cover the cost of borrowing against projected incomes. Impacted by NICS. Council fails to attract more business or retain business in the zones 1 (2 if agreed) thus impacting on business rate income.	1	Andrew Down	A requirement to review borrowing . Engage external advice for future income forecasting use the data to assess the level of future borrowing this is currently being procured.	Andrew Down/Susan Harbour	1	Y	Internal forecasting has confirmed we should raise business rates income to cover the cost of borrowing - External consultants are currently working to validate that forecasting result.	Oct-19

Corporate Risk Register July 2019

18	Sd	Programmes	Didcot Garden town: Significant funding estimated at £319m is needed to deliver projects identified in the adopted delivery plan, failure to realise this future funding to expand/expansion delayed due to planning decisions may result in loss of reputation to deliver such projects for the community (separate risk register).	5	Andrew Down	New project manager successfully recruited and in post the team is being resourced. Produce a DPD.	Andrew Down/Marybeth Harasz	5	Y	Write a business case for future funding requirements taking into account all interested parties. The DPD document is listed in the planning work timetable, however there is significant lead time due to priority planning work taking precedent. Success with HIF bid and further capacity funding from Homes England would greatly reduce risk and outcomes may be known as early as Spring 2019. Project management report to Cabinet to map out current priorities using existing funding priorities to better understand future funding requirements.	June'19
19	Sc	Programmes	Failure to capitalise and influence national initiatives that benefit the districts.	8	Mark Stone	Continue to work in partnership with others (experts) to seek new areas of potential funding, building on our successful approach to raising money to support a number of major developments in the district such as securing a housing grant deal for the district. There is an inconsistent approach to a feedback mechanism to share ideas and on funding sources or comment on National Policy.	Andrew Down/Michelle Wells	5	Y	Management restructure has enabled resource to be allocated to research future funding opportunities through the Policy and Insight service area, within the remit of the service is external funding with the objective of "We will identify and attract external funding to benefit our communities and fulfil our objectives; working to maximise inward investment into Oxfordshire". This will be undertaken via active collaboration and engagement with all our partners (Growth Board, Oxfordshire County Council and Homes England) to ensure favourable future outcomes. Review the impact of BREXIT on our rural communities (Loss of LEADER funding) and our economic communities (High st and Science Vale (Scientific experts)). A framework as to how we will approach external funding opportunities is being devised by the team and will form part of their service plan.	June'19
21		Procedural/regulatory	Changes in legislation and government policy, including potential creation of unitary authority or devolution in Oxfordshire may impact the operational delivery of the councils' corporate objectives.	2/3	Mark Stone	There is sufficient notice and lead time to enable the council to set up a project team and resourcing to enable the changes.	Andrew Down/Michelle Wells	1	Y		
22	Se	Democratic process	Changes in the local political landscape including snap elections, may impact the operational delivery of the councils' corporate services.	2/3	Mark Stone	Following the May 2019 local elections all councillors received induction training. There are regular updates and meetings with all opposition parties throughout the year to enable good rapport building. Each service team has a councillor portfolio holder. The SMT monitors through HOS any changes that may impact council operations. The corporate plan is set one year after a local election to ensure any changes as a result of the election are reflected in a new corporate plan.	SMT/Margaret Reed	2/3	Y	New corporate plan will be devised with performance measures and reporting process.	Oct-19

Corporate Risk Register July 2019

23	Sb	Democratic process	Lack of informed and consistent decision making across the councils will result in slow adoption of local plans, more planning appeals losses, increased costs and loss of council reputation.	5	Adrian Duffield	The HOS, Section 151 and Monitoring Officers inform and advise relevant councillors on consequences and impact of planning decisions and legal, financial and policy implications of decisions. The council has a 3 year land supply as stipulated by the government.	Adrian Duffield	2/3	Y	More consistent approach to briefing councillors on legal, financial and policy implications of making planning application decisions. Train Committee members and cabinet members on the planning process and implications and consequences of planning decisions in the local and national context. Provide support to parishes with regular updates and communications on reasons for planning decisions in the local and national context. Work with the customer engagement team to improve communication with local residents and parishes.	Oct-19
24	S/V	Corporate plan	Failure to deliver on the corporate plan objectives results in reputational damage.	2/3	Mark Stone	The council has a programmes aand assurance team responsible for performance management. Performance measuring and reporting against corporate plan objectives that are project based. Monthly board reports to cabinet. Performance measuring reports to scrutiny committee. Performance is assessed in the CEO appraisal.	SMT/Sally Truman	2/3	Y	New Corporate plan process to be devised link to performance review and board reporting.	Oct-19
25	Se	Customer service	Failure to maintain a consistent standard of customer service results in stagnant customer service initiatives and long term service reduction and thus reputational damage.	5	Adrianna Partridge	Individual service team targets. Successfully achieved Customer Service Excellence accreditation. There is a new customer engagement team as part of the council restructure.	Sally Truman	5	Y	The 'customer engagement' team to coordinate performance measures linked to both service plans and the corporate plan and linking to individual PDP's. Conduct a feasibility study into whether or not a CRM system could improve customer insight. Develop a customer services strategy to encompass all our customers to include residents; staff; councillors and third parties.	Oct-19
26	Sb Sc	Property	Lack of asset management expertise of council owned land and property portfolios results in under investment in property across the councils, reducing the ability to maximise incomes as well as lack of understanding as to where maintenance and insurance liabilities responsibilities lie (Council/Parishes etc).	5	Suzanne Malcolm	Validation of property records are now being undertaken by Cushman&Wakefield which will provide an up to date database of property ownership and inform an action plan for the management of the portfolio. Due to the management restructure the facilities teams work alongside the property team to enable seamless property maintenance and Health & Safety checks as required. The new property manager is now recruited and the property team leader is now in post.	Tom Putt	5	Y	Plan to establish a corporate property management model. Reinstate asset management group meetings to review ongoing issues and future strategies. Put in place a policy to allocate Cil/Sec 106 funding ensuring all key service teams in the council are informed (insurance/property/parks/arts etc) and thus enable allocation of this funding. Internal Audit have identified three areas of property:ownership/billing and H&S. Wrk will commence on the assest management process.	Oct-19

Corporate Risk Register July 2019

27	Se	Safeguarding	Failure to deliver council safeguarding responsibilities may result in loss of reputation if a safeguarding incident occurs in our districts and we have not followed the stipulated procedures and protocols of reporting.	5	Liz Hayden	Mandatory training appropriate to the level of contact as a district council with no social services and education responsibilities.	Diane Foster	2/3	Y	Review the safeguarding policy and training delivery. Work to commence once the service teams are in place and resourced.	Oct-19
28	Sb	Procedures	Lack of clarity on the procurement process, roles and responsibilities results in uninformed and inconsistent procurement of services which may result in increased long term costs and services compromised.	4	William Jacobs	The council has recruited an interim procurement expert to supplement the CAPITA service .	Simon Hewings	2/3	Y	Draft procurement procedures and training is being developed pending SMT approval to roll out.	Oct-19
29	Sc Sd Se	Economic	Failure to address or remove barriers to Small and Medium Enterprises (SME) growth may result in SME's closing, moving out of the district, or not starting. This may result in a loss of potential business rates and reduced consumer spending in our market towns.	5	Suzanne Malcolm	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system	Oct-19
30	Sc Sd Se	Economic	Insufficient support (including the EU funding shortfall) is provided to key research sites including Culham Science Centre (CSC)/Hydrology base at Howbery park so the research is not commercialised to its full potential and businesses at the site relocate out of the district, resulting in a loss of employment.	5	Suzanne Malcolm	EU funding may not be available after Brexit, work being undertaken to ensure we maximise the Government funding through the shared prosperity fund. Continuous liaison with the key research sites.	Suzanne Malcolm	2/3	Y	The new mgt structure is enabling the creation of an environment to help attract funding with less silo working. Support development of new business ventures in the district. Facilitate learning from best practises outside the council and increased awareness of opportunities.	Oct-19
31	Sc Sd Se	Economic	Failure to deliver the actions on the BIS plan may result in businesses not engaging with the councils leading to a reduction in the districts economic attractiveness and competitiveness and thus reduction in number of businesses start ups and growth and a reduction in business rate revenues, higher unemployment in the districts.	2/3	Suzanne Malcolm	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system	Oct-19
32	Sc Sd Se	Property	Failure to secure the redevelopment at key council owned sites in the district and capitalise on new building and refurbishment programmes may result in increased costs, a decrease in reputation and loss of potential funding from the redevelopment. <i>(merged with risk 20)</i>	5	Suzanne Malcolm	Strategic property review underway by an external strategic property consultant to include site redevelopment opportunities ongoing. The new property manager is working to review Council benchmarking and options available by Dec '19 with Cushman and Wakefield supporting the work. Review number of staff to enable this work to continue.	Suzanne Malcolm	5	Y	Developing partnership working with all landowners and developers to ensure timely preparedness (Didcot Gateway working in partnership with SOHA/OCC). This work will continue to progress and take time to embed before resulting improvements are seen.	Oct-19
33	Sb	Contract	Councils do not comply with their contractual obligations set down in 3rd party contracts resulting in inefficient operations, financial penalties and loss of reputation.	8	Mark Stone	Effective management and comms to ensure contract obligations are delivered.	SMT	5	Y	Set up a review and reporting progress.	Oct-19
34	Sb	Property	Failure to provide suitable council office accommodation that is fit for purpose on time resulting in poor staff morale, compromised service and loss of reputation.	8	Mark Stone	Project governance structure in place. A: New lease is in place for 135 Eastern Ave B: Crowmarsh site: members design group due to be reestablished shortly. External project management undertaken by a professional company.	Adrianna Partridge Suzanne Malcolm	6	Y	Continuous review of performance through project team reporting to portfolio holder.	Oct-19
36	Sb	Security - resources	Emergency at council offices or council owned building may result in increased time to deal with the incident and associated investigations, legal requirement and liabilities which may result in reputation loss and compromised service.	5	Adrianna Partridge	The council has an Emergency plan; and crisis response plan together with a dedicated Emergency planning officer.	Ben Coleman/ Gary Carey	2/3	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. Testing the plans.	Oct-19

Corporate Risk Register July 2019

37	Sb	Financial	Failure to prevent corporate fraud activity will result in increased cost to the councils, legal challenge and loss of reputation.	6	William Jacobs	Regular Internal Audit review of financial control environment and specific anti fraud aspects to all audits. The council has a desk based benefit and council tax reduction scheme anti fraud team. In addition the council recruited a fraud specialist who carried out an investigation to ensure areas of potential fraud are not being overlooked.	William Jacobs	2/3	Y	Act upon the findings of the fraud specialist report which found no major fraud activity risks. Report to JAGC in July. Share findings with Assurance team and risk Officer.	Oct-19
38		Democratic process	Failure to deliver a major election in accordance with our statutory requirements, results in reputation damage and costs to re-run an election. The PCC election on the 7 May 2020 will be followed by VE day bank holiday on the 8 May which may result in difficulties in resourcing staff whilst the count arrangements are unknown at present.	8	Margaret Reed	Preparation for the PCC elections will commence in October. Project planning and risk registers tailored to specific election requirements, which are reviewed and updated. Delivery is monitored on a regular basis as and when appropriate. Successfully delivered two election within short timeframe. NOTE: currently the Police area returning officer has not yet been appointed and the acting returning officer for Oxford West and Abingdon is in post.	Steve Corrigan	6	Y	Funding successfully resourced for elections. The plans are regularly reviewed and monitored. Prepare a comms plan to aid recruitment and review progress. A dedicated election project team set up to constantly monitor IT support and resourcing, escalating any issues through the project governance arrangements and project risk register. A report on the elections will be submitted to the Community Governance and electoral issues council, report awaiting approval.	Oct-19
40		Contracts	Failure to learn from contractor poor performance on core council services (IT/waste collection/grounds maintenance and leisure) results in poor services for residents and loss of reputation.	7	Mark Stone	Methodology to report service breaches are in place, this provides evidence to use in contract re-negotiation.	SMT	6	Y		Oct-19
41		Security - resources	Major incident in the district - failure to adequately respond to a major incident affecting our residents may result in legal action (corporate manslaughter/environmental pollution) and loss of reputation.	6	Adrianna Partridge	The council has a Crisis Response Framework in place, a designated Emergency Planning Officer that is a member of county wide networks.	Ben Coleman	6	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents.	Oct-19
42		Corporate services	Customer engagement and managing perception. failure to engage and manage the perception of our residents regarding key decisions in and out of the council control such as the Expressway route, may disenfranchise residents and result in loss of reputation.	2/3	Adrianna Partridge	Prepare a communications plan to ensure all key stakeholders and residents are kept informed throughout the decision making process. HOS have comms buddies to enable forward planning of the strategy.	Andy Roberts	2/3	Y		Oct-19
43		Finance	Government deal for housing growth: failure to agree with members of the Oxfordshire councils means we may not meet the deal agreement criteria and result in the no infrastructure funding (of £30m pa over 5 years) for Oxfordshire, which may impact our councils' reputation.	2/3	Andrew Down	Working with partners and developers to deliver the growth deal through the Joint strategic spacial plan (JSSP) Oxfordshire 2050.		2/3	Y	First year target met.	Oct-19
44		Policy and insight	New channels of revenue growth: failure to identify new areas of revenue growth in the long term may result in the councils missing opportunities of becoming less reliant on government grants and subsidies.	2/3	SMT/HOS	SMT to horizon scan opportunities as an integral part of the regular corporate risk register review. Improve staff awareness of the need to identify opportunities for revenue growth through a staff suggestion scheme with rewards for the best adopted idea. The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure.	SMT/HOS	2/3	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed alongside an action plan once the CIPFA findings are reported.	Oct-19
45		Corporate services	Brexit may impact the economic viability and specific services within the districts in the short to medium term.	2/3	Adrianna Partridge	Working group set up to review risks and mitigation. Linked to OCC county/nation wide initiatives.	Ben Coleman Michelle Wells	2/3	Y	Business impact assessments of all service teams ongoing.	Oct-19

Corporate Risk Register July 2019

46		Policy and insight / Finance	Uncertainty over the expressway route may have impact on the Local plan. Once route agreed it may impact council finances due to costs of running public consultations in the affected areas of the district. Greater risk in S.	2/3	Andrew Down	Route option expected Autumn 2019.					Oct-19
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NOTES:

Risk 34 increased risk rating to 8

Risk 37 rating to 2 3

Risks 38 and 12 reduced risk rating to 6.

Version created and revised on 02/07/ 2019

Risk rating:

	Limited /no assurance/critical
	Satisfactory assurance/risks
	Full/substantial assurance /risks

KEY

VWHDC Strategic objectives

Va	Running an efficient council
Vb	Housing and infrastructure
Vc	Sustainable communities and wellbeing
Vd	Building and even stronger economy

Corporate Risk Register - Vale of White Horse District Council

Risk No/Ref	Strategic objective ref	Risk category	Risk description / consequences	Gross risk rating	Risk owner	Mitigation actions	Action owner	Net risk rating	Tolerable Y/N	Further mitigation actions if required	Review by when
1	Sb	Customer	Poor customer insight and failure to act upon findings will impact the delivery of excellent services and not meet the needs of residents.	2/3	Adrianna Partridge	Regular residents surveys (due Feb/March 2018). Council consultations on specific service and policy changes via the council consultation officer. Framework for dealing with customer complaints; FOI's and MP enquiries. Town and Parish forums are held twice yearly. Business breakfasts with local businesses held twice yearly. Customer user workshops as part of website project.	Sally Truman	1	Y	The new management structure includes a dedicated customer services team to coordinate information on our customers and customer insight. Conduct a feasibility study into whether or not a CRM system could improve customer insight by reviewing complaints trends to inform service planning.	Oct-19
2	Sa	Technology security	IT Cybersecurity breach due to inadequate security protection and naïve user behaviour may lead to the council systems being hacked. Resulting in the council being unable to operate effectively and securely and subject to loss of reputation as well a financial loss.	9	Adrianna Partridge	CAPITA information security infrastructure provides continuous updates of security software, firewalls and patches. Information security group regularly meets to discuss issues and mitigation actions. Cybersecurity awareness campaign to raise awareness of employee responsibilities to mitigate against data security issues. The risk and insurance officer along with risk champions review council risk exposure and mitigation actions. The new data security and data protection officer has been appointed. Roles and responsibilities to be defined going forward.	Lee Brown Sally Truman Yvonne Cutler Greaves Sandy Bayley	8	Y	Ongoing effective management of security arrangements provided by CAPITA contract. Ongoing cybersecurity awareness campaign. Ensure cybersecurity awareness as part of induction training for new starters. All cybersecurity breaches are investigated. Review mobile device security through a mobile device management procedure. New campaign summarising key messages from 2018 to include regular real time news items on Jarvis outlining actual incidents; email phishing exercises and training. Set up a cybersecurity	Oct-19
3	Sb	Technology	IT infrastructure not fit for purpose with no back up or BCP (no separate WAN line from 135 building) and insufficient IT hardware and software licenses to support employees to undertake council activities, may result in poor customer service and loss of council reputation.	8	Adrianna Partridge	5CP and council BCP arrangements to mitigate against IT infrastructure failure. Risk Champion in place to support and promulgate BCP knowledge of arrangements across service teams. IT Infrastructure lead has been recruited.	Lee Brown Simon Turner Yvonne Cutler Greaves	8	Y	Embed revised BCP arrangements into the councils new structure. Review of the adequacy of the 5CP IT infrastructure is ongoing. Once 5CP BCP is in place a programme of testing the plan will commence. The council plans to increase in house resource to support work in this area going forward. Joint working group underway with 5CP DR team. IT technical strategy	Oct-19

Corporate risk register July 2019

4	Va	Security - resources	Council offices site security insufficient at both 135 where the location of business lounge and staff entrance increases risk of intruder entering the building and Abbey House where reception staff are at risk of abuse from visitors to OCC.	8	Suzanne Malcolm	Property team are dealing with Abbey House reception. At 135, security has been reviewed and recommendations made to reduce tailgating at the business lounge doors. A new disabled access point separate from the main access point has been instigated to reduce likelihood of tailgating through automatic doors.	Angela Baker	5	Y	Continuous review of security arrangements for 135 to eliminate the possibility of tailgating through the reception area doors, the door closure mechanism need review to either remove or speed up closure. The emergency exit side door at the rear of 135 is now designed for disabled access, this has reduced the risk of tailgating through the business lounge.	Oct-19
5	Sb	Resources	Insufficient staff capacity may result in the council not fulfilling its regulatory and compliance requirements and subsequently may result in fines. Lack of prioritisation of activities, staff capacity pressures and capabilities, resulting in inefficiencies in operations and missed opportunities such as alternative grant funding research as officers firefight/react to issues rather than plan ahead.	5	Mark Stone	New management structure bedding in to take this into account. Review of the Hays contract (temporary staff).	David Fairall	5	Y	Review the recruitment and Training and development elements of the HR policy framework. Develop people plans to ensure we recruit, develop and retain staff. Initiate a training and development programme. Link progress to the corporate plan/service plans, reporting to SMT. Ongoing.	Oct-19
6	Sa	Resources	Embedding the management restructure creates a period of change and uncertainty resulting in staff retention issues and loss of knowledge and expertise in key areas, which may compromise delivery of the council objectives.	5	Mark Stone	New management structure is bedding in.	Adrianna Partridge	5	Y	Continue to embed permanent council structure to operate in a steady state. Develop people plans to ensure we recruit, develop and retain staff. Initiate a training and development programme.	Oct-19
7	Sb	Resources personal security	Poor staff morale, wellbeing and personal security due increased workloads, levels of abuse from residents on social media and at meetings as well as uncertainty over restructure, may result in stress leading to increased absence and low staff retention rates, with subsequent work-load pressures and increased cost implication to plug the resource gap by recruiting contract staff.	5	Mark Stone	HR support through HR Assist available to all members of staff if required. Wellbeing specialists and members from HR Assist team presentations underway to staff as to what they do and how they can help staff. The leisure team communicate community activities for staff to be involved with. Wellbeing group now in place.	David Fairall	5	Y	Wellbeing programme will be constantly reviewed to ensure it meets the user needs.	Oct-19
8	SC Sd	Resources	Dependency on temporary and contract staff in key operational and strategic areas, may disrupt progress of work with little time to recruit a replacement, thus leaving the council short of key resource in key projects resulting in delay and increased costs. Agency staff unfamiliarity with the councils policies may result in errors in protocols and incorrect guidance given and followed.	7	Mark Stone	Management review and reduce the dependency on temporary and contract staff throughout the councils. Contract staff database to support reporting to SMT. There has been a reduction in the number of temp/contract staff employed at the council during the period of restructure and recruitment.	Adrianna Partridge	6	Y	Deliver permanent council structure operating in a steady state.	Oct-19

Corporate risk register July 2019

9	Sb	Procedural - Health and safety	Failing to have an effective health and safety management system in place where, in some cases concerns and areas of non-compliance raised have not been acted upon because managers have been unable to gain the resources and support required to take mitigating action. This could result in: a fatality, illness or injury to staff or anyone else affected by our business; damage to property; legal action by HSE; civil claims and increased costs.	8	Adrianna Partridge	A part-time health and safety adviser is employed by the councils, health and safety policies are reviewed and updated every 3 years or when there is significant changes, managers are briefed on H&S through OMG meetings, Connect or updates on Jarvis, mandatory health and safety training is provided to employees, managers and senior management every 3 years. Health and safety review board (HSRB) and quarterly reporting to SMT (due to organisational changes this did not take place last year), health and safety audit programme in place and internal audit provide governance, challenge and oversight. Health and safety adviser is a member of the risk forum to allow concerns to be highlighted via the corporate risk register across all service teams through the risk champions.	Ben Coleman	6	Y	A health and safety strategy is being developed which allows for: <ul style="list-style-type: none"> • Adequate allocation of resources for health and safety • Commitment from the 'top' • Raising the profile of health and safety within the councils • Reviewing membership of the HSRB and the terms of reference of this group • Closer working with service managers to effectively raise risks to CE/HoS either for them to action or accept. Reviewing health and safety policy framework.	Oct-19
10	Sb Se	Procedural	Inconsistent approach to Third party contract monitoring in service teams, may result in a reduction in service provision and increased cost of performance.	2/3	Andrew Down	New structure includes a strategic partnership manager.	Susan Harbour	2/3	Y	Possible central contract monitoring group linked to SMT to review quarterly. Provision of effective contract monitoring training for staff.	Oct-19
11	Sb	Procedural/regulatory	Failure to fulfil GDPR requirements may result in fines and reputational damage if data is breached or a challenge is made.	8	Adrianna Partridge	Designated DPR resource and champions across the council. DPR project board. Budget growth bid enabled to secure funding to support required changes as a result of regulations. DPR handover to Corporate services. The new data security and data protection officer has been appointed. Roles and responsibilities to be defined going forward.	Sally Truman/Sandy Bayley/Lee Brown	8	Y	Constant monitoring of legislative tests. Establish internal review procedures. Ensure a consistent retention policy across the councils. Write a new retention policy across the councils, review third party contractors and contracts to ensure processing personal data processing policies. Keep up to date on the ICO who will issue new guidance. Review council systems namely Ocella to ensure personal data is removed from the system either automatically/manually. Action plan devised.	
12	Sb	Procedural	Poor/inconsistent level of programme and project management coordination and corporate methodology and controls, inconsistent utilisation of expertise across the councils resulting in poor delivery of projects, not realising the full benefits and understanding the risks and dependencies across the councils.	7	Adrianna Partridge	New programmes and assurance team to coordinate programme and project management. Project management methodology has been introduced which includes a project risk register approved.	Ben Coleman	6	Y	Continue to review and improve the new consistent programme and project management methodology to integrate with procurement, finance, legal and other processes across the councils. Full roll out anticipated in the autumn once SMT have approved approach. Training programme to support the new approach.	

