

# Joint Audit and Governance Committee

Report of Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 13 July 2020

## Internal audit activity report quarter four 2019/2020

### Recommendations

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 Dorman-Smith, 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 31 March 2020, since the last joint audit and governance committee meeting the following audits and follow up reviews have been completed:

**Completed Audits: 6**

Full Assurance: 0

Substantial Assurance: 0

Satisfactory Assurance: 2

Limited Assurance: 4

Nil Assurance: 0

Audit Area	Assurance Rating	Total Recs	High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
<b>Joint</b>								
1. Capital Management & Accounting 19/20 ( <b>appendix 1</b> )	Limited*	<b>10</b>	1	1	8	8	1	1
2. Council Tax 19/20 ( <b>appendix 1</b> )	Limited*	<b>12</b>	2	2	5	5	5	5
3. Sundry Debtors 19/20 ( <b>appendix 1</b> )	Limited*	<b>4</b>	2	2	1	1	1	1
4. Payroll 19/20 ( <b>appendix 1</b> )	Limited*	<b>8</b>	4	4	3	3	1	1
Creditor Payments 19/20	Satisfactory	<b>5</b>	0	0	3	3	2	2
Treasury Management 19/20	Satisfactory	<b>2</b>	0	0	2	2	0	0
<b>SODC</b>								
None								
<b>VWHDC</b>								
None								

\* Under normal circumstances, Capita would be invited to the JAGC to discuss any limited assurance audit reports for Capita service offerings. However, as this is the first virtual JAGC meeting, Capita are not in attendance. The internal audit manager will take away any questions the committee may have for Capita and will obtain responses in due course.

8. At its meeting on 27 January 2020, officers undertook to provide additional information at a future meeting on the reasons why there had been some incorrect payments to verification and count elections staff at the district and parish elections and the EU Parliamentary election in May 2019.

The main reason was that staff were paid by the quarter hour, to meet the requirements of the election software set up, and not the half hour as set out in the fees and charges. In addition, the practice of rounding down payments for five minutes over the hour resulted in payments below the advertised scale. In some cases, the quarter hour unit rate entered for a number of staff was 15 pence above the advertised rate resulting in overpayments.

For future elections, officers will consider the option of a flat payment and/or a restriction on staff arriving and leaving at different times which puts a strain on the administration of inputting and checking payments for in excess of 200 staff. Officers acknowledge that for future elections greater clarity must be provided to those officers administering the payments on the fees applicable and the need to undertake additional checking.

### Follow Up Reviews

Audit Area	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
<b>Joint</b>							

5. Property Management 18/19 ( <b>appendix 1</b> )	Limited	6	0	0	<b>Agenda Item 9</b>		
					3	3	0
Risk Management 18/19	Satisfactory	6	2	0	3	1	0
Mobile Home Parks 19/20	Satisfactory	10	4	0	1	5	0
Insurance 18/19	Substantial	5	0	1	3	1	0
Disabled Facility Grants 19/20	Full	1	1	0	0	0	0
<b>SODC</b>							
None							
<b>VWHDC</b>							
None							

9. **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.
10. 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.
11. 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.
12. 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

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

### Legal implications

14. None.

### Risks

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

VICTORIA DORMAN-SMITH  
INTERNAL AUDIT MANAGER

## 1. Capital Management and Accounting

### MANAGEMENT SUMMARY

#### 1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to capital management and accounting. The audit has been undertaken in accordance with the 2019/2020 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 21. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during this review to provide assurance that:
- the councils have an up-to-date capital financial strategy and asset management plan in order to develop and manage the capital programme;
  - adequate monitoring is undertaken in relation to capital contracts and approved budgets;
  - appropriate capital accounting arrangements are in place;
  - there is adequate authorisation of additions, disposals, write-offs, transfers and amendments of the asset register;
  - the asset register is regularly reconciled to other sources and adequate controls are in place over the completeness of the register;
  - the property and asset management system is suitably maintained and updated.

#### 2. BACKGROUND

- 2.1 Previously, as part of the five councils' partnership (5CP), Capita provided the accountancy service and Arcadis provided property services. Property services and strategic finance teams were brought back in-house in April 2018 and December 2018 respectively. The councils' strategic finance team, Capita accountancy team and the councils' property team are responsible for different aspects of capital management and accounting activities.
- 2.2 Capital management covers how the councils' assets are maintained and managed. Capital accounting looks at how capital is financed and accounted for, including the recording of assets in a register with an appropriate categorisation to determine how they are measured within the balance sheet.
- 2.3 Capital accounting is based on IFRS standards as implemented by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. Transactions such as purchase/disposal of assets, depreciation and revaluation are recorded in the accounts. The annual financial statements, which include details of capital assets and capital expenditure, are reviewed by the councils' external auditors, Ernst and Young (EY). The 2018/2019 statement of accounts for both SODC and VWHDC were audited by EY beginning in September 2019 and as at 11 March 2020 this has still to be finalised.

- 2.4 The balance for asset values, for the uncertified accounts, as at 31 March 2019, as taken directly from the statement of accounts are: **Agenda Item 9**

	<b>SODC</b>	<b>VWHDC</b>
Property, plant and equipment	£33,344,000	£45,929,000
Investment properties	£7,838,000	£5,683,000
Intangible assets	£28,000	£38,000

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Capital management and accounting was last subject to an internal audit review in March 2019, and 11 recommendations were raised, of which four recommendations were restated from the previous review in 2017/2018. All 11 recommendations were agreed, and a satisfactory assurance opinion was issued.
- 3.2 Five of the 11 recommendations have been implemented. Six recommendations have not been implemented and have been restated as part of this review (Recs 1 to 6). Two of the restated recommendations have been consolidated into one recommendation (Rec 5).

### 4. 2019/2020 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Nine (seven joint, one SODC and one VWHDC) recommendations have been raised in this review. One high risk, seven medium risk and one low risk.

### 5. MAIN FINDINGS

#### 5.1 **Capital financial strategy and asset management plan**

- 5.1.1 Both SODC and VWHDC have a capital strategy for the period 2019/2020 to 2028/2029. In December 2017, new CIPFA guidance came into force on the prudential code for capital finance in local authorities, which requires all councils to have a capital strategy in place by 2019. The councils' capital strategy has been developed to ensure that the councils' capital expenditure and investment decisions are in line with their service objectives, and properly takes account of stewardship, value for money, prudence, sustainability and affordability. Both SODC and VWHDC capital strategies were approved by full council in February 2019.
- 5.1.2 As noted in the previous audit, a joint asset management plan 2015 to 2019 is in place, along with draft portfolio strategies (developed by Arcadis in 2017) for each council. Both the asset management plan and the portfolio strategies have not been approved or adopted by the councils and the asset management plan is now outdated. Review of the portfolio strategies found that they fulfil the requirements of the CIPFA guidance for an asset strategy but not for an asset management plan.
- 5.1.3 **Area assurance: Substantial**  
One previous recommendation has been restated as a result of our work in this area (Rec 1).

- 5.2.1 The strategic finance team maintain and update the capital programmes for both SODC and VWHDC, which record the individual projects and expenditure to date with expected spend profiled by year. It is noted that SODC's capital programme is split into 'approved' and 'provisional', while VWHDC only has an 'approved' programme; this is due to the differing positions of the two councils. At the time of the audit review (December 2019), the latest capital programmes covered the period 2019/2020 to 31 March 2024 and were approved by Cabinet in January 2019 (SODC) and February 2019 (VWHDC).
- 5.2.2 The capital programmes are reviewed as part of the budget setting process. Any growth bids are considered as part of preparing the capital programmes along with, for SODC only, any capital projects to be moved from provisional to the approved capital programme. During the year, the capital programmes are reviewed and updated in line with cabinet or cabinet member decisions, that affect the budget or project viability. From review of both council's capital programmes, they now include the responsible officer for each project. Through the corporate delivery framework, there is now a process in place for the evaluation of projects following their delivery.
- 5.2.3 Since December 2018, capital budget monitoring is undertaken monthly with budget holders; however, the capital position is reported to Cabinet every quarter. There is a standard documented monthly budget monitoring process in place, which is in accordance with a budget monitoring timetable. This involves the strategic finance team obtaining initial capital budget positions from budget managers which are then presented to the senior management team (SMT) to agree the reported position. The capital position reported to Cabinet in October 2019 was found to be adequately supported.
- 5.2.4 In 2019/2020 to date (January 2020) there have been three SODC transfers between the 2019/2020 provisional and approved budget. All three budget transfers were found to have been authorised in line with the constitution. There were no budget transfers for VWHDC during 2019/2020 up to January 2020.
- 5.2.5 In 2019/2020 up to January 2020, as part of the VWHDC budget monitoring process, it was noted that on two occasions, project managers requested to vire budgets between capital projects. A review of the two budget virements confirmed that they were approved in line with the councils' constitution. There were no virements in 2019/2020 to date (January 2020) for SODC.
- 5.2.6 Area assurance: Full  
No recommendations have been made as a result of our work in this area.
- 5.3 Capital accounting arrangements**
- 5.3.1 Capital accounting relates to the recording of transactions for asset purchases, disposals, depreciation and revaluation within the accounts and these transactions. The previous audit review recommended that following the in-sourcing of the strategic finance team in September 2018, formal capital management procedures should be documented. Significant progress has been made in relation to these procedures; however, they had not been finalised at the time of the audit.

5.3.2 Guidance on the budget setting process is available to council officers on the intranet, and this includes budget responsibilities for capital projects and covers growth bids. However, the guidance held on the intranet relates to the current financial year, 2019/2020, rather than the current budget setting year, 2020/2021. Year-end closedown guidance, including capital expenditure, is emailed to heads of service, service managers and other officers involved with budgets in the form of a memorandum.

5.3.3 Area assurance: Substantial  
One previous recommendation has been restated as a result of our work in this area (Rec 2).

#### 5.4 **Asset registers**

5.4.1 The accountancy team (Capita) maintain the fixed asset registers in excel and the property services team maintain the property register on the Concerto system. Property valuations are recorded on the fixed asset registers and the net book value at the end of each financial year is adjusted to allow for additions, disposals, depreciation and revaluation. Review of the SODC and VWHDC fixed asset registers confirmed that they comply with the requirements of the councils' financial procedure rules and CIPFA guidelines.

5.4.2 As at December 2019, the latest fixed asset registers were for 2018/2019, for the financial year ending 31 March 2019. Review of the 2018/2019 fixed asset register found that there were eight (four SODC and four VWHDC) asset additions, totalling £1,060,092 (£364,843 SODC and £695,249 VWHDC). There was one asset disposal for VWHDC (£3,430,000) and no asset disposals for SODC.

5.4.3 Based on our review we found that the eight asset additions had been approved in accordance with the councils' financial procedure rules. Review of the VWHDC asset disposal identified that the costs incurred from the sale of the asset (e.g. auctioneers, agents' fees etc.) totalling £48,704 were incorrectly recorded as capital receipts instead of revenue receipts in the 2018/2019 accounts.

5.4.4 The councils have a five-year asset revaluation schedule in place which was undertaken by Sanderson Weatherall in 2019/2020, the contract for 2020/2021 has since been awarded to Lambert Smith Hampton. Asset revaluations have been split into the following categories:

- Year one (2016/2017) - car parks;
- Year two (2017/2018) - leisure centres, parks, cemeteries, allotments and open spaces;
- Year three (2018/2019) - public convenience, civic estates and housing (including mobile homes park);
- Year four (2019/2020) - investment properties and long leases;
- Year five (2020/2021) - Tenanted Non-Residential Property (TNRP) (ex. investments and long leases), community centres and surplus/vacant sites.

It is noted that the five-year schedule has been approved by the section 151 officer, as required by CIPFA guidance.

5.4.5 At the time of the audit (December 2019), the latest asset revaluation undertaken was for the year three asset categories, for financial year 2018/2019. The year four valuations will be undertaken by 31 March 2020. A

total of 27 (12 SODC and 15 VWHDC) properties were revalued. **Agenda Item 9**  
found that:

- For SODC, three out of the 12 revalued assets, the asset values per the valuation report did not reconcile to the asset values per the fixed asset register and Agresso. The differences totalled £74,681 in relation to the following:
  - Cattle Market WC (£242): difference is due to depreciation on the fixed asset register, which should be zero.
  - High Street WC (£369): difference is due to historic rounding differences; and
  - Cornerstone Arts Centre (£74,070): difference is due to an incorrect asset value updated on Agresso, which did not agree to the revaluation report.
- For VWHDC, all 15 asset revaluations were reconciled from the valuation report to the fixed asset register and Agresso, with no issues noted.

5.4.6 Review of the property register within Concerto identified that the property data is outdated and requires additional resources to ensure that the records are reviewed for completeness and accuracy. A project has been initiated to review and update the Concerto property data. At the time of the audit this had not been completed; however, a project officer had been seconded for a period of six months and to assist with uploading data onto Concerto in relation to the council's primary sites.

5.4.7 The previous audit recommended that all the land and property data required by the Local Government Transparency Code 2015 should be added to the property register, for publishing annually on the council websites. In addition, it was previously recommended to formally document asset management procedures. Review confirmed that the two previous recommended actions have not been implemented.

5.4.8 Area assurance: Limited  
Two previous recommendations have been restated (Recs 3 and 4) and five recommendations have been made as a result of our work in this area (Recs 6 to 8).

## 5.5 Asset register reconciliation

5.5.1 The accountancy team (Capita) maintains the fixed asset registers on spreadsheets for accounting purposes, whilst the property services team is responsible for maintaining the main asset register (Concerto), which lists all physical assets owned by both councils. As detailed in 5.4.5, the asset register held on Concerto is incomplete and outdated; therefore, a reconciliation between the asset register and fixed asset register has not been undertaken during 2019/2020.

5.5.2 Area assurance: Limited  
One recommendation has been raised as a result of our work in this area (Rec 9).

## 5.6 Property and asset management system

5.6.1 The Concerto system is accessible via the web browser. To obtain access users are required to be set up on the system with a username and password. The password policy requires passwords to be a minimum of eight alphanumeric characters; however, it the system does not require users to

regularly change their password although it has the capability. **Agenda Item 9**  
Concerto system also has an audit trail to record user logon and other activities. To add and remove users, the request is made through the property services team and approval is needed from the user's line manager.

5.6.2 Regular Concerto user access reviews are not performed. Review of the Concerto last logged in report identified:

- One user had not logged in since 2016;
- Four users had not logged in since 2017;
- 18 users had not logged in since 2018;
- 18 users had never logged in to Concerto.

