

# Audit and Corporate Governance Committee Report

Report of Head of Finance

Author: William Jacobs

Tel: 01491 823326 (SODC)

Tel: 01235 540455 (VWHDC)

E-mail: [william.jacobs@southandvale.gov.uk](mailto:william.jacobs@southandvale.gov.uk)

Cabinet Member responsible: Rodney Mann

Tel: 01844 281426

E-mail: [rodney.mann@oxweb.net](mailto:rodney.mann@oxweb.net)

To: Audit and Corporate Governance Committee

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**AGENDA ITEM  
NO 7**

## Internal audit activity report quarter two 2010/2011

Recommendation(s)

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

### Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the Committee to consider. The Committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

### Background

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

recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

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

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

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

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

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

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

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

## Internal Audit Activity

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

### Planned Audits

Full Assurance: 1

Satisfactory Assurance: 6

Limited Assurance: 2

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Treasury Management 09/10	Satisfactory	2	0	0	1	1	1	1
NNDR 09/10	Satisfactory	7	0	0	3	3	4	4

<b>Proactive Anti-Fraud 09/10</b>	<b>Limited</b>	<b>4</b>	2	2	2	2	0	0
<b>Cash Office 10/11</b>	<b>Satisfactory</b>	<b>4</b>	0	0	0	0	3	3
<b>Capital Accounting 09/10</b>	<b>Satisfactory</b>	<b>6</b>	0	0	1	1	5	5
<b>Section 106 Commuted Sums 09/10</b>	<b>Limited</b>	<b>13</b>	2	2	8	8	3	2
<b>Sundry Debtors 09/10</b>	<b>Satisfactory</b>	<b>12</b>	0	0	4	4	8	8
<b>HR Grievance Procedure 10/11</b>	<b>Full</b>	<b>2</b>	0	0	0	0	2	2
<b>HR Recruitment 10/11</b>	<b>Satisfactory</b>	<b>4</b>	0	0	3	1	1	1

### Follow Up Reviews

	<b>Assurance Given</b>	<b>No. of Recs</b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>Ongoing</b>
<b>Facilities Management</b>	<b>Full</b>	<b>1</b>	1	0	0	0
<b>Focus Group Payments 08/09</b>	<b>Limited</b>	<b>7</b>	7	0	0	0

7. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to Committee.
8. Members of the Committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
9. A copy of each report has been sent to the appropriate Head of Service, the relevant Strategic Director, the Section 151 Officer and the relevant Member Portfolio Holder. In addition to the above arrangements, reports are now published on the Council intranet and internal audit will send an email to committee members to inform them each time a report is published on the intranet.
10. A 6 month follow up is undertaken on all non-financial audits undertaken to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

## **1. PRO-ACTIVE ANTI-FRAUD 2009/2010**

### **1. INTRODUCTION**

- 1.1 The fieldwork for this audit was undertaken in February and March 2010, and the final report was issued on 7 July 2010.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that anti-fraud and corruption controls within Council systems and associated functions are sufficient to identify and reject false transactions/exceptions/data entry errors.
  - To ensure that upon a data entry being identified as inappropriate/unauthorised, management review the data and the appropriate action is taken within the system.
  - To ensure that any remedial action is taken promptly by management, clearly documented and where appropriate reported to the Section 151 Officer and Internal Audit.
  - To ensure that management are taking action to enhance the anti-fraud and corruption controls within the system where ongoing issues are identified.
- 1.3 A copy of the testing matrix is included as appendix 3 to this report at the request of the Strategic Director (Section 151 Officer). A subsequent update on 21 May 2010 to the testing matrix has been completed by Internal Audit as a number of issues arose from this proactive anti fraud exercise.

### **2. BACKGROUND**

- 2.1 The Council has a duty to safeguard the resources at its disposal, including the public funds that it administers. The Council employs staff and engages contractors to deliver its services and it expects those staff to be honest, reliable and trustworthy. The community that is served by the Council also expects it to have the highest standards of probity and to be corruption free.
- 2.2 The Council's external auditors, the Audit Commission, report annually on the Council's Annual Governance Statement and use its assessment to continually monitor the Council's performance in relation to its use of resources. The criteria that the Audit Commission adopt for delivering its assessment includes a pro-active anti-fraud and corruption policy and response plan that is published widely to staff and all other stakeholders and is reviewed regularly and updated to reflect changing work and cultural patterns.
- 2.3 The councils have a wide range of mechanisms in place aimed at preventing and detecting fraud and corruption. Managers must ensure that adequate levels of internal checks are included in working procedures, particularly financial procedures. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 This is the first audit undertaken to ascertain the effectiveness of the Council in highlighting and managing fraudulent activity within its internal management systems. However, work was undertaken in 2008/2009 to review both Council's anti-fraud and corruption arrangements and management's awareness of relevant policies and procedures.

### 4. 2009/2010 AUDIT ASSURANCE

- 4.1 **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Four recommendations have been raised in this review. Two High risk and two Medium risk.

### 5. MAIN FINDINGS

#### 5.1 Overview

- 5.2 Internal Audit defined a total of ten tests in which to attempt to submit some kind of fraudulent claim or activity into the Councils management systems. During the field work, Internal Audit found that only eight of the ten originally agreed tests could actually be performed in the agreed timescales and scope.

50 per cent of fraudulent inputs made by Internal Audit were logged or initiated into the relevant management systems and subsequently processed to a point. Of the 50 per cent of fraudulent inputs that were processed, 75 per cent were processed to a completed state. None of the fraudulent inputs were highlighted as potential fraud and subsequently were not managed properly.

#### 5.3 Specific findings

- 5.4 In the areas of Agresso Accounts Payable (AP), although the fraudulent invoices were not processed, neither were they logged/registered in accordance with the AP procedures. The fraudulent invoices were not highlighted to the Council's management team as potential fraudulent activity and subsequently not managed appropriately.

In the area of Information and Communication Technologies (ICT), officers' usage of hotmail accounts and networking sites appeared to be freely available. Internal Audit noted that due to annualised hours working arrangements, it would be difficult to enforce any managed approach to restricting access. With regards to ICT setup for new officers, Internal Audit found that there was inadequate checking in verifying that a request for ICT setup was in fact for a legitimate Officer.

In the area of requesting changes to officers' bank details for salary payments, Internal Audit noted a significant process gap in checking of requests. The fraudulent change of bank details submitted into the

management systems was not checked for validity and was subsequently processed to the point where Internal Audit requested that the change was reversed to ensure the officer was actually paid. Internal Audit suggested to management on 22nd March, immediate changes to processes. As of 6th April, these changes have yet to be implemented in the management system.

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

5.5 Internal Audit has undertaken a further review on 21 May 2010 of the bogus invoices presented to Accounts Payable and noted a weakness in the control environment which is as follows:

1. Two suppliers had been set up on the Aggresso system without completion of the appropriate application for a new supplier form being available to inform Capita staff that the supplier is a bona fide supplier. Capita staff have been reminded to follow procedure documents which have been recently approved by the Council.

5.6 Internal Audit request that the Section 151 officer undertakes a review of the control weakness demonstrated in the above and reminds Capita of the need to be compliant to the Council's stated procedure with regards to the Accounts Payable arrangements. One recommendation has been made as a result of the review of the proactive anti fraud testing.