Corporate risk register July 2019

13	Sc	Financial	Failure to adequately manage council finances to take into account reduction in central government funding (including MHCLG grant income) results in councils inability to undertake its statutory duties at a time of increased demands (homelessness and an aging population) resulting in reduction in service level to our residents, innovative initiatives and projects going forward. Currently there is uncertainty around funding from central government which makes medium term financial planning very difficult.	2/3	William Jacobs	The council has a Medium Term Financial Plan (MTFP) that will flag potential financial resilience problems five year in advance. This allows the council to determine an approach to managing future budget pressures. The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure. The MTFP is refreshed annually. The scale of any challenge will be known more fully following the government's 2020 spending review and pending government announcements on future funding streams.	Simon Hewings	2/3	Y	Regular budget monitoring and annual refresh. Medium term financial plan ensures any potential risks are identified. Review the CIPFA findings and identify actions.	Oct-19
14	Sc	Community services	Failure to maximise opportunities to realise areas of revenue growth may impact overall future council finances.	5	HOS	The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure.	HOS/SM's	2/3	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed alongside an action plan once the CIPFA findings are reported.	Oct-19
15	Sb Se	Programmes	Failure of third party contracts to deliver acceptable levels of service results in a reduction in council service provision. (See separate risk registers)	8	Mark Stone	Constant review of contractors financial viability. Prioritise the introduction of business continuity plans. A new procurement officer is now in place and a review of the contracts database is underway. Management restructure allows focus on third party contracts.	SMT	8	Y	Develop business continuity plans across all services. Review contract governance and clarify roles and responsibilities. Up to date contracts register.	
17	Sd	Programmes	Didcot Garden town: Significant funding estimated at £319m is needed to deliver projects identified in the adopted delivery plan - failure to realise this future funding to expand/expansion delayed due to planning decisions may result in loss of reputation to deliver such projects for the community (separate risk register).	5	Andrew Down	New project manager successfully recruited and in post the team is being resourced. Produce a DPD.	Andrew Down/Marybeth Harasz	5	Y	Write a business case for future funding requirements taking into account all interested parties. The DPD document is listed in the planning work timetable, however there is significant lead time due to priority planning work taking precedent.	Oct-19
17	Sc Se	Programmes	Enterprise zone 1 pace of expansion is not quick enough to realise the business rate income over 25 years to cover the cost of borrowing against projected incomes. Impacted by NICS. Council fails to attract more business or retain business in the zones 1 & 2 thus impacting on business rate income.	1	Andrew Down	A requirement to review borrowing. Engage external advice for future income forecasting use the data to assess the level of future borrowing this is currently being procured.	Andrew Down/Susan Harbour	1	Y	Internal forecasting has confirmed we should raise business rates income to cover the cost of borrowing - External consultants are currently working to validate that forecasting result. Also a need to focus on further inward investment. New post created to facilitate this plus more effective working relationship with OxLEP	Oct-19

Corporate risk register July 2019

18	Sc	Programmes	Failure to capitalise and influence national initiatives that benefit the districts.	8	Mark Stone	Continue to work in partnership with others (experts) to seek new areas of potential funding, building on our successful approach to raising money to support a number of major developments in the district such as securing a housing grant deal for the district. There is an inconsistent approach to a feedback mechanism to share ideas and on funding sources or comment on National Policy.	Andrew Down/ Michelle Wells	5	Y	Management restructure has enabled resource to be allocated to research future funding opportunities through the Policy and Insight service area, within the remit of the service is external funding with the objective of "We will identify and attract external funding to benefit our communities and fulfil our objectives; working to maximise inward investment into Oxfordshire". This will be undertaken via active collaboration and engagement with all our partners (Growth Board, Oxfordshire County Council and Homes England) to ensure favourable future outcomes. Review the impact of BREXIT on our rural communities (Loss of LEADER funding) and our economic communities (High st and Science Vale (Scientific experts)). A framework as to how we will approach external funding opportunities is being devised by the team and will form part of their service plan.	Oct-19
20		Procedural/ regulatory	Changes in legislation and government policy, including potential creation of unitary authority or devolution in Oxfordshire may impact the operational delivery of the councils' corporate objectives.	2/3	Mark Stone	There is sufficient notice and lead time to enable the council to set up a project team and resourcing to enable the changes.	Andrew Down/ Michelle Wells	1	Y		Oct-19
21	Se	Democratic process	Changes in the local political landscape including snap elections, may impact the operational delivery of the councils' corporate objectives.	2/3	Mark Stone	Following the May 2019 local elections all councillors received induction training. There are regular updates and meetings with all opposition parties throughout the year to enable good rapport building. Each service team has a councillor	SMT/ Margaret Reed	2/3	Y	New corporate plan will be devised with performance measures and reporting process.	Oct-19

Corporate risk register July 2019

22	Sb	Democratic process	Lack of informed and consistent decision making across the councils will result in slow adoption of local plans, more planning appeals losses, increased costs and loss of council reputation.	5	Adrian Duffield	The HOS, Section 151 and Monitoring Officers inform and advise relevant councillors on consequences and impact of planning decisions and legal, financial and policy implications of decisions. The council has a 3 year land supply as stipulated by the government.	Adrian Duffield	2/3	Y	More consistent approach to briefing councillors on legal, financial and policy implications of making planning application decisions. Train Committee members and cabinet members on the planning process and implications and consequences of planning decisions in the local and national context. Provide support to parishes with regular updates and communications on reasons for planning decisions in the local and national context. Work with the customer engagement team to improve communication with local residents and parishes.	Oct-19
23	S/V	Corporate plan	Failure to deliver on the corporate plan objectives results in reputational damage.	2/3	Mark Stone	The council has a programmes and assurance team responsible for performance management. Performance measuring and reporting against corporate plan objectives that are project based. Monthly board reports to cabinet. Performance measuring reports to scrutiny committee. Performance is assessed in the CEO appraisal.	SMT/Sally Truman	2/3	Y	New Corporate plan process to be devised link to performance review and board reporting.	Oct-19
24	Se	Customer service	Failure to maintain a consistent standard of customer service results in stagnant customer service initiatives and long term service reduction and thus reputational damage.	5	Adrianna Partridge	Individual service team targets. Successfully achieved Customer Service Excellence accreditation. There is a new customer engagement team as part of the council restructure.	Sally Truman	5	Y	The 'customer engagement' team to coordinate performance measures linked to both service plans and the corporate plan and linking to individual PDP's. Conduct a feasibility study into whether or not a CRM system could improve customer insight. Develop a customer services strategy to encompass all our customers to include residents; staff; councillors and third parties.	Oct-19
25	Sb Sc	Property	Lack of asset management expertise of council owned land and property portfolios results in under investment in property across the councils, reducing the ability to maximise incomes as well as lack of understanding as to where maintenance and insurance liabilities responsibilities lie (Council/Parishes etc).	5	Suzanne Malcolm	Validation of property records are now being undertaken by Cushman & Wakefield which will provide an up to date database of property ownership and inform an action plan for the management of the portfolio. Due to the management restructure the facilities teams work alongside the property team to enable seamless property maintenance and Health & Safety checks as required. The new property manager is now recruited and the property team leader is now in post.	Tom Putt	5	Y	Plan to establish a corporate property management model. Reinstate asset management group meetings to review ongoing issues and future strategies. Put in place a policy to allocate Cil/Sec 106 funding ensuring all key service teams in the council are informed (insurance/property/parks/arts etc) and thus enable allocation of this funding. Internal Audit have identified three areas of property:ownership/billing and H&S. Work will commence on the asset management process.	Oct-19

Corporate risk register July 2019

26	Se	Safeguarding	Failure to deliver council safeguarding responsibilities may result in loss of reputation if a safeguarding incident occurs in our districts and we have not followed the stipulated procedures and protocols of reporting.	5	Liz Hayden	Mandatory training appropriate to the level of contact as a district council with no social services and education responsibilities.	Diane Foster	2/3	Y	Review the safeguarding policy and training delivery. Work has commenced and will be completed by 31 March 2020.	Oct-19
27	Sb	Procedures	Lack of clarity on the procurement process, roles and responsibilities results in uninformed and inconsistent procurement of services which may result in increased long term costs and services compromised.	4	William Jacobs	The council has recruited an interim procurement expert to supplant the CAPITA service .	Simon Hewings	2/3	Y	Draft procurement procedures and training is being developed pending SMT approval to roll out.	Oct-19
28	Sc Sd Se	Property	Failure to secure the redevelopment at key council owned sites in the district and capitalise on new building and refurbishment programmes may result in increased costs, a decrease in reputation and loss of potential funding from the redevelopment. (Merged with risk 20)	5	Suzanne Malcolm	Strategic property review underway by an external strategic property consultants to include site redevelopment opportunities ongoing. The new property manager is working to review Council benchmarking and options available by Dec '19 with Cushman and Wakefield supporting the work.	Suzanne Malcolm	5	Y	Developing partnership working with all landowners and developers to ensure timely preparedness. This work will continue to progress and take time to embed before resulting improvements are seen. The portfolio includes: The Charter; Old Abbey House; The Upper Reaches await councillor steer with the intention of having one public estate looking at best use of assets to create a community hub in collaboration with Abingdon Town Council.	Oct-19
29	Sc Sd Se	Economic	Failure to address or remove barriers to Small and Medium Enterprises (SME) growth may result in SME's closing, moving out of the district, or not starting. This may result in a loss of potential business rates and reduced consumer spending in our market towns.	5	Suzanne Malcolm	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system	Oct-19
30	Sc Sd Se	Economic	Insufficient support (including the EU funding shortfall) is provided to key research sites at Harwell, so the research is not commercialised to its full potential and businesses at the site relocate out of the district, resulting in a loss of employment.	5	Suzanne Malcolm	EU funding may not be available after Brexit, work being undertaken to ensure we maximise the Government funding through the shared prosperity fund. Continuous liaison with the key research sites.	Suzanne Malcolm	2/3	Y	The new mgt structure is enabling the creation of an environment to help attract funding with less silo working. Support development of new business ventures in the district. Facilitate learning from best practises outside the council and increased awareness of opportunities	Oct-19
31	Sc Sd Se	Economic	Failure to deliver the actions on the BIS plan may result in businesses not engaging with the councils leading to a reduction in the districts economic attractiveness and competitiveness and thus reduction in number of businesses start ups and growth and a reduction in business rate revenues, higher unemployment in the districts.	2/3	Suzanne Malcolm	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system	Oct-19
32	Sb	Contract	Councils do not comply with their contractual obligations set down in 3rd party contracts resulting in inefficient operations, financial penalties and loss of reputation.	8	Mark Stone	Effective management and comms to ensure contract obligations are delivered.	SMT	5	Y	Set up a review and reporting progress.	Oct-19
33	Sb	Property	Failure to provide suitable council office accommodation that is fit for purpose on time resulting in poor staff morale, compromised service and loss of reputation.	8	Mark Stone	Project governance structure in place. A: New lease is in place for 135 Eastern Ave B: Crowmarsh site: members working group due to be reestablished shortly. External project management will be undertaken by a professional company.	Adrianna Partridge Suzanne Malcolm	8	Y	Continuous review of performance through project team reporting to portfolio holder.	Oct-19

Corporate risk register July 2019

35	Sb	Security - resources	Emergency at council offices or council owned building may result in increased time to deal with the incident and associated investigations, legal requirement and liabilities which may result in reputation loss and compromised service.	5	Adrianna Partridge	The council has a Crisis Repsonse Plan together with a dedicated Emergency planning officer who links into county wide networks.	Ben Coleman/ Gary Carey	2/3	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. Testing the plans.	Oct-19
36	Sb	Financial	Failure to prevent corporate fraud activity will result in increased cost to the councils, legal challenge and loss of reputation.	6	William Jacobs	Regular Internal Audit review of financial control environment and specific anti fraud aspects to all audits. The council has a desk based benefit and council tax reduction scheme anti fraud team. In addition the council recruited a fraud specialist who carried out an investigation to ensure areas of potential fraud are not being overlooked.	William Jacobs	2/3	Y	Act upon the findings of the fraud specialist report which found no major fraud activity risks. Report to JAGC in July. Share findings with Assurance team and risk Officer.	Oct-19
37		Democratic process	Failure to deliver a major election in accordance with our statutory requirements, results in reputation damage and costs to re-run an election. The PCC election on the 7 May 2020 will be followed by VE day bank holiday on the 8 May which may result in difficulties in resourcing staff whilst the count arrangements are unknown at present.	8	Margaret Reed	Preparation for the PCC elections will commence in October. Project planning and risk registers tailored to specific election requirements, which are reviewed and updated. Delivery is monitored on a regular basis as and when appropriate. Successfully delivered two election within short timeframe. NOTE: currently the Police area returning ofcier has not yet been appointed and the acting retirunig officer for Oxford West and Abingdon is in post.	Steve Corrigan	6	Y	Funding successfully resourced for elections. The plans are regularly reviewed and monitored. Prepare a comms plan to aid recruitment and review progress. A dedicaed election project team set up to constantly monitor IT support and resourcing, escalating any issues through the project governance arrangements and project risk register. A report on the elections will be submitted to the Community Governance and electoral issues council, report awaiting approval.	Oct-19
39		Contracts	Failure to learn from contractor poor performance on core council services (IT/waste collection/grounds maintenance and leisure) results in poor services for residents and loss of reputation.	7	Mark Stone	Methodology to report service breaches are in place, this provides evidence to use in contract re-negotiation.	SMT	7	Y		Oct-19
40		Security - resources	Major incident in the district - failure to adequately respond to a major incident affecting our residents may result in legal action (corporate manslaughter/environmental pollution) and loss of reputation.	6	Adrianna Partridge	The council has a crisis response framework in place a designated Emergency Planning Officer, that is a membe rof county wide networks.	Ben Coleman	6	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents.	Oct-19
41		Corporate services	Customer engagement and managing perception: failure to engage and manage the perception of our residents regarding key decisions in and out of the council control such as the Expressway route, may disenfranchise residents and result in loss of reputation.	2/3	Adrianna Partridge	Prepare a communications plan to ensure all key stakeholders and residents are kept informed throughout the decision making process. HOS have comms buddies to enable forward planning of the strategy.	Andy Roberts	2/3	Y		Oct-19
42		Finance/ Strategic Partnerships	Government deal for housing growth: failure to agree with members of the Oxfordshire councils means we may not meet the deal agreement criteria and result in the no infrastructure funding (of £30m pa over 5 years) for Oxfordshire, which may impact our councils' reputation.	2/3	Andrew Down	Working with partners and developers to deliver the growth deal through the Joint strategic spacial plan (JSSP) Oxfordshire 2050.	Andrew Down/ Susan Harbour	2/3	Y	First year target met.	Oct-19

Corporate risk register July 2019

43		Policy and insight	New channels of revenue growth: failure to identify new areas of revenue growth in the long term may result in the councils missing opportunities of becoming less reliant on government grants and subsidies.	2/3	SMT/HOS	SMT to horizon scan opportunities as an integral part of the regular corporate risk register review. Improve staff awareness of the need to identify opportunities for revenue growth through a staff suggestion scheme with rewards for the best adopted idea. The council has engaged the Charter Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure.	SMT/HOS	2/3	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed alongside an action plan once the CIPFA findings are reported.	Oct-19
44		Corporate services	Brexit may impact the economic viability and specific services within the districts in the short to medium term.	2/3	Adrianna Partridge	Working group set up to review risks and mitigation. Linked to OCC county/nation wide initiatives.	Ben Coleman Michelle Wells	2/3	Y	Business impact assessments of all service teams. Ongoing.	Oct-19
45		Strategic Partnerships / Finance	Uncertainty over the expressway route may have impact on the Local plans and the Oxfordshire Plan 2050. Once route agreed it may impact council finances due to costs of running public consultations in the affected areas of the district. Greater risk in S.	2/3	Andrew Down	Route option expected Autumn 2019.	Andrew Down/ Susan Harbour	2/3	TBC		Oct-19
46		Planning/ Finance	Abingdon reservoir plans result in a financial impact for the council to run and attend public enquiries and consultations in the district.	2/3	Adrian Duffield / Andrew Down	Budget have been agreed to fund public engagement in Spring 2020.	TBC	2/3	TBC		Jan-20

NOTES:

Risk 33 increased risk rating to 8

Risk 36 net reduced rating to 2 3

Risks 37 and 12 reduced risk rating to 6.

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Joint Audit and Governance Committee

Report of Internal Audit Manager

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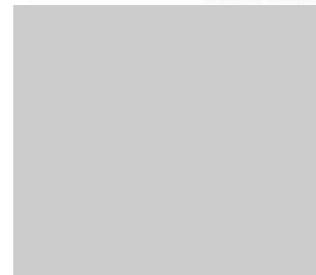
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To: Joint Audit and Governance Committee

DATE: 29 July 2019



Internal audit activity report quarter one 2019/2020

Recommendation

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 at both councils for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Victoria Hughes, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430.

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. 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 council's 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. 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 good system of internal control designed to meet the system objectives and the controls are being consistently applied.

Substantial assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being 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

2019/2020 Audit Reports

7. As at 16 July 2019, since the last audit and governance committee meeting the following audits and follow up reviews have been completed:

Completed Audits:

Full Assurance: 0

Substantial Assurance: 2

Satisfactory Assurance: 3

Limited Assurance: 6

Nil Assurance: 0

	Assurance Rating	Total Recs	High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
Joint								
1. Creditor Payments 18/19	Limited	8	2	2	1	1	5	5
2. HR Management 18/19	Limited	6	3	3	2	2	1	1
3. Payroll 18/19	Limited	11	7	7	3	3	1	1
4. Petty Cash Procedures 18/19	Limited	6	2	2	3	3	1	1
5. Pro-Active Anti-Fraud Review 18/19	Limited	3	3	3	0	0	0	0
6. Sundry Debtors 18/19	Limited	3	1	1	1	1	1	1
Capital Management & Accounting 18/19	Satisfactory	11	0	0	6	6	5	5
General Ledger 18/19	Satisfactory	6	0	0	2	2	4	4
Risk Management 18/19	Satisfactory	6	0	0	5	5	1	1
Housing Benefits & CTRS 18/19	Substantial	7	0	0	0	0	7	7
Insurance 18/19	Substantial	5	0	0	1	1	4	4
SODC								
None								
VWHDC								
None								

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
Joint							
Brown Bins 18/19	Limited	7	7	0	0	0	0
Planning Appeals 18/19	Satisfactory	6	0	2	3	0	1
SODC							
None							
VWHDC							
None							

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 reports 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 service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published on the councils' intranet and limited assurance reports are reviewed by the strategic management team.
11. Internal audit continues to carry out a six month follow up on all non-key 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.

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.

VICTORIA HUGHES
INTERNAL AUDIT MANAGER

1. Creditor Payments 2018/2019

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to creditor payments. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 27. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- appropriate policies and procedures are in place which are adhered to with roles, responsibilities and authorisers for creditors clearly documented;
 - invoices are promptly processed and supported by appropriate documentation;
 - manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised and paid correctly;
 - adequate controls are in place to prevent duplicate payments;
 - refunds are appropriately authorised and actioned;
 - VAT is being appropriately allocated for creditor payments.

2. BACKGROUND

- 2.1 Creditor payments or accounts payable are payments by the councils to third party suppliers for goods or services purchased. Capita exchequer services provide the system administration for creditor payments through the financial management system, Agresso, as part of the five councils' partnership (5CP).
- 2.2 SODC
At the time of the audit review (February 2019), there were 6,334 invoices received since April 2018, which totalled £45,284,003.01. Of these, 3,671 were purchase order invoices totalling £15,471,465.26 and 2,663 were non-purchase order invoices totalling £29,812,537.75.
- 2.3 VWHDC
At the time of the audit review (February 2019), there were 4,729 invoices received since April 2018, which totalled £25,460,530.85. Of these, 2,186 were purchase order invoices totalling £16,965,908.72 and 2,543 were non-purchase order invoices totalling £8,494,622.13.

3. PREVIOUS AUDIT REPORTS

- 3.1 Creditor payments was last subject to an internal audit review in March 2018 and eight recommendations were raised. All eight recommendations were agreed and a limited assurance opinion was issued.
- 3.2 Of the eight recommendations, six recommendations have been implemented and two have not been implemented and are restated as part of this review (Recs 7 and 8).

4. 2018/2019 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Eight recommendations have been raised in this review. Two are high risk, one medium risk and five low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

- 5.1.1 The councils have in place financial procedure rules, which are part of the constitution, and sets out how the councils manage their finances, including creditor payments. Review confirmed that the constitution is up-to-date and was last updated in June 2018. The constitution is available to all officers via the councils' website. It is noted that the updates to the constitution were approved at both SODC and VWHDC full council meetings in May 2018.
- 5.1.2 Procedures are in place for creditor payments, which clearly define the roles and responsibilities of both council officers and exchequer services (Capita) staff. The procedures are available to relevant officers via the councils' intranet. It is noted that exchequer services (Capita) also have procedures in place for the processes they undertake as part of creditor payments.
- 5.1.3 Process flowcharts are documented for use in each of the Capita locations involved in the creditor payments process (Darlington, Shepton Mallet, Chichester); however, it was noted that there is no overarching flowchart which documents the end to end creditor payments process (i.e. from receipt of invoice to payment).
- 5.1.4 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 1).

5.2 Invoice processing

- 5.2.1 Capita's Darlington team receive the councils' invoices and Capita exchequer services process them for payment through the Agresso financial system. Invoices are received, scanned and checked, prior to payment being made to the supplier. A target of paying 96.44% of its supplier invoices within five working days, or agreed payment terms, following approval is in place as part of the 5CP contract and usage of purchase orders is encouraged to speed up the payment process. A sample of 40 (20 SODC and 20 VWHDC) invoices were selected and reviewed for the following:
- segregation of duties between the individual requesting and approving the purchase requisition;
 - invoices approved in line with the approved data grid which sets out authorisation levels; and
 - invoices are linked to the suppliers' account and transaction, and an audit trail is available in the form of a flowchart and logbook;
- Based on our review, it was noted that upon receipt of the goods or services, the invoice approver marks the goods/services as received within Agresso; however, there is no requirement to retain formal goods receipting evidence.
- 5.2.2 Daily checks are undertaken by Capita of any outstanding invoices and weekly reports are sent to the councils via the 5CP client team on invoices that still require coding and/or approval. Invoices parked are also sent on to the councils on a weekly basis to establish if

the invoices can be paid. The following reports are used by Capita to manage unpaid invoices:

- outstanding invoices;
- parked invoices; and
- invoices on hold.

Internal audit were unable to validate the definition and purpose of each report.

Furthermore, the reports do not formally document the status and actions of individual invoices.

5.2.3 Invoices are rejected and returned to suppliers if there are errors, such as incorrect council details, purchase order number, or date. From April 2018 to date (February 2019) 450 VWHDC and 550 SODC invoices were returned to suppliers, comprising of approximately 15 suppliers, each with over 10 returned invoices. However, regular review of the reasons for rejected invoices is not performed.

5.2.4 Area assurance: Substantial

Three recommendations have been made as a result of our work in this area (Recs 2, 3 and 4).

5.3 **Payments**

5.3.1 Manual payments are made for urgent payments, which is separate from the weekly payment runs. These are requested through an urgent payment voucher and dealt with the same way as the normal payment requests within the Agresso system.

