Audit and Governance Committee Report

15 September 2010

Report of **Head of Finance**

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To: Audit and Governance Committee

DATE: 15 September 2010

Report No. 50/10

Wards Affected
All

Internal audit activity report quarter two 2010/11

Recommendation
That members note the content of the report

Purpose of Report

1.   The purpose of this report is to summarise the outcomes of recent internal audit activity 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 Steve Bishop, Strategic Director (Section 151 Officer) for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823831 and (VWHDC) 01235 540332.

Strategic Objectives

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

Background

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 Council 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 sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

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

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

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

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

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

2010/2011 Audit Reports

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

Planned Audits

Full Assurance: 2
Satisfactory Assurance: 5
Limited Assurance: 2
Nil Assurance: 0

	Page Ref	Assurance Rating	No. of Recs.	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
1. Pro-active Anti-Fraud 09/10	9 - 16	Limited	6	4	4	2	2	0	0
2. NNDR 09/10		Satisfactory	8	0	0	2	2	6	6
3. Treasury Management 09/10		Full	2	0	0	0	0	2	2
4. Car Loan 10/11		Satisfactory	6	1	1	3	3	2	2
5. Capital Accounting 09/10		Satisfactory	5	0	0	2	2	3	3
6. Section 106 Commuted Sums 09/10	17 - 29	Limited	12	2	2	7	7	3	3
7. Sundry Debtors 09/10		Satisfactory	12	0	0	4	4	8	8
8. HR Grievance Procedure 10/11		Full	3	0	0	0	0	3	3
9. HR Recruitment 10/11		Satisfactory	6	0	0	3	1	3	3

Follow Up Reviews

	Page ref.	Original Assurance Given	No. of Recs	Recs due to be completed at the time of Follow Up audit				
				Implemented	Partly Implemented	Not Implemented	Ongoing	Later Recs
10. Records management 09/10	**30 - 40**	**Limited**	**11**	1	1	9	0	0
11. Corporate Administration 09/10		**Satisfactory**	**6**	4	0	1	1	0
12. Business Continuity 08/09		**Satisfactory**	**10**	7	0	3	0	0

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

9.   Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.

10.   A copy of each report has been sent to the appropriate service manager, 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's intranet and internal audit will send an email to committee members to inform them each time a report is published on the intranet.

11.   Internal Audit continues to attempt to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations.   All key financial system recommendations are followed up as part of the annual assurance cycle.

Financial Implications

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

Legal Implications

13.   None.

Risks

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

WILLIAM JACOBS
HEAD OF FINANCE

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   Six recommendations have been raised in this review. Four High risk and two Medium risk.

5. MAIN FINDINGS

5.1   Overview

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

44 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 44 per cent of fraudulent inputs that were logged and processed, all 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 a dummy officer, Internal Audit received no further correspondence to verify the status of the request and to determine whether any checks were made with HR.

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. Internal Audit suggested on 22nd March immediate changes to processes. As of 6th April, these changes have yet to be implemented in the management system.

In the area of member expense claims, the fraudulent expense claim for a meeting which was not attended was subsequently paid to a member. No fraudulent activity was highlighted by the Council's management system.

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

5.5   Internal Audit has undertaken a further review on 21May 2010 of the three bogus invoices processed by Accounts Payable and noted weaknesses in the control environment which are as follows:

1. The payment of £45.47 made erroneously to Dorma UK, has not been reviewed appropriately by all parties. Whilst Internal Audit has annotated the invoice to reflect the Strategic Director's bank details, this has been ignored and the invoice processed to Dorma original bank account details. Furthermore Council staff has coded and authorised a bogus invoice for which adequate checks had not occurred. Both parties should be reminded of compliance to the council stated procedures.
2. A further two suppliers had been set up on the Agresso system without completion of the application for a new supplier form being available to inform Capita that the supplier is a bona fide supplier. Capita staff has been reminded to follow procedures documents which have been recently approved by the Council.

5.6   Internal Audit request that the Section 151 officer undertake a review of the control weaknesses demonstrated in the above two proactive anti fraud test and remind both in

house staff and Capita employees of the need to be compliant to the Council stated procedures with regards to the Accounts Payable arrangements. Two recommendations have been made as a result of the review of the proactive anti fraud testing.

OBSERVATIONS AND RECOMMENDATIONS

1. Highlighting of Potential Fraud   **(High Risk)**

Rationale	Recommendation	Responsibility
Best Practice Any suspect cases of fraud are logged and managed appropriately in accordance with Council approved anti-fraud measures. Findings Four invoices submitted into the Accounts Payable (creditor payments) process, although not processed, where not logged/registered in accordance with the AP procedures or highlighted to the Council's 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. Risk If management are not made aware of and do not promptly 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.	a) To adopt a process to ensure that suspect cases of fraudulent invoices are highlighted to the Council's management team as potential fraudulent activity and managed appropriately. b) That all invoices submitted to the Council are logged in accordance with the AP procedures.	Capita Exchequer Services Manager

Management Response	Implementation Date
Recommendation is **Agreed** Following the audit, processes were reviewed and amended to reflect the above recommendation. Management Response: Capita Exchequer Services Manager	Already implemented

2. ICT setup - verification of Officers   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice Adequate checking processes are in place to ensure that ICT access is only granted upon appropriate verification with HR and the requesting service area. Findings Internal Audit requested by submitting a paper ICT setup form,	a) To adopt a process to ensure that adequate checks are made with HR and the requested service area in order that only legitimate requests for new officer ICT setups are actioned. b) Where any checks show a request is not valid, the suspect cases of fraudulent activity are	Shared HR manager/Shared IT manager

that ICT set up a new officer for ICT access. The new officer was in fact fictitious and no communication was received directly from ICT for the ICT setup, IA found that there was no communication between ICT and the Head of Finance to check the requirement either before or after the dummy start date of the fake Officer.	highlighted to the Council's management team as potential fraudulent activity and managed appropriately.	
Risk		
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.		

Management Response	Implementation Date
Recommendation is **Agreed in Principle**	31 December 2010
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.	
Management Response: Shared HR manager/Shared IT manager	

3. Changes to officers' bank details **(High Risk)**

Rationale	Recommendation	Responsibility
Best Practice	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.	Payroll Project leader
Secure methods should be used for receiving and implementing requests for officer bank detail changes.		
Findings		
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. IA suggested on 22nd March, immediate changes to processes. As of 6th April, these changes have yet to be implemented in the management system.		
Risk		
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.		