Review of the Concerto user listing identified a total of nine contractors, of which one contractor no longer required system access (as noted in the previous audit).

5.6.3 As part of the Capita HR joiners, movers and leavers process, employee changes are not always communicated to the councils' Concerto system administrator. However, based on our review, it was found that there were no leavers with access to Concerto.

5.6.4 Area assurance: Substantial

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

## 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:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Rec 8</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 1-4, 6-7 and 9</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Rec 5</b>

**PREVIOUS RECOMMENDATIONS RESTATED**

**CAPITAL FINANCIAL STRATEGY AND ASSET MANAGEMENT PLAN**

**1. Asset management plans**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Up-to-date and approved asset management plans are in place and adopted by the councils.</p> <p><u>Findings</u> As noted in the previous audit review, a joint asset management plan 2015 to 2019 was developed; however, the plan has not been approved by the councils and is now outdated. Therefore, a current and approved asset management plan is not in place for both councils.</p> <p><u>Risk</u> If an up-to-date asset management plan is not in place, there is a risk of inappropriate or inconsistent decisions being made when managing assets.</p>	<p>a) Review and update the joint asset management plan and ensure that it meets the requirements set out in the prudential code.</p> <p>b) Obtain Cabinet approval for the updated joint asset management plan.</p>	Strategic Property Advisor
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> Management response: Head of Development &amp; Regeneration</p>		31 March 2021

**CAPITAL ACCOUNTING ARRANGEMENTS**

**2. Guidance notes - capital accounting**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Up-to-date and comprehensive capital accounting guidance notes are in place.</p> <p><u>Findings</u> The strategic finance team are in the process of developing a set of capital accounting procedure notes, which include guidance on the following areas:</p> <ul style="list-style-type: none"> <li>• capital budgeting;</li> <li>• maintenance of the capital programme;</li> <li>• capital monitoring; and</li> <li>• capital closedown.</li> </ul> <p>It is noted that only the finance business partner has knowledge of the capital accounting processes and procedures; therefore, in the absence of any formal procedure notes, it was agreed for the finance business partner to transfer knowledge to the wider strategic finance team. However, at the time of the audit this has not yet been performed.</p> <p>In addition, the budget setting guidance published on the councils' intranet (Jarvis) refers to 2019/20 rather than 2020/21 and is therefore outdated.</p> <p><u>Risk</u></p>	<p>a) In the short term (i.e. until formal procedures have been completed) ensure historic capital accounting knowledge is transferred/communicated to the strategic finance team.</p> <p>b) Finalise the formal capital accounting procedure notes.</p> <p>c) Review and update the budget setting guidance published on Jarvis to ensure it is current.</p>	Senior Finance Business Partner

<p>If appropriate and up-to-date guidance notes are not in place, there is a risk of officers unknowingly taking incorrect actions within capital accounting.</p> <p>Furthermore, if Strategic accountancy staff with specific capital knowledge are moved / not available, there is a risk of the councils being exposed to greater risk of errors.</p>	<b>Agenda Item 9</b>
<b>Management Response</b>	<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b>  Guidance notes are almost complete and knowledge sharing is to take place over the next few months.  Management response: Senior Finance Business Partner</p>	31 December 2020

## ASSET REGISTERS

### 3. Concerto land and property details

(Medium Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u>  Land and property data, required by the Local Government Transparency Code 2015, is held in the property register and published on the councils' website on an annually basis.</p> <p><u>Findings</u>  The Concerto system is used to publish the councils' land details as required by the Local Government Transparency Code 2015. Review of both SODC and VWHDC websites found that the council property lists are dated 5 November 2015, therefore the property lists are not published annually, as required by the code.</p> <p>Also, from review of the council property lists on the website found that not all the required information is recorded as an indicator for council occupied property and whether an asset is land only or land with a permanent building was not stated.</p> <p>However, it was noted that limited Geographic Information System (GIS) information was available to the public.</p> <p><u>Risk</u>  There is a risk that If the required land and property data is not made available to the public, there is a risk that the councils are not complying with the Local Government Transparency Code 2015 resulting in an adverse impact to the councils' reputation.</p> <p>Furthermore, if accurate information on the councils' assets is not publicly available, this may result in additional freedom of information requests, which may have adverse financial impact.</p>	<p>All of the land and property data required by the Local Government Transparency Code 2015 should be added to the Property Register and published in a timely manner annually.</p>	<p>Property Operations Team Leader</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b>  The land and property data will be added to the property register and published.  Management response: Head of Development &amp; Regeneration</p>		31 December 2020

#### 4. Asset management procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procedures are available to officers to guide them in managing property assets.</p> <p><u>Findings</u> Since April 2018, property services has been brought back in-house, with responsibility for the asset register passing from Arcadis to the councils' property services team. A project has been initiated to review of the workflow within the Concerto system to align to revised process maps.</p> <p>However, there is currently no formal procedures in place for the ongoing maintenance of asset data recorded in the Concerto system, to ensure data is complete and accurate.</p> <p><u>Risk</u> Lack of asset management procedures, may increase the risk that reviews, and ongoing quality checks are not performed.</p>	<p>Document formal asset management procedures to ensure the ongoing quality of asset data recorded in the Concerto system.</p>	<p>Property Operations Team Leader</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> Management response: Head of Development &amp; Regeneration</p>		<p>31 August 2020</p>

### PROPERTY AND ASSET MANAGEMENT SYSTEM

#### 5. Concerto system access

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The system enforces users to regularly change their password to ensure that secure system access is maintained. User access reviews are regularly performed to ensure access is granted to authorised users.</p> <p><u>Findings</u> Based on our review of the Concerto system, it was noted that the password policy on the system requires passwords to be a minimum of eight alphanumeric characters; however, Concerto does not require users to regularly change their password despite having the capability to do so.</p> <p>Review of the Concerto last logged in report identified the following:</p> <ul style="list-style-type: none"> <li>• 1 user had not logged in since 2016;</li> <li>• 4 users had not logged in since 2017;</li> <li>• 18 users had not logged in since 2018;</li> <li>• 18 users had never logged in to Concerto.</li> </ul> <p>Review of Concerto users identified a total of nine contractors with access to the system. Review confirmed that access was appropriate for eight of the nine contractors. However, for one contractor, access is no longer required (as identified in the previous audit review).</p> <p>Furthermore, the Concerto system administrator does not receive the HR monthly leavers report,</p>	<p>a) Activate the enforced password change within Concerto, on a regular basis.</p> <p>b) On a regular basis, undertake a review of Concerto user access.</p> <p>c) Establish an agreed upon process to provide the monthly HR leavers listing to the Concerto system administrator.</p>	<p>a) Property Operations Team Leader</p> <p>b) Property Operations Team Leader</p> <p>c) Strategic HR Manager</p>

which would assist in the timely removal of leavers from Concerto.		<b>Agenda Item 9</b>
<b>Risk</b> If regular password changes are not enforced by the Concerto system, along with lack of user access review, this may increase the risk of unauthorised or inappropriate access.		
<b>Management Response</b>		<b>Implementation Due Date</b>
Recommendation is <b>Agreed</b> Management response: Head of Development & Regeneration and Strategic HR Manager		a) 31 March 2020 b) 31 March 2020 c) 29 February 2020

## **2019/2020 RECOMMENDATIONS**

### **ASSET REGISTERS**

#### **6. Asset disposals (VWHDC only)**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Asset disposals are correctly recorded on the financial system, in line with financial reporting standards and financial procedure rules.</p> <p><u>Findings</u> As at December 2019, the latest fixed asset registers were for 2018/2019. Review found that there were eight (four SODC and four VWHDC) asset additions, totalling £1,060,092 (£364,843 SODC and £695,249 VWHDC). There was one asset disposal for VWHDC (£3,430,000) and no asset disposals for SODC.</p> <p>Review of the VWHDC asset disposal, in relation to the Parade, identified that the costs incurred from the sale of the asset (e.g. auctioneers, agents' fees etc.) totalling £48,704 were incorrectly recorded as capital receipts instead of revenue receipts in the 2018/2019 accounts. The costs comprised the following:</p> <ul style="list-style-type: none"> <li>• two rents: £8,932;</li> <li>• auctioneers' fees: £37,800;</li> <li>• search fees: £519; and</li> <li>• agents' fees: £1,453.</li> </ul> <p><u>Risk</u> Incorrect treatment of asset disposal costs increases the risk of financial misstatement and therefore non-compliance to financial procedure rules.</p>	Action a prior year adjustment to correct the miscoding between revenue and capital receipts.	Senior Finance Business Partner
<b>Management Response</b>		<b>Implementation Due Date</b>
Recommendation is <b>Agreed</b> Disposal in 2018/19 to be checked and corrected if required. Management response: Senior Finance Business Partner		31 March 2020

#### **7. Revaluation of assets (SODC only)**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Assets are revalued on a cyclical basis, in line with the asset revaluation schedule and the fixed</p>	Make the appropriate correcting adjustments to	Senior Finance Business Partner

<p>asset register is adjusted to reflect the latest asset valuation.</p> <p><u>Findings</u> At the time of the audit (December 2019), the latest asset revaluation undertaken was for the year three asset categories. A total of 27 (12 SODC and 15 VWHDC) properties revalued and review found that for SODC, three out of the 12 revalued assets, the asset values per the valuation report did not reconcile to the asset values per the fixed asset register. The differences totalled £74,681 in relation to the following:</p> <ul style="list-style-type: none"> <li>• Cattle Market WC (£242): difference is due to depreciation on the fixed asset register, which should be zero.</li> <li>• High Street WC (£369): difference is due to historic rounding differences; and</li> <li>• Cornerstone Arts Centre (£74,070): difference is due to incorrect revaluation of the asset by Capita.</li> </ul> <p><u>Risk</u> Incorrect recording of asset valuations increases the risk of financial misstatement and therefore non-compliance to financial procedure rules.</p>	<p>correct the asset valuation differences identified.</p>	<p><b>Agenda Item 9</b></p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b> Agree to correct the Cornerstone error in the fixed asset register. The other differences are not material and will be looked into in due course. Management response: Senior Finance Business Partner</p>		<p>31 March 2020</p>

## 8. Property register data

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The property register per Concerto holds accurate data on all council assets.</p> <p><u>Findings</u> As noted in the previous audit, land and property data required by the Local Government Transparency Code 2015 should be added to the property register.</p> <p>Review of the property register within Concerto identified that the property data is outdated and requires additional resources to ensure that the records are reviewed for completeness and accuracy.</p> <p>A project has been initiated to review and update the Concerto property data. At the time of the audit this had not been completed; however, a project officer had been seconded for a period of six months and to assist with uploading data onto Concerto in relation to the council's primary sites.</p> <p><u>Risk</u> If the councils do not hold accurate data on its land and buildings, then these cannot be managed efficiently and effectively.</p>	<p>a) A project plan is developed to identify the resource required to both populate the property register with all the required data and to check the accuracy of the data currently held on the property register. Formal approval should be obtained for this as necessary.</p> <p>b) Upon completion of the review, establish a process to regularly review the completeness and accuracy of the property register.</p>	<p>Head of Development &amp; Regeneration</p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>

<p>Recommendation is <b>Agreed</b></p> <p>a) The property surveyor will submit a proposal for the project plan via Gateway 1 by 30 June 2020. The project plan is expected to be in place by 31 August 2020.</p> <p>b) Asset management procedures will be developed.</p> <p>Management response: Head of Development &amp; Regeneration</p>	<p><b>Agenda Item 9</b></p> <p>a) 31 August 2020 b) 31 August 2020</p>
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## ASSET REGISTER RECONCILIATION

### 9. Asset register reconciliations

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The property assets on the fixed asset register are regularly reconciled to the property register.</p> <p><u>Findings</u> Review of the asset register on Concerto confirmed that the information is incomplete and outdated. Therefore, a reconciliation between the asset register and fixed asset register has not been undertaken during 2019/2020.</p> <p><u>Risk</u> If a reconciliation is not undertaken between the property register (Concerto) and the fixed asset register, there is a risk of one or both registers being inaccurate resulting in errors to the balance sheet.</p>	<p>Once all the required land and property data has been loaded onto Concerto, and its accuracy has been verified, establish a process to ensure that on a regular basis, a formally documented reconciliation is undertaken between the FAR and the Concerto property register.</p>	<p>N/A</p>
Management Response		Implementation Due Date
<p>This recommendation has already been raised in the property management 2018/2019 audit report.</p> <p>Refer to recommendation 5 in the property management 2018/2019 audit report for implementation due date and responsible officer.</p>		<p>Refer to recommendation 5 of the property management 2018/2019 audit report</p>

**MANAGEMENT SUMMARY****1. INTRODUCTION**

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to council tax. The audit has been undertaken in accordance with the 2019/2020 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:
- valuation records are appropriately maintained and reconciled with new or amended properties identified, and reported in a timely manner;
  - liability for council tax is correctly determined with discounts appropriately managed and applied in accordance with agreed processes and legislation;
  - exemptions are appropriately documented and managed in accordance with legislation and agreed procedures;
  - annual, new and revised bills are correct and issued in accordance with legislation and billing suppressions are appropriately utilised and monitored;
  - payments, credits, refunds and suspense transactions are appropriately recorded and managed with collection rates monitored and accurately reported; and
  - recovery, enforcement and write-offs are undertaken in accordance with agreed procedures and legislation and recovery suppressions are appropriately used and monitored.

**2. BACKGROUND**

- 2.1 Each year the district authorities calculate their council tax base and, subsequently, the district precept. Oxfordshire County Council (OCC), the police and crime commissioner and the town and parish councils also set their precepts based on the tax base. These precepts together make up the final council tax charge.
- 2.2 Capita continue to administer council tax and since 1 August 2016 this has been as part of the five councils' partnership (5CP). In addition to homeworkers, Capita have a contact centre and staff based at their Bromley offices who carry out valuation updates and system administration functions. The Advantage system (previously Academy) is used to manage council tax accounts and correspondence is captured on the electronic document and records management system (EDRMS). The contract is overseen by the councils' revenues and benefits team.
- 2.3 As at October 2019 there were 61,875 banded properties in SODC and 58,111 banded properties in VWHDC.

- 3.1 Council tax was last subject to an internal audit review in March 2019 and four recommendations were raised. All four recommendations were agreed and a satisfactory assurance opinion was issued.
- 3.2 None of the previous recommendations have been implemented and are restated as part of this review.

### 4. 2019/2020 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 12 recommendations have been raised in this review. Two high risk, five medium risk and five low risk.