## **OBSERVATIONS AND RECOMMENDATIONS**

<b>1. Highlighting of Potential Fraud</b>		<b>(High Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Any suspect cases of fraud are logged and managed appropriately in accordance with Council approved anti-fraud measures.</p> <p><u>Findings</u> Four invoices submitted into the Accounts Payable (creditor payments) process, although not processed, were not logged/registered in accordance with the AP procedures or highlighted to the Councils management team as potential fraudulent activity. As the dummy fraudulent invoices were not registered on the Agresso AP system, Internal Audit could not determine the status or whereabouts of the documents.</p> <p><u>Risk</u> If management are not made aware of and do not promptly</p>	<p>a) To adopt a process to ensure that suspect cases of fraudulent invoices are highlighted to the Councils management team as potential fraudulent activity and managed appropriately.</p> <p>b) That all invoices submitted to the Council are logged in accordance with the AP procedures.</p>	<p>Capita Exchequer Services Manager</p>

review and correct data identified as fictitious, the reason for the error or activity may remain unclear and/or such errors or activities may be allowed to continue.		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Following the audit, processes were reviewed and amended to reflect the above recommendation.</p> <p>Management Response: Capita Exchequer Services Manager</p>		Already implemented

<b>2. ICT setup - verification of Officers</b>		<b>(Medium Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Adequate checking processes are in place to ensure that ICT access is only granted upon appropriate verification with HR.</p> <p><u>Findings</u> Internal Audit requested by email, that ICT set up a new officer for ICT access. The new officer was in fact fictitious and no checks appeared to have been made with HR to ensure that the request was for a legitimate officer. Although Internal Audit were not sent the ICT login details for the new Officer, it was noted that the new Officer had an email address and was available in the Council's 'eGuide - who's who and phonebook'.</p> <p><u>Risk</u> If fictitious users are not identified and rejected by systems and processes, there is the potential that fraudulent activities made in the user's name may go unnoticed leading to financial loss or data protection exposure to the Council.</p>	<p>a) To adopt a process to ensure that adequate checks are made with HR in order that only legitimate requests for new officer ICT setups are actioned.</p> <p>b) Where any checks show a request is not valid, the suspect cases of fraudulent activity are highlighted to the Councils management team as potential fraudulent activity and managed appropriately.</p>	Shared HR manager/Shared IT manager
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>IT will only create a login on instruction from HR via the new starter process. The process to be agreed between HR and IT will allow for the odd exception regarding non employees, who will be "sign off" from a head of service.</p>		31 December 2010

Management Response: Shared HR manager/Shared IT manager	
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<b>3. Changes to officers' bank details</b>	<b>(High Risk)</b>
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Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Secure methods should be used for receiving and implementing requests for Officer bank detail changes.</p> <p><u>Findings</u> In the area of requesting changes to officers bank details for salary payments, IA noted a significant process gap in checking of requests. The fraudulent change of bank details submitted into the management systems was not checked for validity and was subsequently processed to the point where IA requested that the change was reversed to ensure the Officer was actually paid. IA suggested on 22<sup>nd</sup> March, immediate changes to processes. As of 6<sup>th</sup> April, these changes have yet to be implemented in the management system.</p> <p><u>Risk</u> If fraudulent requests are not identified and rejected by systems and processes, there is the potential that fraudulent transactions may go unnoticed leading to financial loss to both officers and the Council.</p>	<p>To adopt a process to only accept requests to change officer bank details through a formal, secure and audit-trailed system. For example, through ASR (HR Pro). If this is not possible, the default method must be communications through the Groupwise email system.</p>	Payroll Project leader
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Paper change requests are no longer accepted. Emails via "Groupwise" from the individual's mailbox are now the accepted protocol. When Vale HR Pro has the capability of capturing and providing the data to payroll this will then default to the primary method of acceptance.</p> <p>Management Response: Payroll Project leader</p>		Implemented immediately

<b>4. New Supplier set up</b>	<b>(Medium Risk)</b>
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Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All new suppliers should only be set upon receipt of a completed</p>	All new suppliers should not be set up without prior approval from the appropriate service area.	Capita Exchequer Services manager



<p>application for a new supplier form.</p> <p><u>Findings</u> Two new suppliers were set up without receipt of a completed “application for a new supplier” form and approval from the service area.</p> <p><u>Risk</u> Failure to ensure appropriate approval has been given for setting up a new supplier could result fraudulent invoices being processed and a loss of income to the Council.</p>		
<b>Management Response</b>	<b>Implementation Date</b>	
<p>Recommendation is <b>Agreed</b></p> <p>Supplier accounts are only set up on receipt of form from council officers.</p> <p>Management Response: Capita Exchequer Services manager</p>	<p>Already implemented</p>	