Management Response	Implementation Date
Recommendation is **Agreed** 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. Management Response: Payroll Project leader	Implemented immediately

4. Member expense claims   (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Expenses claims are reviewed for validity including verification of meeting attendance. Findings With the assistance of an active member of the Council, Internal Audit requested that a member submit an expense claim for a meeting that was not actually attended by the member. The submitted expense claim was subsequently paid to the member with the fraudulent claim not being highlighted by the internal management controls. Risk 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 and embarrassment to the Council.	a) Officers approving attendance and associated travel claims should verify actual attendance. b) To ensure that the member expense claim made for audit purposes for 17th February 2010, (totalling 34 miles) is recovered from the member.	Democratic Services Manager

Management Response	Implementation Date
Recommendation is **Agreed** Democratic Services have since introduced a system of checking councillors' allowances and travel claims to verify actual attendance. Steps will be taken to recover the wrongly paid expense claim. Management Response: Head of Legal and Democratic Services	Implemented 30 September 2010

ACCOUNTS PAYABLE INVOICES

5. Erroneous Payment   (High Risk)

Rationale	Recommendation	Responsibility
Best Practice A formal procedure should be adopted to deal with changes to	Adequate checks should be put in place to ensure payment are not made to incorrect bank accounts.	Capita Exchequer Services Manager

bank account details and all parties involved should be notified. Findings An invoice was processed with out acknowledgement and change to the bank details as stated on the invoice presented. Risk Failure to amend payment details as per instruction on invoices could result in payment being incorrectly made to suppliers and a loss of income to the Council.	

Management Response	Implementation Date
Recommendation is **Agreed** Bank details are only changed upon receipt of formal instruction from the relevant Council departments. Management Response: Capita Exchequer Services Manager	Already implemented

6. New Supplier set up   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice All new suppliers should only be set upon receipt of a completed application for a new supplier form. Findings Two new suppliers were set up without receipt of a completed "application for a new supplier" form and approval from the service area. Risk 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.	All new suppliers should not be set up without prior approval from the appropriate service area.	Capita Exchequer Services Manager

Management Response	Implementation Date
Recommendation is **Agreed** Supplier accounts are only set up on receipt of form from council officers.	Already implemented

Management Response: Capita Exchequer Services Manager	

	Test 1	Test 2	Test 3	Test 4	Test 5	Test 6	Test 7	Test 8	Test 9	Test 10	Test 11	Test 12
System or Application:	Agresso / Capita	Agresso / Capita	Agresso / Capita	Agresso / Capita	Member Expense Claims	Email usage	User Access	Internet Access	Employee Data	Ghost Employee	Car Park Permits	Car Park Permits
Process:	Accounts Payable	Accounts Payable	Accounts Payable	Accounts Payable	Legal Monitoring	ICT Monitoring	ICT Security	ICT Monitoring	Payroll / HR	Payroll / HR	Inspection	Inspection
Area:	Finance	Finance	Finance	Finance	Legal	ICT	ICT	ICT	Payroll / HR	Payroll / HR, a dummy	Car Parks	Car Parks
Specific Test (including any associated documentation, date of entry and initial contacts for the transactions)	a) To submit to Capita, a dummy invoice for company 'Bi-Shop Ltd' and 'Dyno-Rads' to generate a fraudulent payment for £34.50 and £62.00 (£72.85) respectively. b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.	To submit to Capita, a dummy invoice for a slight variant on an existing supplier [T2.2.2], different address and bank details. (Dorma Uk Ltd, £38.70, (£45.47)) b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.	To submit to Capita, a duplicate invoice on a current supplier/invoice [T2.3.2-3]. (Recent invoice to be selected at random for copying at start of audit). Valassis, £14.85. b) If payment completed (or partially), request to delete supplier and check for audit trail on transaction history.	To submit to ~~Payroll~~ HR, a dummy £20 ~~payment voucher~~ 'Eye Test/Prescription Glasses Form' for a sight test for both Piers Nunn - IA (Vale) and Steve Bishop - Strategic Director. No receipt to be included with the form.	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 subsistance. Claim to be in line with mileage rates but for a ghost meeting/event. Cllr A kindly declined. Cllr B accepted and submitting claim for non attendance at Feb Council meeting. Expenses to follow at end of Feb.	Piers Nunn - IA, to send 10 personal emails to personal email accounts (gmail/hotmail) in core work time. IA to perform test.	Submit a dummy form or email request for a new ICT user (~~Malcolm Dreyer - Finance~~). (Malcolm Dreyer - Interim Audit Manager)	Piers Nunn - IA ~~and Sandy Bayley - IA~~, 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. IA to perform test.	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.	Submit to HR, a dummy request for a change of Officers (Piers Nunn - IA) bank details. Document to look as if Piers Nunn has made the request. (ensure processing well before pay run) Check for: a) HR check and Approval. b) Payroll check.	Use an existing Officers permit (Piers Nunn's - IA) in an unauthorised vehicle (Marcia Slaters - IA) for a duration of 5 days. *Steve Bishop to remove fine*	Copy and manipulate an Officers parking permit for use in another vehicle. Test the usage of the copied permit for a duration of 2 days. IA to copy and amend Piers Nunn's permit for car AT57LNG for 2nd car, NJ05LSX) IA found that permits can be transferred to another vehicle and do not require other vehicles to be registered against a specific permit.
process controls for highlighting fraudulent activities in this area?	AP Procedure	AP Procedure	AP Procedure	AP Procedure	Constitution	ICT Processes ?	ICT Processes ?	ICT Processes ?		* HR approval. Payroll check.	Regular Inspections	Regular Inspections
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. However a further review on 21 May 2010 highlighted that 2 new suppliers had been set up without prior approval from the sevice area. An erroneous payment of £45.47 was also made to Dorma UK without acknowledgement of a change of bank details.				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.					None. IA approached Payroll Project Leader 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.	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
Remedial action taken by management, 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.				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 William Jacobs, Head of Finance.	See Above	N/A
Any enhancement actions to the control mechanisms?	N/A	N/A	N/A		N/A	N/A	N/A	N/A		None noted as of 6th April.	N/A	N/A
Conclusion	The Internal Audit tests identified there are weaknesses in the control environment, ie: the setting up of new suppliers without the appropriate approval mechanism and the payment of a bogus invoice for which both Capita and Council employees 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. **[Recommendation 1, 5, 6]**				Fraudulent claim activity not highlighted by internal checking processes. A more through checking process should be adopted to ensure that members expense claims are checked for validity. **[Recommendation 4]**	Potential fraudulent activity not highlighted by internal processes. IA has noted that due to the impending more to annualised hours that it would be difficult to monitor any cases being performed in working time.	Neither WJ or IA were contacted about the new user. No user setup information has been sent to either WJ and in addition, no information regarding fraud has been reported.	Potential fraudulent activity not highlighted by internal processes. IA has noted that due to the impending more to annualised hours that it would be difficult to monitor any cases being performed in working time.		There are currently inadequate controls for managing change of bank details. Controls need to be implemented to prevent fraudulent change of bank details fron occuring. 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.	The fraudulant use of a car park permit was not highlighted by the car park Officer/s. Greater emphasis should be put on checking the validity of the permit to ensure the details match the vehicle. It was since noted that permits can be transferred to another vehicle and do not require other vehicles to be registered against a specific permit.	N/A