### 5. MAIN FINDINGS

#### 5.1 Valuation records

- 5.1.1 The process for maintaining valuation records remains unchanged from the 2018/2019 audit review. Information regarding new and amended properties is obtained from visits by Capita's property inspectors, notification of changes from the councils' local land and property gazetter system, regular planning and building control listings and contact from taxpayers. Capita send lists of new and amended properties to the Valuation Office Agency (VOA) on a weekly basis and these are checked to ensure they are listed in subsequent VOA schedules.
- 5.1.2 During internal audit's review of valuation records, it was identified that as at 24 October 2019, for a total of 56 new properties (38 SODC and 18 VWHDC) the Capita property inspections team were delayed in notifying the VOA. Internal audit confirmed that there had been no delay in the VOA target processing time (126 days); however, there were delays in issuing council tax bills for these properties. At the time of the audit (November 2019), the potential impact to the councils' new homes bonus for the 56 properties was not known.
- 5.1.3 On a weekly basis, Capita downloads schedules from the VOA website and updates the council tax system with any new, amended or deleted properties. In addition to a weekly check on property numbers as part of processing VOA schedules, a full reconciliation of VOA property listings against the council tax system property data is undertaken every quarter. A review of the most recent full reconciliations for August 2019 established that actions are taken to rectify issues identified such as mismatches between property reference numbers.
- 5.1.4 During our review of the weekly VOA listings, it was found that for an account with duplicate records within Advantage, the property had been requested for deletion by the VOA.
- 5.1.5 Area assurance: Limited  
Two recommendations have been made as a result of our work in this area (Recs 5 and 6).

- 5.2.1 Discounts are available to council taxpayers, including personal discounts, second home and empty property discounts, and reduction for disabilities. During the review of discounts, it was found that five (four SODC and one VWHDC) council tax accounts contained either errors or omissions in the account information recorded within Advantage (e.g. taxpayer name, property ownership).
- 5.2.2 The 5CP service specification for the revenues and benefits contract with Capita requires a system to be in place to review claims for discount, disregards, reliefs and exemptions periodically, and on at least an annual basis, to identify any changes in circumstances. This also includes a requirement to utilise all available information including credit reference agencies.
- 5.2.3 An independent review of single person discounts (SPD) was initiated in 2018 by Capita and the councils' investigations team, employing a traffic light system to focus on higher risk accounts. Based on our review, internal audit is satisfied that adequate evidence of the SPD review and results is held on the Capita shared drive. However, there is no formal evidence of the review (e.g. correspondence, notes and results) documented within either EDRMS or Advantage.
- 5.2.4 **Area assurance: Substantial**  
Two recommendations have been made as a result of our work in this area (Recs 7 and 8).

**5.3 Exemptions**

- 5.3.1 Council taxpayers can apply for property exemptions for both unoccupied and occupied properties. If properties are occupied, the council taxpayer must meet criteria to qualify for the exemption, for example, wholly student occupied or armed forces accommodation. Exemptions granted due to the property being unoccupied are inspected by the inspectors (Capita).
- 5.3.2 Per the 5CP service delivery plan, Capita are required to perform the following in relation to property inspections:
- physically inspect all unoccupied and substantially unfurnished properties to confirm their status within three months of first being notified and within a six-monthly work cycle thereafter; and
  - undertake a rolling review of all properties that are the subject of discount and exemption applications (excluding) ensuring that each property is reviewed at least annually.
- Occupied properties are reviewed through a mailshot requesting that the council taxpayer signs to confirm if there are no changes or provides details of changes. It is noted that reviews and inspections for certain occupied properties are not required, i.e. diplomatic or armed forces' residents.
- 5.3.3 Review of 40 (20 SODC and 20 VWHDC) accounts with a discount or exemption identified the following:
- for three exemptions for visiting forces (CLASS P) (one SODC and two VWHDC), provisional end dates for the exemption were not recorded in Advantage, as stated on the supporting letter submitted with the initial exemption request.
  - for four exemptions for properties wholly occupied by students (CLASS N) (three SODC and one VWHDC), provisional end dates for the exemption were not recorded in Advantage, as stated on the

supporting academic certificate/letter submitted with the exemption request. **Agenda Item 9**

- for six (four SODC and two VWHDC) exemptions, inspection results were not formally documented in Advantage. Due to the lack of formal audit trail, internal audit was unable to validate whether property inspections had been performed by Capita in line with the 5CP service delivery plan.

#### 5.3.4 Area assurance: Substantial

Two previous recommendations have been restated as a result of our work in this area (Recs 1 and 2).

### 5.4 **Billing**

5.4.1 Capita staff based at Bromley enter the annual billing precept parameters in Advantage. Review of the SODC and VWHDC council tax annual billing parameters confirmed that they are reviewed by the Capita revenues and benefits team and the council's revenue and benefits officer. An annual bill production and posting reconciliation is undertaken along with other reconciliations, including number of live accounts and banded/unbanded properties.

5.4.2 Bills are produced on a daily basis and the Advantage system has a billing parameter in place setting the number of days of grace allowed between a bill being raised and the next instalment date to be available when calculating billing instalments. This allows sufficient notice to be given for direct debit collections.

5.4.3 Bills can be suppressed by using diary codes and these are reviewed as part of daily billing. Based on our review of diary codes as at 24 October 2019, 838 (94%) of SODC diary codes and 584 (94%) of VWHDC diary codes were added within one week of the report date. Internal audit is satisfied that there is regular review of diary codes and explanations for aged diary codes appear reasonable.

#### 5.4.4 Area assurance: Full

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

### 5.5 **Payments and refunds**

5.5.1 As recorded in the 2018/2019 council tax audit, council taxpayers are advised of available payment methods. Every weekday evening, cash receipts are imported into Advantage and detailed reports are produced supporting a reconciliation of cash posted with the totals exported from the cash receipting system (Icon). Review of suspense accounts as at November 2019, found that unallocated transactions for 2019/2020 totalled £10,740 for SODC and £9,545 for VWHDC.

5.5.2 Individual refund requests are reviewed by Capita and sent in batches to the councils' revenues and benefits team for checking and authorisation. The revenues and benefits officer carries out a 15% random sample quality check on the refunds before authorising the payment. Based on testing of ten SODC and ten VWHDC refund transactions during 2019/2020 up to October 2019, we noted that transactions were authorised and issued appropriately.

5.5.3 As at October 2019, the live credit balance is £1,878,198 for SODC and £1,291,127 for VWHDC, of which £177,556 and £194,272 relate to 2019/2020

transactions respectively. Based on our review we noted that ~~Agenda Item 9~~ of formal evidence to validate whether regular reviews of accounts in credit have been performed.

5.5.4 Based on our review, we confirmed that the revenues and benefits performance report is produced by Capita on a monthly basis, in line with the 5CP contract. The report provides an overview of performance of agreed key performance indicators (KPIs) for the council tax and benefits service. The September 2019 performance report indicates that Capita council tax collection rate is in line with 2018/2019, with a cumulative collection rate of 58.33% for SODC (58.61% in 2018/2019) and 58.05% for VWHDC (58.26% in 2018/2019).

5.5.5 In addition to the monthly 5CP reporting and at the request of the revenues and benefits manager, Capita have historically provided the councils with monthly performance analysis (word document), which provides more detailed analysis specific to SODC and VWHDC. However, at the time of the audit (November 2019) it was confirmed that the report was last provided to the revenues and benefits team in March 2019.

5.5.6 Per the 5CP service delivery plan, Capita are required to carry out monthly reconciliations (i.e. accounts to bills produced, CTS balancing, credit transfers, and bills produced). However, it was noted that there is no formal evidence or confirmation from Capita to the revenues and benefits team that these reconciliations have been undertaken in 2019/2020.

5.5.7 Area assurance: Substantial  
One previous recommendation has been restated as a result of our work in this area (Rec 3) and one recommendation has been made as a result of our work in this area (Rec 9).

## 5.6 **Recovery, enforcement and write offs**

5.6.1 The recovery process is set out within the corporate debt recovery strategy. An agreed 2019/2020 recovery timetable is also in place. Testing of 20 (ten SODC and ten VWHDC) accounts in arrears confirmed that recovery action is taken in accordance with the agreed recovery process. However, the review identified the following:

- a file containing enforcement agent returns containing personally identifiable information (e.g. debt, case history details, enforcement actions) for several council tax accounts was attached to each individual account within EDRMS;
- for one account where an attachment of earnings letter was sent out to the taxpayer's employer; however, no further follow up was performed when no response had been received from the employer; and
- for three out of the nine VWHDC accounts where committal summons had been historically served, there was no committal documentation (i.e. committal summons, covering letters and service orders) found on Advantage or EDRMS. At the time of the audit (November 2019) a review of committal documentation held within EDRMS and Advantage for SODC was being undertaken by Legal, therefore internal audit was unable to validate the number of missing committal records.

5.6.2 Circumstance codes are used if recovery is required to be put on hold, and on an annual basis the accounts on hold are reviewed and placed back into the recovery cycle. From our review, internal audit is satisfied that there is regular review of the circumstance codes.

5.6.3 As at 1 October 2019 there were 1,944 (1,176 SODC and 768 VWHDC) accounts totalling £1,729,831 (£1,070,423 SODC and £659,408 VWHDC) coded to write off pending in Advantage and had not been passed to the revenues and benefits team for review and authorisation. At the time of the audit (November 2019) there have been no write offs processed in 2019/2020, therefore no additional testing was performed.

5.6.4 Area assurance: Limited  
 One previous recommendation has been restated as a result of our work in this area (Rec 4) and three recommendations have been made as a result of our work in this area (Recs 10-12).

## 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:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 6 and 12</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 2, 4, 5, 7 and 10</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Recs 1, 3, 8, 9 and 11</b>

## OBSERVATIONS AND RECOMMENDATIONS

### PREVIOUS RECOMMENDATIONS RESTATED

### EXEMPTIONS

#### 1. Property exemptions

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>            Provisional end dates for occupied property exemptions are recorded in Advantage.</p> <p><u>Findings</u>            Review of 40 (20 SODC and 20 VWHDC) accounts with a discount or exemption identified the following:</p> <ul style="list-style-type: none"> <li>For three exemptions for visiting forces (CLASS P) (one SODC and two VWHDC), provisional end dates for the exemption were not recorded in Advantage, as stated on the supporting letter submitted with the initial exemption request.</li> <li>For four exemptions for properties wholly occupied by students (CLASS N) (three SODC and one VWHDC), provisional end dates for the exemption were not recorded in Advantage, as stated on the supporting</li> </ul>	Remind individuals of the requirement to formally record provisional end dates for exemptions in Advantage.	Council Tax Manager (Capita)

academic certificate/letter submitted with the initial exemption request.		<b>Agenda Item 9</b>
<b>Risk</b> Property exemptions may be granted beyond the approved end date, resulting in unauthorised exemptions.		
<b>Management Response</b>		<b>Implementation Due Date</b>
Recommendation is <b>Agreed</b>		29 February 2020
Although not essential (as these accounts are reviewed and monitored) I agree that the 'provisional end date' field within Advantage is a very good administration tool and does help act as a further failsafe measure. The example identified will be looked at, along with a script of all cases in receipt of this exemption category to identify any others where correct protocol has not been followed.		
Management response: Revenues and Benefits Manger		

## 2. Property inspections

(Medium Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Property inspections are performed in line with the 5CP service delivery plan and property inspection notes are formally documented.</p> <p><u>Findings</u> Per the 5CP service delivery plan, output specification ref. C017 (administration of council tax), Capita are required to perform the following in relation to property inspections:</p> <ul style="list-style-type: none"> <li>• Physically inspect all unoccupied and substantially unfurnished properties to confirm their status within three months of first being notified and within a six-monthly work cycle thereafter; and</li> <li>• Undertake a rolling review of all properties that are the subject of discount and exemption applications (excluding) ensuring that each property is reviewed at least annually.</li> </ul> <p>During our review of 40 (20 SODC and 20 VWHDC) exemptions, discounts and accounts in recovery, we identified six (four SODC and two VWHDC) accounts where inspection results were not formally documented in Advantage.</p> <p>Due to the lack of formal audit trail, internal audit was unable to validate whether property inspections had been performed by Capita in line with the 5CP service delivery plan.</p> <p><u>Risks</u> If evidence of property inspection results is not formally documented, there is an increased risk of unauthorised council tax exemptions.</p>	Remind individuals of the requirement to perform property inspections in line with the 5CP service delivery plan, to check that exemption criteria have not changed and to formally record inspection notes in Advantage.	Council Tax Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
Recommendation is <b>Agreed</b>		29 February 2020

The follow up administration notes of all visits should be visible either through the Advantage system and/or EDRMS. The visiting team will be reminded of this accordingly.