5.3.2 BACS is the default payment with cheque payments used as an exception, and no suppliers are set up for payment by direct debit. It is noted that the procedure notes, accounts payable (non-PO), state that exchequer services (Capita) will only accept changes to supplier details, including bank, if a supplier form is completed and submitted by council officers, which is available on the councils' intranet. Weekly payment runs for both BACS and cheque payments are sent to the councils for authorisation, and review confirmed there is appropriate email authorisation prior to payments being processed. Review of BACS payment rejections established that there is no process in place to notify Capita of the reason for the BACS error and any actions taken, to prevent reoccurrence of the same error.

5.3.3 Area assurance: Substantial

One recommendation has been made as a result of our work in this area (Rec 5).

5.4 **Duplicate payments**

5.4.1 Within the Agresso system is a built-in control preventing invoices from being registered if any invoices that are scanned have the same supplier name and invoice number as an existing invoice. If duplicates are encountered the invoice is sent to exchequer service (Capita) workflow to review and manage accordingly, such as allocating to the correct supplier manually. An Agresso report of invoices greater than £100 paid since 1 April 2018 to date (February 2019) was received and review established that there were nine (two SODC and five VWHDC) duplicate invoices, which were registered and paid. Review of the nine duplicate invoices found that:

- Four VWHDC invoices had slight variations to the invoice number (e.g. one digit difference); however, the transaction details were the same (i.e. supplier ID, invoice amount, period, invoice description);
- Two VWHDC invoices were paid via a duplicate supplier ID;
- Two invoices were submitted to both SODC and VWHDC; and

- One SODC invoice had a different invoice number; however, the transaction details were the same (i.e. invoice amount, period, invoice description).

5.4.2 The Agresso system also has a built-in control in place to mitigate the risk of duplicate payment being made, as it will only allow payment to be made against an invoice once. It is noted that there still is potential for duplicate payments if:

- duplicate suppliers are created; and
- the sundry supplier account is used when the supplier already has an existing account.

Council officers are expected to check existing suppliers prior to requesting a new addition and Capita exchequer services are expected to review the request before creating the new supplier. An Agresso listing of all open and closed supplier accounts was obtained and review established that there are 4,143 (2,508 SODC and 1,635 VWHDC) open supplier accounts, of which 21 were possible duplicate accounts, with more than two accounts noted for some suppliers. These comprise of 26 SODC accounts for 13 suppliers and 16 VWHDC accounts for 8 suppliers. Review of the 21 (100%) suppliers (13 SODC and eight VWHDC) found that all 21 suppliers have duplicate accounts set up on Agresso, all of which are active.

5.4.3 Sundry supplier accounts are used as one-off payments to suppliers that have not been set up onto Agresso, for example refunds to debtors who have overpaid or where there has been a cancellation of service. Review of the sundry supplier account report for 2018/2019 to February 2019 established that 369 (184 SODC and 185 VWHDC) transactions totalling £208,269.81 (£79,871.81 SODC and £128,398.00 VWHDC) were paid through the account. Based on our review of sundry account transactions, we noted no concerns with the use of sundry supplier accounts. It is noted that review of the usage of sundry supplier accounts has stopped since the 5CP contract started on 1 August 2016.

5.4.4 During the review of suppliers, it was noted that a number of suppliers were individuals rather than companies, therefore the retention of any personal data needs to comply with GDPR legislation. Internal audit were unable to verify GDPR compliance as there is no formal evidence of a compliance review.

5.4.5 Area assurance: Limited

One recommendation has been made as a result of our work in this area (Rec 6). Two recommendations are restated (Recs 7 and 8).

5.5 Refunds

5.5.1 Procedures are in place to cover the management of refunds in the form of credit notes received being offset against invoices. Credits since 1 April 2018 to date (February 2019) were obtained and review of 40 (20 SODC and 20 VWHDC) credit notes confirmed that:

- credit notes are offset against the invoice;
- segregation of duties exists between the officer raising and approving the credit note;
- credit notes were managed and approved appropriately; and
- credit notes were linked to the suppliers' account and transaction, and an audit trail was available in the form of a flowchart and logbook.

5.5.2 For suppliers with a debit balance, i.e. the council is owed money, an invoice is not issued to recoup the balance, but the credit is offset against future payments that become due or credit notes received. From review of suppliers with a debit balance as at February 2019, there are 71 (39 SODC and 32 VWHDC) suppliers with a total of £100,152.90 (£43,918.33 SODC and £56,234.57 VWHDC) owed to the council.

5.5.3 Area assurance: Full

Agenda Item 8

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

5.6 VAT

5.6.1 The VAT part of invoices, which are received from suppliers, are coded to B0901 X002 on the Agresso system. The accountancy team (Capita) has nominated officers in place and both the intranet and the accounts payable procedures advise council officers who to contact if they have any queries regarding VAT. Review of 40 (20 SODC and 20 VWHDC) invoices confirmed that VAT was appropriately recorded.

5.6.2 Area assurance: Full

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

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Recs 7 and 8
Medium risk	Other control weakness for local management action	Rec 6
Low risk	Recommended best practice to improve overall control	Recs 1 to 5

OBSERVATIONS AND RECOMMENDATIONS**POLICIES AND PROCEDURES****1. Accounts payable process flow charts****(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procedure documents are supported by a process map to document the flow of data across the different teams and locations within the accounts payable process.</p> <p><u>Findings</u> There is no high-level process map for the accounts payable process, which documents the flow of physical and electronic information across the end to end accounts payable process.</p> <p><u>Risk</u> Lack of a high-level accounts payable flow chart may increase the risk of process inefficiencies.</p>	<p>Consider documenting a high-level flow chart of the end to end accounts payable process, which could include:</p> <ul style="list-style-type: none"> • Capita locations and council teams; • the flow of physical (e.g. invoices) and electronic (e.g. within Agresso, emails, reports, etc.) information; • controls in the process (e.g. checking and approving data input, approval of invoices etc.). 	Accounts Payable Shared Services Manager (Capita)
Management Response		Implementation Due Date
Recommendation is Agreed		14 July 2019

Capita can draft a high-level process flow chart showing the path an invoice follows from receipt at the scanning centre to the invoice being paid. Subject to review and agreement with the council that the process is accurately represented. Management response: Accounts Payable Shared Services Team Leader (Capita)	
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INVOICE PROCESSING

2. Aged invoice reports

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Reports showing the status of purchase invoices, responsible persons and explanations for any delays in payment are readily available.</p> <p><u>Findings</u> Aged purchase invoices are allocated to one of the following categories:</p> <ul style="list-style-type: none"> parked invoices outstanding invoices invoices on hold <p>From our review, we were unable to obtain a clear definition of each category used for aged invoices. Furthermore, we noted that invoices were often incorrectly categorised.</p> <p>In addition, aged purchase invoice listings for each of the above categories do not document the responsible person, status, and explanations for any delays in invoice processing.</p> <p><u>Risk</u> Lack of formal tracking of aged purchase invoices increases the risk of delays in payment, which may cause reputational damage with suppliers.</p>	<p>a) Clearly define the use of each category of aged purchase invoices (parked, outstanding, on hold).</p> <p>b) Ensure that aged invoice reports formally record explanations/tracking of individual invoices.</p>	Accounts Payable Shared Services Manager (Capita) / Systems Development team (Capita)
Management Response		Implementation Due Date
<p>Recommendation is Agreed in Principle Capita can provide a definition for each of the existing reports that are produced. It is not currently possible to provide a singular report, if this is a requirement then system development is required and a change request needs to be raised. Management response: Accounts Payable Shared Services Team Leader (Capita)</p>		28 June 2019

3. Invoice supporting documentation

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A formal audit trail of goods/services receipting evidence is maintained.</p> <p><u>Findings</u> The individual who receipts delivery of the goods or services is required to receipt the order in Agresso; however, evidence of delivery is not retained. Evidence of delivery of goods/service may be retained by the individual; however, this is not mandatory.</p> <p><u>Risk</u> Lack of formal evidence for the receipt of goods and/or services results in an inadequate audit trail.</p>	Consider retaining evidence for the receipt of goods and/or services.	Finance Systems & Procurement Team Leader
Management Response		Implementation Due Date
<p>Recommendation is Agreed A communication will be issued to service teams advising them of the requirement to retain evidence. This will be reiterated during training sessions.</p>		1 July 2019

Management response: Finance Systems & Procurement Team Leader

4. Invoices returned to suppliers**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Purchase invoices returned to suppliers are regularly reviewed, to understand the reasons for rejecting the invoice.</p> <p><u>Findings</u> Between April 2018 and January 2019, 1,000 (450 SODC and 550 VWHDC) purchase invoices were returned to suppliers, for the following reasons:</p> <ul style="list-style-type: none"> • Incorrect or missing PO number • Incorrect or missing department • Missing invoice date • Incorrect address <p>However, a regular review of the reasons for invoices being returned is not performed.</p> <p><u>Risk</u> Lack of regular review and monitoring of returned invoices may increase the risk of duplicate invoices and process inefficiencies.</p>	Establish a process to regularly review returned invoices and take the necessary actions with the supplier.	Accounts Payable Shared Services Manager (Capita) and Finance Systems & Procurement Team Leader
Management Response		Implementation Due Date
<p>Recommendation is Agreed in Principle Invoice rejections are completed at point of receipt by the scanning team. Capita can introduce a process improvement here to capture the supplier and reason for rejection on a spreadsheet, that can be issued back to the client each month for analysis. Management response: Accounts Payable Shared Services Team Leader (Capita)</p> <p>Recommendation is Agreed in Principle The Finance team will distribute the report to service teams with an instruction to review and contact their suppliers where necessary Management response: Finance Systems & Procurement Team Leader</p>		1 July 2019

PAYMENTS**5. BACS payment errors****(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> BACS payment errors are investigated, resolved, and communicated in a timely manner.</p> <p><u>Findings</u> Budget holders are responsible for taking corrective actions to resolve BACS payment errors. However, there is no formal process for budget holders to communicate the results of their corrective actions, to ensure that the same error does not reoccur. Review of invoices from April 2018 to February 2019 found 19 (13 SODC and 6 VWHDC) BACS processing errors.</p> <p><u>Risk</u> If corrections to BACS errors are not performed and communicated in a timely manner, there is an increased risk of duplicate payments and process inefficiencies.</p>	Ensure corrective actions taken to resolve BACS payment errors are communicated in a timely manner to relevant officers.	Finance Systems & Procurement Team Leader
Management Response		Implementation Due Date

<p>Recommendation is Agreed Service teams will be advised to notify Capita of the actions they have undertaken where a BACS payment has been rejected. Management response: Finance Systems & Procurement Team Leader</p>	1 July 2019
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DUPLICATE PAYMENTS

6. GDPR compliance

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A periodic review of supplier lists is performed to ensure that any personal data is GDPR compliant.</p> <p><u>Findings</u> During our review of supplier listings, as at February 2019, it was noted that a number of suppliers were individuals. There is no formal evidence of a review of supplier data for GDPR compliance.</p> <p><u>Risks</u> Non-compliance to GDPR legislation, which could result in fines and reputational damage.</p>	Review supplier master data to ensure that any personally identifiable data is GDPR compliant.	Finance Systems & Procurement Team Leader
Management Response		Implementation Due Date
<p>Recommendation is Agreed Officers will work with Capita to agree a process for reviewing suppliers on an annual basis to ensure GDRP compliance. Management response: Finance Systems & Procurement Team Leader</p>		2 September 2019

PREVIOUS RECOMMENDATIONS RESTATED

7. Duplicate invoices

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Duplicate invoices are not registered onto Agresso and there is a process in place to identify any that are registered prior to payments being made.</p> <p><u>Findings</u> An Agresso report of invoices greater than £100 paid since 1 April 2018 to date (February 2019) was received and review established that there were nine (two SODC and five VWHDC) duplicate invoices, which were registered and paid. Review of the nine duplicate invoices found that:</p> <ul style="list-style-type: none"> four VWHDC invoices had slight variations to the invoice number (e.g. one digit difference); however, the transaction details were the same (i.e. supplier ID, invoice amount, period, invoice description); two VWHDC invoices were paid via a duplicate supplier ID; two invoices were submitted to both SODC and VWHDC; and one SODC invoice had a different invoice number; however, the transaction details were the same (i.e. invoice amount, period, invoice description). <p><u>Risk</u></p>	<p>a) A review should be undertaken of duplicate invoices and for any duplicate payments made, in addition to those identified, a refund should be requested to recoup the payment as soon as possible.</p> <p>b) Duplicate invoices identified after being registered, prior to payment, should be reversed.</p> <p>c) Regular reviews of duplicate invoices should be undertaken to prevent duplicate payments from occurring.</p>	Accounts Payable Shared Services Manager (Capita) and Finance Systems & Procurement Team Leader

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If duplicate invoices are not identified prior to registration, there is a risk of duplicate payments resulting in financial loss.		
Management Response		Implementation Due Date
<p>Recommendation is Agreed in Principle</p> <p>The accounting system has functionality to perform a “straight” duplicate check, this is reliant on the invoice number being an identical match, in these cases the duplicates are stopped. Payment extracts are provided in conjunction with the NFA reporting every 2 years which are analysed and duplicate payments reported back, action is then taken to recover duplicated payments from the suppliers. There is also external Accounts Payable (AP) forensics software that is already deployed in the accounts payable shared services environment and used for other clients. This software would come with scoping requirements and a change request required. The councils will discuss the AP forensics software with Capita to understand its purpose and how useful it may be.</p> <p>Management response: Accounts Payable Shared Services Team Leader (Capita) Finance Systems & Procurement Team Leader (councils)</p>		1 October 2019

8. Duplicate suppliers**(High Risk)**

Rationale	Recommendation	Responsibility
<p>Best Practice</p> <p>Suppliers only have one open account on Agresso, if they have the same address and bank details.</p> <p>Findings</p> <p>Review of supplier lists as at February 2019 for possible duplicate suppliers found that 21 (13 SODC and eight VWHDC) suppliers have a duplicate account set up on Agresso, all of which are active with the same bank details.</p> <p>Furthermore, it was noted that 194 (115 SODC and 79 VWHDC) suppliers have either missing or inaccurate bank details and 546 (305 SODC and 241 VWHDC) suppliers have no email address recorded on the supplier account.</p> <p>Risks</p> <p>If suppliers have more than one account on the Agresso system, there is a risk of invoices being registered more than once and payments being against the wrong account.</p>	Regular reviews should be undertaken on the supplier master file to ensure that possible duplicate suppliers are reviewed and if necessary, closed on Agresso.	Finance Systems & Procurement Team Leader
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>Officers will agree a timetable with Capita for the production of a report to be reviewed by service teams who will be responsible for reviewing their suppliers and requesting closures where appropriate.</p> <p>Management response: Finance Systems & Procurement Team Leader</p>		2 September 2019

2. HR Management 2018/2019**1. INTRODUCTION**

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to HR management. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 16. The audit approach is provided in the audit framework in Appendix 1.

- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- the councils have an adequate HR policy framework in place, and the HR policies have appropriate ownership and are up-to-date;
 - there is appropriate management and administration of the MyView and AskHR systems, including access control rights;
 - annual leave entitlement is appropriately calculated and there is suitable authorisation for carry over of leave outside of the agreed tolerance levels;
 - documentation controlled by Capita HR is appropriately retained and readily available;
 - appropriate governance and contract management arrangements are in place between strategic HR and Capita HR to ensure HR management is effective.

2. BACKGROUND

- 2.1 Since August 2016, the councils' HR advisory and administrative service has been provided by Capita HR based in Belfast. A new in-house strategic HR team was developed and has been in place since December 2017. The team focus is on the long-term HR work to ensure that the councils are in the best position to recruit, develop and retain staff.
- 2.2 HR records are managed through the MyView system provided by Capita HR. Any HR related queries and policies and procedures are managed through AskHR, which is also provided by Capita HR.

3. PREVIOUS AUDIT REPORTS

- 3.1 HR management was last subject to an internal audit review in June 2016 and five recommendations were raised. All five recommendations were agreed. A satisfactory assurance opinion was issued.
- 3.2 Of the five recommendations, three have been implemented, one has not been implemented and is restated and one recommendation has been superseded.

4. 2018/2019 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Six recommendations have been raised in this review. Three high risk, two medium risk and one low risk.

5. MAIN FINDINGS

5.1 HR policies and procedures

- 5.1.1 As part of the five councils' partnership (5CP), the human resources (HR) advisory and administration services is managed by Capita and strategic HR is run by the councils. Strategic HR was brought back in-house in December 2017. The councils do not have guidance for officers on the different roles and responsibilities of both the in-house strategic HR team and the Capita HR team.

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- 5.1.2 The councils do not have in place a HR policy framework that defines a set of goals, which might be used in decision making to guide a more detailed set of HR policies, or to guide ongoing maintenance of the councils' HR policies. Detailed HR policies are in place, i.e. annual leave and bank holiday policy, organisational change policy, etc. and are held on AskHR. However, a review of AskHR and Jarvis found that there is no policy in place for awarding honoraria. Review found that nine out of the 12 HR policies require reviewing as they were last updated prior to the commencement of 5CP, and do not reflect new ways of working.
- 5.1.3 The HR and payroll team (Capita) has a business process directory that covers HR and payroll processes. Review found that the directory was version controlled and was last reviewed and updated in June 2017. Review also confirmed that HR and payroll processes are documented using print screens, to show the step-by-step process when using and entering details onto the HR back office system (ResourceLink).
- 5.1.4 Area assurance: Satisfactory
Three recommendations have been made and one recommendation restated as a result of our work in this area (Recs 1-4).

5.2 Management and administration of HR systems

- 5.2.1 The councils use the following two HR systems, which are managed by the system administrators (Capita) in Belfast:
- **AskHR** - primarily used by council staff to submit a question or request an action/request to Capita HR. HR and payroll policy documents, forms and training guidance are also held on the system.
 - **MyView** - holds council staff information, i.e. bank details, personal details, etc. along with payslips. Staff can request leave, training courses, claim overtime and submit expense claims, which are automatically routed to the individual's line manager for approval.
- 5.2.2 Access to MyView is managed by the system administrators (Capita) based in Belfast. The following system access controls are in place:
- a unique user id, password and answers to security questions are required to logon to the system;
 - users are required to change their password every 90 days;
 - passwords must include, at a minimum, uppercase and lowercase letters and numbers; and
 - accounts are automatically disabled following three unsuccessful logon attempts.
- Internal Audit were informed that the MyView user access report includes the data of users from all five councils. We were unable to obtain a user access report solely for SODC and VWHDC users, therefore we could not validate whether access to MyView is revoked timely. Furthermore, as MyView is a web-based system, it can be accessed via personal devices, by users without an Active Directory account.
- 5.2.3 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 5).

5.3 Annual leave entitlement

- 5.3.1 The councils have an annual leave and bank holidays policy, which is available to all officers via AskHR. The policy needs revising as it was last reviewed in October 2011 and sets out that:
- officers working a 37-hour week have 23 working days leave in a full year, which rises to 28 days after five years' continuous local government service.

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- service managers, heads of service and the chief executive are entitled to 32 days' annual leave but no annualised hours.

The annual leave entitlement was revised in 2017/2018 to 24 days, which rises to 29 days after five years' continuous service for officers, and 33 days with no annualised hours to service managers, heads of service and the chief executive. It is noted that part-time officers have their annual leave allowance pro-rated.

5.3.2 Annual leave is recorded on MyView and the annual leave year runs from the officers start date with the council. Officers are also required to record any leave in their timesheet, by adding the appropriate number of hours each day and selecting from a drop-down list to identify the adjustment as annual leave. Any unused annual leave at the end of an individual's annual leave year is recorded within the officer's MyView record. Approval from the relevant head of service is required to carry over annual leave in excess of five days to the following year. Annual leave for part-time officers is calculated and pro-rated, by Capita HR, using the annual leave calculation sheet.

5.3.3 A review of annual leave for the following was performed to establish if annual leave entitlements were appropriately calculated and pro-rated:

- a random sample of 20 (ten SODC and ten VWHDC) leavers during 2018/2019 to November 2018;
- a random sample of 20 (ten SODC and ten VWHDC) part-time employees in 2018/2019 to November 2018; and
- a random sample of five (two SODC and three VWHDC) employment contract changes during 2018/2019 to November 2018, which resulted in a change to annual leave entitlement.

Based on our review, it was found that:

- for eight (three SODC and five VWHDC) leavers, annual leave entitlements were incorrectly calculated, resulting in six (three SODC and three VWHDC) officers being overpaid and two VWHDC officers being underpaid;
- for 18 (eight SODC and ten VWHDC) part-time officers, annual leave entitlements were incorrectly calculated, resulting in two (one SODC and one VWHDC) officers receiving a deficit amount of leave and 16 (seven SODC and nine VWHDC) officers receiving a surplus; and
- for four (two SODC and two VWHDC) officers with an employment contract change, annual leave entitlements were incorrectly calculated, resulting in two (one SODC and one VWHDC) officers receiving deficit amount of leave and two (one SODC and one VWHDC) officers receiving a surplus.

5.3.4 Area assurance: Limited

One recommendation has been made as a result of our work in this area (Rec 6).

5.4 Security of HR documentation

5.4.1 Suitable security measures are in place between the councils and the payroll team (Capita) for both holding and transferring HR and payroll data. The HR and payroll team (Capita) utilise a secure email system called Voltage SecureMail when sending the payroll run reports to the councils for approval. Voltage SecureMail encrypts the email and can only be opened by the recipient after their email address has been verified, by setting up an email and password. It is noted that all other HR and payroll data and information is sent securely to councils via AskHR and MyView, which requires the councils' officers to log onto using a username and password. Hardcopy HR and payroll data is held securely in the Belfast office. Access to the office requires a key card and hardcopy files are stored in

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a locked cupboard. It is noted that access to the 5CP HR shared drive is restricted to HR staff (Capita) who work on the 5CP contract.

- 5.4.2 Area assurance: Full
No recommendations are made as a result of our work in this area.

5.5 Governance and contract management

- 5.5.1 As part of the five councils' partnership (5CP), the HR advisory and administrative service is provided by Capita and a service delivery plan (SDP) is in place stating the service that will be provided. In January 2019, the five councils revised and agreed the inter-authority agreement, which included a revised client relationship team. The client relationship team is in place to manage the contract and ensure that an acceptable level of service is provided to the councils through performance reporting and monthly meetings with Capita. Review of the December 2018 performance report found that the 5CP client team undertake sufficient reviewing and scrutinising as requests of rectification plans are made for areas of underperformance and rectification plans are rejected when satisfactory processes are not put in place to improve performance. No recommendations have been made as a result of our work in this area.