2. SECTION 106 / COMMUTED SUM 2009/2010

1. INTRODUCTION

1.1   The field work for this audit was undertaken in February, and the final report was issued on 20 August 2010.

1.2   The following areas have been covered during the course of this review:

- To ensure the Council has agreed, and is using, standard policies and standard charges for the calculation of commuted sums.
- To ensure the Council has an appropriate method for correctly calculating contributions and securing S106 agreements with clearly identified responsibilities.
- 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.
- 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.
- 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.
- 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.

2. BACKGROUND

2.1   Section 106 (S106) Agreements are legal agreements between Local Authorities and developers which are 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 provide 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 third party by a developer.

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   This is the first specific internal audit review in this area.

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   Twelve recommendations have been raised in this review. Two High risk, seven Medium risk and three Low risk.

5. MAIN FINDINGS

5.1   **Policies and Charges**

5.2   The Local Plan 2011 covers planning obligations within policy DC8, and refers to

Government guidance and details of likely supporting infrastructure requirements published by the County Council. 'Supplementary Planning Document – Open Space, Sport and Recreation Future Provision' (SPDOSSRFP) provides more detail of developer's contributions and their use. The SPDOSSRFP refers to a spreadsheet model to calculate possible contributions but this was not available on the council's website. An Arts Development Strategy is available, which refers to a percentage contribution from developers for art.

5.3   Up to date and comprehensive 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   **Calculating and Securing Sums**

5.5   The amounts to be secured under s106 agreements are negotiated involving the relevant budget holders and depend on specific projects. Formulae or standard charges can assist in most circumstances. Agreements since 2007 were seen to include a requirement for amounts due to be index linked and were found to be appropriately signed and sealed. Introduction of a standard heads of term document for all agreements is recommended as it is not always easy to unravel the key terms from the agreements. One recommendation has been made as a result of our work in this area.

5.6   **Monitoring and Collecting Contributions**

5.7   Copies of legal agreements are circulated to relevant budget holders and planning. A listing of s106 agreements is not recorded within legal other than as part of the list of documents held in the strong room. Hence there is no master register to form the starting point for ensuring all agreements have been recorded within planning and other monitoring systems, such as the monitoring spreadsheet. Agreements are scanned and available to view on the council's website. However, during the review three agreements were not available online.

5.8   Developers are not invoiced through the debtors system for their contributions. A proactive system to monitor trigger dates within agreements was lacking. Six recommendations have been made as a result of our work in this area.

5.9   **Expenditure**

5.10   S106 transactions within the general ledger use attribute values to identify income and expenditure by agreement. Evidence was obtained during testing in support of expenditure of agreed sums by the relevant budget holder. However, there does not appear to be a structured and documented approach to the evidence required in support of the expenditure of agreement amounts. One recommendation has been made as a result of our work in this area.

5.11   **Records and Reconciliations**

5.12   Financial transactions for s106 agreements are recorded within Agresso's General Ledger with an attribute code to identify each agreement. A spreadsheet based on general ledger transactions is maintained by the Principal Technical Accountant. At the time of the review a balance of £563,544 was recorded as available in the monitoring spreadsheet. General ledger transactions at the time totalled £521,043.49. Other than rounding differences a debit balance of £37,500 was not included in the monitoring spreadsheet. At the time of review this balance was under investigation to establish if monies had been received to offset the expenditure. One recommendation has been made as a result of our work in this area.

5.13   **Reporting**

5.14   Section 106 progress reports used to be provided to the scrutiny committee and on an ad-hoc basis. Whilst the Principal Technical Accountant maintains a monitoring spreadsheet there is no current requirement to regularly report on s106 agreements. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND CHARGES

1. Calculation Model   **(Low Risk)**

Rationale	Recommendation	Responsibility
Best Practice Details of calculation methods are available as stated. Findings Supplementary Planning Document Open Space, Sport and Recreation Future Provision refers to a calculation model spreadsheet. This was not available on the council's website at the time of review. Risk If documents detailing the calculation of developers' contributions are not publicly available as stated then the council may not be seen to be consistent in its approach.	The calculation model referred to within the Supplementary Planning Document is made available on the council's website as stated.	Technical Support Manager

Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Head of Planning	September 2010

2. Procedures, Roles and Responsibilities   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice Up to date procedures should be in place with clearly identified roles and responsibilities. Findings A s106 financial contributions procedure note from 2003 was provided which did not appear to reflect the actual process for recording and monitoring of s106 agreements. Risk 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.	Up to date procedures should cover all stages of the s106 process of securing, monitoring, receiving and spending of monies. Roles and responsibilities should be clearly defined.	S106 Officer, Planning

Management Response	Implementation Date
Recommendation is **Agreed** The procedure note for financial contributions will be reviewed and updated by the S106 Officer in liaison with relevant services (Finance/Legal/Land Charges)	March 2011

The S106 Officer role as set out in planning service structure (agreed July 2010) to manage all stages of the process in liaison with other services. Management Response: Head of Planning	

CALCULATING AND SECURING SUMS

3. Heads of Terms   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Heads of terms summarising agreement details are completed for all s106 agreements. Findings A summary of s106 agreement details such as purpose, value and trigger was not readily available. A heads of terms sheet could be drawn up for all agreements. Risk If the heads of term details are not summarised then delays may occur, should queries arise, in identifying key elements of the agreement.	Heads of terms summarising details of the key elements such as agreed amounts and trigger points, are completed for each s106 agreement as early as is practicable.	Staff Officer

Management Response	Implementation Date
Recommendation is **Agreed** New system to be introduced and used by planners by end of September. Management Response: Head of Planning	September 2010

MONITORING AND COLLECTING CONTRIBUTIONS

4. Reconcile to Legal Agreements   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice A regular reconciliation of legal agreements is undertaken to ensure all agreements are appropriately recorded and monitored. Findings There is no documented reconciliation between the s106 agreements registered within legal and the agreements recorded within Planning. Whilst not all agreements require financial contributions, there should be a reconciliation to ensure all appropriate agreements are recorded and monitored within planning and the general ledger. As there was no legal listing	A register of s106 agreements requiring contributions should be established within the legal team as agreements are introduced. This should be used as the master record to facilitate a regular reconciliation of planning register, general ledger records of agreements and the monitoring spreadsheet to ensure that all contributions are appropriately recorded, invoiced and monitored.	S106 Officer, Planning

available of s106 agreements requiring a financial contribution testing could not be undertaken to check agreements were appropriately recorded.		
Risk If there is no reconciliation of agreements then delays may occur in detecting any agreements not recorded and being progressed.		