**Agenda Item 9**

Management response: Revenues and Benefits Manager

## PAYMENTS AND REFUNDS

### 3. Live credits

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Council tax accounts in credit are regularly reviewed and traced with the customer, with evidence of the review formally documented.</p> <p><u>Findings</u> As at October 2018, the live credit balance is £1,852,352.83 for SODC and £1,311,084.47 for VWHDC, of which £314,978.34 and £138,542.51 relate to 2018/2019 transactions respectively. As at October 2019, the live credit balance is £1,878,198.25 for SODC and £1,291,127.16 for VWHDC, of which £177,566.25 and £194,272.00 relate to 2019/20 transactions respectively.</p> <p>During the 2018/2019 audit, a sample of 20 (ten SODC and ten VWHDC) live credits was reviewed to ensure accounts in credit have been regularly reviewed. Based on our testing we noted that for 17 accounts (nine SODC and eight VWHDC) there was lack of formal documentation to validate whether regular reviews had been performed. During the 2019/2020 review, internal audit was informed that the process remains unchanged, therefore no additional testing was performed.</p> <p><u>Risk</u> Lack of formal review of live credit balances results in lack of audit trail and may result in process inefficiencies.</p>	Formally document review activity in Advantage for accounts in credit.	Council Tax Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>A 'cleansing' exercise is still required to clear out old unclaimed credit, however, as far as regular reviews is concerned to trace closed account credit, this is something which the councils would not dedicate much time and resource on. Credit bills are sent to last known addresses and refund claims forms are sent out in all cases. Other than this the councils will focus resources on collecting and enforcing unpaid debt as a priority.</p> <p>It should be noted that there is a clear audit trail of when the closing bill and refund forms were issued via CIC on Advantage.</p> <p>Management response: Revenues and Benefits Manager</p>		30 June 2020

## RECOVERY, ENFORCEMENT AND WRITE OFFS

### 4. Write offs pending

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u>	To continue with the agreed process to regularly review	Council Tax Manager (Capita)

<p>Accounts coded to write offs pending are regularly communicated to the revenues and benefits team for review and approval.</p> <p><b>Findings</b> As at 1 October 2019 there were 1,944 (1,176 SODC and 768 VWHDC) accounts totalling £1,729,831 (£1,070,423 SODC and £659,408 VWHDC) that have been coded to write off pending in Advantage and had not been forwarded to the revenues and benefits team for review and authorisation.</p> <p>At the time of the audit (November 2019), internal audit noted that four (two SODC and two VWHDC) batches of proposed write offs were presented by Capita to the councils in October and November 2019 for approval.</p> <p><b>Risk</b> If a review of accounts, where recovery has been exhausted, is not carried out regularly and write offs proposed, this may cause inefficiencies in recovering other council tax where the taxpayer has the ability to pay.</p>	<p>council tax accounts and write off amounts where recovery actions have been exhausted.</p>	<p><b>Agenda Item 9</b></p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p>As with recommendation 3, a 'cleansing exercise' is overdue to clear dead system debt off the system, which has already been identified as 'Write-Off', due to all avenues (tracing etc.) being exhausted. Write-offs have started to come through for authorisation and Capita should be aiming to clear down all cases by 31 March 2020 as agreed in the 18/19 audit.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>31 March 2020</p>

## **2019/2020 RECOMMENDATIONS**

### **VALUATION RECORDS**

#### **5. Property inspections**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><b>Best Practice</b> Checks are in place to ensure property deletion requests are authorised. Regular reviews of property deletions are undertaken to identify any errors or anomalies.</p> <p><b>Findings</b> Based on our review of properties on the weekly VOA listing (as at 4 August 2019) against council tax records within Advantage, it was found that for a taxpayer with duplicate council tax accounts, the property had been requested for deletion by the VOA. Consequently, the taxpayer's direct debit had been automatically cancelled, and per records within Advantage, council tax was last collected in 2010.</p> <p>Internal audit is satisfied that this is an isolated incident, which, given the changes to VOA working procedures (effective 2016/17) for reporting property updates (e.g. address,</p>	<p>a) Raise awareness amongst the Capita council tax team of the issue identified in relation to the unauthorised property deletion, to ensure that officers understand the associated risks.</p>	<p>Council Tax Manager (Capita)</p>

<p>demolitions etc.) minimises the risk of reoccurrence. However, it is recommended that the council tax team is aware of this issue and associated risks.</p> <p><b>Risk</b>          Unauthorised deletion of property records in Advantage increases the risk of non-recovery of council tax, financial loss and reputational damage.</p>		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>This appears to have been an isolated incident and one which is highly unlikely to ever occur again, due to the changes in the VOA's working practices and Capita's in more recent years.</p> <p>Back in <b>2010</b> there was a new dwelling set up and banded twice by the VOA. This was identified via communication with the taxpayer and on 24 November 2010 a report was issued to the VOA for them to delete one of these list entries as being the 'duplicate'. This was duly actioned by the VOA and the corresponding VOA schedule was received by the council on 13 December 2010. The council tax VO team updated the records accordingly removing that duplicate entry.</p> <p>However, the taxpayer had also been in direct contact with the VOA regarding the two separate entries and the VOA sent through a separate schedule to also remove one of the duplicate list entries. This was actioned on 22 November 2010. There was nothing immediately apparent to link this VOA request to the other earlier report, so it was duly actioned by Capita's VO team.</p> <p>This meant that with now no List entry for either address there wasn't any future charge/liability, meaning nothing for the active (had not been cancelled) Direct Debit to collect against.</p> <p>Nothing triggered any alert or possible discrepancy until his recent contact.</p> <p>I do not agree that there was any 'unauthorised' updating of records and, in both cases, the Capita VO team updated the council tax database following formal schedules being received from the VOA, which they are obliged to do, as the council's records must mirror the VOA's.</p> <p>This historic highly unusual duplication of the address being created in the first place was therefore reported to the VOA in a timely fashion. However, it was extremely unfortunate that both entries ended up being taken out of the VOA list, due to mixed communication.</p> <p>That said, and as mentioned above, in more recent years the VOA's working practices have dramatically changed, creating a now 'one way' reporting approach. This means that all address updates, new property reports and demolitions etc. must be submitted by the local authority. Any contact made by the taxpayer direct to the VOA gets referred to the council for the appropriate report to be submitted. Although this has created more work for the council it does mean that a rare and isolated error such as this 2010 case cannot occur because the VOA no longer generate its own reports – notifications must always come from the council as a 'Billing Authority Report' (BAR). This change coupled with the constant use of the council's GSI system in recent years has helped eradicate this risk.</p> <p>As covered above, substantial changes have been introduced both by Capita and by the VOA to avoid reporting cross-over and eliminate duplication between the VOA and the council.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>Implemented between draft and final report stage</p>

## 6. Unbanded properties

Agenda Item 9

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The Valuation Office Agency (VOA) are notified are properties to be banded in a timely manner.</p> <p><u>Findings</u> During 2019/2020, the property inspections team did not notify the Valuation Office Agency (VOA) of a number of properties to be banded in a timely manner. At the time of the audit (24 September 2019) properties had been banded by the VOA within the target 126 days; however, due to the delay in notifying the VOA, there was a delay in issuing council tax bills to the taxpayers for these properties.</p> <p>Subsequently, Capita performed a review to identify the total number of affected properties. As at 24 October 2019 a total of 56 properties (38 SODC and 18 VWHDC) were affected.</p> <p>At the time of the audit (November 2019), the potential impact to the councils' new homes bonus for the 56 properties identified was unknown.</p> <p><u>Risk</u> Delays to property bandings may result in delays in issuing council tax bills to taxpayers, which may need additional recovery actions. Furthermore, if new properties are not identified in a timely manner, this may adversely affect the amount of new homes bonus received by the councils.</p>	<p>Ensure that there are adequate resources in place to complete property inspections and notify the VOA in a timely manner.</p>	<p>Council Tax Manager (Capita)</p>
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed</b></p> <p>This particular scenario was found following a number of complaints from householders not receiving bills. It was subsequently found that a Capita property inspector (who is no longer with the company due to performance issues) had not been reporting some new property reports to the VOA.</p> <p>Once this error was identified <b>all</b> reports were revisited and the 56 cases (as reflected above), were identified from the several hundred raised. They were then promptly reported to the VOA and have since been banded and billed. However, it should be noted, SODC and VWHDC have lost approximately <b>£18,000</b> and <b>£12,000</b> respectively in New Homes Bonus (NHB), due to this episode alone.</p> <p>Following concerns raised by the councils, Capita has changed some of its working practices, including that new property reports are now managed and submitted by the experienced Council Tax back office team removing the need for the inspectors to be spending office time raising, monitoring and cross-checking reports. This has helped ensure a very prompt reporting turnaround and should also reduce oversight and error. However, the councils still do not believe that it has enough property inspector resource, given all the development going on in their districts. Resources have actually reduced since the start of the 5 Councils contract, with one previously dedicated SODC/VOWHDC inspector now managing the inspector resource for the five councils. To be fair, Capita has tried to recruit an additional inspector in recent months, but this has not proved fruitful. Furthermore, it was using alternative off-site inspection resource to assist.</p>		<p>31 March 2020</p>

Generally, whilst we are in this position (and we are trying to rectify it), we will continue to have a risk of failing to pick up and report new dwellings in a timely manner, detrimentally affecting taxbases and NHB.

**Agenda Item 9**

Management response: Revenues and Benefits Manager

**COUNCIL TAX LIABILITY AND DISCOUNTS**

**7. Accuracy of account information**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Council tax account information is accurately recorded for each account within Advantage, which provides a sufficient audit trail.</p> <p><u>Findings</u> During our review of council tax accounts within Advantage, the following errors were identified:</p> <ul style="list-style-type: none"> <li>• For one SODC council tax account the taxpayer's name was misspelt and had not been corrected.</li> <li>• For one SODC account there was insufficient information recorded within the account notes on Advantage to adequately support the attached DWP letter, which relates to a different individual at a different property.</li> <li>• For one SODC account the taxpayer's names on the account, summons and liability orders were found to be spelt incorrectly.</li> <li>• For one SODC account, the taxpayer and property ownership details were not recorded within Advantage. There was no evidence that the property owner / liable taxpayer details had been verified and recorded on Advantage.</li> <li>• For one VWHDC council tax account there was insufficient documentation within Advantage to support the decision for the removal of SPD.</li> </ul> <p><u>Risks</u> Incorrect or missing information within Advantage may increase the risk of non-collection of debts and may adversely impact the councils' reputation. Furthermore, personal information recorded on the incorrect account may be in breach of GDPR.</p>	<p>a) Review the account errors identified by internal audit testing and take suitable corrective actions.</p> <p>b) Remind individuals of the importance of documenting sufficient notes for each council tax account within Advantage to maintain an adequate audit trail.</p>	<p>Council Tax Manager (Capita)</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Basic typing spelling mistakes should not be happening and, even if they did happen, then they should be corrected at the earliest opportunity. The Capita processing team and Contact Centre have been reminded about checking spelling. On occasions, it may be the outgoing occupant/owner advising us (incorrectly) of the new incoming occupant/owner so it may not always be clerical error. However, if the new taxpayer was to subsequently write in, or complete an online form at any further date, then this should provide an opportunity to check and correct any misspellings which may exist on the account.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>a) 22 February 2020</p> <p>b) Implemented between draft and final report stage</p>

## 8. Single person discount

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Evidence of the single person discount (SPD) review is formally documented within Advantage and/or EDRMS to maintain a suitable audit trail.</p> <p><u>Findings</u> An independent review of SPD's was initiated in 2018 by Capita and the councils' investigations team, employing a traffic light system to focus on higher risk accounts.</p> <p>Based on our review, internal audit is satisfied that adequate evidence of the SPD review and results is held on the Capita shared drive. However, there is no formal evidence of the review (e.g. correspondence, notes and results) documented within either EDRMS or Advantage.</p> <p><u>Risks</u> If SPD review letters and completed forms are not attached to the account, and a note made in Advantage, there is no audit trail to inform that a review has been carried out, which may introduce inefficiencies.</p>	Investigate the Advantage system capabilities to see if an audit trail can be improved on each account where an SPD review took place.	Council Tax Manager (Capita)
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed in Principle</b></p> <p>Regarding SPD reviews, the last couple have been completed in bulk via the mass SPD review campaign managed by Capita's dedicated SPD review team (based in Bromley). Due to the scale of these reviews and how they are conducted (online) it is not realistic to manually insert details against EDRMS. Instead, details, lists, spreadsheets and stats are held separately within a secure capita drive and can be shared or made available as and when required.</p> <p>It is agreed that it would be desirable to have details stored in one location and, as such, for any future SPD review exercise Capita will explore ways to get review updates on to Advantage and/or EDRMS.</p> <p>Management response: Revenues and Benefits Manager</p>		1 October 2019

## PAYMENTS AND REFUNDS

## 9. Performance reporting

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Monthly performance analysis for SODC and VWHDC is provided by Capita to the councils' revenues and benefits team. Formal acknowledgement is provided by Capita to the revenues and benefits manager of the completion of monthly reconciliations (i.e. accounts to bills produced, CTS balancing, credit transfers, and bills produced).</p> <p><u>Findings</u></p>	<p>a) Consider reinstating the monthly performance analysis (word document) reporting specific to SODC and VWHDC.</p> <p>b) Formally communicate to the Revenues and Benefits Manager upon completion of the monthly reconciliations (e.g. consider adding monthly</p>	Council Tax Manager (Capita)

<p>Based on our review, we confirmed that the revenues and benefits performance report is produced by Capita on a monthly basis, in line with the 5CP contract. The report provides an overview of performance of agreed key performance indicators (KPIs) for the council tax and benefits service.</p> <p>In addition to the monthly 5CP reporting and at the request of the revenues and benefits manager, Capita have historically provided the councils with monthly performance analysis (word document), which provides more detailed analysis specific to SODC and VWHDC. However, at the time of the audit (November 2019) it was confirmed that the report was last provided to the revenues and benefits team in March 2019.</p> <p>Per the 5CP output specification document (section C020) Capita are required to carry out monthly reconciliations (i.e. accounts to bills produced, CTS balancing, credit transfers, and bills produced). However, it was noted that there is no formal evidence or confirmation from Capita to the revenues and benefits team that these reconciliations have been undertaken in 2019/2020.</p> <p><u>Risk</u> Lack of regular performance analysis reporting may limit management's decision making ability.</p>	<p>reconciliation reporting to the performance analysis).</p>	<p><b>Agenda Item 9</b></p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p>The additional monthly report has already been reintroduced and has been sent to the council's Revenues and Benefits Manager for October and November. This will now continue.</p> <p>A whole suite of monitoring reports and statistics are produced, balanced and retained by Capita on a daily, weekly and monthly basis, such as cash reconciliation, balancing, notices issued (bills, remts, finals, summonses, 14-day letters), accounts escalated to Enforcement Agents etc. Any of these can be provided to the council on request, however, the value of receiving a mass of reports on a regular basis is questionable, so confirmation of reconciliations being done/balanced in the monthly reports may be the way to go – and this will be considered.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>a) Implemented between draft and final report stage</p> <p>b) 31 March 2020</p>

## RECOVERY, ENFORCEMENT AND WRITE OFFS

### 10. Data protection (GDPR)

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Where documents are attached to multiple accounts within EDRMS containing personally identifiable information, data is redacted for anything not relating to the reference it is linked with, or an extract of only the relevant data is held on an individual's account.</p> <p><u>Findings</u></p>	<p>Capita DPO should liaise with the councils' information governance officer to ensure compliance with GDPR regulations in relation to the attachment of enforcement agent returns in EDRMS.</p>	<p>Council Tax Manager (Capita) <i>(with support from the councils' information governance officer)</i></p>

