

Audit and Governance Committee Report



Report of **Auditor**

Report No. 89/10

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Wards Affected
All

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To: Audit and Governance Committee

DATE: 14 December 2010

Internal audit activity report quarter three 2010/2011

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 Marcia Slater, Auditor for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823326 and (VWHDC) 01235 540455.

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 and follow up reviews have been completed:

Planned Audits and Follow Up Reviews

Full Assurance: 0

Satisfactory Assurance: 2

Limited Assurance: 5

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. Licensing 10/11	-	Satisfactory	4	0	0	1	1	3	2
2. Handling Postal cash & cheques 10/11	9	Limited	2	2	2	0	0	0	0
3. Payroll 10/11	13	Limited	18	1	1	7	7	10	10
4. Housing and Council Tax Benefits Overpayments & Recovery 10/11	29	Limited	5	1	1	2	1	2	2
5. SOLL Leisure Centres 10/11	35	Limited	7	4	3	1	1	2	2
6. DWP: Customer information Systems – Breach of Security Investigation (Capita)	45	N/A	5	2	2	1	1	2	2

Follow Up Reviews

	Page ref	Original Assurance Given	No. of Recs	Recs due to be completed at the time of Follow Up audit				Later Recs
				Implemented	Partly Implemented	Not Implemented	Ongoing	
7. Information Governance	-	Satisfactory	6	1	0	4	1	0

09/10								
8. VFM in Procurement 08/09	49	Limited	15	8	0	5	0	2 n/applicable

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 intranet and work is progressing to alert committee members when reports are published.
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.
12. Internal Audit has completed a joint investigation with Capita regarding a breach of security which related to inappropriate access to the DWP customer information systems data. Internal audit report on this incident which is included at appendix one, has been reported to both councils.
13. Internal audit would also like the audit and governance committee to note that a further investigation has been carried out under the Councils' anti fraud and corruption whistleblowing policy which relates to the taxi licensing function for this council. A report regarding this incident is currently in draft and will be included in the next quarter's committee papers.

Financial Implications

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

Legal Implications

15. None.

Risks

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

MARCIA SLATER
AUDITOR

1. HANDLING POSTAL CASH & CHEQUES 2010/2011

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in August and September 2010 and the final report was issued on 30 September 2010.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- Adequate policies and procedures are in place for opening post and in line with best practice;
 - Post is opened securely and promptly;
 - Cash and cheques received in the post are dealt with appropriately.

2. BACKGROUND

- 2.1 The handling of postal cash and cheques process was reviewed and subsequently changed in May 2009. Not all the post is opened centrally; individual service areas collect and securely open their post. Post opened centrally by the Business Support Unit is that addressed to 'PO Box 130' and any unidentifiable post.
- 2.2 The Facilities Manager stated that the Business Support Unit is to be phased out and the post opening process is to change whereby no post is opened centrally.

3. PREVIOUS AUDIT REPORTS

- 3.1 Handling Postal Cash and Cheques has not previously been subject to a specific internal audit review but was covered within the Post Room audit 2008/2009

4. 2010/2011 AUDIT ASSURANCE

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

5. MAIN FINDINGS

5.1 Policies and Procedures

- 5.2 In the area of policies and procedures it was established that appropriate procedures are in place for handling postal cash and cheques. The procedures were updated and implemented in May 2009. All procedures are available for all officers to view via the intranet and are in line with best practice guidance. No recommendations have been made as a result of our work in this area.

5.3 Post Opened Securely and Promptly

- 5.4 In the area of post opened securely and promptly, it was established that not all post is opened by the Business Support Unit. The Business Support Unit only open post addressed 'PO Box 130' and when the recipient is not identifiable. The service areas are required to open their own post on the day it's received.
- 5.5 From the review of post opening, Internal Audit are satisfied that all post is opened securely and promptly, but within some service areas, post is opened by only one officer. One recommendation has been made as a result of our work in this area.