## APPENDIX 3 – TESTING MATRIX

	Test 1	Test 2	Test 3	Test 4	Test 5	Test 6	Test 7	Test 8	Test 9	Test 10
System or Application:	Agresso / Capita	Agresso / Capita	Agresso / Capita	Agresso / Capita	Member Expense Claims	Email usage	User Access	Internet Access	Ghost Employee	Employee Data
Process:	Accounts Payable	Accounts Payable	Accounts Payable	Accounts Payable	Legal Monitoring	ICT Monitoring	ICT Security	ICT Monitoring	Payroll / HR	Payroll / HR
Area:	Finance	Finance	Finance	Finance	Legal	ICT	ICT	ICT	Payroll / HR	Payroll / HR
Specific Test (including any associated documentation, date of entry and initial contacts for the transactions)	<p>a) To submit to Capita, a dummy invoice for company 'Adhoc Marketing' and 'Dyno-Heating' to generate a fraudulent payment for £47.50 and £72.00 (£84.60) respectively.</p> <p>b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.</p>	<p>To submit a dummy invoice for a slight variant on an existing supplier [T2.2.2], different address and bank details. (Chiltern Cars, £28.70)</p> <p>b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.</p>	<p>To submit to Capita, a duplicate invoice on a current supplier/invoice [T2.3.2]. (Recent invoice to be selected at random for copying at start of audit) Air Liquide £29.36</p> <p>b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.</p>	<p>IA to submit to Capita, a dummy £20 payment voucher for a sight test for Head of Finance.</p>	<p>As part of the monthly members expense claim process, IA to ask a member to submit a fraudulent expenses claim (one or two lines) for travelling and/or subsistence. Claim to be in line with mileage rates but for a ghost meeting/event.</p>	<p>Send 10 personal emails to personal email accounts (gmail/hotmail) in core work time.  Additional 4 sent (total 14)</p>	<p>Submit a dummy email request for a new ICT user (Billy Aldridge - Auditor, Vale employee to access South systems).</p>	<p>Auditor to access Hotmail and networking and other sites in core work time. For sites that can be accessed, (Facebook, Twitter, Youtube, ebay) test to be performed for the duration of test date.  PN Performed 03/02/10, 14:00 - 16:00. Refreshed connections on several occasions.</p>	<p>Add ghost and duplicate employee data into IAW (Payroll System). a) Request for Darren Keen to insert duplicate salary payment for Steve Bishop into IAW prior to data send back to Payroll for final check. b) Request for Darren Keen to insert a ghost employee (Steve Jacobs) into IAW prior to data send back to Payroll for final check and payment.</p>	<p>IA to submit a dummy request for a change of Officers bank details. Document to look as if Head of Finance has made the request. Ensure processing well before pay run.  Check for: a) HR check and Approval b) Payroll check</p>
Process controls and/or point in the process that the fraudulent transaction was identified?	As of 16th March 2010, no evidence of invoice registration in Agresso AP module for either invoice. Update: 21 May 2010, New suppliers had been set up without approval from service area.	As of 16th March 2010, no evidence of invoice registration in Agresso AP module for either invoice.	As of 16th March 2010, no evidence of invoice registration in Agresso AP module for either invoice.	Head of Finance approached by Capita. Head of Finance stated that he knew nothing about the form/request.  Also email from, Exchequer Officer, Capita Local Government Services	Internal Audit failed to get a member who would agree to performing the test.	None found  COMPLETED	None found  User has now appeared on the Intranet as an employee. User setup data has not been relayed to any member of the IA team.	None found  COMPLETED		None found  COMPLETED
Management review of transaction and actions taken?	Approached Strategic Director (Section 151 Officer), Head of Finance and Head of Legal & Democratic Services to see whether any suspicions of fraud had been reported in the areas tested. None found.				Internal Audit failed to get a member who would agree to performing the test.	Approached Strategic Director (Section 151 Officer), Head of Finance and Head of Legal & Democratic Services to see whether any suspicions of fraud had been reported in the areas tested. None found.			IA approached Payroll Project Lead to explain the audit and specific test for the Payroll function. This test cannot look at how the situation was managed due to the fraudulent transaction going through to completion.	
Remedial action taken, documented and reported accordingly?	Approached Strategic Director (Section 151 Officer), Head of Finance and Head of Legal & Democratic Services to see whether any suspicions of fraud had been reported in the areas tested. None found.				N/A	Approached Strategic Director (Section 151 Officer), Head of Finance and Head of Legal & Democratic Services to see whether any suspicions of fraud had been reported in the areas tested. None found.			Internal Audit highlighted process gaps with Head of Finance.	
Any enhancement actions to the control mechanisms?	N/A	N/A	N/A	N/A	N/A	IA noted that staff are on Annualised hours and so it could prove difficult to monitor access.	N/A	IA noted that staff are on Annualised hours and so it could prove difficult to monitor access.	None noted as of 6th April. Inlook circulated on 8th April included a section on using HR Pro for changing bank details and no longer accepting paper requests.	
Conclusion	The Internal Audit tests identified that there are weaknesses in the control environment, ie: the setting up of new suppliers without the appropriate approval mechanism demonstrated a lack of control in the processing arrangements. There did not appear to be any escalation process followed in highlighting the invoices with the client team or following of any Council anti-fraud process. <b>[Recommendation 1, 4]</b>				N/A	Based on the tests conducted, it was apparent that Officers have access to send emails to hotmail accounts, however, IA noted that staff are on Annualised hours and so it could prove difficult to monitor access.  Lack of awareness of potential fraud noted.	After submission of the request to ICT, no further correspondants were received from either party. IA noted that the employee now has a valid email address listed on the Intranet system but unless the login information is requested from ICT, the user account cannot be accessed. It is clear that no checks are being performed with HR to ascertain the the new Officer is actually a valid one. <b>[Recommendation 2]</b> Lack of awareness of potential fraud noted.	Based on the tests conducted, it was apparent that Officers have access to various networking sites, however, IA noted that staff are on Annualised hours and so it could prove difficult to monitor access.  Lack of awareness of potential fraud noted.	N/A	There are currently inadequate controls for managing change of bank details. <b>[Recommendation 3]</b> Controls need to be implemented to prevent fraudulent change of bank details from occurring. IA recommends that all requests for change of bank details must go through a controlled system for example ASR or failing that, the Groupwise email system. Lack of awareness of potential fraud noted.

## 2. SECTION 106/ COMMUTED SUMS 2009/2010

### 1. INTRODUCTION

1.1	The fieldwork for this audit was undertaken In February 2010, and the final reported issued on 20 August 2010.
1.2	<p>The following areas have been covered during the course of this review:</p> <ul style="list-style-type: none"> <li>• To ensure the Council has agreed, and is using, standard policies and standard charges for the calculation of commuted sums.</li> <li>• To ensure the Council has an appropriate method for correctly calculating contributions and securing S106 agreements with clearly identified responsibilities.</li> <li>• To ensure the Council has a robust process for monitoring commuted sum arrangements to ensure contributions are collected and recorded in accordance with agreed timescales.</li> <li>• To ensure that expenditure is appropriately monitored and recorded, and decision-making processes are in place for the application of commuted sums where there is discretion in its allocation.</li> <li>• To ensure that there is clear documentation evidencing income and expenditure of S106 funds in the Council's financial records, and that financial records are reconciled to their respective agreements on a regular basis.</li> <li>• To ensure that adequate reporting arrangements are in place for commuted sums, including details of which schemes have contributed funds, which schemes have been allocated funds and expected funds.</li> </ul>

### 2. BACKGROUND

2.1	Section 106 (S106) Agreements are legal agreements between Local Authorities and developers normally linked to planning permission associated with a particular development. They aim to mitigate impacts on the local area and community caused by new development. S106 are also referred to as planning gain, planning benefits, community benefits or planning obligations. Guidance on the use of S106 is provided by Central Government in the form of Circular 05/05. A commuted sum is an amount paid by a developer to the council for the provision of a service or facility rather than providing it directly. Commuted sums are also paid for future maintenance of facilities signed over to the council or a third party by a developer. At the time of the review a S106 monitoring officer post had been agreed but not filled.
2.2	A copy of the monitoring spreadsheet maintained by accountancy is included as appendix 3 to this report at the request of the Strategic Director (Section 151 Officer).

### 3. PREVIOUS AUDIT REPORTS

3.1	Although there has been previous audit involvement in this area, final reports had not been issued as a result of that work.
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### 4. 2009/2010 AUDIT ASSURANCE

4.1	<b>Limited Assurance:</b> There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
4.2	Thirteen recommendations have been raised in this review. Two High risk, eight Medium risk and three Low risk.