- 5.5.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6. ACKNOWLEDGEMENTS

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

- 7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Recs 3, 5 and 6
Medium risk	Other control weakness for local management action	Recs 1 and 2
Low risk	Recommended best practice to improve overall control	Rec 4

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATION RESTATED

1. Honoraria policy

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a policy setting out the framework under which honoraria are awarded.</p> <p><u>Findings</u> Officers are awarded honoraria for a variety of reasons and are approved by the head of corporate services who has delegated authority within the constitution.</p>	<p>Develop an honoraria policy, which includes:</p> <ul style="list-style-type: none"> the definition of honoraria; what does and does not constitute an honorarium; the process to request honoraria; 	Strategic HR Manager

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<p>Review of both Jarvis and AskHR found that there is no policy setting out the criteria for awarding honoraria.</p> <p>Risk If there is no policy setting out the councils' approach to awarding honoraria, there is a risk of officers not being treated consistently and fairly. Furthermore, payments could continue to be awarded without a documented review to ensure they are still merited.</p>	<ul style="list-style-type: none"> the criteria for awarding honoraria; the authorisation process for awarding honoraria; and review requirements for amounts awarded. 	
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>There is an ongoing project to review and update all policies (and add any new policies that are also required). As many policies are contractual, meaning changes require consultation, this may take some time to complete in full. Hence the completion date of December 2019. Please note that many of the policies will be updated during the year and before this date.</p> <p>Management response: Strategic HR Manager</p>		31 December 2019

POLICIES AND PROCEDURES**2. HR policy framework****(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A HR policy framework is in place setting out development of HR policies and procedures to ensuring they are consistent, user friendly and up-to-date.</p> <p><u>Findings</u> A HR policy framework is not in place for SODC and VWHDC.</p> <p>Risk If a HR policy framework is not in place, there is a risk of lack of guidance for setting out the development of HR policies and procedures to ensure that they are consistent, user friendly and up-to-date.</p>	Document a HR policy framework, which sets out the goals that can be used to guide a more detailed set of HR policies and ongoing maintenance of the policies.	Strategic HR Manager
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>There is an ongoing project to review and update all policies - agreeing a framework going forward will be included within this. As many policies are contractual, meaning changes require consultation, this may take some time to complete in full. Hence the completion date of December 2019. Please note that many of the policies will be updated during the year and before this date.</p> <p>Management response: Strategic HR Manager</p>		31 December 2019

3. Policies and procedures**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Policies are up to date, version controlled and reviewed in accordance with agreed timescales.</p> <p><u>Findings</u> From review of the HR policies relating to pay, the following required updating as they were last reviewed prior to the 5CP arrangements (August 2016):</p> <ul style="list-style-type: none"> annual leave and bank holidays policy - October 2011; annualised hours policy - May 2016; learning and development policy - September 2014; 	<p>a) Version control on the policies should be enhanced to include:</p> <ul style="list-style-type: none"> the author of the policy; the date the policy was approved and by whom; the next review date. <p>b) Policies that still refer to Crowmarsh Gifford, i.e. travel and expenses policy, should be reviewed and amended to reflect Milton Park as the council's base premises.</p>	Strategic HR Manager

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<ul style="list-style-type: none"> • leave policy - May 2015; • market premium - July 2013; • maternity, paternity, adoption and surrogacy policy - May 2015; • sickness absence policy - April 2013; • shared parental leave policy - February 2015; • travel and expenses policy - November 2014; • recruitment and Selection - November 2014; • eye test and payment for glasses procedure - April 2014. <p>As stated in the previous audit review, there is insufficient version control within the policies and the travel and expenses policy still contains reference to the council site at Crowmarsh.</p> <p><u>Risk</u> If version control is not fully completed and up-to-date, there is a risk of policies not being reviewed and updated in a timely manner and not reflecting current practices, which may lead to incorrect practices being followed.</p>	<p>c) The HR policies should be reviewed in accordance with agreed timescales and reflect any changes due to the 5CP arrangements.</p>	
Management Response	Implementation Due Date	
<p>Recommendation is Agreed</p> <p>There is an ongoing project to review and update all policies - agreeing a framework going forward will be included within this. As many policies are contractual, meaning changes require consultation, this may take some time to complete in full. Hence the completion date of December 2019. Please note that many of the policies will be updated during the year and before this date.</p> <p>Management response: Strategic HR Manager</p>	31 December 2019	

4. HR roles and responsibilities**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The roles and responsibilities of the strategic HR and Capita HR teams are clearly defined and formally documented.</p> <p><u>Findings</u> In August 2016, the HR service was outsourced to Capita. However, in December 2017, the councils developed a new in-house strategic HR team to focus on the long-term HR work to ensure that the councils are in the best position to recruit, develop and retain staff.</p> <p>Review of the HR services FAQs documents, on Jarvis, for both staff and managers established that both documents state what officers and manager do and who they contact for a set of questions within the documents.</p> <p>However, there is insufficient guidance for council officers on the different roles and responsibilities of the strategic HR and Capita HR teams.</p> <p><u>Risk</u> Lack of clearly defined roles and responsibilities, resulting in lack of guidance for staff, which may increase the risk of process inefficiencies.</p>	<p>The roles of both strategic HR and Capita HR should be agreed and written down, and communicated to council staff, so that they are aware of the roles of both team and can contact the appropriate team, dependant on the HR query/advice/action.</p>	Strategic HR Manager
Management Response	Implementation Due Date	
<p>Recommendation is Agreed</p> <p>As discussed in the briefing meeting, this information already exists on Jarvis, but agree we need to expand on this and communicate further.</p> <p>Management response: Strategic HR Manager</p>	31 August 2019	

MANAGEMENT AND ADMINISTRATION OF HR SYSTEMS

5. MyView user access reviews

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Regular MyView user access reviews are performed to ensure that access is restricted to authorised officers.</p> <p><u>Findings</u> A request was made for report of users and access levels to MyView. However, a report could not be run solely for SODC and VWHDC users, instead the report included users across all five councils. Internal audit was therefore unable to confirm whether MyView access for leavers or inactive users has been disabled in a timely manner. Furthermore, as MyView is a web-based system, it can be accessed via personal devices, without requiring users to have an Active Directory account.</p> <p><u>Risk</u> If MyView user access reviews are not regularly performed, there is a risk of unauthorised access.</p>	<p>a) Capita should establish a way of extracting a MyView user access report for SODC and VWHDC only.</p> <p>b) Remind Capita HR to revoke/deactivate MyView user access upon leaving the councils.</p> <p>c) Establish a process for Capita HR to perform regular MyView user access reviews.</p>	Head of Service - HR (Capita)
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>a) Capita IT will review if this is possible.</p> <p>b&c) MyView access is revoked the day following the employees last working day providing that Capita has been advised of the leaver in advance of payroll close.</p> <p>Management response: Head of Service - HR (Capita)</p>		31 August 2019

ANNUAL LEAVE ENTITLEMENT

6. Annual leave calculations

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A consistent approach is taken when calculating the annual leave for leavers, part-time employees, and any changes to employment contracts.</p> <p><u>Findings</u> A random sample of 20 (ten SODC and ten VWHDC) officers was selected each for leavers and part-time officers, and a random sample of five (two SODC and three VWHDC) officers with change to employment contract was selected to establish if annual leave entitlements were appropriately calculated and pro-rated. Review found that:</p> <ul style="list-style-type: none"> for eight (three SODC and five VWHDC) leavers, annual leave entitlements were incorrectly calculated, resulting in six (three SODC and three VWHDC) officers being overpaid and two VWHDC officers being underpaid; for 18 (eight SODC and ten VWHDC) part-time officers, annual leave entitlements were incorrectly calculated, resulting in two (one SODC and one VWHDC) officers receiving a deficit amount of leave and 16 (seven SODC and nine VWHDC) officers receiving a surplus; and for four (two SODC and two VWHDC) officers with an employment contract change, annual leave entitlements were incorrectly calculated, resulting in two (one SODC and one VWHDC) 	<p>a) Perform a retrospective review of annual leave entitlements for leavers, part-time employees and changes to employment contract during 2018/2019 to ensure that annual leave entitlements are correctly calculated. Take corrective actions as necessary.</p> <p>b) Document written procedures and provide training to Capita HR staff to ensure that they understand the process for calculating annual leave for leavers, part-time employees, and changes to employment contracts.</p> <p>c) Remind Capita HR staff of the requirement to use the annual leave calculation sheet provided by the councils when calculation the annual leave entitlement for part-time staff.</p>	Head of Service - HR (Capita)

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<p>officers receiving deficit amount of leave and two (one SODC and one VWHDC) officers receiving a surplus.</p> <p><u>Risk</u> Inconsistent approach to annual leave calculations may result in under/overpayments to staff.</p>		
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>a) Capita will review this as part of our quality assurance regime to ensure that calculations are processed correctly.</p> <p>b) Capita will support the councils as required.</p> <p>c) Capita use the calculations provided by the councils to calculate and pro-rata part-time and leavers annual leave entitlement.</p> <p>Management response: Head of Service - HR (Capita)</p>		31 August 2019

3. Payroll 2018/2019

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to payroll. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 28. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- appropriate policies and procedures are in place regarding pay which are available to relevant council and Capita staff;
 - payroll system parameters are up-to-date and appropriate;
 - amendments to standing data are appropriately authorised, documented and actioned promptly, including:
 - starters and leavers;
 - overtime;
 - additions/deductions or variations to pay, e.g. pay rises;
 - personal data;
 - sickness.
 - data and information is held and transferred between the councils, Capita payroll, Capita HR and Capita accountancy securely, accurately and in a timely manner;
 - Capita payroll review the pay run files to confirm accuracy of pay prior to it being sent to the councils for approval;
 - payroll reconciliations are accurate, timely and independently reviewed; payroll records are regularly reconciled with HR's establishment listing and appropriate actions are taken to address any discrepancies.

2. BACKGROUND

- 2.1 As a part of five councils' partnership (5CP), Capita continue to provide the payroll service and the councils' HR service was fully outsourced to Capita on 1 August 2016.
- 2.2 Payroll payments are made through BACS and as of June 2017 Capita started to process payroll data through the MyView system. It is noted that the MyView system went fully live in September 2017.
- 2.3 As at the end of December 2018, the number of employees that had their payments processed through Capita payroll was 561. This comprised of 334 SODC employees and 227 VWHDC employees. From review of the payrun analysis summary, the payroll costs, i.e. basic pay, national insurance, allowance, etc. for December 2018, were £1,457,474.93, of which £979,889.02 was for SODC and £477,585.91 was for VWHDC.

3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in March 2018, and 14 recommendations were raised. All 14 recommendations were agreed and a limited assurance opinion was issued.
- 3.2 Of the 14 recommendations, five have been implemented, five have not been implemented and are restated, three have been superseded and one recommendation is no longer applicable.

4. 2017/2018 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 11 recommendations have been raised in this review. Seven high risk, three medium risk and one low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

- 5.1.1 As part of the five councils' partnership (5CP), the payroll service is managed by Capita and a service delivery plan (SDP) is in place stating the service that will be provided. In January 2019, the five councils revised and agreed the inter-authority agreement, which includes the revised client relationship team. The client relationship team is in place to manage the contract and ensure that an acceptable level of service is provided to the councils through performance reporting and monthly meetings with Capita. Review of the December 2018 performance report found that the 5CP client team undertake sufficient reviewing and scrutinising as requests of rectification plans are made for areas of underperformance and rectification plans are rejected when satisfactory processes are not put in place to improve performance.
- 5.1.2 HR policies are stored on AskHR and cover aspects of officer's pay, i.e. annual leave and bank holiday policy, on call and standby policy, overtime and allowance policy, etc. Review found that nine out of 12 HR policies require reviewing as they were last updated prior to the commencement of 5CP, and do not reflect new ways of working.
- 5.1.3 The HR and payroll team (Capita) has a business process directory that covers HR and payroll processes. Review found that the directory was version controlled and was last reviewed and updated in June 2017. Review also confirmed that HR and payroll processes are documented using print screens, to show the step-by-step process when using and entering details onto the ResourceLink system (back office to MyView).
- 5.1.4 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 1).

5.2 System parameters and security

- 5.2.1 The Capita payroll controller is responsible for maintaining the tax code parameters on ResourceLink. HMRC notify changes to statutory deductions and tax codes, and the council line managers via Capita HR notify any other changes to officers pay, such as new starters, leavers and increments. Internal audit requested the 2018/2019 tax codes parameters to confirm that the parameters are up-to-date, accurate and independently reviewed and approved. Capita did not provide the tax code parameters and provided internal audit with six (three SODC and three VWHDC) examples of council officers tax codes being updated. Review of the examples found that the tax codes have been appropriately updated; however, internal audit could not confirm if the updates were independently review and approved.
- 5.2.2 Access to MyView is managed by the system administrators (Capita) based in Belfast. The following system access controls are in place:
- a unique user id, password and answers to security questions are required to logon to the system;

- users are required to change their password every 90 days;
- passwords must include, at a minimum, uppercase and lowercase letters and numbers; and
- accounts are automatically disabled following three unsuccessful logon attempts.

Internal audit was informed that the MyView user access report includes the data of users from all five councils. We were unable to obtain a user access report solely for SODC and VWHDC users, therefore we could not validate whether access to MyView is revoked timely. Furthermore, as MyView is a web-based system, it can be accessed via personal devices, by users without an Active Directory account.

5.2.3 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 6-8).

5.3 Amendments to standing data

5.3.1 Since the transfer of HR and payroll services to the 5CP, line managers are now responsible for sending HR and payroll information, i.e. new starters, leavers, amendments to data, to Capita HR. Notification forms, i.e. request to recruit, appointment, starters, leavers, contract variations and extension to contract, are held on AskHR and should be completed and signed by the line manager and the service area's accountant. Review of the notification form templates confirmed that they are up-to-date.

5.3.2 The MyView system went fully live on 11 September 2017 and amendment forms are held on MyView for completion by line managers. The MyView system is fully operational and line managers can now submit new starters, leavers and any changes to contracts via the system. However, due to the restructure of the service areas and teams across the councils, the hierarchy on MyView is not 100% accurate. Therefore, manual inputting of information onto the MyView system will continue until the strategic HR team is satisfied. Due to this, line managers have not received MyView training. However, Review of amendment forms on the MyView system against the notification forms confirmed that sufficient information is requested on the system.

5.3.3 A random sample of 30 (22 SODC and eight VWHDC (100% sample)) new starters, 25 (22 SODC and three VWHDC (100% sample)) leavers, and 18 (13 SODC and five VWHDC (100% sample)) amendments to pay and personal data were selected, and review found that:

- notification of leaver forms were fully completed.
- All nine (four SODC and five VWHDC) amendment forms obtained were fully completed.
- notification forms were authorised by an appropriate officer.
- new starters were paid on the next available payrun.
- for four (three SODC and one VWHDC) new starters, the first month's pay was incorrectly calculated. For two out of three SODC new starters, the pay was corrected on the following payrun.
- final salary payments for five (four SODC and one VWHDC) leavers were calculated incorrectly, of which:
 - one SODC leaver was underpaid; and
 - four (three SODC and one VWHDC) leavers were overpaid.
- for five (four SODC and one VWHDC) amendments to pay, the mid-month salary was incorrectly calculated.

5.3.4 During our leavers testing, internal audit established that three different calculations are used to calculate mid-month salary changes alternations, and outstanding annual leave for full-time and part-time employees. As such, a review was undertaken to confirm that the three different calculations are consistent. The three calculations are as follows:

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- **pro-rata monthly salary:** annual salary divided by the number of months in the year divided by the number of working days in the month multiplied by the actual days worked in the month;
- **outstanding annual leave (full-time):** annual salary divided by the number of working days in the year multiplied by the number of outstanding annual leave days remaining after pro-rata;
- **outstanding annual leave (part-time):** hourly salary multiplied by the number of outstanding annual leave hours remaining after pro-rata.

Based on our review, we noted that final salary calculations for leavers are inconsistent as all three calculations resulted in a different daily rate.

5.3.5 Overtime claim forms are submitted by the authorising line manager to Capita payroll either via the MyView online overtime claim form or via the manual overtime claim. The online overtime claim forms are automatically updated on the ResourceLink system. However, the manual overtime claim forms are entered into system by one payroll officer (Capita) and checked by another payroll officer to confirm that the amounts have been entered appropriately. A random sample of 40 (20 SODC and 20 VWHDC) overtime claims in 2018/2019 to date (January 2019) were selected and review found that there were eight (seven SODC and one VWHDC) manual overtime claim forms and 32 (13 SODC and 19 VWHDC) online overtime claims. Based on our review of the manual overtime claim forms we noted:

- the latest claim form was used, which ensures compliance with European Working Time regulations;
- claim forms were authorised by an appropriate officer;
- three (two SODC and one VWHDC) forms included overtime claims for 6hrs and 45mins in one day without at least a 20 minute break, as required by the European Working Time regulations;
- three SODC claim forms pay were incorrect:
 - one claim for 6hrs 55mins was paid 7hrs;
 - one claim for 2hrs 40mins was paid 3hrs 40mins;
 - one claim for 6hrs 45mins was paid 9hrs 45mins.

For the sample of 32 (13 SODC and 19 VWHDC) online overtime claims selected, internal audit was unable to obtain the claim forms from Capita, therefore we could not validate whether online overtime claims were processed appropriately.

5.3.6 Area assurance: Limited

Two recommendations have been made and three restated as a result of our work in this area (Recs 2-4 and 9-10).

5.4 Security of data

5.4.1 Suitable security measures are in place between the councils and the payroll team (Capita) for both holding and transferring HR and payroll data. The HR and payroll team (Capita) utilise a secure email system called Voltage SecureMail when sending the payroll run reports to the councils for approval. Voltage SecureMail encrypts the email and can only be opened by the recipient after their email address has been verified, by setting up an email and password. It is noted that all other HR and payroll data and information is sent securely to councils via AskHR and MyView, which requires the councils' officers to log onto using a username and password. Hardcopy HR and payroll data is held securely in the Belfast office. Access to the office requires a key card and hardcopy files are stored in a locked cupboard. It is noted that access to the 5CP HR shared drive is restricted to HR staff (Capita) who work on the 5CP contract.

5.4.2 The councils' head of finance authorises the monthly payroll run following checks made by both the finance system and procurement team leader and the strategic HR advisor. It is

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noted that the authorisation of the pay run does not contain any personal data, therefore is sent to the payroll team (Capita) via the standard unencrypted email system. A deputy section 151 officer has been in place since October 2017 who substitutes in the absence of the head of finance.

5.4.3 An escalation process for all 5CP services, including HR and payroll, is in place for the councils' officers to request, complain or query. There are three stages to the escalation process for HR and payroll services. The councils' officers are aware of the process as it is available via Jarvis. Review of the escalation process document found that the document is up-to-date and was last reviewed in December 2018. Performance indicators are in place to manage requests, complaints and queries, and failure to achieve the performance indicators requires Capita to explain failings and outline remedial measures to be taken.

5.4.4 Area assurance: Full
No recommendations are made as a result of our work in this area.

5.5 Payroll run review

5.5.1 The payroll team (Capita) utilise a payroll runsheet, processing schedule and control form to ensure that the payroll run files are appropriate and submitted to the councils for approval and submission to BACs in a timely manner. The monthly payroll run files are cross-referenced and reconciled prior to the files being sent to the councils for payment authorisation. Checks are also undertaken by both the finance and procurement team leader and strategic HR team prior to approval by the authorised signatory, either the head of finance or the strategic finance manager.

5.5.2 Since April 2018, checks undertaken on the monthly payroll reports by the finance and procurement team leaders and strategic HR team found discrepancies and all payrolls required a re-run. Checks are undertaken on both the 5% and 10% variance reports. In addition, the payroll team (Capita) independently check the cross-referencing and reconciliations before the payroll run files are sent to the councils. However, review of the May 2018, July 2018, September 2018 and November 2018 payroll run files found that both finance and strategic HR are still logging queries. Of the 99 (77 SODC and 22 VWHDC) queries logged in the four months (May, July, September and November 2018) four (two SODC and two VWHDC) queries were due to inadequate explanations documented on the variance reports. 15 (ten SODC and five VWHDC) queries required payroll to be re-run due to system errors, the councils not providing sufficient information to the payroll team (Capita) and calculation errors.

5.5.3 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 5).

5.6 Payroll reconciliation

5.6.1 The accountancy team (Capita) undertake monthly payroll to general ledger reconciliations, which also include checks on payovers made to both HMRC and third parties, i.e. Unison, and checks on child care vouchers. However, in 2018/2019 to date (January 2019), the accountancy team (Capita) undertook the reconciliations for the months April 2018 to December 2018 in January 2019. The accountancy team (Capita) stated that due to the complexity of the reconciliation, prior to them taking it over, a review of the reconciliation was undertaken and changes to the format were made. This resulted in a delay to the reconciliations but will be undertaken on a monthly basis moving forward. Review of the payroll reconciliation established that the accountancy team (Capita) reviews any differences identified, which are either journaled within the general ledger or resolved with the payroll team (Capita) as required.

5.6.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.7 Establishment list

5.7.1 The establishment list is maintained by the HR team (Capita) and is sent to the strategic HR team for review every month. Internal audit found discrepancies between the establishment list and the payroll records, therefore we undertook a further review of employees recorded on the payroll but not on the establishment list. A sample of 20 (ten SODC and ten VWHDC) employees on the payroll and not the establishment list was selected, and review found that:

- eight (five SODC and three VWHDC) were councillors;
- three (one SODC and two VWHDC) were current employees;
- nine (four SODC and five VWHDC) were leavers with a zero salary amount.

5.7.2 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 11).

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Recs 1, 3, 4, 6-9
Medium risk	Other control weakness for local management action	Recs 2, 10 and 11
Low risk	Recommended best practice to improve overall control	Rec 5

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATIONS RESTATED

1. Policies and procedures

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Policies are up to date, version controlled and reviewed in accordance with agreed timescales.</p> <p><u>Findings</u> From review of the HR policies relating to pay, the following required updating as they were last reviewed prior to the 5CP arrangements (August 2016):</p> <ul style="list-style-type: none"> • Annual leave and bank holidays policy - October 2011; • Annualised hours policy - May 2016; • Learning and development policy - September 2014; • Leave policy - May 2015; • Market premium - July 2013; • Maternity, paternity, adoption and surrogacy policy - May 2015; • Sickness absence policy - April 2013; • Shared parental leave policy - February 2015; • Travel and expenses policy - November 2014; • Recruitment and Selection - November 2014; • Eye test and payment for glasses procedure - April 2014. <p>As stated in the previous audit review, there is insufficient version control within the policies and the travel and expenses policy still contains reference to the council site at Crowmarsh.</p> <p><u>Risk</u> If version control is not fully completed and up-to-date, there is a risk of policies not being reviewed and updated in a timely manner and not reflecting current practices, which may lead to incorrect practices being followed.</p>	<p>a) Version control on the policies should be enhanced to include:</p> <ul style="list-style-type: none"> • the author of the policy; • the date the policy was approved and by whom; • the next review date. <p>b) Policies that still refer to Crowmarsh Gifford, i.e. travel and expenses policy, should be reviewed and amended to reflect Milton Park as the council's base premises.</p> <p>c) The HR policies should be reviewed in accordance with agreed timescales and reflect any changes due to the 5CP arrangements.</p>	<p>Strategic HR Manager</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>There is an ongoing project to review and update all policies. As many are contractual, meaning changes require consultation, this may take some time to complete in full. Hence the completion date of December 2019. Please note that many of the policies will be updated during the year and before this date.</p> <p>Management response: Strategic HR Manager</p>		<p>31 December 2019</p>

2. MyView training

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Line managers are trained on the ResourceLink system.</p> <p><u>Findings</u> The MyView system is fully operational and line managers can now submit new starters, leavers and any changes to contracts via the system. However, due to the restructure of the service areas and teams across the councils, the hierarchy on MyView is not 100% accurate. Therefore, manual inputting of</p>	<p>After the councils are satisfied with the accuracy of the data on the MyView system, line managers should be provided adequate system training, to enable them to accurately complete information for new starters, leavers and changes to contract.</p>	<p>N/A</p>

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information onto the MyView system will continue until the strategic HR team is satisfied. Due to this, line managers have not received MyView training. Risk If the line managers are not trained on the MyView system, there is a risk of the managers not knowing how to complete forms on the system when there are new starters, leavers and when updating any contract changes.		
Management Response (Capita)		Implementation Due Date
Recommendation is Not Agreed Training of the MyView system was provided in advance of go-live. Process guides are available via AskHR for line managers and covers all self-service MyView processes. Management response: Head of Service - HR (Capita)		N/A
Management Response (Strategic HR)		Implementation Due Date
Recommendation is Agreed In addition to the management response above, the councils have been promised resource from Capita for some additional training on MyView. Initial conversations have taken place on the content and timing of this training and so we expect this to take place during June or July 2019. Management response: Strategic HR Manager		31 July 2019

3. Mid-month salary calculations

(High Risk)

Rationale	Recommendation	Responsibility
Best Practice Mid-month salary calculations are independently checked to confirm accuracy. Findings A random sample of 30 (22 SODC and eight VWHDC (100% sample)) new starters, 25 (22 SODC and three VWHDC (100% sample)) leavers, and 18 (13 SODC and five VWHDC (100% sample)) amendments to pay and personal data were selected, review found that the mid-month salary calculations were incorrect for: <ul style="list-style-type: none"> four (three SODC and one VWHDC) new starters' first month's salary; five (four SODC and one VWHDC) leavers' last month's salary; five (four SODC and one VWHDC) amendment to contract salary calculations. Risk If mid-month calculations are not independently checked, there is a risk of errors being made and not picked up resulting in under/overpayment of officers.	For any mid-month salary calculations, new starters, leavers or changes to contract, payroll team (Capita) should independently check to confirm that the month's salary is calculated correctly.	Head of Service - HR (Capita)
Management Response (Capita)		Implementation Due Date
Recommendation is Agreed Standard calculations are currently within the ResourceLink system, and Capita staff work towards these calculations as agreed. Issues are caused when changes to calculations are made by the councils on the monthly validations report. Further implementation of standard Quality Assurance and Business Assurance calibration checking to ensure accuracy of work. Corrective and Preventative action process in place for issues/errors identified going forward. Management response: Head of Service - HR (Capita)		31 August 2019
Management Response (Strategic HR)		Implementation Due Date
Recommendation is Agreed		N/A

The councils systematically check payroll each month before it is approved (through the validation report). We will continue to check, challenge and request any supporting information or calculations, as required.