5.6 **Postal Cash and Cheques Dealt with Appropriately**

5.7 It was established that there are some weaknesses within this process. During the review, Internal Audit observed post openings within five service areas: the results were that opened post with cheques were left in the post room unattended; in two service areas cash and cheques were not recorded and in two service areas only one officer opened the post and dealt with the cash and cheques. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POST OPENED SECURELY AND PROMPTLY

1. Two Officers Opening Post

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> At least two officers are present when post is opened.</p> <p><u>Findings</u> From a review of five service areas, Internal Audit established that two areas only had one officer opening the post.</p> <p><u>Risk</u> A single officer could be tempted to steal income without any witness present. Also, if an applicant should query missing documents (i.e. original birth certificates and passports) the Council and staff are more vulnerable if there isn't a witness to the receipt (or non-receipt) and handling of sensitive documents.</p>	<p>All service areas should be reminded that at least two officers are present when opening the post.</p>	<p>Shared Facilities Manager/ Appointed Officer to Print/ Post Room Vacancy</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Shared Facilities Manager</p>		<p>31 October 2010</p>

POSTAL CASH AND CHEQUES DEALT WITH APPROPRIATELY

2. Recording of Cash and Cheques

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The post opening process is in line with best practice guidance.</p> <p><u>Findings</u> From the review of the post opening within service areas, Internal Audit established that the process is not in line with best practice guidance. The results were:</p> <ul style="list-style-type: none"> cheques were found left in the post room, after the post is opened; in some service areas, cash and cheques were not written in a register and signed appropriately. <p><u>Risk</u> All income must be held securely to</p>	<p>a) A review of the current post opening process should be carried out to improve the controls for opening post and ensure best practice is followed in all areas such as not leaving cheques or cash unattended.</p> <p>b) A reminder should be sent out to all service areas opening post to record all cash and cheques in a register; the officers opening the post and an officer from LSP confirming the receipt of cash and cheques should sign the register as stated in the Handling Cheques or Cash Received in the Mail work instructions.</p> <p>c) Management should remind</p>	<p>Shared Facilities Manager/ Appointed Officer to Print/ Post Room Vacancy</p>

<p>prevent loss or theft. A complete audit trail is necessary to account for all income, to help resolve errors and to trace any missing money. If a review of the post opening process is not carried out, and best practice identified and implemented, there is a financial and reputational risk to the council due to inappropriately managing cash and cheques.</p>	<p>staff of the importance of complying with cash instructions and financial regulations and should take disciplinary action against persistent offenders.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>To be implemented once new structure is in place.</p> <p>Management Response: Shared Facilities Manager</p>		<p>31 December 2010</p>

2. Payroll 2010/2011

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in September 2010, and the final report issued on 26 November 2010.
- 1.2 The following areas have been covered during the course of this review:
- d) To ensure that roles, responsibilities and authorities for payroll are appropriately documented.
 - e) To ensure that payroll records (electronic and paper hard copy) are secure;
 - f) To ensure amendments to payroll standing data are appropriately authorised, documented and actioned in a timely manner, including:
 - g) ensuring starters and leavers have appropriate authorisation, additions and deductions to pay and these are processed in a timely manner to avoid over/under payment;
 - h) ensuring variations to pay (i.e. expenses, overtime, changes to salary), are authorised, documented and processed in a timely manner; and
 - i) ensuring that only the employee can access the part of the HR system to amend personal data.
 - j) To ensure employees are paid in a timely manner;
 - k) To ensure payroll data is transferred between payroll, HR and finance systems in an accurate and timely manner, as appropriate;
 - l) To ensure payroll records are reconciled with the Council's establishment list and general ledger, as appropriate;
 - m) To ensure the contractor (CAPITA) has an adequate audit trail and authorisation procedures in place for authorisation of and amendments to payroll;
 - n) To ensure that adequate system back-up arrangements are in place to ensure business continuity;
 - o) To ensure staff are up-to-date with the latest laws and regulations surrounding payroll, thus avoiding incorrect payments and penalties;
 - p) To ensure the actions taken as part of the Payroll Action Plan are embedded.