## 5. MAIN FINDINGS

5.1	<b>Policies and Charges</b>
5.2	Policies are in place, and available on the council's website, identifying the type of infrastructure which may be required under planning obligations secured by Section 106 agreements. Details of how contributions are applied are covered in the council's 'Interim Planning Guidance – Services and Facilities for New Development'. This document states the protocol for minimal contributions (up to £3,000) and small contributions (generally £3,000 to £20,000) but not for contributions exceeding £20,000.
5.3	The Local Plan 2011 states that the Council has produced an Arts Development Strategy which was adopted June 2010. Procedures covering the entire process of securing, monitoring income and expending funds are lacking. Two recommendations have been made as a result of our work in this area.
5.4	<b>Calculating and Securing Sums</b>
5.5	The method of calculating section 106 contributions is detailed within the 'Interim Planning Guidance – Services and Facilities for New Development'. However current calculations utilise an estimated population rate calculation as opposed to a fixed amount per dwelling as stated in the Guidance. This is to account for the varying sizes of dwellings and uses the guidance amount as the starting point. The deviation is in the developers favour and is due to be incorporated within an updated guidance document currently in draft.
5.6	The current Guidance contained two discrepancies in supporting details for the calculations and a query regarding roundings. These were discussed with the Major Applications Officer and were to be amended within the updated version. Since April 2009 a spreadsheet is used to calculate contributions and this is used as the basis for agreements with developers. A summary of the agreed sums is contained within a heads of terms document but this was not completed for all agreements. Two recommendations have been made as a result of our work in this area.
5.7	<b>Monitoring and Collecting Contributions</b>
5.8	An average of 34 s106 agreements per year were registered within the legal team between 1993 and 2008. These include agreements which do not incur a financial contribution, for example restrictions on occupancy, and agreements involving the County Council in respect of land within the area. The Ocella planning system records all s106 agreements including those requiring financial contributions to SODC and a list is available on the council's intranet. 73 agreements from 1995 to 2009 were listed on the

	intranet at the time of the review. The legal list for this period shows 425 agreements. Whilst this does not suggest agreements are overlooked within Ocella, a reconciliation mechanism is not in place to verify this. Agresso's General Ledger system records financial transactions but are only held in detail from 2008 onwards. A spreadsheet has been introduced to record outstanding balances and provides a useful snapshot at a point in time but does not include initial agreed amounts, expenditure or future balances due. Procedures are lacking and roles and responsibilities are not clearly defined for the monitoring of agreements.
5.9	Testing of agreements registered in 2008 highlighted eight requiring a financial contribution to SODC other than legal fees. Of these, five had been recorded correctly within Ocella, one had been recorded on a second screen in Ocella which was not displaying on the intranet list, one was a complex agreement for the Great Western Park Development which did not yet have details recorded and one had an amount of £50,000 recorded as due to Oxfordshire County Council rather than to SODC which was stipulated in the agreement. This has now been corrected and, as the payment is not yet due, it is not clear what impact this would have had upon the income received. One agreement appeared to supersede an earlier one but both were listed as due within Ocella. This emphasises the need for checks and reconciliations. Six recommendations have been made as a result of our work in this area.
5.10	<b>Expenditure</b>
5.11	S106 transactions within the general ledger have detailed codes to record the planning agreement, legal reference and spend category so it will be easier in future to identify spending by agreement. However, general ledger systems are generally not designed to hold information such as, lists of agreements secured where monies are not yet due to the council or detailed historical information.
5.12	There does not appear to be a structured approach to involving all relevant parties with an interest in expending the funds early on. A recent contribution to Chinnor Parish Council to top up grant funding appears to be the result of a chance conversation and the lottery element of that grant would no longer have been available had the s106 monies not been utilised. Two recommendations have been made as a result of our work in this area.
5.13	<b>Records and Reconciliations</b>
5.14	When S106 debtors are raised and payments are made it is possible to record additional detailed information in specific data fields such as an expenditure reason category. Testing showed that the fields are not yet consistently used as far as content and format but it is acknowledged that work is in progress on this. At the time of the review the balance received and available to spend in the general ledger totalled £2,399,034.07 which included a recent contribution of £1,700,000 for football pitch provision in Thame.
5.15	The amount available includes brought forward balances from legal agreements back to 1994. At the time of the review, the agreements relating to six brought forward items had not been scanned so any requirements, such as deadlines for expenditure, could not be identified. For example a

	balance from 1995 of £31,090.65 relates to Cholsey Old School, and an amount of £34,801.26 remains from 1994 for recreation paid by Tesco, details of these agreements were being investigated by planning officers. No recommendations have been made as a result of our work in this area as they are included within the other objectives.
5.15	<b>Reporting</b>
5.16	There is no formal mechanism in place for the regular reporting of s106 agreements. Larger developments, such as the Ladygrove development in Didcot, are approached as a project hence progress meetings and reports occur during the development. Comprehensive reporting of all agreements would prove difficult whilst details are not held in one central database. The finance system holds balances at a point in time cannot record future sums due. The Ocella system holds details of agreements but not financial transactions although this is being developed. Land charges list all s106 agreements including those which do not require financial transactions other than legal fees. One recommendation has been made as a result of our work in this area.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **POLICIES AND CHARGES**

<b>1. Payment Protocol</b>		<b>(Low Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<u>Best Practice</u> Where payment protocols exist, they cover the whole range of payments.  <u>Findings</u> The Interim Planning Guidance – Services and Facilities for New Development includes a payment protocol for minimal contributions (up to £3,000) and small contributions (generally £3,000 to £20,000) but not for payments over £20,000.  <u>Risk</u> If a protocol is not stated for all payment ranges then an inconsistent approach may result.	The Interim Planning Guidance – Services and Facilities for New Development should be updated to include a payment protocol for payments over £20,000.	N/A
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Not Agreed</b>  The protocol indicates that for payments over £20,000 then it is a bespoke legal agreement. Experience shows that where sums exceed this amount there are other matters that require to be secured through a bespoke agreement.  Management Response: Head of Planning		
<b>2. Procedures, Roles and Responsibilities</b>		<b>(Medium Risk)</b>

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Up to date procedures should be in place with clearly identified roles and responsibilities.</p> <p><u>Findings</u> A TRA procedure guide covers the process up to completion of s106 agreements but does not cover beyond this stage such as the monitoring of arrangements or expenditure and monitoring of funds.</p> <p><u>Risk</u> If staff are not aware of, or not using up to date policies and procedures they may not be carrying out their duties effectively and appropriately.</p>	Procedures should cover all stages of the s106 process of securing, monitoring, receiving and spending of monies. Roles and responsibilities should be clearly stated.	S106 Officer, Planning
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Role of new S106 Officer, Planning. Agreed structure July 2010, recruitment expected Autumn/Winter 2010.</p> <p>Management Response: Head of Planning</p>		May 2011

### CALCULATING AND SECURING SUMS

<b>3. Heads of Terms</b>		<b>(Low Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Heads of terms summarising agreement details are completed for all s106 agreements.</p> <p><u>Findings</u> Planning officers complete a heads of terms sheet which includes a summary of s106 agreement details such as purpose, value and trigger. These are not established for all agreements.</p> <p><u>Risk</u> If the heads of term details are not summarised then delays may occur, should queries arise, in identifying key elements of the agreement.</p>	Heads of terms summarising details are completed for each s106 agreement as early as is practicable.	Head of Planning
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>System already in place – staff reminder to be actioned.</p> <p>Management Response: Head of Planning</p>		September 2010