Management response: Strategic HR Manager

4. Final salary calculations

(High Risk)

Rationale	Recommendation	Responsibility						
<p>Best Practice A consistent approach is in place when calculating salary mid-month adjustments and leaver's annual leave pay resulting in consistent pay rates for part-time and full-time officers.</p> <p>Findings During the review of leavers' final salary calculations, internal audit established that three different calculations are used by the payroll team (Capita) when calculating pro-rata salary adjustments, full-time and part-time leaver's annual leave.</p> <p>The three calculations result in different daily rates. Using January 2019 as an example, the daily rates are calculated as follows:</p> <table border="1"> <thead> <tr> <th>Grade and SCP</th> <th>Annual Salary (AS)</th> <th>Hourly Salary (HS)</th> </tr> </thead> <tbody> <tr> <td>G6 SCP29</td> <td>£34,155.00</td> <td>£17.7036</td> </tr> </tbody> </table> <p>Pro-rata monthly salary Daily Rate = AS / No. Months in Year / No. Working Days in Month £34,155.00 / 12 / 23 (Jan19) = £123.75</p> <p>Outstanding annual leave (full-time) Daily Rate = AS / No. Days in Year £34,155.00 / 261 = £130.86</p> <p>Outstanding annual leave (part-time) Daily Rate = Hourly Salary X No. Hours in Day £17.7036 x 7.4 = £131.01</p> <p>Risk Inconsistent final salary calculations may result in under/overpayment of staff.</p>	Grade and SCP	Annual Salary (AS)	Hourly Salary (HS)	G6 SCP29	£34,155.00	£17.7036	<p>a) For a consistent approach, the councils should decide on one calculation when calculating salary mid-month adjustments and leaver's annual leave pay.</p> <p>b) The decision should be proposed to the relevant stakeholders, i.e. Unison, and approved in line with the councils' joint constitution.</p> <p>c) After approval, Capita should be made aware of the decision and when to start using that one calculation.</p> <p>d) The calculation should also be used by the councils when calculating the hourly rate on the pay scales, which is available to all staff via the councils' intranet site.</p>	Strategic HR Manager
Grade and SCP	Annual Salary (AS)	Hourly Salary (HS)						
G6 SCP29	£34,155.00	£17.7036						
Management Response		Implementation Due Date						
<p>Recommendation is Agreed We thought this had been previously actioned. However, no evidence was provided, therefore this will be completed as a priority. Management response: Strategic HR Manager</p>		31 July 2019						

5. Payroll variance explanations

(Low Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice Detailed explanations are recorded on 5% and 10% variance reports.</p> <p>Findings Despite the introduction of additional, in November 2017, controls by Capita to independently check payroll run files, queries are still being logged by both the finance and procurement team leader and the HR advisor. A review of query logs in May, July, September and November 2018 identified a total of 99 (77 SODC and 22 VWHDC) items queried out of</p>	<p>On both the 5% and 10% variance reports, clear explanations should be documented for each variance so that both the finance team (5CP client) and the HR team (5CP client) understand the reasons for the variances, which may result in a lower volume of queries raised to Capita.</p>	Head of Service - HR (Capita)

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<p>658 (430 SODC and 228 VWHDC) items per the variance reports. Of the 99 queries:</p> <ul style="list-style-type: none"> • 62 queries required no further action; • 20 queries were due to variances caused by rectifying Capita errors in a prior period; • Eight queries resulting from Capita error occurring in the current month; • Five queries were due to variances caused by SODC or VWHDC; • Four queries were due to insufficient or incorrect explanations; <p>As a result of the above queries and errors, the payroll was re-run in May, September and November 2018 for both SODC and VWHDC.</p> <p><u>Risk</u> If clear explanations for variances are not provided, there is a risk of both the finance team (5CP client) and the HR team (5CP client) spending unnecessary time querying the variances.</p>		
Management Response		Implementation Due Date
<p>Recommendation is Agreed The variance report now contains information on any change in salary from the previous month. This is documented by payroll controllers and evidence of change is supplied upon request. Management response: Head of Service - HR (Capita)</p>		31 October 2019

SYSTEM PARAMETERS AND SECURITY**6. Independent review of tax code parameters****(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The annual tax code parameters are updated, and independently checked and approved confirming accuracy.</p> <p><u>Findings</u> Internal audit requested the tax code parameters for 2018/2019 to confirm that the parameters are up-to-date, accurate and independently reviewed and approved. Capita payroll did not provide the 2018/2019 tax code parameters; however, internal audit obtained six (three SODC and three VWHDC) examples of council officers' tax codes being updated.</p> <p>Based on our review, the six tax codes were appropriately updated, however internal audit could not confirm if the updates were independently reviewed and approved for accuracy.</p> <p><u>Risk</u> If tax code parameters are not independently reviewed, there is a risk of officers being taxed the wrong amount, resulting in a possible loss of income to the officers.</p>	Capita payroll should ensure that the annual tax code parameter updates are independently checked and approved to confirm accuracy.	Head of Service - HR (Capita)
Management Response		Implementation Due Date
<p>Recommendation is Agreed Annual tax codes are implemented during the end of year process within the payroll system. Management response: Head of Service - HR (Capita)</p>		31 October 2019

7. MyView user access report**(High Risk)**

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Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A MyView user access report for SODC and VWHDC users is readily available.</p> <p><u>Findings</u> A request was made for report of users and access levels to MyView. However, a report could not be run solely for SODC and VWHDC users, instead the report included users across all five councils.</p> <p><u>Risk</u> Lack of available MyView user access report may result in Capita HR breaching the 5CP contract agreement as user access data may be visible across the five councils.</p>	Capita should establish a way of extracting a MyView user access report for SODC and VWHDC only.	Head of Service - HR (Capita)
Management Response		Implementation Due Date
<p>Recommendation is Agreed Capita IT will review if this is possible. Management response: Head of Service - HR (Capita)</p>		31 August 2019

8. MyView user access reviews**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Regular MyView user access reviews are performed to ensure that access is restricted to authorised officers.</p> <p><u>Findings</u> A request was made for report of users and access levels to MyView. However, a report could not be run solely for SODC and VWHDC users, instead the report included users across all five councils. Internal audit was therefore unable to confirm whether MyView access for leavers or inactive users has been disabled in a timely manner. Furthermore, as MyView is a web-based system, it can be accessed via personal devices, without requiring users to have an Active Directory account.</p> <p><u>Risk</u> If MyView user access reviews are not regularly performed, there is a risk of unauthorised access.</p>	<p>a) Remind Capita HR to revoke/deactivate MyView user access upon leaving the councils.</p> <p>b) Establish a process for Capita HR to perform regular MyView user access reviews.</p>	Head of Service - HR (Capita)
Management Response		Implementation Due Date
<p>Recommendation is Agreed MyView access is revoked the day following the employees last working day providing that Capita has been advised of the leaver in advance of payroll close. Management response: Head of Service - HR (Capita)</p>		31 August 2019

AMENDMENTS TO STANDING DATA**9. Overtime incorrectly calculated****(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Staff are appropriately paid overtime.</p> <p><u>Findings</u> A random sample of 40 (20 SODC and 20 VWHDC) overtime claims in 2018/2019 to January 2019 were selected and review found that three SODC claim forms pay were incorrectly calculated. Of which:</p> <ul style="list-style-type: none"> one claim was rounded up to 7hrs when claimed 6hrs 55mins; 	<p>a) The incorrect overtime claim amounts identified should be reviewed and appropriate action taken.</p> <p>b) A review should be undertaken of overtime claims since April 2018 to confirm that the amount of</p>	Head of Service - HR (Capita)

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<ul style="list-style-type: none"> one claim was for 2hrs 40mins, but were paid for 3hrs 40mins; one claim was for 6hrs 45mins but were paid 9hrs 45mins. <p>Risk If overtime calculations are not made in a consistent manner, there is a risk of the council making under or over payments to employees.</p>	<p>overtime claimed have been correctly paid.</p> <p>c) If incorrectly paid, the payroll team (Capita) should take appropriate action.</p>	
Management Response		Implementation Due Date
<p>Recommendation is Agreed Review to be undertaken to confirm retrospective overtime claims to ensure staff were paid correctly. Appropriate action will be taken should errors be identified - this would include possible changes to current process and calculations, as well as Corrective and Preventative action for applicable members of staff responsible. Management response: Head of Service - HR (Capita)</p>		31 August 2019

10. Break recorded on overtime claims**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p>Best Practice All officers that claim more than six hours overtime in a single, record that they have a minimum of 20 minutes break.</p> <p>Findings A random sample of 40 (20 SODC and 20 VWHDC) overtime claims in 2018/2019 to January 2019 were selected and review found that three (two SODC and one VWHDC) claims recorded 6hrs 45mins in one day without taking any breaks. The European Working Time Regulations require employees working over six hours in a day to take a minimum of 20 minutes break.</p> <p>Risk Non-compliance to the European Working Time Regulations.</p>	<p>a) Remind overtime claimants of the requirement to record a minimum of 20 minutes break on overtime claims, if working more than six hours in a day, as required by the European Working Time Regulations.</p> <p>b) Remind authorising line managers of the requirement to reject any of the overtime claims, which do not record a minimum of 20 minutes break on overtime claims, if working more than six hours in a day.</p>	Strategic HR Manager
Management Response		Implementation Due Date
<p>Recommendation is Agreed Strategic HR Manager to send communication reminding people of the rule on taking breaks every six hours. Management response: Strategic HR Manager</p>		30 June 2019

ESTABLISHMENT LIST**11. Establishment list maintenance****(Medium Risk)**

Rationale	Recommendation	Responsibility
<p>Best Practice The establishment list is maintained by the strategic HR team and reconciles with payroll.</p> <p>Findings Internal audit reconciled the establishment list with the payroll records and found:</p> <ul style="list-style-type: none"> 149 (76 SODC and 73 VWHDC) personnel on the payroll were not recorded on the establishment list; 11 (two SODC and nine VWHDC) personnel on the establishment list were not recorded on the payroll. 	<p>a) Perform a review of the establishment list to ensure it is complete and accurate.</p> <p>b) Establish an agreed upon procedure to regularly reconcile the establishment list and payroll records.</p>	Strategic HR Manager

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<p>A random sample of 20 (ten SODC and ten VWHDC) personnel recorded on the payroll list but not on the establishment list was selected and review found that:</p> <ul style="list-style-type: none"> • eight (five SODC and three VWHDC) were councillors; • three (one SODC and two VWHDC) were current employees; and • nine (four SODC and five VWHDC) were leavers with a zero salary amount. <p><u>Risk</u> If the establishment list does not reconcile with the payroll, there is a risk of ghost employees being set up and paid, resulting in a financial loss to the council.</p>		
Management Response		Implementation Due Date
<p>Recommendation is Agreed in Principle We will review the best way to achieve this. However, we won't be able to commence this task until the hierarchy has been updated. Management response: Strategic HR Manager</p>		31 August 2019

4. Petty Cash Procedures 2018/2019

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to petty cash procedures. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 17. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- appropriate and up to date petty cash procedures are in place that comply with relevant policies and financial regulations.
 - petty cash floats are kept secure and maintained in accordance with agreed procedures.

2. BACKGROUND

- 2.1 Petty cash is made available to fund small items of work related expenditure that may be uneconomical to purchase through normal methods such as official orders. The arrangements for establishing petty cash floats are set out in the councils' financial procedure rules and are agreed by the section 151 officer.
- 2.2 During 2018/2019, a total of £1,368.74 (£536.14 SODC and £832.60 VWHDC) was replenished to the petty cash floats at 135 Milton Park, £2,071.48 (£1,174.99 Cornerstone and £896.49 Cornerstone Café) at Cornerstone and £968.78 at The Beacon.

3. PREVIOUS AUDIT REPORTS

- 3.1 Petty cash spot checks review was last subject to an internal audit review in May 2018 and one recommendation was raised and agreed. A full assurance opinion was issued.
- 3.2 The recommendation was implemented; therefore, no recommendations were carried forward as a result of our work.

4. 2018/2019 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Six recommendations have been raised in this review. Two high risk, three medium risk and one low risk.

5. MAIN FINDINGS

5.1 Petty cash procedures

- 5.1.1 Petty cash guidance is in place and available to all staff via the councils' intranet. Petty cash is held in the cash office at 135 Milton Park, Cornerstone and The Beacon. Working procedures are in place and comprehensive at both the cash office and Cornerstone. However, review of the petty cash procedures at The Beacon found that the procedures do

not state that a valid VAT receipt is required when claiming petty cash. Working procedures at all three sites are available to relevant staff via their shared drive.

- 5.1.2 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 1).

5.2 Petty cash maintained in line with procedures

- 5.2.1 Petty cash floats at 135 Milton Park, Cornerstone and The Beacon are kept in locked petty cash tins, which are held securely in a safe at each location, accessible only to authorised staff. It is noted that the security of the floats, and the float amounts held are in line with councils' insurance policy.

- 5.2.2 As mentioned in 5.1.1 above, the councils' have in place petty cash guidance, which is available to staff via the councils' intranet. In addition, Capita customer services (who manage petty cash handling at 135 Milton Park), Cornerstone and The Beacon have their own petty cash procedures. Internal audit undertook a review to confirm that petty cash processes are performed in line with procedures and council guidance.

5.2.3 135 Milton Park - managed by Capita customer services

Internal audit obtained 100% petty cash reimbursement forms since the last petty cash imprest top-up in January 2019 (for both SODC and VWHDC). Review of the 23 (11 SODC and 12 VWHDC) petty cash claims since January 2019 found that both SODC and VWHDC petty cash processes undertaken by Capita customer services, are in line with their procedures and council guidance.

5.2.4 Cornerstone

Internal audit obtained 100% sample of petty cash vouchers in 2018/2019 for both the Cornerstone and the Cornerstone café. Review identified seven Cornerstone and six Cornerstone café petty cash vouchers to top-up the petty cash, and 123 Cornerstone and 142 Cornerstone café petty cash claims. It was noted that petty cash processes at the Cornerstone and the Cornerstone café are not performed in line with their procedures and council guidance. The following was noted:

- on three (one Cornerstone and two Cornerstone café) occasions, the petty cash balance was incorrectly carried forward on the petty cash claim records, following top-up;
- VAT was not coded separately, therefore the council was unable to reclaim the VAT;
- petty cash was regularly used for disallowed items, including stationary, tools and materials, food, eye tests, fuel, and taxi journeys; and
- for 15 (13 Cornerstone and two Cornerstone café) petty cash claims, a VAT receipt was not submitted.

5.2.5 The Beacon

Internal audit obtained 100% sample of petty cash vouchers in 2018/2019 for The Beacon and review identified 11 petty cash vouchers to top-up the petty cash, and 136 petty cash claims were made. Review found that the petty cash processes at The Beacon are not undertaken in line with their procedures and council guidance. The following was noted:

- on the 1st of every month the petty cash spreadsheet is topped up to £300.00. However, the petty cash float is not physically topped up until later in the month, or the following month, following receipt of the funds from the Accounts Payable team;
- on two occasions, the petty cash float was topped up to over the £300.00 limit; however, the balance recorded on the petty cash spreadsheet was £300.00;
- for 101 petty cash claims, there was no segregation of duties between the claimant and the authorising officer (i.e. submitted and authorised by the same individual);

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- one petty cash claim above the £20.00 transactional limit was not approved by the approving officer as stated in the petty cash procedures; and
- VAT was not coded separately, therefore the council was unable to reclaim the VAT.

5.2.6 Area assurance: Limited

Five recommendations have been made as a result of our work in this area (Recs 2-6).

6. ACKNOWLEDGEMENTS

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

- 7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Rec 2 and 3
Medium risk	Other control weakness for local management action	Recs 4 - 6
Low risk	Recommended best practice to improve overall control	Rec 1

OBSERVATIONS AND RECOMMENDATIONS**PETTY CASH PROCEDURES****1. The Beacon petty cash procedures - VWHDC only****(Low Risk)**

Rationale	Recommendation	Responsibility
<p>Best Practice Petty cash procedures are up-to-date and in line with councils' guidelines and Constitution.</p> <p>Findings The Beacon's petty cash procedures do not state that petty cash claims must be submitted with a valid VAT receipt.</p> <p>Risk Outdated petty cash procedures may increase the risk of staff not following the correct the process, resulting in a breach of the councils' Constitution.</p>	Review and update The Beacon's petty cash procedures to specify the requirement for petty cash claims to be submitted with a valid VAT receipt.	N/A
Management Response		Implementation Due Date
<p>Recommendation is Agreed Petty cash procedures have now been amended. Management response: Beacon Director</p>		Implemented

PETTY CASH MAINTAINED IN LINE WITH PROCEDURES

2. Petty cash reconciliation

(High Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice Petty cash is reconciled on a regular basis.</p> <p>Findings Based on our review of a 100% sample of petty cash vouchers at the Cornerstone (seven) and the Cornerstone café (six) in 2018/2019, it was noted that on three (one Cornerstone and two Cornerstone café) occasions, the petty cash balance was incorrectly carried forward on the petty cash claim records, following top-up.</p> <p>In addition, review of 11 petty cash vouchers at The Beacon (100% sample) in 2018/2019 identified the following:</p> <ul style="list-style-type: none"> on the 1st of every month the petty cash spreadsheet is topped up to £300.00. However, the petty cash float is not physically topped up until later in the month, or the following month, following receipt of the funds from the Accounts Payable team; and on two occasions, the petty cash float was topped up to over the £300.00 limit; however, the balance recorded on the petty cash spreadsheet was £300.00. <p>Risk If petty cash records are not reconciled on a regular basis, errors may go undetected and petty cash may either be lost or stolen.</p>	<p>a) Cornerstone should, with support from accountancy, establish an agreed upon process to regularly reconcile petty cash records against the petty cash float, ensuring any discrepancies are investigated and resolved.</p> <p>b) The Beacon should, with support from accountancy, establish an agreed upon process to regularly reconcile petty cash records against the petty cash float, ensuring any discrepancies are investigated and resolved.</p>	<p>Arts Centre Director (Cornerstone)</p> <p>Director and Duty Officers (The Beacon)</p>
Cornerstone - Management Response		Implementation Due Date
<p>Recommendation is Agreed Cornerstone staff agree with the recommendation and will ensure that correct processes are put in place to ensure accurate reconciliation of petty cash records and will ensure these processes are fully agreed with accountancy. Management response: Arts Centre Director</p>		30 June 2019
The Beacon - Management Response		Implementation Due Date
<p>Recommendation is Agreed Our petty cash procedure has been amended and the petty cash will be reconciled after each transaction. The recording spreadsheet is being checked by accountancy and once it has been confirmed as correct and up-to-date we will ensure that on the day the funds are received, and the float topped up this will be recorded on the sheet, therefore the correct amount in the tin is always showing on the recording sheet. Management response: Beacon Director</p>		24 May 2019

3. Petty cash claims - SODC only

(High Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice Petty cash claims are processed in line with council guidance.</p> <p>Findings Internal audit reviewed 265 petty cash claims in 2018/2019 across the Cornerstone (123 claims) and the Cornerstone café (142). Review found the following non-compliance to petty cash procedures:</p> <ul style="list-style-type: none"> regular petty cash claims for stationary items (e.g. 3 claims between 27 November and 4 	<p>Formal reminder or training, from accountancy, should be provided to ensure that Cornerstone:</p> <ul style="list-style-type: none"> purchase all stationary through the council's contracted stationary supplier, Lyreco. 	<p>Arts Centre Director</p>

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<p>December 2018) and tools and materials (e.g. 5 claims between 9 May and 10 July 2018), which should be purchased via the standard procurement process.</p> <ul style="list-style-type: none"> • travel and subsistence related expenditure: <ul style="list-style-type: none"> ○ one claim for eye test costs; ○ two claims for taxi fares; ○ one claim for train travel; ○ one claim for mileage • for 15 petty cash claims a valid VAT receipt was not submitted. <p><u>Risk</u> Use of petty cash for disallowable items (e.g. stationary, travel costs) may increase the risk of unauthorised spend. Lack of a valid VAT receipt may result in the council being unable to reclaim VAT on petty cash purchases.</p>	<ul style="list-style-type: none"> • Purchase all tools and materials via the accounts payable system. • claim back all expenses, i.e. eye tests, taxi fare, train tickets and fuel, via payroll expenses on the MyView system. • only accept petty cash claims if a valid VAT receipt is submitted. 	
Management Response		Implementation Due Date
<p>Recommendation is Agreed Cornerstone will ensure that it minimises petty cash usage for supply of goods that can be purchased effectively through accounts. Now we are aware of the Council account with ToolStation, we will endeavour to use that account as required. The team have also been informed to ensure they observe better planning to reduce the need for short term ordering of goods. Staff expenses should not come through petty cash, and we will ensure processes are put in place for expenses to be paid in the correct manner. Some of the items listed above were not staff claims, but rather urgent items of transport etc needed from freelancers working on our Christmas show. We will endeavour to limit this as well and request these are invoiced for wherever possible. The Cornerstone team have been fully briefed and reminded of the need for VAT receipts for all purchases that are within the scope of VAT. Management response: Arts Centre Director</p>		30 June 2019

4. Cornerstone café stock control - SODC only

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Food and drink stocks are managed so that minimal amounts of food and drink is purchased via petty cash.</p> <p><u>Findings</u> Review of 142 petty cash claims for the Cornerstone café in 2018/2019 (100% sample) found that regular purchases of food and drink for the café have been claimed via petty cash. For example, during the period 2 June to 13 July 2018 there were 16 claims for food items and three claims for drinks.</p> <p><u>Risk</u> Regular petty cash purchases for food and drink may increase the risk of unauthorised or inappropriate spend.</p>	<p>a) A review of the stock control processes should be undertaken to identify the reason for regular petty cash spend on food/drink.</p> <p>b) Based on the results of a), Cornerstone should establish controls to ensure that regular petty cash is limited in the future.</p>	Arts Centre Director
Management Response		Implementation Due Date
<p>Recommendation is Agreed Wherever possible we will try to limit the need to use petty cash for cornerstone café food/drink items. Stock control processes will be reviewed to ensure we can hold as much stock purchased on account as possible without risking higher levels of wastage. There will still be occasions where due to unusual demand or other mitigating factors that emergency purchases are required for fresh and perishable goods, but if we have good processes in place to minimise activity these will become the exception not the norm.</p>		31 July 2019 (Mainly to ensure time to discuss planned changes with accountancy and set-up new purchasing accounts if we need to.)