2. BACKGROUND

- 2.1 The Vale of White Horse District Council (VWHDC) payroll service has been provided by South Oxfordshire District Council (SODC) since 1st February 2008. The current payroll system used is known as Ingenuity@Work (I@W) and was implemented in January 2007. The system is managed through an agreement with CAPITA.
- 2.2 From 1st April 2009, the management structure of the Council has been revised. As a result of this restructure, the payroll team have transferred from Human Resources (HR) into Finance. There is currently a review of the payroll function being undertaken within the Council to determine the future placement of the payroll function within the management structure. At present, the Payroll Manager position is filled by a member of staff on a temporary contract.
- 2.3 The payroll audit has been completed by Mazars LLP on behalf of VWHDC. Mazars provide support to VWHDC and SODC under a framework contract. All work completed was conducted by Mazars staff during September 2010.

3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in November 2009 and twelve recommendations were raised. A Limited Assurance opinion was given.
- 3.2 As part of the current audit work performed a follow up of the recommendations made in the previous report has been undertaken. Six recommendations are seen to be implemented. One recommendation is seen to be partially implemented. Our review identified five recommendations which although they had been reviewed are considered as not implemented.
- 3.3 The five recommendations from the previous report which are not seen to be fully implemented relate to the use of procedure notes, the Capita Service Level Agreement, the monitoring of monthly pay, the evidence of review procedures and the harmonisation of payroll input forms with SODC. The recommendation which is partially implemented relates to the requirement for staff to confirm that their vehicle is insured for business purposes. Council policy has been updated to reflect this requirement, however, we did not see evidence that this was being completed. These have been included in our recommendations raised in the current year.

4. 2010/11 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 Nineteen recommendations have been raised in this review. One High risk, eight Medium risk and ten Low risk.

5. MAIN FINDINGS

5.1 Roles and Responsibilities

5.2 As part of the Payroll Action Plan (PAP), the current operational procedure notes have been revised along with job roles. At the time of the audit, these were at draft stage and were being distributed to all payroll staff.

5.3 Additionally it has been identified that while a draft document detailing the responsibilities of each job function within the payroll function has been prepared, during testing the HR department were unable to provide written job descriptions for any member of the payroll team.

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

5.5 Secure Payroll Records

5.6 All payroll records are maintained at the SODC site. The majority of these are stored electronically within the I@W system. A further hard copy audit trail is maintained in the department. All hard copy documents are kept in secure filing cabinets within a restricted area of the office. Access to these documents is restricted to payroll and HR staff.

5.7 Electronic records are secured by passwords to allow users access to the system. In all cases users must be established users of the Council system and the payroll system, with separate passwords required to access each of these systems. Following a previous internal audit recommendation, staff are now regularly prompted to change their passwords. However it was noted during our testing that two staff members no longer employed by the Council had continued access to the HR Pro system.

One recommendation has been made as a result of our work in this area.

5.8

5.9 Amendments

5.10 From the sample tested, the documentation of changes to payroll details appears to be adequate with independent checks included as part of the review of data input into the payroll system. Our testing concluded that these checks have been performed on a consistent basis.

5.11 The testing undertaken on changes to standing data did not identify any issues of non compliance with Council policy, with all amendments being authorised and supported by an adequate audit trail. There was evidence of review of amendments made following input to the system.

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

5.12

5.13 Starters and Leavers

5.14 Procedures are in place covering the process for recording and processing starters and leavers within the payroll system. In all cases examined during testing, supporting documents were retained on file or on the HR system to support the starter and leaver post. The audit trail for the sample selected was appropriately authorised.

5.15 During our review we noted that HR records are only reconciled to the payroll system on an annual basis. Whilst no issues were identified in the integrity of the data tested on these systems, best practice would require a monthly reconciliation of these systems.

One recommendation has been made as a result of our work in this area.

5.16

5.17 Variations

5.18 Testing was undertaken on variations to pay to ensure they were appropriately calculated, authorised and supported by an appropriate audit trail. In general the majority of variations were found to be correctly calculated and paid, however a number of minor issues have been identified with some calculations and the use of source data.