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Master should be held in one place on one electronic system –probably in Uniform – S106 module will have cost implications (£5-7,000) As an interim the register of S106 agreements requiring financial contributions sits in a common drive and available to Legal, Finance and Planning. It is added to when an agreement has been produced by Legal and should be reconciled on a regular basis with the actual funds held in the Holding Account. The new S106 Officer will undertake this role in liaison with finance Management Response: Head of Planning	June 2011

5. Scanned Agreements   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice To ensure openness and transparency, scanned copies of s106 agreements are included with planning documentation available to the public. Findings s106 agreements are scanned and available on the internet via the PublicAccess planning search facility. An agreement for the Timbmet Site, Cumnor was not available and a further check of ten agreements showed two others not available. Risk If not all s106 agreements are made available then the Council will not be seen to be open, transparent and consistent in its approach to the availability of documentation.	All s106 agreements should be scanned and available via Public Access. A system should be established to ensure that each is scanned as soon as possible.	S106 Officer, Planning

Management Response	Implementation Date
Recommendation is **Agreed** Need to check the outstanding number of agreements to be scanned, but system in place to ensure new S106 agreements are held and made available electronically. To be reviewed by S106 officer and resources sought for back scanning.	System in place for new agreements - September 2010. Review outstanding agreements to be scanned.

Management Response: Head of Planning	Seek resources to undertake work – March 2011

6. Monitoring Officer   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> A single point of contact is available to deal with all s106 queries and actively monitor and progress arrangements. <u>Findings</u> There is no single point of contact for s106 agreement information which is distributed across legal, 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. <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.	A post of s106 monitoring officer is considered to ensure a more robust and effective monitoring and progression of s106 agreements. 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.	S106 Officer, Planning

Management Response	Implementation Date
Recommendation is **Agreed** The S106 Officer identified in planning structure as agreed July 2010. Recruitment expected Autumn/Winter 2010 Review of charging for fee for monitoring to be undertaken. Management Response: Head of Planning	S106 Officer – December 2010 Charging for monitoring in place – March 2011

7. Invoicing Developers   (High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Amounts due from developers in respect of s106 contributions are invoiced using the council's accounts receivable function. <u>Findings</u> Amounts due from developers are not collected using the accounts receivable function but are requested by legal officers instead. Testing of reconciliations	Amounts due from developers in respect of s106 contributions are invoiced using the council's accounts receivable function in order that they are recorded and subject to recovery action in cases of non payment.	S106 Officer, Planning

highlighted expenditure of £37,500 for arts against which the receipt of the contribution was being investigated. Risk If developer contributions are not monitored and collected then works may be completed without the contribution being received from the developer.	

Management Response	Implementation Date
Recommendation is **Agreed** Any amount due, to be set up on financial system and invoice actioned when appropriate. Monitored by S106 officer Management Response: Head of Planning	Set up on financial system – September 2010 Monitoring – December 2010

8. Trigger Dates   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice Key stages at which funds are due are actively monitored to ensure prompt receipt. Findings 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 50th housing unit. The council will not 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. Risk If funds trigger points are not proactively monitored then the council may not be maximising the benefit of s106 funding.	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.	S106 Officer, Planning

Management Response	Implementation Date
Recommendation is **Agreed** The S106 Officer will undertake this role but where possible automated systems will secure this proactive approach. Actions recorded on central database. Agreements already require payments by trigger dates. S106 Officer to monitor income and expenditure. Management Response: Head of Planning	December 2010

9. Common Database (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice A common database is used to record and monitor s106 agreements. Findings S106 details are fragmented across various systems such as the planning register and the general ledger with no one common record of all details. This makes dealing with queries time consuming and difficult. 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. Risk 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.	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.	S106 Officer, Planning

Management Response	Implementation Date
Recommendation is **Agreed** Uniform can undertake this function but module will required to be purchased (£5-7,000). Interim measure is central spread sheet managed by S106 Officer. Register needs to be provided publicly linked to scanned agreements. Management Response: Head of Planning	March 2011

EXPENDITURE

10. Expenditure Protocol (High Risk)

Rationale	Recommendation	Responsibility
Best Practice 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. Findings Whilst some evidence was seen within the sample of records checked, there is no documented requirement to ensure that relevant supporting evidence is obtained	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.	S106 Officer, Planning

| prior to obtaining, and following expenditure of, developers' contributions.

Risk
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.		
Management Response		**Implementation Date**
Recommendation is **Agreed**

S106 Officer agreed as part of service structure, recruitment Autumn/Winter 2010. The s.106 Officer should ensure that any expenditure is in accordance with the agreement. Protocol to be developed

Management Response: Head of Planning | | January 2011 |

RECORDS AND RECONCILIATIONS

11. Monitoring Spreadsheet   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice
All s106 transactions recording expenditure and income are recorded and reported.

Findings
A monitoring spreadsheet reflected income received from developers and the balance remaining. However a debit balance of £37,500 reflecting expenditure on arts at a development was not recorded. The corresponding contribution for this expenditure was under investigation and was to be requested if not already received.