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<p>There is also a need to look at savings that can be achieved by purchasing certain goods through local supermarkets. Some items are cheaper this way and a decision needs to be made whether the cost savings on these items warrant this as a fair use of cash, or whether the requirement to limit cash purchasing is more important than the saving. We will discuss this further with accountancy to ensure we have a clear steer and agree a way forwards.</p> <p>Management response: Arts Centre Director</p>	
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5. VAT coding**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> VAT is correctly coded in the Agresso financial system for petty cash purchases to support the VAT reclaim process.</p> <p><u>Findings</u> Review of 100% sample of 24 petty cash vouchers at the Cornerstone (seven), the Cornerstone café (six) and The Beacon (11) in 2018/2019 found that VAT was not coded separately, therefore the councils were not reclaim the VAT on these petty cash purchases.</p> <p><u>Risk</u> If VAT is not recorded for petty cash transactions, there is a risk of the councils not being able to reclaim the VAT resulting in increased cost.</p>	<p>a) Formal reminder or training, from accountancy, should be provided to Cornerstone staff about the requirement to separate VAT on the accounts payable payment voucher and to ensure it is coded correctly, to enable the councils to reclaim the VAT.</p> <p>b) Formal reminder or training, from accountancy, should be provided to The Beacon staff about the requirement to separate VAT on the accounts payable payment voucher and to ensure it is coded correctly, to enable the councils to reclaim the VAT.</p>	<p>Arts Centre Director (Cornerstone)</p> <p>Director and Duty Officers (The Beacon)</p> <p>Strategic Finance Manager</p>
Cornerstone - Management Response		Implementation Due Date
<p>Recommendation is Agreed Agreed to separate and code VAT correctly on the accounts payable payment form. Management response: Arts Centre Director</p>		30 June 2019
The Beacon - Management Response		Implementation Due Date
<p>Recommendation is Agreed When the Director or Duty officer requests the payment, via our Admin team, they will break the request down to include the VAT. This will be done from our next payment request. Management response: Beacon Director</p>		24 May 2019
Accountancy - Management Response		Implementation Due Date
<p>Recommendation is Agreed Accountancy agree to provide assistance to both Cornerstone and The Beacon to ensure that transactions are coded appropriately. Management response: Strategic Finance Manager</p>		30 June 2019

6. The Beacon segregation of duties - VWHDC only**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Segregation of duties is in place between the individual submitting and authorising petty cash claims.</p> <p><u>Findings</u> Review of 136 petty cash claims at The Beacon (100% sample) in 2018/2019 found that for 101 claims there was no segregation of duties between the individual submitting the petty cash claim and the individual authorising the claim.</p>	<p>A formal reminder should be issued to The Beacon staff stating the requirement for segregation of duties between the individual submitting the petty cash claim and the individual authorising the claim.</p>	N/A

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<u>Risk</u> Lack of segregation of duties between the individual claiming and authorising petty cash claims increases the risk of unauthorised or inappropriate spend.		
Management Response		Implementation Due Date
Recommendation is Agreed This has been done via a meeting on 10 May 2019. Management response: Beacon Director		Implemented

5. Pro-Active Anti-Fraud Review 2018/2019

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to pro-active anti-fraud review. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 26. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- anti-fraud and corruption controls with the councils' systems and associated functions are sufficient to identify and reject false transactions/exceptions/data entry errors;
 - upon a data entry being identified as inappropriate/unauthorised, management review the data and the appropriate action is taken within the system;
 - any remedial action is taken promptly by management, clearly documented and where appropriate reported to the Section 151 Officer and internal audit;
 - management are taking action to enhance the anti-fraud and corruption controls within the system where ongoing issues are identified.

2. BACKGROUND

- 2.1 The councils have a joint anti-fraud, bribery and corruption policy, which was approved by SODC's Cabinet member on 8 February 2010 and VWHDC's Cabinet member on 16 March 2010. The policy was last reviewed and updated in May 2016. This is supported by an anti-fraud and corruption response plan covering how the councils should respond to suspected or apparent irregularities, fraud or corruption.

3. PREVIOUS AUDIT REPORTS

- 3.1 Pro-active anti-fraud was last subject to an internal audit review in March 2018 and one recommendation was raised. The recommendation was agreed. A substantial assurance opinion was issued.
- 3.2 The recommendation has been implemented. No recommendations have been restated as part of this review.

4. 2018/2019 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 high risk recommendations have been raised in this review.

5. MAIN FINDINGS

5.1 Overall

5.1.1 A set of eight tests were identified that could be undertaken in order to check that controls are in place to identify and appropriately manage fraudulent activities across key financial and IT processes. The tests were discussed with and approved by the audit manager and head of finance (s151 officer) prior to their initiation.

5.1.2 The tests carried out were:

- Submission of six (three SODC and three VWHDC) fraudulent invoices for payment through the Agresso accounts payable (AP) module. The tests involve fictitious and duplicate invoices as well as variations to an existing invoice.
- A false request to change an existing supplier's bank details.
- A dummy member and officer's expense claims.
- A request to change an officer's bank details within the payroll system.
- A dummy request for a new IT user.

5.1.3 From the eight tests undertaken, internal audit established control weaknesses for three tests, as five tests were appropriately checked and identified as suspicious and were not fulfilled.

5.1.4 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 1-3).

5.2 Specific tests

5.2.1 Two (one SODC and one VWHDC) dummy invoices for two fictitious businesses were submitted directly to Capita services. During the review, the Agresso AP module was monitored to check if any activity had been undertaken with the dummy invoices. After three months of monitoring no details were found regarding these fictitious businesses. It is noted that on a weekly basis, the councils' revenues and benefits team receive the returned invoices spreadsheet and review of the spreadsheet confirmed that the dummy invoices were reported to the councils, which is in accordance with agreed procedures. Internal audit was satisfied that Capita services did not register the invoice onto the AP module.

5.2.2 Area assurance: Full

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

5.2.3 Two (one SODC and one VWHDC) dummy invoices for two existing suppliers were submitted to SODC and VWHDC. Monitoring of the Agresso AP module found that both invoices were not processed. Internal audit was satisfied that Capita services did not register the invoices onto the AP module and reported them to the council's revenues and benefits team, which is in accordance with agreed procedures.

5.2.4 Area assurance: Full

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

5.2.5 Two (one SODC and one VWHDC) duplicate invoices were submitted directly to Capita services. During the review, the Agresso AP module was monitored to check if any activity had been undertaken with the duplicate invoices. After six months of monitoring no details were found regarding these suppliers. Internal audit was satisfied that Capita services did not register the invoices onto the AP module.

5.2.6 Area assurance: Full

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

- 5.2.7 A request was submitted to Capita to change the bank details of an existing supplier. Regular reviews of the supplier details on the Agresso AP module were undertaken and internal audit found that the bank details were updated following the request, and BACS payment was subsequently made to the fraudulent bank account. Capita followed the supplier amendment process and notified the relevant service area; however, the service area did not undertake sufficient checks, by confirming the change of bank details with the supplier, prior to authorising the change request.
- 5.2.8 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 1).
- 5.2.9 The constitution includes a section covering the members' allowances scheme, which states that expense claims will not be paid unless claiming for official business. In this test, the fraudulent member's expense claim form was queried by democratic services. Internal audit was satisfied that appropriate checks were carried out prior to authorisation for payment.
- 5.2.10 Area assurance: Full
No recommendations have been made as a result of our work in this area.
- 5.2.11 A non-finance officer agreed to submit an expense claim without a valid receipt via MyView. The expense claim was checked, and the missing receipt was queried by their line manager. Internal audit was satisfied that the expense claim was rejected by the line manager as a valid receipt was not attached to the claim.
- 5.2.12 Area assurance: Full
No recommendations have been made as a result of our work in this area.
- 5.2.13 A request to change an officer's bank details was submitted to Capita payroll via AskHR. During the test, the officer's payroll system was reviewed to establish if their bank details were changed, and the officer was asked if they were notified of the change. Control weaknesses were identified as the bank details were changed on the payroll system without verifying the request with the officer.
- 5.2.14 Area assurance: Nil
One recommendation has been made as a result of our work in this area (Rec 2).
- 5.2.15 A request for network, email, and telephone access was submitted to Capita IT helpdesk for a fictitious user. Capita IT helpdesk actioned the request without querying it with the requesting officer's service manager. Control weaknesses were identified as Capita IT helpdesk did not validate the legitimacy of the request submitted by an officer and not a service manager.
- 5.2.16 Area assurance: Nil
One recommendation has been made as a result of our work in this area (Rec 3).

6. ACKNOWLEDGEMENTS

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Recs 1, 2 and 3
Medium risk	Other control weakness for local management action	
Low risk	Recommended best practice to improve overall control	

OBSERVATIONS AND RECOMMENDATIONS

PRO-ACTIVE ANTI FRAUD REVIEW TESTS

1. Supplier bank detail changes

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Requests to change supplier bank details are sent to the relevant service area, who then queries the request directly with the supplier.</p> <p><u>Findings</u> The spurious request by internal audit, to change an existing supplier's bank details was processed by Capita, following approval from the service area. Capita followed the proper procedures; however, the service area did not contact the supplier to validate the legitimacy of the request.</p> <p><u>Risk</u> Payments to fictitious suppliers, resulting in financial loss and reputational damage.</p>	<p>a) Update the email request to service areas, to include a reminder to validate change requests with the supplier prior to authorisation.</p> <p>b) Finance should remind all service areas to check with their suppliers if any directive to change supplier details are received prior to completing the supplier amendment form and sending the form to Capita.</p> <p>c) Include the supplier amendment procedures and potential risks in future Agresso training.</p>	Finance Systems and Procurement Team Leader
Management Response		Implementation Due Date
<p>Recommendation is Agreed</p> <p>a) A script has been agreed with Capita accounts payable team which will be sent to service teams if a request to change bank details is received. The script advises the service team to follow the councils' procedures and verify the request with the supplier before submitting a change of supplier details form to Capita.</p> <p>b) An email will be issued to all service teams by the Finance Systems & Procurement Team Leader to remind them of the process to follow when requests are received to update supplier bank details – the information will correspond with the script agreed with Capita's accounts payable team.</p> <p>c) A programme of Agresso training will be rolled out during Spring and Summer which will include a section concerning changes to suppliers' bank details.</p> <p>Management response: Finance Systems and Procurement Team Leader</p>		1 October 2019

2. Employee bank account change

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Employee change requests (e.g. personal information, bank details) are verified with the individual prior to processing.</p> <p><u>Findings</u></p>	Remind Capita HR officers of the requirement to immediately report any change requests on behalf of another officer to both strategic HR and internal audit	Head of Service - HR (Capita)

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<p>A request to change an officer's bank details was submitted to Capita payroll via AskHR. During the test, the officer's payroll system was reviewed to establish if their bank details were changed, and the officer was asked if they were notified of the change. The bank details were changed on the payroll system without validating the request with the officer.</p> <p><u>Risk</u> If change requests are not verified, there is a risk of spurious requests being undertaken and salaries being paid into the wrong bank account.</p>	<p>immediately. Furthermore, the individual whose details are requested to be changed should also be notified.</p>	
Management Response (Capita)		Implementation Due Date
<p>Recommendation is Agreed The recommendation is aligned to the current BAU process, which Capita staff has been working against. This is currently supported by operational process training/Capita group essential training (including essential Anti-Fraud, GDPR, and Data Protection training). To ensure compliance, a reminder briefing will be sent to all staff by the internal Business Assurance team - and all staff with complete sign-off to confirm. This will be followed up by BA team and Senior Management. Management response: Head of Service - HR (Capita)</p>		31 May 2019
Management Response (Strategic HR)		Implementation Due Date
<p>Recommendation is Agreed The councils agree with the audit recommendation that any bank details changes that are received, especially outside of the self-service process, should be checked with strategic HR, internal audit and the relevant officer. Management response: Strategic HR Manager</p>		31 May 2019

3. New user access set up**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Requests to set up a new user onto the IT network are validated with the relevant service manager or head of service prior to set up.</p> <p><u>Findings</u> A request for network, email, and telephone access was submitted to Capita IT helpdesk for a fictitious user. Capita IT helpdesk actioned the request without querying it with the requesting officer's service manager or head of service. Capita IT helpdesk did not validate the legitimacy of the request submitted by an officer and not a service manager.</p> <p><u>Risk</u> Unauthorised or inappropriate access to IT systems, which may lead to data loss and reputational damage.</p>	<p>A reminder should be sent to all Capita IT helpdesk operatives to only accept request for a new IT user set up from service managers and above.</p>	<p>IT Service Delivery Manager (Capita)</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed We have been conducting a full review of the joiners, movers and leavers (JML) process. I have an action to produce an authorisation matrix to ensure all requests are appropriately approved. We plan to complete this activity by the end of May 2019. Management response: IT Service Delivery Manager (Capita)</p>		31 May 2019

6. Sundry Debtors 2018/2019

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to sundry debtors. The audit has been undertaken in accordance with the 2018/2019 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 24. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- appropriate policies and procedures in place;
 - sundry debtor invoices, including periodic income, are promptly raised and adequately authorised through Agresso;
 - there is adequate documentation to support invoices raised;
 - there is an effective recovery process in operation;
 - aged debt, cancellations and debt write-offs are controlled independently and carried out in accordance with the councils' financial regulations and justifiable reasons provided;
 - suppressions are controlled and monitored independently.

2. BACKGROUND

- 2.1 From 1 August 2016, the sundry debtors service continues to be provided as part of the five councils partnership (5CP). Sundry debtors are processed and managed by the Capita exchequer services team based at Mendip District Council. Capita provide the system administration for the accounts receivable function through the financial management system Agresso.
- 2.2 The aged debt report as at 31 December 2018 shows outstanding debt (>31 days) of £58,742.63 for SODC and £81,749.58 for VWHDC.

3. PREVIOUS AUDIT REPORTS

- 3.1 Sundry debtors was last subject to an internal audit review in March 2018 and five recommendations were raised. All five recommendations were agreed. A satisfactory assurance opinion was issued.
- 3.2 Of the five recommendations, three recommendations have been implemented, one has not been implemented and restated, and one recommendation was superseded.

4. 2018/2019 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 Two recommendations have been raised and one prior year recommendation is restated. One is high risk, one is medium risk and one recommendation is low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

- 5.1.1 The councils do not specifically have a policy in place for sundry debtors; however, the financial procedure rules, which form part of the Constitution, set out how the councils manage their finances, including sundry debts. A corporate debt recovery strategy is also in place, which covers the management of debts and across the councils. The constitution and corporate debt recovery strategy are up-to-date and were last reviewed in June 2018 and August 2018 respectively. The latest updates to the Constitution were approved at both Council meetings in May 2018. The constitution is available on the councils' website and the corporate debt recovery strategy is published on the councils' intranet.
- 5.1.2 Procedures are in place for sundry debtors, which clearly define the roles and responsibilities of council officers and Capita exchequer services staff. The procedures are available to relevant officers via the intranet. It is noted that Capita exchequer services also have procedures in place for the sundry debtors related processes.
- 5.1.3 As part of the five councils' partnership (5CP) a service delivery plan (SDP) has been developed stating the service that will be provided. The revenues and benefits team manage the client relationship with Capita for the sundry debtors' part of the contract to ensure that an acceptable level of service is provided to the councils through performance reporting. Monthly meetings are attended by the revenues and benefits team and Capita to ensure that the service team debts are being managed in line with the service level agreements (SLA). Monthly aged debt reports are sent to the heads of service for regular monitoring.
- 5.1.4 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.2 Sundry debtor invoices

- 5.2.1 Roles and responsibilities are split between the council and Capita. Sales orders are raised on Agresso by authorised council officers, converted into sales invoices, and sent to the customer by Capita. Customer master files are maintained by both Capita and council officers; however, some customer information, such as bank details can only be updated by Capita officers.
- 5.2.2 Periodic or subscription invoices are used for invoices raised on a regular basis for brown bins and commercial property rent. It is noted that invoices for brown bins have been reviewed as part of the brown bins audit undertaken in October 2018, and invoices for commercial property rent will be reviewed in March 2019 as part of the property management audit. Periodic invoices follow the same process as regular sales invoices.
- 5.2.3 Based on our review of a random sample of 40 sundry debtor invoices raised in 2018/2019 to date (January 2019), we noted the following:
 - sales invoices were raised in a timely manner; and
 - customers were charged the appropriate fees and charges.
- 5.2.4 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.3 Supporting documentation

5.3.1 The documentation available to support the invoices raised vary dependent on the service being provided. A random sample of 40 sundry debtors was selected and review found invoices raised, i.e. room hire, licence fee and commercial property rent. Testing confirmed that all invoices raised had adequate documentation to support the details and amount being invoiced.

5.3.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.4 Debt recovery process

5.4.1 The councils' corporate debt recovery strategy outlines the sundry debtors' procedure, recovery process and timetable. The recovery process has four stages which commences with a payment reminder after 14 days from the due date, a final notice after a further seven days and legal action after a further 21 days. The fourth stage involves identifying what action has been taken after legal action has commenced i.e. payment arrangements or court summons.

5.4.2 A review of the debt recovery process was tested in the sample of 40 sundry debtor invoices (20 SODC and 20 VWHDC), which is recorded in 5.5.1. Based on the sundry aged debts review, we confirmed that debts were pursued in line with the corporate debt recovery strategy.

5.4.3 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.5 Aged debt and write offs

5.5.1 On a monthly basis, Capita exchequer services sends the aged debt report to the revenue and benefits client manager, which is reviewed and distributed to senior management and the Cabinet members for finance. Legal services receive a separate legal list that they monitor and email to service areas with regards to the outstanding debts in their area. A random sample of 40 (20 SODC and 20 VWHDC) aged sundry debts as at 31 December 2018 were selected and review found that:

- corporate debt recovery procedures were followed, including communicating to legal for recovery;
- for two (one SODC and one VWHDC) accounts in debt, no legal action has been taken with the debts being on the legal list since 21 December 2018 and 21 August 2018 respectively; and
- for three (one SODC and two VWHDC) debt accounts, legal notified the service area but received no response to start legal recovery action.

5.5.2 Internal audit reviewed the aged debt report and sorted the aged debts into customers to establish how many of the aged debts related to one debtor. Review found that out of 1,149 (679 SODC and 470 VWHDC) there were 75 (45 SODC and 30 VWHDC) debtors with more than one aged debt. Of the 75 debtors, a random sample of 20 (six SODC and 14 VWHDC) accounts was selected and found that:

- six (three SODC and three VWHDC) aged debts require write off;
- the councils are in dispute with three (one SODC and two VWHDC) customers; and
- four (one SODC and three VWHDC) debts were not picked up by the debt recovery process and no recovery actions were taken.

- 5.5.3 A random sample of 40 (20 SODC and 20 VWHDC) write offs was selected and review confirmed that sundry debts were:
- written off for an appropriate reason;
 - included in a write off batch managed and recorded by the councils' revenue and benefits officer;
 - appropriately authorised prior to being written off;
 - actioned within five working days of being approved; and
 - signed off by the revenue and benefits manager as reconciled after the batch had been entered by Capita.

Furthermore, review of the write off reconciliations confirmed that write off amounts per Agresso agreed to the batch reports held by the revenues and benefits team.

- 5.5.4 Area assurance: Limited
Two recommendations have been made and one previous recommendation has been restated as a result of our work in this area (Recs 1, 2 and 3).

5.6 **Supressed invoices**

- 5.6.1 Sundry debtor invoices/accounts requiring suppression must be authorised by the council officer and requested to Capita's exchequer services. The monthly SLA performance statistics provided to the council by Capita, through the revenues and benefits team, reports on any accounts receivable invoices that have been suppressed for that period. Internal audit reviewed the invoice suppression process and can confirm that there are sufficient controls and monitoring arrangements in place for suppressed invoices. Review of the latest SLA performance statistics report found that there were only two (one SODC and one VWHDC) invoices/accounts suppressed.

- 5.6.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6. **ACKNOWLEDGEMENTS**

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. **CATEGORISATION OF RECOMMENDATIONS**

- 7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	Rec 3
Medium risk	Other control weakness for local management action	Rec 2
Low risk	Recommended best practice to improve overall control	Rec 1

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATION RESTATED

1. Aged debt review

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Aged debts are regularly reviewed to consider the cost effectiveness and likelihood of recovery actions.</p> <p><u>Findings</u> Review of the aged sundry debtors report as at 31 December 2018, identified 378 (25.2%) out of 1,498 SODC accounts and 152 (8.3%) out of 1,842 VWHDC accounts with an aged debt over 12 months. Based on a random sample of 20 (six SODC and 14 VWHDC) sundry debtor accounts with more than one outstanding invoice, we noted that six (three SODC and three VWHDC) debtors' aged debtor invoices required write off.</p> <p><u>Risk</u> If debts are not written off in a timely manner, there is a risk of more costs being incurred than the value of debt recovery.</p>	<p>A review of the aged debt should be undertaken, and a decision be made on long term outstanding debts to either write off or progress alternative action.</p>	<p>Property Team Leader</p> <p>Revenues and Benefits Client Manager</p> <p>Litigation Lawyer</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed Generally, debts are written off promptly, however the debts found during the audit were property debts which due to the outsourcing of the property team, the service suffered, including its engagement in the debt management process. Now it has been insourced (and subsequently restructured) we are now seeing welcome commitment in this area along with effective engagement. Management response: Revenues and Benefits Client Manager</p>		<p>30 September 2019</p>

AGED DEBT AND WRITE OFFS

2. Aged debt recovery process

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Service areas are undertaking all possible measures to recover aged debts and, in failure, promptly notifying the legal team, so legal action can be taken.</p> <p><u>Findings</u> Review of the legal list, as at 31 December 2018, found that there are 54 SODC and 76 VWHDC sundry debtors accounts with an aged debt and with the legal team. A random sample of 40 (20 SODC and 20 VWHDC) aged debt accounts were selected and review found that for three (one SODC and two VWHDC) aged debt accounts, the legal team notified the service areas but received no response to start legal recovery action.</p> <p><u>Risk</u> If aged debts are not recovered as soon as possible, there is a risk of the debts becoming irrecoverable which would lead to loss of income to the councils.</p>	<p>Service areas should be reminded to review the debtor's legal list and chase up any outstanding debt. If unsuccessful, the service areas should notify legal services as soon as possible so legal proceeding can begin to recoup the outstanding debt, in line with the corporate debt recovery strategy.</p>	<p>Revenues and Benefits Client Manager</p> <p>Litigation Lawyer</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed Service teams have a collective responsibility to help recover debts for services they have provided. It is not often that this is required, but where it is, they should use the working relationships they have with their clients to persuade them to pay. This, along</p>		<p>31 May 2019</p>

<p>with failing to respond to the Litigation Lawyer, will be highlighted in future legal list communications and service team meetings. Where adherence is not forthcoming, it will be raised with SMT via the Head of Finance. Management response: Revenues and Benefits Client Manager</p>	
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3. Aged debt review

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All aged debts are picked up through the recovery process.</p> <p><u>Findings</u> Review of the aged debt reports found that there were 75 (45 SODC and 30 VWHDC) debtors with more than one aged debt. Of the 75 debtors, internal audit selected 20 (six SODC and 14 VWHDC) and found that four (one SODC and three VWHDC) debtors' debts were not picked up by the recovery process.</p> <p><u>Risk</u> If aged debt is not picked up by the recovery process there is a financial risk to the council as debt owed is missed and not chased.</p>	<p>The accounts receivable team (Capita) should put an additional check in place to ensure that all aged debts are picked up for recovery.</p>	<p>Revenues and Benefits Client Manager</p> <p>Transactional Finance Team Leader (Capita)</p>
Management Response		Implementation Due Date
<p>Recommendation is Agreed This anomaly is a result of service team staff changing the sales order default payment type which goes against procedure note instructions. The cases highlighted in the audit have now been addressed and a report run by Capita AR highlighted another eight cases for Vale (four of which were in credit) and 14 cases for Vale (eight of which were temporary accommodation cases). These will be cleared down and monthly reports will now be run to pick up future miscreants. When further training is rolled out, we will ensure the proper process for raising sales orders is reiterated. Management response: Revenues and Benefits Client Manager</p>		<p>31 May 2019</p>

Joint Audit and Governance Committee



Report of Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 29 July 2019

Internal audit management report quarter one 2019/2020

Recommendation

That members note the content of the report.