<p>During our review, it was found that a zip file containing enforcement agent returns relating to a number of council tax accounts, was attached to each individual account within EDRMS. The returns contain personally identifiable information regarding debt, case history details, enforcement actions and other personal information for each account.</p> <p><u>Risk</u> If personal data is available in more instances than are necessary, the councils may be in breach of the GDPR minimisation principle, which could lead to penalties/fines and reputational damage.</p>		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>The recommendation to consult with the councils' information governance officer is agreed. However, I do not believe that this issue is medium risk. This is because all data held is secure and within a protected environment. No one (other than staff) can view such information and the Online Portal does restrict the user to only seeing their council tax account, transactions and statements. It does not allow any public access to the Capita secure EDRMS system so, there is no risk of breaching GDPR.</p> <p>Furthermore, should any Subject Access Request (SAR) be received by the councils then any data held on an account, which mentions or contains other party details, are redacted. This occurs as part of the SAR vetting process prior to dispatch.</p> <p>The 'Returns' are a mandatory requirement to progress enforcement action, such as committal to prison, where it is a requirement in law for the matter to first progress to an Enforcement Agent and obtain a return certificate (often Nulla Bona certificate) prior to being able to seek committal to prison. If we did not have the return file saved against the account, then it would certainly slow recovery progress in such cases and also remove the recovery audit trail.</p> <p>We will look at alternative options but, considering there are vast amounts of reports containing numerous details and accounts that must be retained then I do not believe we will ever get to a point of being able to show everything individually, without seriously impacting on performance and resource.</p> <p>Management response: Revenues and Benefits Manager</p>		1 October 2020

## 11. Attachment of earnings

(Low Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Attachment of earnings letters sent to employers are followed up where no response is received by the councils.</p> <p><u>Findings</u> Based on our testing of 20 (ten SODC and ten VWHDC) council tax accounts in arrears/recovery we noted one account where the attachment of earning letter was sent out to the taxpayer's employer; however, when no response was provided from the employer, no follow up was performed. Internal audit is satisfied that other appropriate actions are being taken by the enforcement agent.</p> <p><u>Risk</u></p>	<p>Remind individuals of the requirement to follow up attachment of earnings letters with employers to increase the likelihood of debt recovery from the taxpayer.</p>	Council Tax Manager (Capita)

If attachment of earnings requests are not followed up, there is an increased risk of non-recovery of the debt and additional time and resources required for enforcement actions.		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Various stage reports are produced and should be routinely monitored by Capita. In fact, the last attachment of benefit (AOB) &amp; attachment of earnings) AOE stage reports were actively being reviewed at the time of this audit.</p> <p>These reviews should continue and where necessary chaser letters or action taken accordingly (normally phone calls are made to the relevant employers, which tend to address any missed actions on their part).</p> <p>Management response: Revenues and Benefits Manager</p>		31 May 2020

## 12. Retention of committal summons documentation

(High Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Committal summons documentation is documented within Advantage and EDRMS systems in a timely manner to ensure records are complete and accurate.</p> <p><u>Findings</u> Internal audit was informed that when reviewing council tax information with EDRMS, the councils' litigation lawyer was unable to find scanned copies of committal summons for several accounts, as required by SODC and VWHDC EDRMS document retention policies.</p> <p>Upon further investigation by the litigation lawyer, internal audit was informed that for three out of the nine VWHDC accounts where committal summons had been historically served, there was no committal documentation (i.e. committal summons, covering letters and service orders) found on Advantage or EDRMS systems.</p> <p>At the time of the audit (November 2019) a review of committal documentation held within EDRMS and Advantage for SODC was in progress by Legal, therefore internal audit was unable to validate the number of missing committal records.</p> <p><u>Risk</u> If committal summons documentation is not stored on EDRMS or Advantage, the councils may be unable to fulfil the requirements of a subject access request. Lack of formal audit train to support decisions may result in noncompliance to data retention policies and may damage the councils' reputation.</p>	<p>a) Continue the retrospective review of committal summons documentation within Advantage and EDRMS to identify the total number of missing records for both councils.</p> <p>b) Remind individuals of the requirement to attach all committal summons documentation (i.e. summons, covering letters and service orders) to the relevant account within Advantage and EDRMS.</p>	Council Tax Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Committal action is always a last resort and numbers of cases progressing to this stage are very low. However, committal to prison action is a serious</p>		<p>a) Completed between draft and final report stage</p>

concern as it effectively threatens the liberty of those subject to the action. It is therefore imperative that records are kept and retained accordingly.

b) ~~Agenda Item 9~~  
Agenda Item 9

As we have now moved to electronic signatures, complete storage of case records can be facilitated through the EDRMS – and this is now being done.

Management response: Revenues and Benefits Manager

### 3. Sundry Debtors 2019/2020

## MANAGEMENT SUMMARY

### 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 2019/2020 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 23. 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 Since 1 August 2016, the sundry debtors service has been 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 total debt outstanding for SODC as at 30 January 2020 is £5,480,128.88, with £2,971,955.45 (54%) of total debt aged under 30 days.
- 2.3 The total debt outstanding for VWHDC as at 30 January 2020 is £2,629,215.63, with £2,217,632.27 (84%) of total debt aged under 30 days.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Sundry debtors was last subject to an internal audit review in April 2019 and three recommendations were raised. All three recommendations were agreed and a limited assurance opinion was issued.
- 3.2 All three recommendations have not been implemented and are restated in this review.

### 4. 2019/2020 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 One recommendation has been made and three previous recommendations have been restated in this review. Two high risk, one medium risk and one 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 for both councils are up-to-date and were last reviewed in August 2019. The latest updates to the constitution were approved at both Council meetings in July 2019. 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 their own procedures in place for the sundry debtors processes.
- 5.1.3 As part of the five councils' partnership (5CP) a service delivery plan (SDP) has been developed stating the level of service that will be provided. For the sundry debtors' element of the contract, the client relationship with Capita is managed by the revenues and benefits team to ensure that an acceptable level of service is provided to the councils, e.g. through performance reporting. Monthly meetings are attended by both the revenues and benefits and Capita teams to ensure that the service team debts are managed in line with the service level agreements (SLA). In addition, monthly aged debt reports are distributed to heads of service for monitoring purposes.
- 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, automatically converted into sales invoices within Agresso, and sent to the customer by Capita. Maintenance of customer master files is performed by both Capita and council officers; however, some customer information, such as bank details can only be updated by Capita officers, to maintain segregation of duties between the officer raising a sales order and the officer amending customer payment details.
- 5.2.2 Periodic, subscription, or recurring invoices are mainly used for invoices raised on a regular basis for a fixed amount, such as brown bins, commercial property rent and licences, and follow the same process as regular sales invoices.
- 5.2.3 Based on our review of a sample of 40 (20 SODC and 20 VWHDC) sundry debtor invoices raised in 2019/2020 up to 30 September 2019 (including nine SODC and nine VWHDC periodic invoices) 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 sales invoices raised varies dependent upon the service provided. Using the sample of 40 (20 SODC and 20 VWHDC) sundry debtor invoices selected in 5.2.3, review confirmed that invoices raised had adequate documentation including booking forms for room hire, licence fees and charges for commercial rents 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**

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 first payment reminder after 14 days (reminder level one) from the due date, a final notice after a further seven days (reminder level two) and legal action after a further 21 days (reminder level three). 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 Weekly reminder runs in Agresso automatically progress debts through reminder levels one to three. Once the debt has reached reminder level three, legal action stage, an officer identifies what actions are needed.

5.4.3 A review of the debt recovery process was tested on a sample of 40 (20 SODC and 20 VWHDC) sundry debtor invoices. Based on our review, we identified the following:

- The reminder level field in Agresso has not been populated for a total of 11 (six SODC and five VWHDC) invoices, with outstanding balances totalling £4,052 (£2,271 SODC and £1,781 VWHDC). The oldest invoice dates back to August 2017. Upon further investigation of the customer accounts for these invoices, an additional 18 (11 SODC and seven VWHDC) invoices with blank reminder level fields were identified.
- For VWHDC, three overdue invoices were found to be held on reminder level two; however due to the age of the debts they should have been progressed to level three, in line with the debt recovery strategy. For all three invoices, a payment plan has been put in place with the customer; however, if the customer defaults, the remaining debt may not be picked up by the legal team, as they are only notified of level three debts.

Within Agresso, the default payment method for sundry debtor invoices is 'cash', which when selected, automatically populates the reminder level field. However, for the above invoices the default payment method had been manually changed to an alternative payment method, therefore, the invoices did not automatically follow stages one to three of the debt recovery process.

- 5.4.4 The councils' revenues and benefits team, legal team and Capita team meet every month to discuss the progress of council debt. These meetings are minuted and evidence of the minutes for the latest monthly meetings, which were held in July and August 2019 were obtained, with no issues noted.
- 5.4.5 Area assurance: Limited  
One previous recommendation has been restated as a result of our work in this area (Rec 1).
- 5.5 **Aged debt and write offs**
- 5.5.1 On a monthly basis, Capita exchequer services send the aged debt report to the revenue and benefits manager, which is reviewed and distributed to the litigation lawyer, senior management team (SMT), and the cabinet members for finance. The latest aged debt reports were circulated on 18 August 2019 in relation to aged debt as at 31 July 2019. The litigation lawyer ensures that the aged debt is monitored sufficiently by the councils' legal team, who discuss items with the service areas on a monthly basis in order to track and chase any debt requiring payments.
- 5.5.2 Recovery action is an automatic process up to the legal action stage, at which point a legal list is produced. The legal team receive the legal list on 21<sup>st</sup> of each month from Capita, which they distribute to heads of service, service managers, and other relevant officers for monitoring of outstanding debts in their area. The legal list is reviewed independently by the litigation lawyer who contacts the service areas to chase up the aged debt.
- 5.5.3 A sample of 40 (20 SODC and 20 VWHDC) aged sundry debts as at 31 July 2019 were selected and review found that:
- for three (two SODC and one VWHDC) aged debts (reminder level three), the legal team followed up with the service area, but received no update on recovery actions taken. Consequently, the legal team have been unable to initiate appropriate legal actions; and
  - for six (one SODC and five VWHDC) aged debts, a payment plan has been put in place with the customer to manage the remaining debt. In addition, monthly monitoring of the payment plan is performed by the legal team. No issues noted.
- 5.5.4 The aged debt report as at 31 July 2019 was filtered by customer to identify accounts with more than one aged invoice. Review identified a total of 41 (20 SODC and 21 VWHDC) customers with multiple aged debts. Internal audit reviewed 18 (six SODC and 12 VWHDC) out of the 41 debtors and found that:
- for two SODC aged invoices, no legal actions have been recently undertaken and a decision on whether the debts require write off has not been made;
  - four (one SODC and three VWHDC) aged invoices were not picked up by the recovery process (i.e. blank reminder level field in Agresso), of which three (one SODC and two VWHDC) invoices were already identified during our debt recovery testing noted in 5.4.3;
  - two (one SODC and one VWHDC), the councils are in dispute with the customer; however, internal audit noted no concerns.
- 5.5.5 In 2019/20 up to August 2019, there have been six write offs for SODC, totalling £1,191.89 and 11 write offs for VWHDC totalling £5,394.59. All 17 write offs were reviewed and it was confirmed that the 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 write off;
- actioned within five working days of approval, with the exception of two write offs that were delayed due to system problem with Agresso; and
- signed off by the revenue and benefits manager as reconciled after the batch had been entered by Capita.

5.5.6 The councils' revenues and benefits officer undertakes a monthly reconciliation of write offs. The last three reconciliations performed in May 2019, June 2019 and July 2019, and review confirmed that write off amounts per Agresso agreed to the batch reports held by the revenues and benefits team.

5.5.7 Area assurance: Substantial  
Two previous recommendations have been restated as a result of our work in this area (Recs 2 and 3).

## 5.6 **Supressed invoices**

5.6.1 Suppression of sundry debtor invoices or customer accounts refers to both parked and on-hold. Invoices or accounts requiring suppression must be authorised by the relevant council officer and requested to Capita's exchequer services for processing.

5.6.2 The monthly SLA performance statistics report prepared by Capita, reports parked invoices in the period. Review of the July 2019 SLA performance statistics report identified two (one SODC and one VWHDC) parked invoices. Review of the September 2019 invoices on hold report identified 19 (four SODC and 15 VWHDC) invoices. Based on our review, internal audit is satisfied that invoices have been placed on hold are for legitimate reasons (e.g. customer in dispute or applying for bankruptcy). Review of invoice suppression process confirmed that adequate controls and monitoring arrangements are in place.

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

## 5.7 **Building control invoices**

5.7.1 Partnership authority (PA) applications are where applicants can submit a building control application to any council/local authority in the UK; however, the site inspections are physically carried out by the local authority where the site is located. Usually, SODC and VWHDC act as the inspectors for this type of application; therefore, inspection fees are invoiced by the councils to either the partner authority or the applicant.

5.7.2 Completion certificates should only be issued for PA applications upon payment of the inspection fees, as legislation states that invoices should be raised upon commencement. For commenced applications, inspections have been initiated. In some cases, a completion certificate has not been issued. In other cases, an inspection has been undertaken and a completion certificate issued. In all these instances an invoice has not been raised and therefore a fee for the work has not been received.

- 5.7.3 During our review of sundry debtors, internal audit was made **Agenda Item 9** invoiced fees for building control PA applications, and a small number of full plan (FP) applications. A total of 91 (78 PA and 13 FP) applications, totalling £41,888.52 (£28,047.42 SODC and £13,841.10 VWHDC) were found to have not been invoiced during the period 2012 to 2019, which is split by commenced and completed applications as follows:
- commenced: £17,323.54 (£10,074.76 SODC and £7,248.78 VWHDC); and
  - completed: £24,564.98 (£17,972.66 SODC and £6,592.32 VWHDC).

- 5.7.4 Area assurance: Limited  
One recommendation has been made as a result of our work in this area (Rec 4).