Risk
If all transactions and outstanding balances are not recorded then the true picture of funds available and received may be misinterpreted. | All transactions recorded against s106 agreements which have a balance outstanding are reflected within the monitoring spreadsheet regardless of whether the balance is a debit or credit. | S106 Officer, Planning |
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed**

To be monitored by the S106 Officer

Management Response: Head of Planning | | February 2011 |

REPORTING

12. Reporting   **(Medium Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> S106 agreements are regular reported to show income, expenditure and future amounts due. <u>Findings</u> Reports used to be provided to scrutiny and on an ad-hoc basis. There is no current requirement to regularly report on s106 agreements. <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 being maximised	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**
Recommendation is **Agreed** Role of S106 Officer – to report to MT and Executive member, with a year end report provided in annual Board Report Management Response: Head of Planning		March 2011

APPENDIX 3 – MONITORING SPREADSHEET

a/cs ref.	Planning ref.	name	developer	for:	year of agree-ment	amount £	date rec'd	date to be spent by	balance £ at Feb 2010	officer resp.
RE015		Maltings, Abingdon	Second Site Property Holdings	Commuted sum for repair and maintenance of our access and car park.	2003	19,000		none specified	19,000	Andrew Morgan
RE023	STA/141/2-X	Faringdon Road, Stanford in the Vale	David Wilson Homes	Contribution to off-site works - (footpath link?).	Sep-00	3,000	Sept 1999	none specified	3,000	
RE026	GRO/401/12	Berkeley Homes Grove Dairy*	Berkeley Homes	i) Bridge across Letcombe Brook & ext. of footpath	Aug-02	46,970	Nov 2002	none specified	331	Mary Lambe
				ii) Local playing pitch facilities (pavilion)		28,790	Nov 2002	none specified	27,807	Ian Matten
RE027	PD/AGT/363	Ben Smiths Yard, Wantage*	Barratt Homes	CCTV cameras and setting up	Sep-02	91,000	Aug 03		16,692	Liz Hayden
				Footpath and cycleway		50,000	Nov 02 and Aug 03		50,000	Mary Lambe
				Improve sporting facilities in area		46,500	Oct 2002		0	Ian Matten
				Work of art		40,000	Oct 2002		1,000	Abigail Brown
				Landscaping works responsibility of developer - by agreement	Mar-08	11,350			9,169	Ian Matten
RE029	WAN/10962/1-X	Tugwell playing fields*	Westbury Homes then Persimmon Homes	Access works, fencing, highway, car park. Must be spent by August 2008	Jan-03	78,000	August 03	within 5 years	1,590	Mary Lambe

RE032	PD/A GT/380	Swan Lane, Faringdon*	McCarthy & Stone Developments	Off-site recreational facilities	Apr-04	16,062	Dec 2004	none specified	14,062	Mike MacKay
RE033	ABG/1 5914-X	St Nicholas School Abingdon	Barratt Homes	Additional pitch at Tilsley Park	Nov-01	21,000	Feb 2005	none specified	21,000	Chris Webb
RE036	ABG/3 19/17X	Thames View, Abingdon*	Barratt Homes Ltd	Contribution to sports facilities	May-04	20,000	July 2005	none specified	20,000	Mary Lambe
RE037		Thames View arts project	Barratt Homes Ltd	Art work (bridge)	May 2004	16,543	July 2005	none specified	(457)	Abigail Brown
RE040		Colwell Drive - phase 1	Builders Ede	Play equpiment	1999	15,000	2000	none specified	15,000	Ian Matten
		phase 3		Play equpiment		10,000		none specified	10,000	Ian Matten
RE041	ABG/17 298/2	Marcham Road care home	Redworth Construction Ltd	Art work (not S106)	May-06	11,000	June 2006	none specified		Abigail Brown
				Management of Ock valley linear open space	Aug-04	21,465	April 2007	none specified	21,465	Ian Matten
RE045	LRE/9 57/65X	Letcombe Manor Estate*	Richmond Care Villages Hldngs Ltd	Administration and monitoring fee	Jul-07	500	Mar 2008	(within 7 years of payment)	500	Legal
RE048	GFA/19 883-X	Folly Park, Faringdon*	Bloor Homes	Administration and monitoring fee	Apr-08	500	Aug 2008	(within 5 years of payment)	500	Legal
				Disabled access to Pump House		30,000	Apr 2009	(within 5 years of payment)	30,000	Faringdon Town council
RE050	ABG/2 0273	Champion House, Abingdon	OCC	Administration and monitoring fee	Apr-08	250	May 2008		250	Legal

RE052	WAN/21 86/14	St Mary's school, Wantage*	Berkeley Homes	Work of art	Feb-08	57,500	Jul-08	(within 10 years of payment)	57,500	Abigail Brown
				New facilities at WLC		28,392	Oct 09	(within 10 years of payment)	28,392	Chris Webb
				Tennis courts at park or other leisure facilities		101,400	Oct 09	(within 10 years of payment)	101,400	Ian Matten
				Waste contribution. Bins		6,409	Oct 09	(within 10 years of payment)	6,409	
				Town Council contribution		10,140	Oct 09	(within 10 years of payment)	10,140	
RE055	NHI/2 653/6-X	Elms Road, Botley*	OCC	Public play infrastructure in vicinity	Sep-05	29,590	Oct-08	(within 10 years of payment)	29,590	Mary Lambe
RE058		Warnborough College Site		Legal		5,000	May 09		5,000	
RE062	ABG/48 2	Crossroads Garage site	Cranbourne Homes	Playing Space contribution	Jun 07	42,138	Jul 09	none specified	42,138	
				Public Open Space		10,666	Jul 09	none specified	10,666	
				Work of art		18,600	Oct 09	none specified	11,400	Abigail Brown
							Total		563,544	

*Many of these agreements include provision of social housing but this has not been included since no financial contribution.
Does not include commuted sums for Grounds Maintenance of open space transferred to the Council.

Table compiled by Steve Lawrence, Principal Accountant

3. RECORDS MANAGEMENT 2009/10 FOLLOW UP

1. INTRODUCTION

1.1   This report details the findings from internal audit's follow-up review of Records Management 2009/10. The original fieldwork was undertaken in June 2009 and the final report was issued in August 2009. Follow-up work has been undertaken in accordance with the 2009/10 Audit Plan agreed with the Audit and Governance Committee of Vale of White Horse 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 twelve recommendations and eleven recommendations were agreed. A limited assurance level opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that one recommendation has been implemented, one recommendation is partly implemented and nine recommendations have not been implemented. The recommendation which was not agreed is no longer relevant.

3.2   Internal Audit is satisfied that adequate evidence is available to support the implementation of the one recommendation. Internal Audit is satisfied with the progress being made to the one partly implemented recommendation and also to four of the nine recommendations not implemented, as they were reviewed during the Information Governance Audit 2009/2010. Progress will be monitored against the revised implementation dates.
For the remaining five not implemented recommendations:
*   Two service areas responded well;
*   Four service areas responded poorly ("no further comment");
*   Two service areas did not respond.
Corporately, due to the poor and no responses received the five recommendations remain not implemented.