Purpose of report

1. The purpose of this report is:
 - to report on management issues within internal audit;
 - to summarise the progress against the 2019/2020 audit plan up to 30 June 2019; and
 - to summarise the priorities for quarter two 2019/2020.

- The contact officer for this report is Victoria Hughes, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430.

Strategic objectives

- Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

- The Public Sector Internal Audit Standards (PSIAS) from 1 April 2017 states that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the resource requirements to deliver the plan, for audit committee approval. The joint committee approved the 2019/2020 annual internal audit plan on 25 March 2019.
- The PSIAS also states that the head of internal audit must periodically report on performance relative to the plan.

Management issues

- An agency auditor has been engaged during quarter one to assist the audit team in the completion of the 2018/2019 key financial and operational audits. The contract with the agency auditor is due to end on 19 July 2019.
- Recruitment for the two auditor vacancies has been ongoing during the quarter one auditor post is due to be filled on 12 August 2019. Recruitment for the remaining post is in progress. The 2019/2020 audit allocation calculation allows for two months to recruit to post (April and May 2019); however, it is expected that recruitment may continue into August 2019.

Progress against the 2019/2020 audit plan

- Progress against the approved audit plan has been calculated for the quarter and year to date and is summarised in **appendix 1** attached.
- Performance figures to date are as follows:

	Target	YTD	Actuals by Quarter			
			Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20
Chargeable (identifiable client and/or specific IA deliverable)	76%	70%	70%	-	-	-
Non-Chargeable (corporate, not IA deliverable)	9%	10%	10%	-	-	-
Planned Lost (i.e. leave)	14%	17.5%	17.5%	-	-	-
Unplanned Lost (i.e. study, sickness)	2%	2.5%	2.5%	-	-	-

10. As at 16 July 2019 the status of audit work against the 2019/2020 audit plan is as follows:

Planned

Strategic, operational and financial assurance work known and approved by the joint audit and governance committee.

2019/2020	Planned	Complete	Draft	In progress	To commence
Planned	24	0	1	4	19
Joint	23	0	1	3	19
SODC	1	0	0	1	0
VWHDC	0	0	0	0	0

Ad-hoc

Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2019/2020	Requested	Complete	Draft	In progress	To commence
Ad-hoc	0	0	0	0	0
Joint	0	0	0	0	0
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Follow up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months unless the area is subject to an annual review.

2019/2020	Requested	Complete	Draft	In progress	To commence
Follow up	0	2	0	3	0
Joint	0	2	0	3	0
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Priorities for 2019/2020 quarter two (July 2019 - Sept 2019)

11. The priorities for quarter two are to:
 - Appoint an auditor;
 - Review and update the internal audit strategy; and
 - Complete planned audit work, in line with the 2019/2020 audit plan;
12. Remaining 2019/2020 planned audit work can be reviewed in **appendix 2**.

Financial implications

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

Legal implications

14. None.

Risk implications

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

VICTORIA HUGHES
INTERNAL AUDIT MANAGER

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 16 July 2019													
JOINT													
Budgetary Control (16)	In Progress												
SODC		5	3.0		Not yet applicable								
VWHDC		5	3.0		Not yet applicable								
Capital Management and Accounting (22)	To Commence Q3												
SODC		7	0.0		Not yet applicable								
VWHDC		7	0.0		Not yet applicable								
Cornerstone (21)	In Progress												
SODC		10	10.5		Not yet applicable								
VWHDC		0	0.0		Not yet applicable								
Council Tax (24)	To Commence Q3												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Creditor Payments (26)	To Commence Q4												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Data Protection / GDPR (20)	To Commence Q4												
SODC		7	0.0		Not yet applicable								
VWHDC		7	0.0		Not yet applicable								
Development Management (20)	In Progress												
SODC		10	6.5		Not yet applicable								
VWHDC		10	6.5		Not yet applicable								
Disabled Facility Grants (16)	In Progress												
SODC		8	6.0		Not yet applicable								
VWHDC		8	6.0		Not yet applicable								
Elections and Election Payments (22)	To Commence Q2												
SODC		15	0.0		Not yet applicable								
VWHDC		15	0.0		Not yet applicable								
General Ledger (23)	To Commence Q4												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Health and Safety (21)	To Commence Q2												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Housing Benefits and CTRS (21)	To Commence Q4												
SODC		15	0.0		Not yet applicable								
VWHDC		15	0.0		Not yet applicable								
Information Security (Inc. Cyber Security) (21)	To Commence Q2												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Leisure Development (8)	To Commence Q2												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Lone Working / Officer Security (24)	To Commence Q2												
SODC		7	0.0		Not yet applicable								
VWHDC		7	0.0		Not yet applicable								
Mobile Home Parks (25)	Draft Out												
SODC		12	10.0		Not yet applicable								
VWHDC		12	10.0		Not yet applicable								
Moorings (9)	To Commence Q3												
SODC		5	0.0		Not yet applicable								
VWHDC		5	0.0		Not yet applicable								
National Non-Domestic Rates (NNDR) (22)	To Commence Q3												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Payroll (28)	To Commence Q3												
SODC		18	0.0		Not yet applicable								
VWHDC		18	0.0		Not yet applicable								
Performance Management (17)	To Commence Q3												
SODC		8	0.0		Not yet applicable								
VWHDC		8	0.0		Not yet applicable								
Pro-active Anti-Fraud Review (21)	To Commence Q2												
SODC		7	0.0		Not yet applicable								
VWHDC		7	0.0		Not yet applicable								
Procurement (27)	To Commence Q2												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Sundry Debtors (23)	To Commence Q4												
SODC		10	0.0		Not yet applicable								
VWHDC		10	0.0		Not yet applicable								
Treasury Management (21)	To Commence Q4												
SODC		7	0.0		Not yet applicable								
VWHDC		7	0.0		Not yet applicable								
SODC													
None													
VWHDC													
None													
IA PLANNED AUDIT TOTALS		452	61.5			0	0	0	0	0	0	0	0
					Full	0							
					Substantial	0							
					Satisfactory	0							
					Limited	0							
					Nil	0							
SODC PLANNED AUDIT TOTALS		226	30.75			0	0	0	0	0	0	0	0
					Full	0							
					Substantial	0							
					Satisfactory	0							
					Limited	0							
					Nil	0							
VWHDC PLANNED AUDIT TOTALS		226	30.75			0	0	0	0	0	0	0	0
					Full	0							
					Substantial	0							
					Satisfactory	0							
					Limited	0							
					Nil	0							

FOLLOW UP OF AUDITS FROM 2018/2019

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	No Longer applicable	New recommendations
Brown Bins 2018/2019	1	Limited	7	7	0	0	0	0	0
Planning Appeals 2018/2019	1	Satisfactory	6	0	2	3	0	1	0
SODC									
None									
VWHDC									
None									

FOLLOW UP AUDITS 2019/2020

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	No Longer applicable	New recommendations
JOINT									
None									
SODC									
None									
VWHDC									
None									
IA FOLLOW UP DURING 19/20 TOTALS	2.0		7	7	2	3	0	1	0
JOINT FOLLOW UP TOTALS	2.0		7	7	2	3	0	1	0
SODC FOLLOW UP TOTALS	0.0		0	0	0	0	0	0	0
VWHDC FOLLOW UP TOTALS	0.0		0	0	0	0	0	0	0

UNPLANNED WORK 2019/2020

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

AD-HOC ADVICE

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
General audit advice to service teams (incl chasing for information)	N/A	N/A	0.5	N/A
SODC				
General audit advice to service teams (incl chasing for information)	N/A	N/A	0	N/A
VWHDC				
General audit advice to service teams (incl chasing for information)	N/A	N/A	0	N/A

Joint Audit and Governance Committee



Report of Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 29 July 2019

Internal audit annual report 2018/2019

Recommendation

That members note the content of the report.

Purpose of Report

1. The purpose of this report is to report on the work of internal audit in the year ended 31 March 2019, and to advise the committee of the internal audit manager's opinion on the overall adequacy and effectiveness of the internal control environments at South Oxfordshire and the Vale of White Horse District Councils.
2. The contact officer for this report is Victoria Hughes, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. The Public Sector Internal Audit Standards (PSIAS) supersede the CIPFA Code of Practice for Internal Audit that had been previously complied with by Internal Audit. Standard 2450 of the PSIAS states that the internal audit manager must produce an annual report that:
 - provides an annual internal audit opinion and report that can be used to inform the governance statement;
 - confirms the organisational independence of the internal audit activity
 - gives his or her opinion on the overall adequacy and effectiveness of the organisation's control environment;
 - discloses any qualifications to that opinion, together with the reason(s) for the qualification;
 - presents a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
 - draws attention to any issues the head of internal audit judges particularly relevant to the preparation of the Annual Governance Statement;
 - compares the work undertaken to the work that was planned and summarises the performance of the internal audit function against its performance measures and targets;
 - comments on conformance with the PSIAS; and
 - communicates the results of the internal audit quality assurance programme and progress against any improvement plans.
5. The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
 - establishing and monitoring the achievement of the organisation's objectives;
 - ensuring compliance with established policies, procedures, laws and regulations;
 - ensuring risk management is embedded in the activity of the organisation, that leadership is given to the risk management process, and staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
 - the financial management of the organisation and the reporting of financial management; and
 - the performance management of the organisation and the reporting of performance management.

Overall Opinion

6. The internal audit manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of SODC's and VWHDC's risk management, control and governance processes. The internal audit manager's opinion is based on the risk-based audits carried out during the year at each council and other unplanned work on control systems. No reliance has been placed on the work of other assurance bodies.
7. It is the internal audit manager's unqualified opinion that based on the areas reviewed during the year, satisfactory assurance can be placed on both councils' general risk management, control and governance processes. Overall, there is basically a sound system of internal control at both councils, but there are some weaknesses which may put some system objectives at risk. It should be noted that the control environment within key financial systems across both councils remains consistent since 2016/2017. Analysis of the ten key financial audit findings in comparison with previous years is as follows:

Key financial audit ratings	2016/2017	2017/2018	2018/2019
Full assurance	0	1	0
Substantial assurance	2	2	2
Satisfactory assurance	4	4	4
Limited assurance	4	3	4
Nil assurance	0	0	0
TOTALS	10	10	10

8. Notwithstanding the internal audit manager's overall opinion, internal audit identified a number of opportunities for improving controls and procedures across the councils which officers have generally responded to positively. Areas of weakness in the control environment within key financial systems are creditor payments, payroll, pro-active anti-fraud and sundry debtors. Where internal audit identified weaknesses, which require remedial action, recommendations have been made and discussed with officers. The two key financial audits given substantial assurance were housing benefits and council tax reduction scheme and national non-domestic rates (NNDR).
9. A summary of the 2018/2019 audits is attached as **Appendix 1** and a comparison of the internal audit opinions across both councils against two previous years is as follows. Please note that a joint report counts as two as there can be differing assurance ratings for each council within a joint audit.

Planned audit ratings	2016/2017	2017/2018	2018/2019
Full assurance	1 (2%)	7 (16%)	2 (5%)
Substantial assurance	12 (27%)	4 (9%)	6 (14%)
Satisfactory assurance	13 (30%)	23 (52%)	16 (38%)
Limited assurance	18 (41%)	10 (23%)	18 (43%)
Nil assurance	0	0	0
TOTALS	44	44	42

Summary of Audit Work

10. For 2018/2019, internal audit completed 732 chargeable audit work days against a planned 736. This includes planned audit work, consultancy work and contingency work (i.e. investigations). A comparison of actual days against planned audit days for 2018/2019 is attached as **Appendix 2**.
11. A total of 21 joint planned internal audit reviews have been undertaken, with three joint audits carried forward to the 2019/2020 audit plan. Of the 42 completed audits, two (5%) achieved a full assurance rating. Six audits (14%) achieved a substantial rating. For 16 audits (38%) a satisfactory assurance rating was achieved. Limited assurances were issued for 18 (43%) audits. No reviews resulted in nil assurance being given. In total 256 recommendations to improve controls and procedures within the councils were made. Of the 256, 48 (19%) were classified as high, 88 (34%) as medium and 120 (47%) as low.
12. One joint and one VWHDC consultancy review was completed during 2018/2019 and these utilised 39.5 days. No contingency or system development work was requested. Ad-hoc advice is provided to service teams and this includes time spent obtaining responses to recommendations. The ad-hoc advice for utilised 22 days for SODC and 22 days for VWHDC.
13. A total of nine joint follow-up reviews were undertaken during 2018/2019, utilising 8 days. Time has been allocated within the 2019/2020 audit plan for further follow-up work of 2018/2019 and 2019/2020 planned audits.

Issues Relevant to the Annual Governance Statement

14. Specific audit reviews on corporate governance and the council's anti-fraud and corruption policies were not included within the 2018/2019 annual audit plan. However, a risk management audit was undertaken in 2018/2019 which made six recommendations across both councils, including five medium risk and one low risk recommendation, and gave a satisfactory assurance opinion. A gifts and hospitality audit was also undertaken in 2016/2017, which made one medium risk recommendation across both councils and gave a substantial assurance opinion. Internal audit has undertaken pro-active anti-fraud testing within 2018/2019 which made three high risk recommendations and gave a limited assurance opinion at both councils. Pro-active anti-fraud testing in 2017/2018 provided a substantial assurance opinion, so it should be noted that there has been a decline in the control environment, specifically in the areas of supplier bank account changes, employee bank account changes and new user IT access setup.
15. No suspicions of internal fraud and corruption were reported to the internal audit manager during 2018/2019. However, there have been a number of direct debits taken from the councils' bank accounts not authorised by the relevant council. Payments have been reclaimed through the bank indemnity scheme and the bank is being asked to not accept any direct debits without council authorisation.
16. The council's gifts and hospitality policy states that 'The Local Government Act and other legislation makes it clear that council employees should not accept

any fees or reward during the course of their employment other than their standard remuneration from their employer'. The policy goes on to highlight where exceptions to this rule are permissible and outlines the process staff should follow when offers of gifts or hospitality are made. The internal audit manager has reviewed the officer gifts and hospitality register for 2018/2019, and no declarations were made.

Internal Audit's Performance

17. The internal audit team comprised two auditors and an interim audit manager for the period 1 April 2018 to 17 September 2018. From 1 December 2018 to 31 March 2019 and 21 January 2019 to 31 March 2019 there were two auditor vacancies as a result of internal promotions. The two auditor vacancies were covered by agency auditors. An interim corporate fraud officer was engaged for a period of four months from December 2018 to March 2019 to perform a corporate fraud and cyber security risk assessment.
18. The performance of internal audit is measured against a number of indicators. The out-turn for 2018/2019, including comparison with the previous year, is as follows:

Performance Targets	Year Ending 31/03/2018	Year Ending 31/03/2019
PT1 To issue 90% of audit notifications at least 1 month before start of audit fieldwork	95%	90%
PT2 To issue 90% of draft audit reports within 5 working days of completion of the exit meeting.	100%	86%
PT3 To issue 90% of final audit reports within 5 working days of receipt of the auditees final responses to draft report and recommendations.	100%	95%
PT4 To issue 90% of follow-up notifications at least 1 month before start of follow-up work.	100%	75%
PT5 To follow up 90% of final reports within 6 months of completion of audit.	100%	75%
PT6 To complete the audit fieldwork and issue draft reports on 100% of key financial system audits within the audit plan.	100%	100%
PT7 To complete the audit fieldwork and issue draft reports on 80% of all non key financial system audits within the audit plan.	42%	100%

	Year Ending 31/03/18	Target 2018/2019	Year Ending 31/03/19
PT8 Chargeable (identifiable client and/or specific IA deliverable)	79.2%	74%	76%
PT 9 Non-Chargeable (corporate, not IA deliverable)	5.9%	9%	9%

Lost (i.e. leave, study, sickness)	14.9%	17%	15%
PT 10 Planned Lost	13.5%	15%	12.5%
PT 11 Unplanned Lost	1.4%	2%	2%

19. The team’s PT2 target was affected by two reports that were delayed following the contract auditor’s work period coming to an end and one audit report delayed due to unplanned leave. The team’s PT4 and PT5 targets were affected due to the additional workload due to the two auditor vacancies. The PT8 chargeable hours’ target is slightly higher than 2017/2018 due to the use of agency auditors, who incur less non-chargeable hours. Notwithstanding, the internal audit manager considers it to be an excellent team performance, especially the completion of PT6 and PT7, the completion of 100% of key and non-key financial audits, which was achieved during a period of significant change following the management restructure and the resulting internal audit manager and auditor vacancies.

Quality Assurance and Improvement Programme

20. As part of the quality assurance programme and to assist in monitoring and improving the quality and value of service provided, auditees are asked to complete an audit feedback questionnaire on internal audit’s performance. Responses received in 2018/2019 are summarised in **Appendix 3**.
21. All feedback received by the internal audit manager is discussed with the relevant auditor. Where appropriate, the internal audit manager meets the officer to discuss their comments in more detail and implement any necessary process improvements.
22. There is ongoing monitoring of the performance and quality of internal work throughout the year. All internal audit work is reviewed by the audit manager and feedback provided to auditors regarding the quality and audit technique.
23. The PSIAS require periodic internal and external assessments. An internal self-assessment, based on a PSIAS checklist provided by the Chartered Institute of Internal Auditors, is in progress and will be presented to the next committee along with an action plan to address any revisions needed to enable compliance. An external assessment is to be completed once every 5 years by a qualified, independent assessor or assessment team from outside the organisation. The external assessment can be in the form of a full external assessment, or a self-assessment with independent external validation.

Compliance with the PSIAS

24. There have been no impairments to the independence of internal auditors during the period 2018/2019.

Financial Implications

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

Legal Implications

26. None

Risk Implications

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

VICTORIA HUGHES
INTERNAL AUDIT MANAGER

PLANNED AUDIT 2018/2019

APPENDIX 1

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 16 July 2019													
JOINT													
Brown Bins (19)	Completed	20											
SODC			10.0		Limited	7	2	2	0	0	5	5	0
VWHDC			10.0		Limited	7	2	2	0	0	5	5	0
Capital Management and Accounting (21)	Completed	14											
SODC			6.0		Satisfactory	11	0	0	6	6	5	5	0
VWHDC			6.0		Satisfactory	11	0	0	6	6	5	5	0
Council Tax (23)	Completed	20											
SODC			11.0		Satisfactory	4	0	0	2	2	2	2	0
VWHDC			11.0		Satisfactory	4	0	0	2	2	2	2	0
Creditor Payments (27)	Completed	20											
SODC			10.0		Limited	8	2	2	1	1	5	5	0
VWHDC			10.0		Limited	8	2	2	1	1	5	5	0
Discretionary Grants (20)	Completed	16											
SODC			12.5		Satisfactory	9	0	0	3	3	6	6	0
VWHDC			12.5		Satisfactory	9	0	0	3	3	6	6	0
General Ledger (24)	Completed	20											
SODC			10.5		Satisfactory	6	0	0	2	2	4	4	0
VWHDC			10.5		Satisfactory	6	0	0	2	2	4	4	0
Health & Safety (20)	Carry Forward 19/20	20		Audit pushed back into 2019/20 audit plan. Delayed due to overhaul of processes and procedures by management.									
SODC			0.0										
VWHDC			0.0										
Housing Benefits and CTRS (21)	Completed	30											
SODC			15.5		Substantial	7	0	0	0	0	7	7	0
VWHDC			15.5		Substantial	7	0	0	0	0	7	7	0
Housing Development (18)	Completed	20											
SODC			10.0		Full	1	0	0	1	1	0	0	0
VWHDC			10.0		Full	1	0	0	1	1	0	0	0
HR Management (16)	Completed	20											
SODC			8.0		Limited	6	3	3	2	2	1	1	0
VWHDC			8.0		Limited	6	3	3	2	2	1	1	0
Insurance (27)	Completed	16											
SODC			6.0		Substantial	5	0	0	1	1	4	4	0
VWHDC			6.0		Substantial	5	0	0	1	1	4	4	0
Lone Working & Officer Security (23)	Carry Forward 19/20	14		Audit pushed back into 2019/20 audit plan. Delayed until implementation of new lone working.									
SODC			0.0										
VWHDC			0.0										
NDR (23)	Completed	20											
SODC			10.0		Substantial	5	0	0	1	1	4	4	0
VWHDC			10.0		Substantial	5	0	0	1	1	4	4	0
Payroll (28)	Completed	36											
SODC			20.0		Limited	11	7	7	3	3	1	1	0
VWHDC			20.0		Limited	11	7	7	3	3	1	1	0
Petty Cash Procedures (17)	Completed	4											
SODC			5.0		Limited	6	2	2	3	3	1	1	0
VWHDC			5.0		Limited	6	2	2	3	3	1	1	0
Planning Appeals (15)	Completed	20											
SODC			11.5		Satisfactory	6	0	0	3	3	3	3	0
VWHDC			11.5		Satisfactory	6	0	0	3	3	3	3	0
Pro-active Anti-Fraud Review (26)	Completed	14											
SODC			6.0		Limited	3	3	3	0	0	0	0	0
VWHDC			6.0		Limited	3	3	3	0	0	0	0	0
Procurement (27)	Carry Forward 19/20	20		Audit pushed back into 2019/20 audit plan. Delayed due to overhaul of processes and procedures by management.									
SODC			0.0										
VWHDC			0.0										
Property Management (24)	Completed	20											
SODC			7.5		Limited	6	2	2	1	1	3	3	0
VWHDC			7.5		Limited	6	2	2	1	1	3	3	0
Risk Management (28)	Completed	14											
SODC			7.0		Satisfactory	6	0	0	5	5	1	1	0
VWHDC			7.0		Satisfactory	6	0	0	5	5	1	1	0
Street Naming & Numbering (4)	Completed	8											
SODC			5.5		Satisfactory	7	0	0	3	3	4	4	0
VWHDC			5.5		Satisfactory	7	0	0	3	3	4	4	0
Sundry Debtors (24)	Completed	20											
SODC			9.0		Limited	3	1	1	1	1	1	1	0
VWHDC			9.0		Limited	3	1	1	1	1	1	1	0
Travel & Subsistence (18)	Completed	16											
SODC			9.0		Limited	8	2	2	3	3	3	3	0
VWHDC			9.0		Limited	8	2	2	3	3	3	3	0
Treasury Management (21)	Completed	14											
SODC			7.0		Satisfactory	3	0	0	3	3	0	0	0
VWHDC			7.0		Satisfactory	3	0	0	3	3	0	0	0
SODC													
None													
VWHDC													
None													
IA PLANNED AUDIT TOTALS		436	394.0		Full 2 Substantial 6 Satisfactory 16 Limited 18 Nil 0	256	48	48	88	88	120	120	0
SODC PLANNED AUDIT TOTALS		218	197		Full 1 Substantial 3 Satisfactory 8 Limited 9 Nil 0	128	24	24	44	44	60	60	0
VWHDC PLANNED AUDIT TOTALS		218	197		Full 1 Substantial 3 Satisfactory 8 Limited 9 Nil 0	128	24	24	44	44	60	60	0