## 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:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Rec 1 and 4</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Rec 2</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Rec 3</b>

## OBSERVATIONS AND RECOMMENDATIONS

### PREVIOUS RECOMMENDATIONS RESTATED

#### DEBT RECOVERY

##### 1. Debt recovery - reminder levels in Agresso

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Debt recovery actions are performed in line with the debt recovery strategy.</p> <p><u>Findings</u> A review of the debt recovery process was tested on a sample of 40 (20 SODC and 20 VWHDC) sundry debtor invoices. Based on our review, we identified the following:</p> <ul style="list-style-type: none"> <li>• the reminder level field in Agresso has not been populated for a total of 11 (six SODC and five VWHDC) invoices, with outstanding balances totalling £4,052 (£2,271 SODC and £1,781 VWHDC). The oldest invoice dates back to August 2017. Upon further investigation of the customer accounts for these invoices, an additional 18 (11 SODC and seven VWHDC)</li> </ul>	<p>a) Review the reminder level fields in Agresso for the invoices identified and take corrective actions as necessary.</p> <p>b) Perform a retrospective review of all sundry debtor invoices to ensure that reminder levels are appropriate (i.e. based on age of debt).</p> <p>c) Introduce regular checks to ensure that the default payment method is selected and consequently the reminder level field is</p>	<p>a) Capita Accounts Receivable Lead / Revenues &amp; Benefits Manager</p> <p>b) Capita Accounts Receivable Lead</p> <p>c) Capita Accounts Receivable Lead</p>

<p>invoices with blank reminder level fields were identified.</p> <ul style="list-style-type: none"> <li>for VWHDC, three overdue invoices were found to be held on reminder level two; however due to the age of the debts they should have been progressed to level three, in line with the debt recovery strategy. For all three invoices, a payment plan has been put in place with the customer; however, if the customer defaults, the remaining debt may not be picked up by the legal team, as they are only notified of level three debts.</li> </ul> <p>Within Agresso, the default payment method for sundry debtor invoices is 'cash', which when selected, automatically populates the reminder level field. However, for the above invoices the default payment method has been manually changed to an alternative payment method, therefore, the invoices did not automatically follow stages one to three of the debt recovery process.</p> <p><u>Risk</u> If aged debts do not follow the proper debt recovery process, there is a risk that recovery actions (e.g. chasing of aged debt, legal action) are not performed, resulting in financial loss.</p>	<p>populated for sundry debtor invoices (e.g. run an Agresso report of invoices with 'no reminder level' selected for analysis by Capita, revenues and benefits and legal teams).</p> <p>d) Consider updating internal procedures, to require the status of debts placed on hold to be at level three, which will ensure that they are picked up on the legal list for monitoring.</p>	<p><b>Agenda Item 9</b></p> <p>d) Capita Accounts Receivable Lead / Revenues &amp; Benefits Manager</p>
<p><b>Management Response</b></p>	<p><b>Implementation Due Date</b></p>	
<p>Recommendation is <b>Agreed</b></p> <p>The debt recovery process should escalate automatically without any hiccups and, in accordance with financial policies, it is the aim of the councils to recover all income due to it in an efficient manner. Strong and prompt inward cash flow enables the councils to earn more interest at a corporate level which in turn supports the budget. We have a proven track record of being two of the best billing and recovery authorities in the country and not allowing debt to stagnate.</p> <p>Notwithstanding the number of cases and sums involved in these findings are not significant considering we bill £millions each financial year, it is still disappointing to find that there are a few cases which have not gone through our approved processes. It is frustrating, that even after training, some staff continue to manually override the default payment method. We have previously asked Capita if the alternative payment method option can be deleted, but we have been told that this is not possible. To further counter the problem, a Capita accounts receivable officer was identifying the miscreant invoices and rectifying them. However, due to unforeseen circumstances this has lapsed, so we will ensure a monthly (at least) report is produced and monitored and, the offending services and personnel/managers will be notified accordingly.</p> <p>Regarding cases being placed on "hold" this should be the exception, not the norm. Where cases are placed on hold, they should be regularly monitored by service teams and adequate notes made if the hold is continued. If the hold is due to a payment arrangement, where there has been a default the hold should be lifted. In fact, every month, Heads of Service and whole host of managers and team leaders are told:</p> <p><i>"Hold – Correspondence/queries etc have been received from the customer and therefore recovery action is on hold. These cases will be brought forward on to future legal lists (so they can be reviewed monthly) as we do not want to be in the position of having to take a debt for write-off and having to explain that we have been sitting on it. As the cost centre manager, you will have to explain the reasons. Conversely, it's also very embarrassing going to Court after reinitiating recovery action after a long dormant period. We don't want to be criticised by the courts for being slack. If this is likely, you may have to attend Court as a witness."</i></p>	<p>a) 30 April 2020 b) 30 April 2020 c) 30 April 2020 d) 30 April 2020</p>	

<p>And: <i>“Only in exceptional circumstances should a debt be placed on hold – and if they are, they need to be monitored so they don’t stagnate!”</i></p> <p>So once again, it is disappointing that some services do not complete the monitoring job. We will therefore look at trying to reduce the risk of this occurring.</p> <p>Management response: Revenues and Benefits Manager</p>	<p><b>Agenda Item 9</b></p>
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**AGED DEBT AND WRITE OFFS**

**2. Aged debt - legal action**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Once debt recovery actions have been exhausted, service teams notify legal in a timely manner so that legal action can be taken.</p> <p><u>Findings</u> A random sample of 40 (20 SODC and 20 VWHDC) aged sundry debtor invoices were selected and review found that for three (two SODC and one VWHDC) aged debts (reminder level three), the legal team followed up with the service area, but received no update on recovery actions taken. Consequently, the legal team have been unable to initiate appropriate legal actions.</p> <p><u>Risk</u> If legal action is not performed in a timely manner, there is a risk that aged debts may become irrecoverable, resulting in financial loss.</p>	<p>a) Continue to remind service areas of the requirement to regularly review the sundry debtor legal list and undertake recovery actions on the outstanding debt. Once recovery actions have been exhausted, service areas should promptly notify the legal team for legal actions to be initiated.</p> <p>b) To increase awareness of service teams’ responsibilities, consider delivering a training session/update at corporate meetings (e.g. OMG, SMT).</p>	<p>a) Capita Accounts Receivable Lead / Revenues &amp; Benefits Manager</p> <p>b) Revenues &amp; Benefits Manager / Litigation Lawyer</p>
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed</b></p> <p>Generally, all debts should be vigorously pursued if it is economical to do so and this acts as an incentive to other debtors to discharge their debts to the councils promptly. Legal action (including obtaining county council judgements) is therefore imperative if we are to maximise income due to us for the services we provide.</p> <p>Again, it is disappointing that on occasions a service team does not engage with Legal Services to recover a debt for a service it has provided. We all have a collective responsibility to maximise income just like any other business.</p> <p>Again, every month, Heads of Service and whole host of managers and team leaders are told:</p> <p><i>“..... Legal Services..... will be contacting you to arrange a short meeting to review the recommendations. In readiness for Legal contacting you it is essential that you have all the background information which justifies the raising of the invoice, including notes of any communication you have had with the debtor. You should find this helpful, and it should make the process more efficient and effective. Please note that where debtors “promise” payment this will not result in the debt being removed from the list.”</i></p> <p>And: <i>“It is essential that our councils maximise the income due to them for services provided. As such our Cabinet members, along with the management team receive monthly updates on debtor performance (including a list of top debtors). This will prompt questions to be asked where debts are not being</i></p>		<p>a) Implemented between draft and final report stage</p> <p>b) 30 April 2020</p>

<p><i>collected. It's therefore imperative that you clear down this legal list on a monthly basis."</i></p> <p>We will once again look to reduce the incidence of service teams ignoring the requests of Legal Services, however, instead of training sessions as recommended in (b), where there is a lack of engagement, the R&amp;BM and Litigation Lawyer will arrange a meeting with the relevant Head of Service.</p> <p>Management response: Revenues and Benefits Manager</p>	<b>Agenda Item 9</b>
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### 3. Aged debt write offs (SODC only)

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Authorised aged debt write offs are performed in a timely manner.</p> <p><u>Findings</u> The aged debt report as at 31 July 2019 was filtered by customer to identify accounts with more than one aged invoice. Review identified a total of 41 (20 SODC and 21 VWHDC) customers with multiple aged debts. Internal audit reviewed 18 (six SODC and 12 VWHDC) out of the 41 debtors and found that two SODC aged 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>Revenues &amp; Benefits Manager / Litigation Lawyer</p>
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed</b></p> <p>It is fair to say that all write-off requests are processed swiftly. What we are talking about here are debts which have been identified for write-off, but requests have not been made by cost centre managers. There will be several reasons for this including competing work priorities and delays due to re-insourcing services and restructuring etc, but nevertheless we should be clearing old and irrecoverable debt from the debtor's system.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>Implemented between draft and final report stage</p>

## BUILDING CONTROL INVOICES

### 4. Un-invoiced building control fees

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Building control application fees are invoiced in a timely manner and completion certificates are only issued upon payment.</p> <p><u>Findings</u> Internal audit was made aware of un-invoiced fees for building control partnership authority (PA) applications, and a small number of full plan (FP) applications.</p> <p>A total of 91 (78 PA and 13 FP) applications, totalling £41,888.52 (£28,047.42 SODC and £13,841.10 VWHDC) were found to have not been invoiced during the period 2012 to 2019, which is split by commenced and completed applications:</p>	<p>a) Liaise with legal and revenues and benefits teams to agree upon suitable recovery/write off actions for the un-invoiced fees identified.</p> <p>b) Configure TSM to automatically prevent completion certificates being issued for applications with a FAB code (i.e. applications to be invoiced).</p> <p>c) Establish a procedure to regularly reconcile</p>	<p>Building Control Team Leader</p>

<ul style="list-style-type: none"> <li>• commenced: £17,323.54 (£10,074.76 SODC and £7,248.78 VWHDC); and</li> <li>• completed: £24,564.98 (£17,972.66 SODC and £6,592.32 VWHDC).</li> </ul> <p>Based on internal audit's review of the building control registration and invoicing processes, the following was identified:</p> <ul style="list-style-type: none"> <li>• there is no interface between TSM and Agresso systems and reconciliations are not performed to ensure that sales orders raised in Agresso are complete, accurate and agree to TSM records.</li> <li>• there are no controls in TSM to flag up if an incorrect event has been recorded for an application; however, checks to validate the completeness and accuracy of data in TSM are not performed. Examples include: <ul style="list-style-type: none"> <li>○ application status: applications can be manually updated to 'invoiced' without any validation.</li> <li>○ CCM event: a CCM event can be added to an application without validating whether inspections have commenced.</li> </ul> </li> <li>• automated email alerts are configured in TSM to notify the building control shared mailbox of applications ready to be invoiced (i.e. applications with FAB and CCM codes). However, for a number of applications, email alerts have not been received, therefore invoicing has not been performed.</li> <li>• there are no controls in TSM to prevent a completion certificate being issued if fees have not been paid.</li> </ul> <p><u>Risk</u> If completion certificates for building control applications are issued prior to payment of inspection fees, this may increase the risk of non-recoverable debt, leading to financial loss.</p>	<p>Agresso and TSM data to ensure that sales orders raised in Agresso are complete, accurate and agree to TSM records. Maintain a formal record of the reconciliations.</p> <ul style="list-style-type: none"> <li>d) Establish a procedure to regularly validate data within TSM for completeness and accuracy. Maintain a formal record of the review.</li> <li>e) Develop formal procedures for the registration and invoicing processes for building control applications. At a minimum, procedures should include objectives, key risks, roles and responsibilities and version control.</li> <li>f) Communicate the updated procedures to relevant officers. Consider delivering formal training.</li> </ul>	<p><b>Agenda Item 9</b></p>
<p><b>Management Response</b></p>	<p><b>Implementation Due Date</b></p>	
<p>Recommendation is <b>Agreed</b> This was a concerning find and Officers had been relying on a system which had a number of unidentified loopholes which resulted in invoices not being raised when Officers were working on the basis these were being automatically flagged by the system. The Building Control Team are currently contacting applicants to try and recover as much of the fees that they can (following Legal and Finances advice). In addition, an alternative system and process has been set up to ensure that invoices are not missed in the future.</p> <p>Management response: Development Manager</p>	<ul style="list-style-type: none"> <li>a) 31 May 2020</li> <li>b) Implemented between draft and final report stage</li> <li>c) 30 April 2020</li> <li>d) 31 May 2020</li> <li>e) 31 May 2020</li> <li>f) 31 May 2020</li> </ul>	

**MANAGEMENT SUMMARY**

**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 2019/2020 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 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 since June 2017, Capita process payroll data through the MyView system.

2.3 In February 2020, a total of 580 officers (370 SODC and 210 VWHDC) were processed through Capita payroll. Total payroll costs (e.g. basic pay, national insurance, allowance) in February 2020 amounted to £1,107,624.34, (£979,889.02 SODC and £560,469.77 VWHDC).

**3. PREVIOUS AUDIT REPORTS**

3.1 Payroll was last subject to an internal audit review in March 2019 and 11 recommendations were raised. All 11 recommendations were agreed. A limited assurance opinion was issued.

- 3.2 Five recommendations have been implemented, five have not **Agenda Item 9** implemented and one recommendation is no longer applicable. Four recommendations have been restated as part of this review (Recs 1-4).

#### 4. 2019/2020 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Eight recommendations have been raised in this review. Four high 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 outlining the service that will be provided. In September 2019, a change control notice was signed by the five councils and Capita to bring the HR advisory service back in-house.
- 5.1.2 A 5CP client relationship team is in place to ensure that an acceptable level of service is provided by Capita to the councils, which involves performance reporting and monthly meetings with Capita. Review of the September 2019 performance reports found that the 5CP client team request rectification plans for any areas of underperformance, which are rejected if satisfactory processes are not put in place to improve performance.
- 5.1.3 HR policies are held on AskHR and cover aspects of officers' pay (e.g. annual leave and bank holiday policy, on call and standby policy, overtime and allowance policy). HR policies were last revised prior to the commencement of 5CP in 2016 and therefore do not reflect current processes. The in-house strategic HR team have implemented a joint policy review process, agreed by strategic management team (SMT) and Unison in January 2020, which sets out the approach to reviewing and updating HR policies.
- 5.1.4 The HR and payroll team (Capita) has a business process directory covering the day-to-day HR and payroll processes and procedures, which was last reviewed and updated in May 2019. Internal audit is satisfied that the directory is version controlled and provides detailed guidance to staff, including the use of ResourceLink (MyView back office system).
- 5.1.5 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 AskHR, notify Capita HR any other changes to officers pay, such as new starters, leavers and increments. Review of a sample of tax code uplifts for five employees confirmed that the uplifts were up-to-date and accurate. Capita HR use a quality assurance (QA) system to undertake independent checks to confirm

that data input has been correctly processed on ResourceLink. Agenda Item 9  
internal audit was unable to confirm whether the uplifts were independently checked.

5.2.2 Access to MyView is managed by the system administrators (Capita) based in Belfast. The following system access controls are in place:

- 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.

Review of the MyView access report confirmed that system users were either current officers or councillors.

5.2.3 Area assurance: Limited

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

### 5.3 **Amendments to standing data**

5.3.1 Line managers are responsible for informing Capita HR of any change details for their teams, including managing new starters or leavers, updating payroll and altering contracts through the submission of notification forms, which can be found on both Jarvis and AskHR. In the October 2019 Connect newsletter (special HR edition) issued to all staff, line managers were asked to submit any change details for their teams through the MyView self-service function. However, due to inaccuracies in the MyView hierarchy, the self-service function is not operational; hence the use of notification forms is still required.