FOLLOW-UP OBSERVATIONS

POLICIES AND PROCEDURES

1. Policy in Place   (Low Risk)

Recommendation	Rationale	Responsibility
Include the Information Security Policy within the appropriate section of the intranet site.	<u>Best Practice</u> Policy documents should be clearly and easily accessible to officers. <u>Findings</u> The Information Security Policy document was not available directly through the intranet pages, and was only available by performing a search on the Vale Intranet site or via a linked url within the Internet and Email Policy. <u>Risk</u> Without clear guidance on the policies in place, officers will not be fully aware of policies and procedures, resulting in non compliance with internal and/ or external quality and legislative requirements.	N/A

Management Response	Implementation Date
Recommendation is **Not Agreed** The policy is already available direct through the Intranet pages at Your Council/ Policies and Plans/ Policies, Procedure and Guidance for staff. Management Response: Organisational Change Group Manager	N/A
Follow-Up Observations	
IA were able to locate the policy from the specified link on the intranet so the recommendation no longer stands.	**N/A**

2. Version Control   **(Low Risk)**

Recommendation	Rationale	Responsibility
To ensure the published version of the Policy on the Retention and Disposal is a final approved version. Any versions circulated for approval are clearly marked as a draft version.	Best Practice Versions of Policy documents should be clearly understood and available to Officers. Findings The Policy on the Retention and Disposal of Council Documents available through the intranet was found at draft version 2.1. The circulated copy obtained during the audit process was at version 4. On review of the change control log on page 2 of version 4, it appears that version 4 is the only non draft version with the inclusion of final updates. Internal Audit could not find clear evidence of when the policy was released as a final version. It was also found that Officers at SODC obtained a copy for actions required. Risk Without clear definition of the current or latest policies in place, officers will not be fully aware of the correct versions of policies and procedures, resulting in non compliance with internal and/or external quality and legislative requirements.	Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC)

Management Response	Implementation Date
Recommendation is **Agreed in Principle** A shared Retention of Documents policy is to be issued, hence it is not possible at this time to issue an approved final version. It is unclear at the moment whether the policy will reflect the combined Retention and Disposal policy of the Vale, or the separated Retention and Disposal policies of SODC. In the meantime the draft policy has been loaded to Your Council / Policies and Plans. Management Response: Organisational Change Group Manager	Draft document sent to Communications for implementation 24 August 2009
Follow-Up Observations	
The Corporate Risk Officer stated that this is Implemented - and confirmed this via email on 8/12/09 - 'The Vale's updated policy was published in August 2009. A joint records management policy was circulated by the Corporate Risk Officer in August 2009 but has not been issued yet. This policy is part of a suite of policies encompassed by the new joint information governance and security policy'.	**Implemented**

3. Strategy (Medium Risk)

Recommendation	Rationale	Responsibility
To create a strategy for records management.	Best Practice A strategy in place defining what the Council hopes to achieve surrounding records management specifying the mission, vision and objectives, developing policies and plans which are designed to achieve these objectives, and then allocating resources to implement the policies and plans. Findings The Organisational Change Group Manager confirmed that there is no strategy in place to deliver the Policy on the Retention and Disposal of Council Documents. Risk Without a strategy in place, the quality of records management cannot be maintained and measurement of whether the policy is living up to the Council's expectations will be difficult.	Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC)
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The Councils are currently considering a sensible framework to extend across both councils, including the implementation of a shared strategy for document retention. Management Response: Organisational Change Group Manager		1 January 2010
Follow-Up Observations		
The Corporate Risk Officer stated that they are drafting a new suite of policies under the new Information Governance and Security policy and records management is included. We have incorporated good practice from the National Archives, other local authorities and referred to the Lord Chancellors code of practice on the management of records.		**Not Implemented** **Implementation Date for the Information Governance and Security policy is September 2010**

4. Policy Reviews and Ownership (Medium Risk)

Recommendation	Rationale	Responsibility
a) To ensure that the policies surrounding the areas of records management have appropriate ownership and are reviewed on a regular basis to ensure fit for purpose. b) Update the ownership and contact details on the Business Recovery Plan for Organisational Development and Support. c) To include in the	Best Practice Policies have adequate ownership and are reviewed on a regular basis to ensure that policies are fit for business purpose. Findings Internet and eCommunication Policy last reviewed on 12 Nov 2007. Method of Approval/Review unknown, no evidence obtained. Business Recovery Plan for Organisational Development and Support, last reviewed on 14 Sept 2007. Method of Approval/Review unknown, no evidence obtained. The plan ownership and some of the contact details were out of date. Information Security Policy, method of Approval/Review unknown, no evidence	a) Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC) b) Head of HR, IT and Customer c) Organisational Change

Information Security Policy that physical records should be stored in physical folders, which are referenced in accordance with a business/service classification scheme.	obtained. Policy on the Retention and Disposal of Council Documents, method of review was found, however, approval method unknown. There was no statement in the policies for physical records storage being stored in physical folders, which are referenced in accordance with a business classification scheme.	Group Manager
d) Define a procedural document for the backup tape process at Tilsley Park.	Although a process exists for storage of back up media, no process documentation could be found.	d) N/A
e) Include in the relevant policy a section on how physical data should be transferred internally or externally	Internal Audit could not find any policy on how physical data should be transferred internally or externally.	e) N/A
f) Include in the relevant policy a section on filename and document conventions.	Internal Audit could not find any guidance within the ISP or Retentions Policy on the filename and document conventions.	f) Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC)
g) Include in the relevant policy a section on archiving, disposal and destruction of different record types.	Internal Audit did not locate any evidence detailing specific procedures outlining methods for archiving, disposal and destruction of different record types including electronic media storage. There did not appear to be any guidelines for archiving of records internally. Risk Policies fall behind current working practice and legal requirements.	g) Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC)

Management Response	Implementation Date

Recommendation is **Agreed in Principle**
  a) The Councils are currently considering a sensible framework to extend across both councils, the implementation of a shared strategy for document retention, and the determination of ownership.
  b) Assume this means Business Continuity Plan for HR, IT and Customer.
  c) Low priority. The Councils are currently considering a sensible framework to extend across both councils, including any business/service classification scheme and common file structure for shared services.
  d) A procedure document is already in place in Vwh_nt_sv10\it$\common\Operational Procedures\Storage of Backup Media off-site.
  e) This is currently included in the Information Security policy.
  f) Low priority. The Councils are currently considering a sensible framework to extend across both councils, including file naming and conventions.
  g) The Councils are currently considering the implementation of a shared retention and disposal policy, which should include methods of disposal.
 	