4. Interest		(Low Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Details are recorded of any interest due on index linked payments.</p> <p><u>Findings</u> The Office Manager confirmed that accountancy is consulted to establish if any interest is due when index linked payments are received. However this is not documented or recorded so it is not clear if interest is due and not been invoiced or wasn't due on the payment.</p> <p><u>Risk</u> If records are not maintained to indicate whether interest is due it will not be clear if interest has been overlooked and not collected.</p>	<p>Where s106 agreement contributions are index linked, documentary evidence is obtained confirming if any interest is due following payment of the initial amount.</p>	<p>Office Manager/ Finance</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>All new agreements state the indexation. The developer calculates the indexation on the sum due by the trigger date. Planning Officer Manager and Finance will check sum received. If indexation not received developer invoiced by planning. Ocella to be updated with action. All actions recorded as an event within Ocella.</p> <p>Management Response: Head of Planning</p>		<p>September 2010</p>

## MONITORING AND COLLECTING CONTRIBUTIONS

5. Ocella details		(Medium Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Section 106 details in Ocella are comprehensive, complete and kept up to date.</p> <p><u>Findings</u> A section 106 listing is available on the intranet that is intended to extract data form the Ocella system but at present takes data from SOLAPS. The list states the total due under each agreement but the monies received have not been recorded. Where a s106 agreement states the amount due for legal fees in drawing up the agreement, this amount is recorded within Ocella whether or not the agreement involves any financial contribution. Legal fees are not recorded in Ocella when the amount is not</p>	<p>a) The intranet s106 listing should reflect details within Ocella as opposed to SOLAPS.</p> <p>b) Details of monies paid should be recorded within Ocella and available on the intranet listing. The details should be kept up to date.</p> <p>c) Legal fees for s106 agreements should be recorded within Ocella and the general ledger to ensure consistency and provide details of all payments relating to the agreement.</p>	<p>Office Manager</p>



specified. This is inconsistent.  <u>Risk</u> If records are not complete then the information presented may be misleading.		
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>  a) SOLAPS draws data from Ocella. The intranet draws data from Ocella. b) Details recorded on new S106 on Ocella, which is reflected in intranet listing c) Already actioned  Management Response: Head of Planning		September 2010

<b>6. Historic Records</b>		<b>(Medium Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<u>Best Practice</u> Detail of historic transactions is retained and readily available in order to answer any queries on income and expenditure from agreements which may arise.  <u>Findings</u> A spreadsheet is maintained within Finance identifying outstanding balances and ties in with general ledger transactions. Six brought forward balances remaining from agreements back to 1994 were under investigation by planning officers as the conditions of the agreement were not available at the time of the review. Hence it could not be established if these funds should have been returned to the developer. .  <u>Risk</u> If insufficient detail is retained for historic transactions then it would be difficult to demonstrate that monies have been spent appropriately should queries arise.	Historic s106 agreements should be readily available in order to answer any queries which may arise on those agreements.  If recommendation 10 is not implemented with historic data incorporated, then an alternative way of recording historical data in a single place must be introduced.	Office Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>  All agreements are being scanned and expect to be completed by September.  Management Response: Head of Planning		September 2010

<b>7. Reconciliations</b>		<b>(Medium Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<u>Best Practice</u> A regular reconciliation of legal agreements is undertaken to	A regular reconciliation of agreements recorded within Ocella is undertaken using land	S106 Officer, Planning

<p>ensure all agreements are appropriately recorded within Ocella. Financial transactions are reflected within Ocella so should be subject to reconciliation within the General Ledger.</p> <p><u>Findings</u> There is no documented reconciliation between the s106 agreements registered within legal and the agreements recorded within Ocella. Whilst not all agreements require financial contributions, there should be a reconciliation to ensure all appropriate agreements are recorded and monitored within Ocella . Financial transactions are being recorded within Ocella against agreements so will require reconciling with the general ledger. An agreement from 1999 for a commuted sum of £28,000 to be paid upon transfer of open space to the council by a developer was listed within the intranet Ocella details but no matching receipt was identified. It is not clear yet if the amount is due and has not been pursued. Two separate agreements for differing amounts of parish contribution for one development appeared to be registered within the legal listing but only one is recorded in Ocella.</p> <p><u>Risk</u> If there is no reconciliation of agreements then delays may occur in detecting any agreements not recorded and being progressed.</p>	<p>charges s106 register as the master listing to ensure that all contributions are appropriately recorded. Ocella records should also be reconciled with general ledger transactions to maintain up to date and accurate balances.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Role of new S106 Officer, Planning.</p> <p>Management Response: Head of Planning</p>		<p>January 2011</p>

<b>8. Trigger Dates</b>		<b>(Medium Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Key stages at which funds are due are actively monitored to ensure prompt receipt.</p> <p><u>Findings</u> Trigger points within agreements vary and sums tend to be due prior to or upon commencement of the development or at key stages such as occupation of the 50<sup>th</sup> housing unit. The council will not</p>	<p>A proactive system should be considered to prompt developers to notify the Council when key stages relevant to s106 agreements are reached. This could be a template issued to the developer listing key stages and requesting they complete and return details as these are reached.</p>	<p>S106 Officer, Planning</p>

<p>necessarily know when these stages are met and the building control function is not necessarily carried out by the council's building control team. Newer agreements tend to require the developer to inform the council when key stages are reached, but this does not appear to be proactively monitored.</p> <p><u>Risk</u> If funds trigger points are not proactively monitored then the council may not be maximising the benefit of s106 funding.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Role of new S106 Officer, Planning role/automated where possible. New agreements to include this as a trigger.</p> <p>Management Response: Head of Planning</p>		February 2011

<b>9. Monitoring Officer</b>		<b>(Medium Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> A single point of contact is available to deal with all s106 queries and actively monitor and progress arrangements.</p> <p><u>Findings</u> There is no single point of contact for s106 agreement information which is distributed across land charges, planning, finance and departments responsible for expenditure. A monitoring officer position was documented as being successfully utilised at other district councils which also charge developers a monitoring fee per condition of each agreement to help finance the role. E.g. Waveney DC employ an officer 4 days a week and charge £300 per obligation within each agreement.</p> <p><u>Risk</u> If a monitoring officer is not appointed then it would be difficult for officers with other responsibilities to actively monitor and pursue agreements to maximise income and ensure expenditure is timely.</p>	<p>The post of s106 monitoring officer is filled to ensure a more robust and effective monitoring and progression of s106 agreements.</p> <p>Consideration could be given to charging developers a monitoring fee for each principal clause of new agreements with a view to assisting in financing the role.</p>	S106 Officer, Planning
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>S106 Officer identified in planning structure, recruitment Autumn/Winter</p>		December 2010

2010. New agreements for large sites already include a monitoring fee. Will review fee for other agreements where it is appropriate.	
Management Response: Head of Planning	

10. Common Database		(Medium Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A common database is used to record and monitor s106 agreements.</p> <p><u>Findings</u> S106 details are fragmented across various systems such as Ocella and the general ledger with no one common record of all details. This makes dealing with queries time consuming and difficult. Whilst the general ledger may hold a balance apparently available to spend, if this is allocated to a capital project the balance would be updated annually. A general ledger system is not designed for the purpose of reflecting the true picture of future funds due and committed expenditure. There is no current mechanism to proactively report on key trigger dates which are approaching.</p> <p><u>Risk</u> If a common database is not maintained then data will be held in several systems resulting in delays in handling queries and making the task of monitoring agreements more onerous.</p>	<p>Consideration should be given to utilising a common database for recording s106 agreements such as that developed by Colchester Borough Council and used successfully by other councils. This is highlighted as good practice by the Audit Commission and by the Advisory Team for Large Applications (ATLAS). This would also facilitate generation of reports and reminders of deadlines and trigger points resulting in a more proactive monitoring of agreements.</p>	S106 Officer, Planning
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Ocella already provides this function, system live but data still being collected for old agreements and limited financial information.</p> <p>Management Response: Head of Planning</p>		March 2010