5.3.2 In 2019/2020 to date (November 2019), there were 63 (47 SODC and 16 VWHDC) new starters, 36 (25 SODC and 11 VWHDC) leavers and 727 (484 SODC and 243 VWHDC) contract variations. A random sample of 36 (20 SODC and 16 VWHDC (100% sample)) new starters, 31 (20 SODC and 11 VWHDC (100% sample)) leavers, and 40 (20 SODC and 20 VWHDC) contract variations were selected, and review found that:

- 21 (eight SODC and 13 VWHDC) notification of appointment forms were not sent to their service area accountant for signoff, to validate the accuracy of cost centre information.
- six VWHDC notification of appointment forms used were not the latest version.
- all 36 new starters details were correctly inputted onto the payroll system.
- for three (two SODC and one VWHDC) new starters, the first month's salary was incorrectly calculated.
- one VWHDC new starter was not paid on the first available payment run, this was due to the new starter not submitting their right to work documents in time.
- 11 (six SODC and five VWHDC) notification of leaver forms were not submitted to Capita HR and only the resignation letter was sent.
- all 20 (14 SODC and six VWHDC) notification of leaver forms submitted were fully completed, appropriately signed and the most up-to-date form was used.
- 15 (ten SODC and five VWHDC) leavers' final salary payments was incorrectly calculated. This was primarily due to the leavers annual leave was incorrectly calculated.

- four (one SODC and three VWHDC) contract variation forms submitted to Capita HR and only an email was sent by the line manager.
- of the 36 (19 SODC and 17 VWHDC) contract variation forms submitted:
  - all were appropriately authorised by the line manager;
  - 17 (nine SODC and eight VWHDC) forms were not sent to their service area accountant for signoff, to validate the accuracy of cost centre information;
  - nine (four SODC and five VWHDC) contract variation forms were submitted using outdated templates.
- for seven (four SODC and three VWHDC) contract variations, the mid-month was incorrectly calculated.

From the new starters, leavers, and contract variations selected above, Capita HR provided satisfactory evidence of independent quality checks for 22 out of the 107 samples selected above (i.e. five (three SODC and two VWHDC) new starters, five (three SODC and two VWHDC) leavers and seven (three SODC and four VWHDC) contract variations). For the remaining 85 samples, internal audit was not provided with supporting evidence.

5.3.3 Overtime claim forms are submitted by the authorising line manager to Capita payroll through MyView. In 2019/2020 to date (November 2019), 109 (65 SODC and 44 VWHDC) overtime claims were made. A random sample of 40 (20 SODC and 20 VWHDC) overtime claims were selected; however, as internal audit was not provided with the correct overtime claim information, we were unable to validate whether online overtime claims were processed appropriately.

5.3.4 Area assurance: Limited  
Three recommendations have been restated (Recs 2-4) and two recommendations have been made as a result of our work in this area (Recs 6 and 7).

## 5.4 **Security of data**

5.4.1 Security measures are in place between the councils and the payroll team (Capita) for holding and transferring HR and payroll data. When sending the payroll run reports to the councils for approval, the payroll team (Capita) will zip and password protect the files before sending via email. A separate email is sent to the councils containing the password to open the files. All other HR and payroll data and information is sent securely to the councils via AskHR and MyView, which requires the councils' officers to log onto using a unique 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. Access to the 5CP HR shared drive is restricted to HR staff (Capita) who work on the 5CP contract.

5.4.2 The councils' interim head of finance or head of financial projects authorises the monthly payroll run following checks made by the finance system and procurement team leader and the HR operational lead. The pay run report does not contain any personal data; therefore, it is sent to the payroll team (Capita) via the standard unencrypted email system.

5.4.3 A three-stage escalation process for all 5CP services, including HR and payroll, is in place for council officers to raise a request, complaint or query. Details of the escalation process are available to officers on Jarvis. Review found that the escalation process document is up-to-date and was last reviewed in August 2019. 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 actions to be taken. **Agenda Item 9**

5.4.4 Area assurance: Full  
No recommendations have been 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 sending to the councils for payment authorisation. Checks are also undertaken by the finance and procurement team leader and strategic HR team prior to approval by the authorised signatory (i.e. interim head of finance and head of financial projects).

5.5.2 Issues raised during the councils' payroll run review are recorded onto a query log and returned to the payroll team (Capita). Review of the query logs for May 2019, August 2019 and November 2019 identified a total of 75 (50 SODC and 25 VWHDC) queries, of which:

- 15 (nine SODC and six VWHDC) queries resulted in a re-run due to system errors, the councils not providing sufficient information to the payroll team (Capita) and calculation errors;
- 58 (41 SODC and VWHDC) queries were noted with no further action required.

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

## 5.6 Payroll reconciliation

5.6.1 The accountancy team (Capita) undertake monthly reconciliations of payroll run records to general ledger, which includes a check of payovers made to both HMRC and third parties, i.e. Unison. In 2019/2020 to date (January 2020), the last reconciliation was performed for December 2019. From review of the SODC and VWHDC payroll reconciliations undertaken in 2019/2020 no reconciling differences were noted. However, evidence of independent review of the reconciliations was not formally documented.

5.6.2 Area assurance: Substantial  
One recommendation has been made as a result of our work in this area (Rec 8).

## 5.7 Establishment list

5.7.1 The establishment list is maintained by the HR team (Capita) and is sent to strategic HR for review every month. Due to discrepancies found in Capita's establishment list, strategic HR are in the process of creating an in-house establishment list, which they will own and manage. Internal audit reviewed the in-house establishment list and is satisfied that appropriate steps have been undertaken during the development stage to ensure the list is complete and accurate (i.e. validation of information with individual service teams and cross-referencing against historical starters and leavers reports).

5.7.2 Once the in-house establishment list is finalised, strategic HR will start undertaking a monthly reconciliation to payroll records.

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:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 2, 3, 5 and 7</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 1, 4 and 6</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Rec 8</b>

## OBSERVATIONS AND RECOMMENDATIONS

### PREVIOUS RECOMMENDATIONS RESTATED

#### 1. Policies and procedures

(Medium 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"> <li>• Annual leave and bank holidays policy - October 2011;</li> <li>• Annualised hours policy - May 2016;</li> <li>• Learning and development policy - September 2014;</li> <li>• Leave policy - May 2015;</li> <li>• Market premium - July 2013;</li> <li>• Maternity, paternity, adoption and surrogacy policy - May 2015;</li> <li>• Sickness absence policy - April 2013;</li> <li>• Shared parental leave policy - February 2015;</li> <li>• Travel and expenses policy - November 2014;</li> <li>• Recruitment and Selection - November 2014;</li> <li>• Eye test and payment for glasses procedure - April 2014.</li> </ul> <p>As stated in previous audit reviews, there is insufficient version control</p>	<p>a) Version control on the policies should be enhanced to include:</p> <ul style="list-style-type: none"> <li>• the author of the policy;</li> <li>• the date the policy was approved and by whom;</li> <li>• the next review date.</li> </ul> <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>	Strategic HR Manager

<p>within the policies and the travel and expenses policy still contains reference to the council site at Crowmarsh.</p> <p>Strategic HR stated that as part of the policy review framework, as agreed by strategic management team (SMT) and Unison, the HR and payroll policies are undergoing review.</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>		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> This process has already begun.</p> <p>Management response: Strategic HR Manager</p>		<p>31 December 2020 (for all new and amended policies to be published. However, as each is completed, these will be published throughout the year).</p>

## 2. Mid-month salary calculations

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Mid-month salary calculations are independently checked to confirm accuracy.</p> <p><u>Findings</u> In 2019/2020 to date (November 2019), there were 63 (47 SODC and 16 VWHDC) new starters, 36 (25 SODC and 11 VWHDC) leavers and 726 (484 SODC and 242 VWHDC) contract variations.</p> <p>A sample of 36 (20 SODC and 16 VWHDC (100% sample)) new starters, 31 (20 SODC and 11 VWHDC (100% sample)) leavers, and 40 (20 SODC and 20 VWHDC) contract variations were selected, and review found that:</p> <ul style="list-style-type: none"> <li>• three (two SODC and one VWHDC) new starters first month salary was incorrectly calculated.</li> <li>• 15 (ten SODC and five VWHDC) leavers' final salary was incorrectly calculated. This was primarily due to the leavers annual leave was incorrectly calculated.</li> <li>• seven (four SODC and three VWHDC) mid-month salary, for contract variations, were incorrectly calculated.</li> </ul> <p>In addition, Capita HR has developed a quality management system (QMS) to ensure that independent reviews are undertaken, including mid-month salary</p>	<p>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.</p>	<p>Currently Capita Head of Service</p> <p>Strategic HR Manager from 1 April 2020</p>

<p>calculations for new starters, leavers and contract variations.</p> <p>Evidence of independent reviews was provided for 22 out of the 107 samples selected (five (three SODC and two VWHDC) new starters, five (three SODC and two VWHDC) leavers and seven (three SODC and four VWHDC) contract variations), and reviewed confirmed that independent checks had been carried out. For the remaining 85 samples, evidence was not provided to internal audit.</p> <p><b>Risk</b> 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.</p>		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> We will ensure this process is reviewed in accordance with the recommendation from when the payroll process and associated responsibilities changes on 1 April 2020.</p> <p>Management response: Strategic HR Manager</p>		31 May 2020

### 3. Overtime incorrectly calculated

(High Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Overtime is accurately calculated and paid to employees.</p> <p><u>Findings</u> A total of 109 (65 SODC and 44 VWHDC) overtime claims made during 2019/20 to date (November 2019).</p> <p>A sample of 40 (20 SODC and 20 VWHDC) overtime claims were selected; however, internal audit was unable to obtain the correct overtime claim information from Capita HR, therefore a review of accuracy of overtime calculations could not be performed.</p> <p><b>Risk</b> 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>a) A review should be undertaken of overtime claims since April 2019 to confirm that the amount of overtime claimed have been correctly paid.</p> <p>b) If incorrectly paid, the payroll team (Capita) should take appropriate action.</p>	<p>Currently Capita Head of Service</p> <p>Strategic HR Manager / Payroll Provider from 1 April 2020</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> We will ensure this process is reviewed in accordance with the recommendation from when the payroll process and associated responsibilities changes on 1 April 2020.</p> <p>Management response: Strategic HR Manager</p>		31 May 2020

**4. Break recorded on overtime claims**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Officers claiming over six hours' overtime in a single day, record a minimum break of 20 minutes, as required by the European Working Time Regulations.</p> <p><u>Findings</u> A total of 109 (65 SODC and 44 VWHDC) overtime claims made during 2019/20 to date (November 2019).</p> <p>A sample of 40 (20 SODC and 20 VWHDC) overtime claims were selected; however, internal audit was unable to obtain the correct overtime claim information from Capita HR, therefore a review of compliance to the European Working Time Regulations could not be performed.</p> <p><u>Risk</u> 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>	<p>Currently Capita Head of Service</p> <p>Strategic HR Manager / Payroll Provider from 1 April 2020</p>
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed</b> We will ensure this process is reviewed in accordance with the recommendation from when the payroll process and associated responsibilities changes on 1 April 2020.</p> <p>Management response: Strategic HR Manager</p>		<p>31 July 2020</p>

**SYSTEM PARAMETERS AND SECURITY**

**5. Independent review of tax code uplifts**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The annual tax code uplift is independently reviewed and approved for accuracy.</p> <p><u>Findings</u> Capita HR has developed a quality management system (QMS) to ensure that independent reviews are undertaken, including accuracy of tax code uplifts.</p> <p>Internal audit requested the quality assurance (QA) report from the QMS to confirm that tax code uplifts are independently reviewed. Internal audit was not provided with the QA report; therefore, we were unable to confirm whether independent reviews of tax code uplifts have been undertaken.</p> <p><u>Risk</u></p>	<p>Independent reviews should be undertaken and documented when uploading tax code uplifts.</p>	<p>Currently Capita Head of Service</p> <p>Strategic HR Manager / Payroll Provider from 1 April 2020</p>

If tax code uplifts 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.		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b>  We will ensure this process is reviewed in accordance with the recommendation from when the payroll process and associated responsibilities changes on 1 April 2020.</p> <p>Management response: Strategic HR Manager</p>		31 July 2020

## AMENDMENTS TO STANDING DATA

### 6. Notification forms

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>  Service managers submit completed notification forms to Capita HR for any team changes (e.g. starters, leavers, or contract variations).</p> <p><u>Findings</u>  <u>Notification forms</u>  On 10 October 2019, a special HR edition of the Connect newsletter was emailed to all council staff, asking line managers to submit any change details for their teams, including managing new starters or leavers, updating payroll and altering contracts, through the MyView self-service function.</p> <p>However, from discussions with both Capita HR and strategic HR, line managers are still expected to submit the notification of appointment form and notification of leaver form. Due to inaccuracies in the MyView hierarchy, the self-service function is not operational.</p> <p><u>Notification of appointment forms</u>  During 2019/2020 to date (November 2019) there were a total of 63 (47 SODC and 16 VWHDC) new starters.</p> <p>A sample of 36 (20 SODC and 16 (100% sample) VWHDC) new starters were selected and review found that:</p> <ul style="list-style-type: none"> <li>• 21 (eight SODC and 13 VWHDC) notification of appointment forms were not sent to their service area accountant to sign, to confirm that the cost centre codes are correct;</li> <li>• six VWHDC notification of appointment forms used by the recruiting officer were not the latest version.</li> </ul> <p><u>Notification of leaver forms</u></p>	<p>a) Strategic HR should issue an email to all service managers:</p> <ul style="list-style-type: none"> <li>• making it clear that notification of appointment forms and notification of leaver forms are sent to Capita HR via AskHR and not requested through MyView, as previously communicated in the all staff newsletter.</li> <li>• to use the most up-to-date notification of appointment form, which is available on both AskHR and on Jarvis.</li> <li>• to send both the notification of appointment and contract variation forms to their service area accountant, prior to submitting the form to Capita HR, so that they can confirm that the cost centre code is correct.</li> <li>• to complete a notification of leaver form when notifying Capita HR of a leaver.</li> <li>• use and complete the latest contract variation form when notifying Capita HR of any changes to their staff's contracts.</li> </ul> <p>b) Strategic HR should notify Capita HR not to accept leaver or contract variation requests unless a leaver form or a contract variation form is submitted.</p>	<p>Strategic HR Manager</p>