Management Response: Organisational Change Group Manager
	1 January 2010

Follow-Up Observations	
The Corporate Risk Officer stated the following: a) Will be addressed within the Information Governance and Security Policy (Revised implementation date September 2010) b) All business continuity plans have been refreshed - this part of the recommendation has been implemented c) Will be addressed within the Information Governance and Security Policy (revised implementation date September 2010) d) and e) Not agreed f) and g) will be addressed within the Information Governance and Security Policy (revised implementation date September 2010)	**Partly Implemented/ Ongoing** **Revised Implementation Date: 30 September 2010**

5. Training   (Medium Risk)

Recommendation	Rationale	Responsibility
a) To include some form of records management training in the corporate or HR training plan. b) To ensure all officers receive and document FOI and DPA training. c) To ensure all officers receive and document systems training relative to their function.	<u>Best Practice</u> Records Management training is available to all officers to ensure that a high level of competency exists in the areas of Records Management. <u>Findings</u> Records Management is not included in the Council's training and development plan. During sample testing on whether training records exist for both functional software applications in use and also FOI and DPA Out of a total of 24 training opportunities, five confirmed as having received training, six were questionable and thirteen Internal Audit could not evidence any training. <u>Risk</u> Without appropriate training, officers will not be fully aware of policies and procedures, resulting in non compliance with internal and/or external quality and legislative requirements leading to financial penalties.	a) Head of HR, IT and Customer Organisational Change Group Manager HR Manager b) Head of HR, IT and Customer Organisational Change Group Manager HR Manager c) Heads of Service
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** "c) Ensuring that all officers receive and document systems training relative to their function" is a responsibility of the relevant HoS. Management Response: Organisational Change Group Manager		1 January 2010
Follow-Up Observations		
The Corporate Risk Officer stated this recommendation will be implemented together with training recommendation made during the Information Governance Audit 2009/10.		**Not Implemented** **Revised Implementation Date: 31 December 2010**

RECORDS RECORDING

6. Guidance on Records   (Low Risk)

Recommendation	Rationale	Responsibility
To match the relevant Council polices to the terminology used in the code of practice on records management	<u>Best Practice</u> To match the terminologies used in the Council policies to the relevant code of practice. <u>Findings</u>	Head of HR, IT and Customer Organisational Change Group Manager

	Both the Information Security Policy and the Policy on the Retention and Disposal of Council Documents refer to definition of documents and not records. Internal Audit felt that the term 'Document' is a form of a record and that the term 'Record' would capture the subject matter more appropriately and in the same convention as the Records Management Code. *'a record is a specific piece of information produced or received in the initiation, conduct or closure of an institutional or individual activity, and that provides sufficient content, context and structure to provide evidence of an activity'.* Risk Without clear arrangements in place, and in the same convention as the code of practice, misinterpretations could occur resulting in lack of consistence in the application of any records management processes.	Business Improvement Manager (SODC)
Management Response		**Implementation Date**
Recommendation is **Agreed** We think this is a very low risk as a fire assessment was completed in 2008, and the resulting action plan has been implemented. We propose no further action other than future annual fire inspections- the next one is due in August 2009. Any resulting actions will be dealt with asap so long as they can be funded from existing budget. These actions will be documented. Management Response: Facilities Manager		31 March 2010
Follow-Up Observations		
The Corporate Risk Officer stated that this has been addressed within the new Information Governance and Security Policy, which is due to be finalised by the end of September 2010.		**Not Implemented** **Revised Implementation Date: 30 September 2010**

7. Comprehensive Index   (Low Risk)

Recommendation	Rationale	Responsibility
Each service area to define what records need to be kept, including a comprehensive index to locate records upon demand.	Best Practice Each service area has a defined list of records which need to be kept, including a comprehensive index to locate records and to enable the Council to undertake all necessary and appropriate actions. Findings Of the service areas audited, none of the service areas have a defined list of records that need to be kept, or a comprehensive index to locate records upon demand. Risk Without comprehensive listings and indexes of records, necessary records processing actions could lead to inadequate use of resources in location of and management of data.	Relevant Head of Service

Management Response	Implementation Date
Recommendation is **Agreed in Principle** This is the responsibility of the individual HoS. The shared nature of the SMT should ensure that a combined approach is adopted across both Councils. Management Response: Organisational Change Group Manager	1 April 2010
Follow-Up Observations	
Corporate Strategy - the Principal Performance Management Officer stated that a comprehensive index has not yet been completed, but can be included as they develop a quality management system. Leisure - No Comments Facilities - Records to be reviewed by 1 November 2010. Economic Development - Comprehensive index of property records held in hard copy and the records are held electronically on the shared drive. Arts Development - Records are held electronically on the shared drive, paper files are to be reviewed and indexed as per Council policy. Finance; Commercial Services; Health and Housing; Planning stated no further comments.	**Not Implemented** **Revised Implementation Date: 30 September 2010**

STORAGE

8. Fire Prevention   **(Medium Risk)**

Recommendation	Rationale	Responsibility
To implement a process to ensure actions resulting from any Health and Safety Maintenance inspections are acted upon and documented in a timely manner.	<u>Best Practice</u> Highlighted risks and actions during Health and Safety Maintenance inspections should be acted upon and documented in a timely manner. <u>Findings</u> No evidence could be obtained to show that recommended actions relating to records management had been acted upon following Health and Safety Maintenance inspection reports. <u>Risk</u> Risk identified during the Health and Safety Maintenance inspection reports are not acted upon, leading to continual risk exposure in the highlighted areas.	Relevant Head of Service
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The writer is not aware of any outstanding actions resulting from H&S inspections in her area. Individual HoS are responsible for ensuring that the relevant action is taken in their areas. Management Response: Organisational Change Group Manager		As appropriate to relevant inspection report.
Follow-Up Observations		
Corporate Strategy - the Principal Performance Management Officer stated that there are no outstanding actions from the health and safety inspections. Leisure - health and safety actions are dealt with accordingly and		**Not Implemented**

paperwork filed appropriately. Facilities - Health and safety actions are dealt with accordingly and paperwork filed appropriately. Economic Development - Programme of inspections of non-operational properties are in place. Actions are circulated to relevant officers and actioned. Arts Development - Not Applicable Finance; Commercial Services; Health and Housing; Planning stated no further comments.	