## EXPENDITURE

11. Commuted Sums		(High Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Commuted sums are reviewed to ensure they are appropriately recorded.</p> <p><u>Findings</u> Commuted sums are paid under s106 agreements to provide the required service or facility as</p>	<p>The agreements for items which comprise the brought forward balance of £123,069.89 held in account B8121 should be reviewed to ensure that amounts are being held in accordance with the agreed terms.</p>	Office Manager

<p>opposed to the developer providing it directly. A brought forward credit balance of £123,069.89 is held in account B8121 from payments of commuted sums. A spreadsheet supporting these balances indicates that the oldest receipt was during 2001/2002 and most recent expenditure 2002/03.</p> <p><u>Risk</u> If commuted sums are not managed appropriately then the council may not be meeting its requirements under the legal agreement or may be using its own resources to provide the service or facility.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Management Response: Head of Planning</p>		31 August 2010

<b>12. Expenditure Protocol</b>		<b>(High Risk)</b>
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> When s106 monies are paid to third parties such as parish councils, appropriate documentation is retained supporting the expenditure and evidence sought that expenditure was appropriate and within agreed timescales.</p> <p><u>Findings</u> A recent expenditure of £36,800 towards a multiple use games area in Chinnor came about following a chance discussion between planning and grants officers. Whilst appropriate documentation was available supporting the use of the monies on this occasion there is no procedure covering what checks are needed prior to expenditure of funds and what documentation is required in evidence of expenditure from third parties.</p> <p><u>Risk</u> If monies cannot be proven to have been expended in accordance with legal requirements then the council may be required to return contributions it has already spent.</p>	<p>A protocol is developed covering the requirements to demonstrate that s106 monies are expended in accordance with the terms of the agreement particularly where third parties are involved. This should include what steps are needed to identify appropriate expenditure, what documentation is required prior to making funding available and evidence in support of actual expenditure.</p>	S106 Officer, Planning
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Monitoring system in place – available on intranet</p>		Monitoring – 31 August

S106 Officer identified in planning structure to develop protocol Management Response: Head of Planning	2010 Protocol – January 2011
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## REPORTING

13. Reporting		(Medium Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> S106 agreements are regular reported to show income, expenditure and future amounts due.</p> <p><u>Findings</u> Whilst larger developments have some progress reports produced, there is no current requirement to regularly report on s106 agreements.</p> <p><u>Risk</u> If commuted sums are not regularly reported in sufficient detail and in a timely manner, then management of the funding may be ineffective and income may not be maximised</p>	A formal reporting mechanism should be agreed and implemented to regularly report on agreements to include income, expenditure and future amounts due. This should be circulated to all interested parties.	S106 Officer, Planning
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Role of new S106 Officer – to report to MT and cabinet member with tear end data provided in annual board report.</p> <p>Management Response: Head of Planning</p>		March 2011

## APPENDIX 3 – MONITORING SPREADSHEET

Acts / Planning ref.	Legal Agreement Ref	name	developer	for:	year of agreement	amount £	date rec'd	date to be spent by	balance £ at Dec 09	officer resp.	Comments by Rhona Bellis	Comments from Planning
P91/W0084/O	Not yet scanned 91s19 & 91s20	land off Wallingford Road, Didcot	Tesco	Recreation	1994	50,000			34,801	Martin Brooks	Legal Agreement not yet scanned, when available details can be reviewed and appropriate action taken	Try Chris Tyson's team
Investigations ongoing by planning	Not yet scanned		Denton Hall Solicitors	Surface Water Drainage Ladygrove	1995	5,000			5,000		Legal Agreement not yet scanned, when available details can be reviewed and appropriate action taken	Try Dave Baldwin
P88/W0680	Not yet scanned	Harrier Park Southmead	Rowe & Martin	Surface Water Drainage Ladygrove	1995	406			406		Legal Agreement not yet scanned, when available details can be reviewed and appropriate action taken	Try Dave Baldwin
P88/W0333/DC/O, P89/W0429/DC, P89/W0437/DC/O, P85/W0670/DC/O	Not yet scanned	Cholsey, old school site		Unknown	1995	31,091			31,091		Legal Agreement not yet scanned, when available details can be reviewed and appropriate action taken	
P95/W0092	95s24	Land off Collett Way, Southmead	Gazeley Properties	Surface Water Drainage Ladygrove	1996	33,454		N/A	33,454	Mick Moore (planning)	D Baldwin asked to confirm if works to Moor Ditch re drainage were completed. If confirmed then this can be moved to re-fund Ladygrove drainage	
Investigations ongoing by planning	Not yet scanned		Cobden Securities	Surface Water Drainage Ladygrove	1998	2,670			2,670		Legal Agreement not yet scanned, when available details can be reviewed and appropriate action taken	
P89/W0897/O	91s27	Bishops Orchard East Hagbourne	Trencherwood Homes	Open Space	2001	1,336	26/10/2000		1,336		No records can be found on this, will ask Major Applications officer if it rings any bells	Open space already provided - this could be what's left
P03/W0175	03s10	Carrimers Farm, Aston Tirrold	ALLEN	IMPROVE SIGNAGE TO A417	2003	3,000	22/10/2008	Within 1 year of completion of development	3,000	M Brooks (planning)	Unable to confirm if development completed. Enquiries made of Capita in case NNDR is being paid on property or not. No date on completion on GIS re building control.	Development not started yet

P07/W149 7	08s15	Station Yard Oxford Road Tiddington OX9 2LJ	OXFORDSH IRE HOUSING ASSOCIATIO N	PARISH COUNCIL OPEN SPACE	2007	3,570	14/09/2009	N/A	3,570	Kim Gould	This is a parish contribution and not available for SODC	
P07/E1616	08s13	Siareys Yard Station Road Chinnor	LINDEN HOMES	FOOTBALL PITCHES CHINNOR	2007	10,000	11/03/2008	11/03/20 18	10,000	Mick Moore (plannin g)		This money will be used together with Chinnor Cement Works S106 contribution
P01/W012 6	n/a	DIDCOT TC REDEVELOP MENT - ORCHARD CENTRE	TAYLOR WOODROW	CONTRIBUTION TO SODC COSTS ASSOCIATED WITH TC REDEVELOPME NT - ORCHARD CENTRE	2006	375,424	Part of settlement agreement, 14/12/2006	N/A	299,977	Cathie Scotting	Active capital projects are using this contribution, any excess will need to be identified by the responsible officer. This is not a s106 contribution but a developers contribution arising from a commercial contract	
P08/W025 1	08s48	ROYAL BERKSHIRE COURT DIDCOT	A2 DOMINION GROUP	PLAY AREAS	2008	9,688	22/04/2009	N/A	9,688	Mick Moore (plannin g)		Will be giving to Didcot Town Council very soon
P08/W025 1	08s48	ROYAL BERKSHIRE COURT DIDCOT	A2 DOMINION GROUP	Recreation at Edmonds Park	2008	19,370	01/07/2009	N/A	19,370	Mick Moore (plannin g)		Pot accrued with GWP and Ladygrove East. All together to total 1.5 million (at 2006 prices) See MM for more details
P08/W052 6	08s34	Meriden Court Wallingford OX10 0SU	Beres	IMPROVEMENT OF SPORTS FAC. BULL CROFT PARK WALLINGFORD	2008	4,500	22/10/2008	N/A	4,500	S G Crawfor d (plannin g)		
P02/W084 8/O	08s35	GREAT WESTERN PARK DIDCOT Land to the west of Didcot, between A4130 and Park Road to both North and South of B4493 Wantage	TAYLOR WIMPEY	SODC/OCC PLANNING ASSESSMENT COSTS	2009	164,676	23/07/2008	N/A	161,432	C Scotting (plannin g)		