FOLLOW UP OF AUDITS FROM 2017/2018

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	No Longer applicable	New recommendations
Training and Development (2nd report) 2016/2017	1	Limited	4	0	0	3	0	1	0
Property Management 2017/2018	0.5	Satisfactory	5	0	0	4	0	1	0
Credit Card Usage 2017/2018	1	Limited	10	2	2	3	3	0	0
Tree Management and Inspections 2017/2018	0.5	Satisfactory	4	3	1	0	0	0	0
Emergency Planning 2017/2018	1	Satisfactory	6	1	4	0	1	0	0
Data Protection 2017/2018	1	Satisfactory	8	0	1	6	1	0	0
SODC									
None									
VWHDC									
None									

FOLLOW UP AUDITS 2018/2019

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	No Longer applicable	New recommendations
JOINT									
Housing Development 2018/2019	1	Full	1	1	0	0	0	0	0
Planning Appeals 2018/2019	1	Satisfactory	6	0	2	3	0	1	0
Brown Bins 2018/2019	1	Limited	7	7	0	0	0	0	0
SODC									
None									
VWHDC									
None									
IA FOLLOW UP DURING 18/19 TOTALS	8.0		10	3	2	10	3	2	0
JOINT FOLLOW UP TOTALS	8.0		10	3	2	10	3	2	0
SODC FOLLOW UP TOTALS	0.0		0	0	0	0	0	0	0
VWHDC FOLLOW UP TOTALS	0.0		0	0	0	0	0	0	0

UNPLANNED WORK 2018/2019

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Post room checks	Completed	N/A	7	Random check following 2017/2018 information
SODC				
Research following councillor query	N/A	N/A	1	Head of Corporate Services
VWHDC				
Assistance with corporate services project across multiple service teams	Completed	N/A	32.5	Head of Corporate Services

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

AD-HOC ADVICE

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
General audit advice to service teams (incl chasing for information)	N/A	N/A	0	N/A
SODC				
General audit advice to service teams (incl chasing for information)	N/A	N/A	22	N/A
VWHDC				
General audit advice to service teams (incl chasing for information)	N/A	N/A	22	N/A

Audit plan 2018/2019 - Reconciliation with actual days

DESCRIPTION	Plan 18/19	Actuals at 31/3/2019
Total Days Available for Internal Audit Team	997	963
52x5x2 - Auditor x 2FTE	520	452
52x5x10/12 – Auditor (vacancy so x 1FTE 10 months)	217	180
52x5 - Audit Manager 1FTE	260	176
Agency Staff	0	155
Total Lost Days for Internal Audit Team	175	143
Annual Leave Entitlement (planned)	115	80
Bank Holiday and Christmas Closure (planned)	40	42
Sick Leave (unplanned)	20	21
Total Non-Chargeable Days for Internal Audit Team	86	88
Training and Development	12	14
Planned Study	27	4
Admin/Corporate Issues	35	59
Corporate/Team Meetings	12	11
Total Chargeable Days for Internal Audit Team	736	732
Audit Management	110	155
Ad-hoc Audit Advice (4 days each service area)	32	51
Consultancy/System Development (4 days each service area)	32	41
Contingency (Investigations) (6 days each service area)	48	14
Follow Up Work	32	8
Town and Parish Councils	26	26
5 Councils Partnership	20	10
Audit Plan 2018/2019	436	427
Total Lost + Non-Chargeable and Chargeable Days	997	963
Proportion of Chargeable Days	74%	76%
Proportion of Non-Chargeable Days	9%	9%
Proportion of Lost Days	17%	15%



Listening Learning Leading

INTERNAL AUDIT CHARTER 2019/2020

SOUTH OXFORDSHIRE DISTRICT COUNCIL AND VALE OF WHITE HORSE DISTRICT COUNCIL

The purpose of this paper is to provide the joint audit and governance committee with the internal audit charter for 2019/20. Responsibility for and ownership of the internal audit charter remains with the organisation. Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) requires the internal audit manager to review the charter periodically but final approval resides with the joint audit and governance committee.

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1. Background

- 1.1. The internal audit charter formally defines the internal audit activity's role, purpose and authority in line with the Public Sector Internal Auditing Standards (PSIAS) and so is vital in demonstrating the internal audit service's compliance with these standards. It establishes internal audit's position within the councils and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.
- 1.2. The charter can act as a service level agreement with the strategic management team and audit committee so that there is a clear understanding of the role, purpose and position of internal audit within the organisation and the scope and nature of its work. The document acts as a guide for internal auditors in their daily work, but also assists officers and members of the councils in understanding what internal audit is and how it operates. This is to be reviewed and presented to the joint audit and governance committee on an annual basis.

2. Mission

- 2.1. The purpose of South Oxfordshire District Council and Vale of White Horse District Councils' internal audit team is to provide independent, objective assurance and consulting services designed to add value and improve the councils' operations.
- 2.2. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit team will help the councils accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

3. Definitions

- 3.1. The PSIAS require that the internal audit charter to defines the terms 'internal auditing', 'board', 'senior management', and 'chief audit executive'.
- 3.2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.3. The internal audit manager fulfils the 'chief audit executive' role as defined by the standards.
- 3.4. For the purposes of internal audit work, the 'board' refers to the councils' joint audit and governance committee, which oversees the work of internal audit. The key duties of the board are as follows:
 - approve the internal audit charter (Standard 1000)
 - approve the risk based internal audit plan including the approval of the internal audit budget and resource plan (Standard 1110)
 - receiving communications from the internal audit manager on internal audit performance relative to its plan and other matters (Standard 2020)
 - receive an annual confirmation from the internal audit manager with regard to the organisational independence of the internal audit activity (Standard 1110)
 - receive the results of the quality assurance and improvement programme from the internal audit manager (Standard 1320)

- make appropriate enquiries of the strategic management team and the internal audit manager to determine whether there are inappropriate scope or resource limitations.
- 3.5. For the purposes of internal audit work, 'senior management' is defined as the strategic management team. The role of the strategic management team includes the following key duties:
- input to the risk based internal audit plan (**Standard 2010**)
 - receive periodic reports from the internal audit manager on internal audit activity (**Standard 2060**); that includes follow-up reports (**Standard 2500**)
 - receive the results of the quality assurance and improvement programme from the internal audit manager (**Standard 1320**)
 - identify, evaluate and manage risk within their service areas
 - work with internal audit to provide input to scope
 - ensure that internal audit has full support of management and their teams in completing their work
 - ensure adequate resources are available to support the audit
 - implement time-bound cost effective, and appropriate actions to address internal control weaknesses identified

4. Code of ethics

- 4.1. The internal audit function is required to comply with the PSIAS. The relevant internal audit standard setters, which include the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, have adopted the common set of PSIAS from 1 April 2013 and these were last revised from 1 April 2017. The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). Compliance with the PSIAS is subject to a quality assurance and improvement programme in line with that specified in the standards.
- 4.2. The PSIAS incorporate a code of ethics to promote an ethical and professional culture. Auditors are required to comply with this code, as well as any code of ethics from other professional bodies they belong to and any code of ethics required by the councils. The PSIAS code of ethics sets out four principles which Internal Audit will adhere to. The four principles are integrity, objectivity, confidentiality and competency.
- 4.3. In addition to the PSIAS code of ethics, the internal audit team will adhere to the five values set out by the South Oxfordshire and Vale of White Horse district councils:
- we act with integrity and show respect
 - we are accountable
 - we are passionate about our business
 - we strive for simplicity
 - we love success
- 4.4. Internal auditors will also have regard to:
- the councils' policies and procedures including financial regulations
 - the internal audit charter and the internal audit manual
 - the committee on standards of public life's "Seven Principles of Public Life"
 - the relevant requirements of their professional body.
- 4.5. The internal audit manager will report periodically to senior management and the joint audit committee regarding the internal audit team's conformance to the code of ethics and the PSIAS.

5. Core principles

- 5.1. The PSIAS set out 10 core principles that internal audit must follow to be considered effective:
- demonstrates integrity
 - demonstrates competence and due professional care
 - is objective and free from undue influence (independent)
 - aligns with the strategies, objectives, and risks of the organisation
 - is appropriately positioned and adequately resourced
 - demonstrates quality and continuous improvement
 - communicates effectively
 - provides risk-based assurance
 - is insightful, proactive, and future-focused
 - promotes organisational improvement

6. Authority

- 6.1. To establish, maintain, and assure that the councils' internal audit team has sufficient authority to fulfil its duties, the joint audit and governance committee will:
- approve the internal audit charter (**Standard 1000**)
 - approve the risk-based internal audit plan (**Standard 1110**)
 - receive communications from the internal audit manager on the internal audit team's performance relative to its plan and other matters (**Standard 2020**)
- 6.2. The joint audit and governance committee authorises the internal audit team to:
- have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
 - allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

7. Reporting

- 7.1. PSIAS 1110 states that the internal audit manager must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities and reporting to the board is the generally accepted method of helping to ensure that organisational independence is attained.
- 7.2. The internal audit manager will have organisational independence by reporting functionally to the joint audit and governance committee and administratively (i.e., day-to-day operations) to the head of finance.
- 7.3. The PSIAS state that within local government, many internal audit managers are line managed by the chief finance officer (head of finance) and organisations do not need to alter this arrangement where appropriate functional reporting arrangements are in place that do not compromise the independence and objectivity of the internal audit manager, in particular the principle that the internal audit manager must be independent of the audited activities.
- 7.4. The internal audit manager will have unrestricted access to, and communicate and interact directly with, the joint audit and governance committee, including in private meetings without management present.

- 7.5. The internal audit manager will confirm to the joint audit and governance committee, at least annually, the organisational independence of the internal audit team.

8. Internal audit independence

- 8.1. The internal audit manager will ensure that the internal audit team remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the internal audit manager determines that independence or objectivity may be impaired, or perceived to be so, the details of impairment will be disclosed to appropriate parties.
- 8.2. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
- assessing specific operations for which they had responsibility within the previous three years
 - performing any operational duties for the councils or its affiliates
 - initiating or approving transactions external to the internal audit team
 - directing the activities of any council employee not employed by the internal audit team, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors
- 8.3. Internal auditors will:
- disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties
 - exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined
 - make balanced assessments of all available and relevant facts and circumstances.
 - take necessary precautions to avoid undue influence, by their own interests, or by others in forming judgments
 - adopt an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others
- 8.4. Should internal audit provide advice and support, regarding risk and controls, such as during the design and implementation of new systems, then independence will be preserved by ensuring that the person providing this support takes no part in any subsequent audit.
- 8.5. Where the internal audit manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6. The internal audit manager reports administratively to the Head of Finance; however in addition the internal audit manager has a direct reporting line to the co-chairs of the Joint Audit and Governance Committee (JAGC) and the Chief Executive.

9. Internal audit objectives

- 9.1. Internal audit provides an independent and objective opinion to the councils on the overall adequacy and effectiveness of the councils' framework of governance, risk management and control. It may also undertake consulting services at the request of

the councils, subject to there being no impact on the core assurance work and the availability of skills and resources.

- 9.2. Consulting services are defined as advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
- 9.3. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the joint audit and governance committee, strategic management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the councils. Internal audit assessments include evaluating whether:
- risks relating to the achievement of the councils' strategic objectives are appropriately identified and manage
 - the actions of the councils' officers, directors, employees, and contractors comply with the councils' policies, procedures, and applicable laws, regulations, and governance standards
 - the results of operations or programs are consistent with established goals and objectives
 - operations or programs are being carried out effectively and efficiently
 - established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the councils
 - information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity
 - resources and assets are acquired economically, used efficiently, and protected adequately
- 9.4. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.
- 9.5. The internal audit manager will consider relying upon the work of other internal and external assurance and consulting service providers as needed, subject to approval of the strategic management team and joint audit and governance committee. The internal audit team may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit team does not assume management responsibility.
- 9.6. The internal audit manager will disclose to the joint audit and governance committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

10. Internal audit responsibility

10.1. The internal audit manager will report periodically to senior management and the joint audit and governance committee regarding:

- the organisational independence of internal audit and any restrictions on the scope of internal audit's work, or its ability to report its findings, and related implications
- the internal audit team's purpose, authority, and responsibility (charter)
- the internal audit team's plan and performance relative to its plan
- the internal audit team's conformance with the IIA's code of ethics and the PSIAS, and action plans to address any significant conformance issues
- significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the joint audit and governance committee
- results of audit engagements or other activities
- any response to risk by management that may be unacceptable to the councils.

10.2. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

10.3. The internal audit manager has the responsibility to:

1. Review, appraise and report on:

- the adequacy and effectiveness of the system on internal controls
- compliance with corporate policies, procedures, controls and regulations
- compliance with legislation and statutory obligations
- the application of good practice in corporate governance and the management of risk
- the operations in place to establish and monitor the achievement of the councils' objectives

2. Report the following activity in relation to the annual internal audit plan:

- submit, at least annually, to senior management and the joint audit and governance committee a risk-based internal audit plan for review and approval
- communicate to senior management and the joint audit and governance committee the impact of resource limitations on the internal audit plan
- review and adjust the internal audit plan, as necessary, in response to changes in the councils' business, risks, operations, programmes, systems, and controls
- communicate to senior management and the joint audit and governance committee any significant interim changes to the internal audit plan
- ensure trends and emerging issues that could impact the councils and internal audit plan are considered and communicated to senior management and the joint audit and governance committee as appropriate

3. Review audit work to ensure:

- each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties

- audit recommendations are followed up and the status is reported periodically to senior management and the joint audit and governance committee
4. Monitor the internal audit team to ensure:
 - the principles of integrity, objectivity, confidentiality, and competency are applied and upheld
 - the internal audit team collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter
 5. Assist officers and members in the effective discharge of their responsibilities.
 6. Provide assurance that keys risks are being managed effectively and that appropriate controls are in place.
 7. Conduct special projects that contribute to the achievement of the councils' objectives. The nature and scope of the work may include facilitation, training, consultancy, and advisory services but this list is not exhaustive.
 8. Conduct independent internal investigations where directed by management.

11. External parties

- 11.1. If internal audit provides assurance or consulting services to an external party (e.g. town and parish councils), the internal audit manager will obtain formal approval from the head of finance and the joint audit and governance committee to engage with the external party.
- 11.2. A formal engagement letter will be signed by both parties, which will clarify the terms and conditions of the audit engagement and include limitations of scope. The engagement letter will include the following information:
 - audit objectives
 - audit period
 - scope of work
 - approach
 - timings
 - audit fees
- 11.3. The internal audit manager will ensure that audit fees are calculated in line with council and statutory regulations. Audit fees will not exceed the expenditure incurred in delivering the services to the external party.

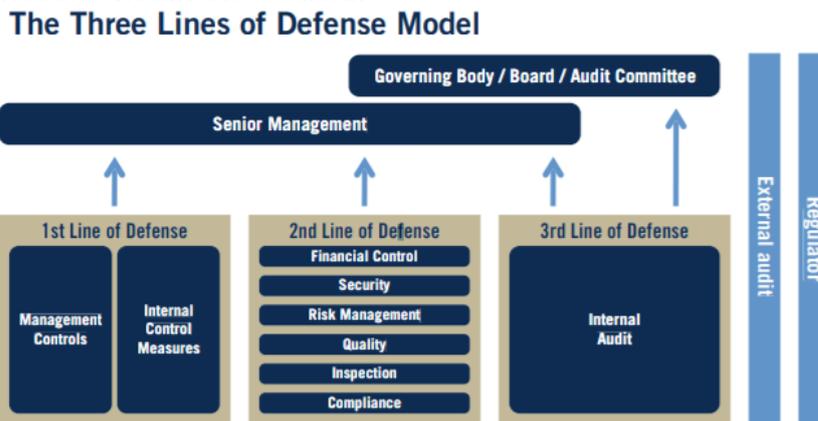
12. Corporate fraud

- 12.1. The primary responsibility for the prevention and detection of fraud lies with management, who are also responsible for managing the risk of fraud, bribery and corruption. In support of this, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. Auditors will have sufficient knowledge to identify indicators that fraud or corruption may have been committed.
- 12.2. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

- 12.3. Any evidence or reasonable suspicion of an irregularity relating to funds, property or records shall be reported immediately to the internal audit manager in accordance with the anti-fraud, bribery and corruption policy.
- 12.4. The internal audit manager will ensure incidents of suspected fraud are reported timely to the monitoring officer.

13. Risk management

- 13.1. To ensure the effectiveness of the councils’ risk management framework, the joint audit and governance committee and the strategic management team need to be able to rely on adequate line functions within the council.



Adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41

- 13.2. The 'Three Lines of Defence' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- first line of defence: functions that own and manage risk
- second line of defence: functions that oversee or specialise in risk management, compliance
- third line of defence: functions that provide independent assurance

- 13.3. Internal audit forms the third line of defence. The independent internal audit function will, through its risk-based approach to audit work, provide assurance to the joint audit and governance committee and strategic management team. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It will encompass all elements of the councils’ risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives: strategic, ethical, operational, reporting and compliance.

14. Quality assurance and improvement programme

- 14.1. The PSIAS require the internal audit manager to develop and maintain a quality assurance and improvement programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS for conformance. The QAIP must include both internal and external assessments: internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

- 14.2. The internal audit team will maintain a quality assurance and improvement programme that covers all aspects of the internal audit team. The programme will include an evaluation of the internal audit team’s conformance with the PSIAS and an evaluation of whether internal auditors apply the IIA’s code of ethics. The programme will also assess the efficiency and effectiveness of the internal audit team and identify opportunities for improvement.

14.3. The internal audit manager will communicate to senior management and the joint audit and governance committee on the internal audit team's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic). At least once every five years, an external, qualified independent assessor or assessment team will assess the quality assurance and improvement programme.

15. Approvals

Internal audit manager	Date
Head of finance	Date
Chief Executive Officer	Date
Joint audit and governance committee chairman (SODC)	Date
Joint audit and governance committee chairman (VWHDC)	Date

Audit and governance work programme

containing Audit and Governance Committee work to
be undertaken

1 AUGUST 2019 - 30 MARCH 2020



The audit and governance work programme belongs to the councils' Joint Audit and Governance Committee and sets out a schedule of work for the period shown above. It is a rolling plan, subject to change at each Committee meeting; however, the councils may allocate additional work.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity report – second quarter 2019/20	Joint Audit and Governance Committee 14 October 2019	Victoria Hughes Email: victoria.hughes@southandvale.gov.uk	The council audits its services through the internal audit service in line with the approved internal audit plan 2019/20	To summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and main issues arising, and seek assurance that action has been or will be taken where necessary.	This is a recurring agenda item, and is updated at each meeting.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit management report – second quarter 2019/20	Joint Audit and Governance Committee 14 October 2019	Victoria Hughes Email: victoria.hughes@southandvale.gov.uk	The committee monitors the effectiveness of internal audit each quarter against the approved audit plan	To report on management issues, summarise the first quarter progress of the internal audit team against the 2019/209 audit plan, and summarise the priorities and planned audit work for quarter three.	This is a recurring agenda item, and is updated at each meeting.
External auditor's annual governance reports 2018/19	Joint Audit and Governance Committee 14 October 2019	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor publishes an annual governance report on the councils' activities.	To consider the external auditor's annual governance reports 2018/19	
Statements of accounts 2018/19	Joint Audit and Governance Committee 14 October 2019	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The councils must produce statements of accounts each year.	To approve the statements of accounts 2018/19	
Annual governance statements 2018/19	Joint Audit and Governance Committee 14 October 2019	Steve Culliford, Email: steve.culliford@southandvale.gov.uk	The councils are required to publish annual governance statements	To approve the annual governance statements 2018/19	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Letters of representation to the council's external auditor	Joint Audit and Governance Committee 14 October 2019	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The committee's co-chairmen and the section 151 officer are required to sign a 'letter of representation' to the external auditor, as part of the process in completing the statement of accounts.	To consider and agree the letters of representation	
External auditor's annual audit letter	Joint Audit and Governance Committee 14 October 2019	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor is responsible for auditing the councils' business.	To consider the external auditor's annual audit letter 2018/19	
Treasury management outturn 2017/18	Joint Audit and Governance Committee 14 October 2019	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity.	To consider the treasury management outturn for 2017/8	
Corporate fraud and cyber security risk review	Joint Audit and Governance Committee 14 October 2019	Victoria Hughes Email: victoria.hughes@southandvale.gov.uk	Update on the corporate and cyber security risk review	To summarise progress	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's report on the certification of claims and returns 2017/18	Joint Audit and Governance Committee 27 January 2020	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to report on certification and other assurance work.	To consider the external auditor's report	
External auditor's audit planning reports 2019/20	Joint Audit and Governance Committee 27 January 2020	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to report on how it intends to carry out its responsibilities as auditor	To consider the external auditor's report	
Treasury management mid-year monitoring 2019/20	Joint Audit and Governance Committee 27 January 2020	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity.	To review the councils' treasury management activities for the first six months of the 2019/20 financial year.	
Treasury management strategies 2019/20	Joint Audit and Governance Committee 27 January 2020	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity and to propose a strategies to Councils, via Cabinets, for the management of this function in the forthcoming year.	To scrutinise the treasury management strategies and policies and if required, make recommendations for amendment to Cabinets	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Risk Management Update	Joint Audit and Governance Committee 27 January 2020	Yvonne Cutler-Greaves, Email: Yvonne.cutler-greaves@southandvale.gov.uk	The committee agreed to receive regular progress reports on the implementation of the risk management framework	To review and comment on progress	
Comments and complaints 2018/19	Joint Audit and Governance Committee 23 March 2020	Sally Truman, Email: Truman@southandvale.gov.uk	The committee is responsible for monitoring the councils' comments and complaints.	To review the comments and complaints received during 2018/19	
Code of Conduct – annual report	Joint Audit and Governance Committee 23 March 2020	Margaret Reed, Email: margaret.reed@southandvale.gov.uk	The Committee has responsibility for having an overview of the standards of conduct framework for councillors, any co-opted members and parish councillors.	To review complaints received under code of conduct.	
Internal audit plan 2019/20	Audit and Governance Committee 23 March 2020	Victoria Hughes, Email: victoria.hughes@southandvale.gov.uk	The council audits its services through the internal audit service.	To approve the internal audit plan for 2019/20	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Review of statement of accounting policies	Joint Audit and Governance Committee 23 March 2020	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	To audit and review the policies and principles used when compiling the 2019/20 accounts.		