<p>During 2019/2020 to date (November 2019) there were a total of 36 (25 SODC and 11 VWHDC) leavers.</p> <p>A sample of 31 (20 SODC and 11 (100% sample) VWHDC) leavers were selected and review found that on 11 (six SODC and five VWHDC) occasions, the leaver form was not used and only the resignation letter or email was sent to Capita HR.</p> <p><u>Contract variation forms</u> During 2019/2020 to date (November 2019) there were a total of 727 (484 SODC and 243 VWHDC) contract variations.</p> <p>A sample of 40 (20 SODC and 20 VWHDC) contract variations were selected and review found that:</p> <ul style="list-style-type: none"> <li>• On four (one SODC and three VWHDC) occasions, Capita HR did not receive a contract variation form and only received an email from the line manager;</li> <li>• Of the 36 (19 SODC and 17 VWHDC) contract variation forms received: <ul style="list-style-type: none"> <li>○ 17 (nine SODC and eight VWHDC) forms were not signed by the service area accountant, confirming that the cost centre code is correct;</li> <li>○ nine (four SODC and five VWHDC) forms used by the recruiting officer were not the latest version.</li> </ul> </li> </ul> <p><u>Risk</u> If the most up-to-date notification forms are not completed, there is a risk of missing and/or inaccurate information being sent to the HR team (Capita) for processing.</p> <p>If the notification of appointment forms and contract variation forms are not sent to the accountancy team for review, there may be budget monitoring implications due to the input of incorrect cost centre codes onto ResourceLink.</p>		<p><b>Agenda Item 9</b></p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b> With the remainder of the HR function coming in-house from 1 April 2020, we will indeed enforce this mandate and we will also look to revamp the payroll-related documentation to reflect any amended processes and the payroll system.</p> <p>Management response: Strategic HR Manager</p>		<p>31 July 2020</p>

## 7. Overtime report

Agenda Item 9  
(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The ResourceLink system generates an overtime report, which is reviewed to ensure that overtime claims are processed and authorised correctly.</p> <p><u>Findings</u> During 2019/2020 to date (November 2019) there were a total of 109 (65 SODC and 44 VWHDC) overtime claims.</p> <p>A sample of 40 (20 SODC and 20 VWHDC) overtime claims were selected; however, as internal audit was not provided with appropriate overtime claim information from Capita HR, we were unable to validate whether online overtime claims were processed and authorised appropriately.</p> <p><u>Risk</u> Lack of available MyView overtime report may result in Capita HR breaching the 5CP contract agreement as data should be visible across the five councils.</p>	<p>Capita HR should establish a way of generating an overtime report for internal audit to review, which includes:</p> <ul style="list-style-type: none"> <li>• employee number;</li> <li>• employee name;</li> <li>• date of overtime claim;</li> <li>• number of hours claimed;</li> <li>• time (from/to) claimed;</li> <li>• overtime rate (time, time and a half);</li> <li>• hourly rate;</li> <li>• total payroll amount;</li> <li>• authorising officer.</li> </ul>	Strategic HR Manager
Management Response		Implementation Due Date
<p>Recommendation is <b>Agreed</b> Once the in-house team has been trained to use the system, we should be able generate this report for internal audit.</p> <p>Management response: Strategic HR Manager</p>		31 July 2020

## PAYROLL RECONCILIATION

### 8. Monthly payroll reconciliation

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Monthly reconciliations between payroll run records and the general ledger are signed and dated by preparer and reviewer.</p> <p><u>Findings</u> Review of the 2019/2020 to December 2019 SODC and VWHDC payroll reconciliation spreadsheet between the payroll run records and the general ledger found that the reconciliations were not signed and dated by the preparer and reviewer.</p> <p><u>Risk</u> If payroll reconciliations are not independently reviewed, there is a risk of management not taking appropriate action if timely and accurate</p>	<p>The accountancy team (Capita) should be reminded to:</p> <ul style="list-style-type: none"> <li>• formally sign off and date the payroll reconciliation as evidence of completion;</li> <li>• formally sign off and date reconciliations as evidence of independent review.</li> </ul>	<p>Currently Capita Head of Service</p> <p>Strategic HR Manager / Payroll Provider from 1 April 2020</p>

reconciliations are not undertaken and if issues have been identified.		<b>Agenda Item 9</b>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b>  We will review the future validation process as part of the transition project and can ensure there is an appropriate and auditable sign-off procedure.</p> <p>Management response: Strategic HR Manager</p>		31 July 2020

**MANAGEMENT SUMMARY**

**1. INTRODUCTION**

1.1 This report details the findings from internal audit’s follow-up review of property management 2018/2019. The original fieldwork was undertaken in May 2019 and the final report was issued in July 2019. Follow-up work has been undertaken in accordance with the 2019/2020 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), to ensure that the agreed recommendations have been implemented within the timescales provided.

**2. INITIAL AUDIT FINDINGS**

2.1 The final report made six recommendations and all were agreed. A limited assurance opinion was issued.

**3. FOLLOW UP MAIN FINDINGS**

3.1 The review found that none of the six recommendations have been implemented. For three recommendations, the implementation dates are not yet due.

**4. ACKNOWLEDGEMENTS**

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

**PREVIOUS RECOMMENDATIONS RESTATED**

**1. Periodic invoicing review (Action plan number 5) (High Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> The periodic invoice spreadsheet also known as the subscription list is regularly reviewed, correct and agrees to the amount rental amount on the Concerto system and that the tenants are invoiced the appropriate rental amount for the property they lease.</p> <p><u>Findings</u> The periodic invoice spreadsheet, which is sent to exchequer services, is not reviewed against the Concerto system on a regular basis.</p> <p><u>Risk</u> If the periodic invoice spreadsheet is not regularly reviewed, there is a risk of tenants being invoiced incorrectly resulting in a financial risk to the councils.</p>	<p>A regular review should be undertaken on the periodic invoice spreadsheet to ensure that all rent amounts agree to the amount on the Concerto system.</p>	<p>Property Manager</p>

<b>Management Response</b>	<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b>  The subscriptions list has been reviewed, but a deeper dive is required as records are cleaned and checked and anomalies resolved. This will be an ongoing iterative process. This is separate from any rent calculation disputes that may occur.</p> <p>Management response: Property Manager</p>	31 December 2019
<b>Follow-up observations</b>	
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that the recommended action is in progress.</p> <p>The subscriptions list provided by Capita needs to be cleansed before the review can be undertaken. The cleansing exercise is due to be undertaken shortly.</p>	<p><b>Not Implemented</b></p> <p>Revised Implementation Due Date: 31 March 2020</p>

## 2. Rent review notifications (*Action plan number 5*)

(Low Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u>  Rent review notifications are issued prior to the rent review due date allowing sufficient time to invoice for revised rents.</p> <p><u>Findings</u>  Review of 17 (14 SODC and three VWHDC) leased properties in 2016/2017 found that for seven properties notification of rent review was issued after the rent review due date, as stated on the lease agreement.</p> <p><u>Risk</u>  If rent review notifications are not issued prior to the review due date, there is a financial risk to the councils as there is a delay in any increase in rental income being received.</p>	Rent review notifications are issued prior to the rent review due date, so that delays are kept to a minimum due to negotiations with tenants.	Property Manager
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b>  Concerto records are incomplete and do not hold verified data on the rent reviews and therefore staff need to review individual leases manually and then enter this detail. This date is for the review of the files and the updating of the records. The actual rent reviews themselves will take some time thereafter to complete, dependent on the case load, complexity and contentiousness of the rent reviews. Where there is potential for rent reviews to be backdated this will be sought. This is a significant project and the verification work on this supports recommendations 1, 4 and 5 and is part of the work envisaged by recommendation 6.</p> <p>Management response: Property Manager</p>		31 March 2020
<b>Follow-up observations</b>		
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that the recommended action is in progress.</p> <p>The surveyors are being tasked with focusing on big / key developments which will incorporate a number of rent reviews and / or maximize income to the councils.</p>		<b>Not Implemented</b>

### 3. Insurance valuations (Action plan number 1)

Agencies (Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Property insurance valuations are undertaken every three years, with the highest value properties revalued annually.</p> <p><u>Findings</u> It is the responsibility of property services to ensure that insurance valuations are performed annually on a rolling basis over a five-year period. There had not been any revaluations of the highest value properties during the 2018/2019 financial year that could be used for insurance purposes.</p> <p><u>Risk</u> If insurance valuations are not carried out for the highest value properties in a timely manner, there is a risk that the councils' insurance cover is insufficient, which may result in adverse financial impact.</p>	<p>a) The councils should establish any additional costs the valuers will charge for undertaking insurance property valuations on a more frequent basis, every three years.</p> <p>b) A formal agreement should be put in place between the councils and the valuers, if all parties agree to undertake insurance valuation on a three-yearly basis.</p>	Property Manager
Management Response		Implementation Date
<p>Recommendation is <b>Agreed in Principle</b> The scale of the insurance valuations is much larger than originally anticipated. Market testing has received an estimated cost twice that of the cost of the annual valuation. An internal agreement needs to be reached on how to proceed. This date is dependent on having an Estates Service Procurement Appointment under CCS in place or an equivalent.</p> <p>Management response: Property Manager</p>		31 December 2019
Follow-up observations		
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that recommended actions a) and b) are in progress. The actions will be implemented as part of the Estates Services Framework which is currently at Gateway Stage 1.</p>		<p><b>Not Implemented</b></p> <p>Revised Implementation Due Date: 31 July 2020</p>

### 4. Splitting of assets (Action plan number 5)

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The properties on the fixed asset register are split as stated in the valuation report and the property register (Concerto).</p> <p><u>Findings</u> Review of 35 (21 SODC car parks and 14 VWHDC car parks) property valuations undertaken in 2016/2017 found that:</p> <ul style="list-style-type: none"> <li>for one SODC car park (Cattle market, Thame), the value on the fixed asset register was greater than the value on the valuation report by £400,000.00. This is due to historically the car park and the actual cattle market</li> </ul>	<p>The fixed asset register should be reviewed against the property register, Concerto, and assets are split accordingly to ensure that both registers agree.</p>	Property Manager

<p>building were valued as one asset, and the estates team (Arcadis) requested that the car park is valued separately. This is currently classed as one on the fixed asset register and requires to be split.</p> <ul style="list-style-type: none"> <li>two VWHDC car parks (Cattle market, Abingdon and Civic, Abingdon) are shown as one car park (Civic, Abingdon) on the fixed asset register, which requires to be split.</li> </ul> <p><u>Risk</u> If property assets are merged on the fixed asset register, there is a risk of the valuation amount on the register being incorrect resulting in inaccuracy to the councils' balance sheet.</p>		<b>Agenda Item 9</b>
<b>Management Responses</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> Work has commenced, which has identified a large number of items, accuracy information and identification of assets. The team member who was working on this has left and new staff need to be onboarded, then a review of the estate portfolio and work with Finance will be required. The review process also needs to consider any CIPFA property coding implications at the same time.</p> <p>Management response: Property Manager</p>		31 January 2020
<b>Follow-up observations</b>		
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that the recommended action is in progress. This will be an action within the property services overall project plan which is currently being developed – see recommendation six below.</p>		<p><b>Not Implemented</b>  Revised Implementation Due Date: 31 August 2020</p>

## 5. Property asset registers reconciliation

(Medium Risk)

(Action plan numbers 1 and 5)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The property assets on the fixed asset register are reconciled to the property register (Concerto) on a regular basis.</p> <p><u>Findings</u> Whilst it is noted that the fixed asset register only includes land and properties with a value and the property register includes all land and properties owned by the councils, a reconciliation between the fixed asset register and the property register (Concerto) is not undertaken.</p> <p><u>Risk</u> If a reconciliation is not undertaken between the property register (Concerto) and the fixed asset register, there is a risk of one or both registers being inaccurate resulting in errors to the balance sheet.</p>	<p>A reconciliation should be undertaken between the accountancy (Capita) managed fixed asset register and the property register, held on the Concerto system, to confirm that the valued land and properties agree on both registers.</p>	Property Manager

Management Response	Implementation Date
<p>Recommendation is <b>Agreed in Principle</b></p> <p>An initial reconciliation has been carried out, which has highlighted issues. Completion statements will be a critical document for estates and finance to review when carrying out the reconciliation. Work in recommendations 1 to 4 above are pre-requisites of this workstream.</p> <p>Management response: Property Manager</p>	31 March 2020
Follow-up observations	
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that the recommended action is in progress. This work has been delayed due to the Property Manager being vacant since October 2019.</p> <p>This will be an action within the property services overall project plan which is currently (as at February 2020) being developed.</p>	<p><b>Not Implemented</b></p> <p>Revised Implementation Due Date: 31 August 2020</p>

## PROPERTY SERVICES ACTION PLAN

### 6. Key priorities

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An approved action plan to address key risks and priorities within the service area is in place.</p> <p><u>Findings</u> A draft property services action plan is in place; however, implementation tasks required to improve the service have not been included.</p> <p>In addition, it was noted that in-house policies and procedures for property service processes are not in place and development of in-house policies and procedures is not included as a key priority in the draft action plan.</p> <p>Finally, at the time of our review (March 2019) the action plan did not include an action to develop an in-house service level agreement (SLA) and key performance indicators (KPIs).</p> <p><u>Risk</u> If the action plan is not finalised, approved, and communicated to relevant officers, there is a risk that completion of actions may be delayed.</p> <p>Lack of in-house policies and procedures may result in inappropriate practices and lack of accountability.</p> <p>Without the development of performance metrics, adequate monitoring of the service cannot be performed.</p>	<p>a) Update the draft action plan to include the following actions:</p> <ul style="list-style-type: none"> <li>• Develop in-house policies and procedures;</li> <li>• Establish a service level agreement (SLA); and</li> <li>• Develop key performance indicators.</li> </ul> <p>b) Finalise the property services action plan and obtain necessary approval.</p>	Property Manager
Management Response	Implementation Date	

<p>Recommendation is <b>Agreed</b>  Completion of this recommendation is dependent upon a stable operating environment.</p> <p>Management response: Property Manager</p>	<p>a) 30 September 2019  b) 31 March 2020</p> <p><b>Agenda Item 9</b></p>
<b>Follow-up observations</b>	
<p>Discussion was held with the Head of Development &amp; Regeneration and the Property Operations Team Leader on 26 February 2020 and internal audit confirmed that recommended actions a) and b) are in progress. This work has been delayed due to the Property Manager being vacant since October 2019.</p> <p>Part a) will be an action within the property services overall project plan which is currently being developed.</p> <p>Part b) the property services overall project plan is currently being developed.</p>	<p><b>Not Implemented</b></p> <p>Revised Implementation Due Date:  a) 31 August 2020  b) 31 August 2020</p>