		Road										
P09/E0145	-	Land at Former Chinnor Cement Works Hill Road Chinnor OX39 4AY	BRYANT HOMES	SODC LEGAL FEES	2009	5,000	19/06/2009	N/A	5,000	Mick Moore (planning)	Planning has not yet been agreed	Agreement yet to be completed
P08/E0324 /O		Wates, former Thame United Football Club at Windmill Road Thame		sporting facilities in Thame	2009	850,000	21/12/2009	no end date, reverts to SODC use after 5 years	850,000	Mick Moore (planning)	Project to spend already underway supported by an SODC grant. Funds not available for other projects for 5 years. Unlikely that this will not be spent within the timescales	Try Jane Bolton
P08/E0324 /O		Wates, former Thame United Football Club at Windmill Road Thame		sporting facilities in Thame	2009	850,000	21/12/2009	no end date, reverts to SODC use after 5 years	850,000	Mick Moore (planning)	Project to spend already underway supported by an SODC grant. Funds not available for other projects for 5 years. Unlikely that this will not be spent within the timescales	Try Jane Bolton
						2,419,185				2,325,295		

<b><u>Audit Comments</u></b>	
Agresso Balances	
200900 - 13	-701,451.05
201000 - 13	1,697,583.02
	-
	2,399,034.07
Difference to spreadsheet above	-73,739.07

Diifferences identified:			
Linden homes transaction to be adjusted in Agresso	74,494.00		
Ladygrove balance not on spreadsheet	-754.41		
	73.739.59	0.52 diff on decimal points,	e.g. 406 listed on spreadsheet is actually 405.92

County Agreements											
P95/W0092	95s08	Land off Collett Way, Southmead	Gazeley Properties	Combined infrastructure	1995	250,000				Mick Moore	
P01/W0126	01s25	Orchard Centre	Taylor Woodrow	Education and Libraries	2001	42,255					
P01/W0126	01s26	Orchard Centre	Taylor Woodrow	Highways (Access, maintenance to access and traffic calming)	2001	285,575					
P01/W0126	04s17	Orchard Centre	Taylor Woodrow	Landscaping and traffic signals	2004	85,125					
P07/W1497	08s18	Station Yard Oxford Road Tiddington OX9 2LJ	OXFORDSHIRE HOUSING ASSOCIATION	Various	2008	57,610				Mick Moore	

P07/W149 7	08s45	Station Yard Oxford Road Tiddington OX9 2LJ	OXFORDSH IRE HOUSING ASSOCIATIO N	Various	2008	14,930				Mick Moore	
P08/W025 1	08s46	ROYAL BERKSHIRE COURT DIDCOT	A2 DOMINION GROUP	Various	2008	142,390		10 years after payment		Mick Moore	
						877,885					

# 3. Focus Group Payments Follow Up 2008/2009

## 1. INTRODUCTION

- 1.1 The original fieldwork was undertaken in August 2008 and the final report was issued in September 2008. Follow-up work has been undertaken in accordance with the 2010/2011 Audit Plan agreed with the Audit and Corporate Governance Committee of South Oxfordshire District Council, to ensure that the agreed recommendations have been implemented within the timescales provided.

## 2. INITIAL AUDIT FINDINGS

- 2.1 The final report made seven recommendations, four high risk, two medium and one low. All seven were agreed. A limited assurance level opinion was issued.

## 3. FOLLOW UP MAIN FINDINGS

- 3.1 The review found that all of the recommendations had been implemented and clearly documented processes are in place to manage and document focus group payments.

## FOLLOW-UP OBSERVATIONS

### DOCUMENTATION OF AMOUNTS

#### 1. Policy Document

(High)

Recommendation	Rationale	Responsibility
<p>A policy is implemented covering the mechanism in place for holding focus groups which includes:-</p> <ul style="list-style-type: none"> <li>• Steps to be taken in establishing the focus group.</li> <li>• Supporting documentation required.</li> <li>• How amounts to be paid should be agreed and issued.</li> <li>• Nominated responsible officers and their role and authority.</li> <li>• Recharge procedures.</li> <li>• Security arrangements.</li> <li>• Insurance cover requirements.</li> </ul>	<p><u>Best Practice</u> Adequate and up to date policies and procedures are in place covering the use of focus groups and processes such as agreeing amounts payable.</p> <p><u>Findings</u> The Constitution supports the use of focus groups but there is no clear documentation supporting the process, roles and responsibilities.</p> <p><u>Risk</u> Responsibility and accountability cannot be effectively covered if there are not clearly defined roles and the Council does not have a consistent approach. This could lead to reputational implications.</p>	<p>Policy and Community Engagement Manager</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p>		<p>31 October 2008</p>

Management Response: Assistant Chief Executive	
<b>Follow-Up Observations</b>	
The process, roles and responsibilities are now clearly stated within a consultation guidance and procedures document. This was available via the intranet and is a joint document with VWHDC.	<b>Implemented</b>

## 2. Proposal

(Medium)

Recommendation	Rationale	Responsibility
Where a proposal is required to establish a focus group, an appropriately detailed, agreed and signed copy of the proposal is obtained and held with all other documentation relating to the focus group.	<p><u>Best Practice</u> Focus groups are held in accordance with stated and agreed purposes and approved costings.</p> <p><u>Findings</u> A draft proposal for focus groups was inspected. This included a recommendation of how much should be paid and an estimate of total expense. This was not signed and agreed or held within documentation for the actual expenditure for the focus group. Hence there is no signed agreement supporting the amounts paid to each individual.</p> <p><u>Risk</u> Without agreed and approved documentation it is difficult to evidence that payments have been made and authorised appropriately.</p>	Corporate Community Engagement Officer/Team Administrator

Management Response	Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>The principle of the recommendation is accepted - the level of detail of the proposal will depend upon the size and type of work to be undertaken – this may be as little as an email detailing the above points</p> <p>Management Response: Assistant Chief Executive</p>	1 October 2008

<b>Follow-Up Observations</b>	
The consultation guidance and procedures document includes a checklist which is available as a separate document. This includes a section for setting the objectives for the consultation. The document is to be filed in an electronic folder for signing off. An example of the form in use was not available as focus groups had not been utilised by the service areas since for form was introduced. It is stated as being required for all consultations.	<b>Implemented</b>