STORAGE PLAN

9. Retention Schedule   **(Low Risk)**

Recommendation	Rationale	Responsibility
To review and update the Policy on the Retention and Disposal of Council Documents to: a) Update the missing fields. b) Update the locations to break down various into definitive locations. c) Incorporate the LGCRS.	<u>Best Practice</u> A fully defined Retentions schedule which incorporates the latest classification scheme that governs records retention in the local government sector. <u>Findings</u> Within version 4 of the Policy on the Retention and Disposal of Council Documents the location of 'various' was found within the locations section, this was not a clear record of the location of the associated document. The document was not a complete schedule in terms of the entries for records, actions, owners and with no reference to the format of the document (record). Internal Audit found that The Records Management Society has recently launched a new Local Government Classification and Retention Scheme (LGCRS). The published version 2 and unpublished version 4 did not appear to include the information available within the LGCRS. <u>Risk</u> The policy does not fully represent legislative and regulatory requirements that govern records retention, leading to exposure on the Data Protection Act 1998 and a potential increase of records volume with increase costs associated with storage.	Head of HR, IT and Customer Organisational Change Group Manager Business Improvement Manager (SODC)
Management Response		**Implementation Date**

Recommendation is a) b) **Agreed**
    a) b) The Councils are currently considering a sensible framework to extend across both councils, the implementation of a shared strategy for document retention, and the determination of ownership
    c) Possible good practice for implementation at some stage in the future.
 	
Management Response; Organisational Change Group Manager
		a) b) 1 January 2010

Follow-Up Observations	
The Corporate Risk Officer stated that this has been addressed within the new Information Governance and Security Policy, which is due to be finalised by the end of September 2010.	**Not Implemented** **Revised Implementation Date: September 2010**

DISPOSAL

10. Risk Mitigation   **(Medium Risk)**

Recommendation	Rationale	Responsibility
Include document (records) retention, timely disposal and destruction in the 09/10 risk register.	<u>Best Practice</u> The records disposal policy been incorporated within a risk mitigation strategy to ensure timely destruction of records when they are no longer required and continued safeguarding of those which merit continued retention. <u>Findings</u> Internal Audit reviewed the only available 09/10 Risk Register for the areas tested and could not find any mention of records retention or disposal of records being performed in a timely manner. <u>Risk</u> The risks associated with records management are not reviewed at an appropriate level and appropriate risk mitigation plans are not put in place.	Relevant Head of Service

Management Response	Implementation Date
Recommendation is **Agreed in Principle** This is the responsibility of the individual Heads of Service Management Response: Organisational Change Group Manager	1 January 2010

Follow-Up Observations	
Corporate Strategy - the Principal Performance Management Officer stated that an updated version of the risk register has been sent to the Corporate Risk Officer, which includes retention and disposal. Leisure - this will be included on the risk register. Facilities - this will be included on the risk register. Economic Development - Review of records to be started shortly. Art Development - Records to be reviewed as per the Council's retention of documents policy. Finance; Commercial Services; Health and Housing; Planning stated no further comments.	**Not Implemented**

11. Disposal and Destruction   **(Medium Risk)**

Recommendation	Rationale	Responsibility
a) To ensure that electronic records and databases are subjected to the application of retention, disposal and	<u>Best Practice</u> Records in any form are disposed and destroyed of in line with the policies in place surround records management. <u>Findings</u>	a) Heads of Service b) & c) N/A

destruction. b) To provide a mechanism to ensure that disposal and destruction of records is undertaken regularly c) To define registers listing all of the records archived, destroyed or pending destruction	Internal Audit could not find any evidence to support whether electronic records and databases are also subject to disposal, in line with the Retention of Documents Policy. Internal Audit could not find any documentary evidence to suggest that disposal and destruction of records undertaken regularly. Excluding the HR archive, Internal Audit could not find any objective evidence of maintained registers listing all of the records archived destroyed / pending destruction. <u>Risk</u> Records are kept for longer than required leading to exposure on the Data Protection Act 1998 and a potential increase of records volume with increase costs associated with storage.	
Management Response		**Implementation Date**

Recommendation is **Agreed in Principle**
 	
    a)   This is the responsibility of individual Heads of Service.
    b)   c) Already included in Appendix 10 of the Vale's draft Retention and Disposal of Documents policy
 	
Management Response: Organisational Change Group Manager
		As dictated by the policy

Follow-Up Observations		
Corporate Strategy - the Principal Performance Management Officer stated that the electronic records are reviewed regularly. Leisure - As per the retention and disposal of records policy. Facilities - As per the retention and disposal of records policy. Economic Development - Records are disposed of in accordance to the council's policies and will be reviewed as part of the records disposal review. Arts Development - Files to be reviewed. Finance; Commercial Services; Health and Housing; Planning stated no further comments.		**Not Implemented**

12. Archiving   (Medium Risk)

Recommendation	Rationale	Responsibility
a) To ensure that when officers leave Council employment, the employee files are moved to the storage room and the HR Leavers Archive Record spreadsheet is updated to suit. b) To ensure that the HR	<u>Best Practice</u> Records in any form are archived, disposed and destroyed with the appropriate level of documentation to record those actions in line with the policies in place surround records management. <u>Findings</u> For officers who are no longer with the Council, the personnel files are moved to	a) HR Manager b) HR Manager

Leavers Archive Record spreadsheet is reviewed on a regular basis to ensure disposal and destruction is performed in accordance with the retention periods.

c) To ensure clear justifications are in place to show the reasons for keeping records beyond the retention periods. | an internal storage room so to separate current employee files from ex-employee files. The HR Leavers Archive Record spreadsheet details the personnel files which are stored in the storage room. Internal Audit checked the spreadsheet against a list of known leavers. Of the five officers tested, Internal Audit could not find any of the leavers listed on the HR Leavers Archive Record. The spreadsheet includes a column headed 'Extract Date' which defines when the record should be disposed of. According to the data supplied on the spreadsheet, none of the files due for disposal had been disposed of. There were also records marked as 'DO NOT DESTROY', however there did not appear to be any justifications for this statement

Risk
Records are kept for longer than required leading to exposure on the Data Protection Act 1998 and a potential increase of records volume with increase costs associated with storage. | c) Heads of Service |

Management Response		**Implementation Date**
Recommendation is **Agreed in Principle**
c) is the responsibility of the Heads of Service. The mechanism is available in Appendix 10 of the Vale's Retention and Disposal of Documents policy

Management Response: Organisational Change Group Manager | | As required. |

Follow-Up Observations		
The Risk Management Officer stated that recommendation A and B have not yet been implemented - Revised implementation date of September 2010 to allow time for the shared HR Manager to review existing processes.

Corporate Strategy - the Principal Performance Management Officer stated that he is not aware of any records being kept after the retention date.

Leisure - As per the retention and disposal of records policy.

Facilities - As per the retention and disposal of records policy.

Economic Development - No archive records currently held. This may change as a result of the records review.

Arts Development - Files to be archived as per the council's retention of documents policy to be undertaken as part of file review.

Finance; Commercial Services; Health and Housing; Planning stated no further comments. | | **Not Implemented**

Revised Implementation Date: September 2010 |