## 3. Control Documentation

(High)

Recommendation	Rationale	Responsibility
A control sheet for each focus group is used to:- <ul style="list-style-type: none"> <li>Record key details and a summary of the focus group in the form of a checklist to ensure appropriate and consistent documentation is retained in support of agreed expenditure</li> </ul>	<p><u>Best Practice</u> Appropriate documentation is maintained for all focus groups.</p> <p><u>Findings</u> A complete set of documentation supporting each focus group is not always held centrally. There is no clear documentation supporting key tasks and who has carried these out. An audit trail covering ownership and responsibility for cash as it passes from one officer to</p>	Corporate Community Engagement Officer/Team Administrator

<ul style="list-style-type: none"> <li>for all focus groups.</li> <li>Provide evidence of responsibility and ownership of cash at each stage of the process.</li> <li>Adequately detailed receipt of payments and list of attendees in support of expenditure and recharges.</li> </ul>	<p>another is not established. Although attendees sign for receipt of the incentive, the form used does not always specify the focus group being attended and does not contain a signature of the issuing officer.</p> <p><u>Risk</u> Without adequate supporting evidence it is difficult to prove that payments have been made appropriately which could have embarrassing implications for the Council and may not be adequate evidence for recharges.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		1 October 2008
Management Response: Assistant Chief Executive		
<b>Follow-Up Observations</b>		
The consultation guidance and procedures document together with the checklist covers these requirements and appendix three to the procedure covers how cash is managed in relation to focus groups.		<b>Implemented</b>

## DOCUMENTATION FOR CHEQUES

### 4. Agresso Coding and Reconciliation

(High)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Whilst current practices of raising cheques for focus groups are maintained, separate entries within Agresso are required for each focus group. Regular reconciliations should be made between cash held, expended and coded to Agresso and these should be evidenced as independently checked.</p>	<p><u>Best Practice</u> Agresso transactions can be identified against the individual focus group they relate to.</p> <p><u>Findings</u> Whilst the amounts of individual cheques raised for focus group cash is recorded within Agresso, those amounts often comprise more than one focus group. Hence identifying expenditure and transactions for specific groups isn't easily achieved. Adequately reconciliations of expenditure are not yet fully implemented and not subject to independent checks.</p> <p><u>Risk</u> Without adequate reconciliations any misappropriations may go undiscovered with adverse financial implications.</p>	Team Administrator
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		16 September 2008
The use of an imprest account will simplify this.		
Management Response: Assistant Chief Executive		
<b>Follow-Up Observations</b>		
The introduction of an imprest account to manage focus group payments has simplified the process.		<b>Implemented</b>

## SECURITY

### 5. Money Stored in Locked Cash Tin

(Medium)

Recommendation	Rationale	Responsibility
Cash removed from the safe in readiness for focus groups should be held in a secure location and within a locked cash tin.	<p><u>Best Practice</u> Cash is held securely and in accordance with insurance requirements.</p> <p><u>Findings</u> Cash is usually held within several individual sealed plain white envelopes, inside a plastic wallet for each focus group and stored within a locked desk. It would be difficult to see if an envelope containing cash is swapped for an empty envelope. An independent check of cash held is not undertaken and records not maintained of responsibility for the cash. During the course of the audit cash was deposited in the cash office safe but held within white envelopes so not subjected to an independent check of the amount deposited.</p> <p><u>Risk</u> If reasonable measures are not taken to appropriately hold money then the Council is exposed to greater risk of financial loss.</p>	Corporate Community Engagement Officer/Team Administrator
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Management Response: Assistant Chief Executive		1 October 2008
<b>Follow-Up Observations</b>		
During the follow up Internal Audit observed the use of a locked and secure safe within the Corporate Strategy office to hold monies and documents relating to focus groups.		<b>Implemented</b>

## 6. Imprest Account

(High)

Recommendation	Rationale	Responsibility
Focus group cash is managed as an imprest account. An agreed amount will be held in the cash office safe within a dedicated locked cash tin, the key for which will be held by the focus group Team who would request the required amount of cash prior to, and on the day of, the focus group. A signed register of movements of cash will be held within the safe and a version of this also maintained electronically to assist in reconciliations.	<p><u>Best Practice</u> A secure and agreed process is in place to hold and document cash used for focus groups.</p> <p><u>Findings</u> A cheque is raised via Agresso payable to cash and presented by an officer at Barclays Wallingford to be cashed. This process was instigated as there is not always sufficient cash within the cash office float to encash the cheque at SODC. Once the cash is returned to the office it has been held in a locked desk rather than in a secure and controlled method within a safe. Although the safe is now used for storage of money between focus groups it is not always separately allocated to each focus group.</p> <p><u>Risk</u> If cash transactions are not adequately recorded and independently checked then it is difficult to reconcile expenditure with individual focus groups and prove that all expenditure has been appropriate.</p>	Policy and Community Engagement Manager

<b>Management Response</b>	<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>  We welcome this as a pragmatic solution to what has been a very clumsy and time-consuming process</p> <p>Management Response: Assistant Chief Executive</p>	31 October 2008
<b>Follow-Up Observations</b>	
<p>The use of an imprest account for focus group payments was agreed by the section 151 officer by email 28/7/2009.  The follow up established that the process was working well and cash transactions are recorded and witness by another officer so there are signed checks.</p>	<b>Implemented</b>

## ISSUE AND RECEIPT OF CASH

### 7. Focus Groups

(Low)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Focus groups should be attended by two staff officers at least while attendees arrive and book in and then at the end of each group to witness payments being made, reconciliation of cash held, and amounts held overnight by the responsible officer.</p>	<p><u>Best Practice</u>  Administrative support is provided to the officer holding the focus group as recommended in advice provided by market researchers such as B2BInternational.</p> <p><u>Findings</u>  Focus groups are mostly managed by one member of staff. This can make the administration of larger groups more difficult and there is no independent witness to any amounts of cash the officer needs to take home as access to the offices for storage isn't possible when the group finishes outside of hours.</p> <p><u>Risk</u>  If an independent check isn't made of cash taken off site then unnecessary disputes can occur should any discrepancies arise.</p>	<p>Policy and Community Engagement Manager</p>
<b>Management Response</b>	<b>Implementation Date</b>	
<p>Recommendation is <b>Agreed in Principle</b></p> <p>This is usually the case as 1 member of staff will attend to welcome participants and take notes. However, this is not always necessary and insisting upon 2 people being present at the beginning and end of every group is a therefore not a good use of resource.</p> <p>However we will ensure that 2 members of staff are in attendance to witness payments made, get signatures from participants and verify remaining cash.</p> <p>Management Response: Assistant Chief Executive</p>	16 September 2008	
<b>Follow-Up Observations</b>		
<p>Appendix three of the consultation guidance and procedures document covers the process for dealing with cash.  Corporate Strategy control the release of cash to officers who are required to sign for its receipt. As incentives are paid to participants attending focus groups they sign a receipt accepting the money. Any remaining cash is handed back to Corporate Strategy together with the documentation supporting the expenditure for reconciliation with the returning officer.</p>	<b>Implemented</b>	