5.19 It is noted that the Council has drafted a “driving at work” policy to inform staff and service managers of the need to provide annual confirmation that their vehicle is insured for business purposes. The HR system has been adapted to record confirmation of this purpose however there was no evidence that the confirmation had been recorded.

5.20 Testing also identified that multiple input forms are still in place between the two Council sites. HR is moving towards providing information electronically to payroll, however, many paper input forms are still being received by the payroll department.

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

5.21

5.22 **Timely Payment**

5.23 The Payroll department have a cut off date of the 4th working day of each month to submit changes to payroll. To ensure payments are made in a timely manner, payroll use a checklist to ensure all processes and checks are completed by the payment deadline.

5.24 Capita provide detailed reports to the Payroll department which are then reviewed and authorised before the final payment is sent. All dates are communicated to the HR department to ensure they are aware of the required timescales.

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

5.25

5.26 **Data Transfer**

5.27 The Council use I@W as the payroll system, which is maintained independently from the general ledger and HR system. There is therefore no automated transfer of data between systems.

5.28 Capita are responsible for uploading the payroll data into Agresso (General Ledger). Our testing has identified one issue with the notification of data transfer between the payroll system and Agresso.

5.29 One recommendation has been made as a result of our work in this area which has been included with the recommendation regarding the Capita contract.

5.30 **Reconciliations**

5.31 Reconciliations between the information recorded in the HR system and the payroll system are conducted annually to ensure all data is matched and no ghost records exist. Reconciliations are also performed between dummy and final runs to ensure all data is accurate.

5.32 Payroll transactions within the General Ledger are reconciled by Finance, with clear documentation and assignment of ownership. This information is communicated to payroll on a monthly basis with a collaborative effort undertaken to resolve any issues. Our testing has identified an issue with the timeliness of the reconciliation between the payroll and HR systems.

5.33 One recommendation has been made as a result of our work in this area and included in the starters and leavers section.

5.34 **CAPITA**

5.35 Capita do not maintain significant records in respect of payroll as they do not input data. All Capita processes are subject to periodic spot checks by team managers and Capita are regularly subject to ISO Quality Audits to review their procedures.

5.36 Our review examined the contract between the Council and Capita and found that there is no Service Level Agreement covering the provision of payroll. As a result it was noted that the Council may not have a service specifically tailored to its needs.

One recommendation has been made as a result of our work in this area.

5.37

5.38 **System Back-up Arrangements**

5.39 The Council have an overall Business Continuity Plan in place which is designed to ensure the provision of key services in the event of a number of critical situations.

5.40 The Corporate Crisis Management Plan was also reviewed, which identifies key system requirements to provide key services. These have been updated in the light of recommendations raised in the previous internal audit reports and now make specific reference to the Payroll service and system.

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

5.41

5.42 **Laws, Regulations and Current Guidance**

5.43 The Council have ensured staff are given sufficient training to complete their tasks. It has however been noted that with the exception of the temporary payroll manager, no other staff member in the payroll department has an accredited payroll qualification.

5.44 While payroll staff have undertaken on the job training provided by the payroll manager, testing revealed that no evidence of this training was retained by the HR department.

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

5.45

5.46 **Embedding of actions from Payroll Action Plan**

5.47 Since 2008 the Council have put in place a payroll action plan to capture and assess the progress against key milestones and targets set for the improvement of the payroll function.

5.48 This plan was reviewed in the previous internal audit of payroll. As part of the work undertaken in the current year, an assessment has been performed over whether actions noted on the Payroll Action Plan have been implemented in the Council and the degree to which these actions may be considered embedded in the payroll culture. Given the current review of the payroll service, the actions included in the plan have been prioritised and resources focussed on the key issues.

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

5.49

OBSERVATIONS AND RECOMMENDATIONS

Roles and Responsibilities

1. Client Procedure Notes

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Formal procedure notes are in place that will ensure continuity in the case of staff absence.</p> <p><u>Findings</u></p> <p>We noted that while there are operational notes on the input of data, there are no formal procedure notes for the payroll department. These are currently in the process of being prepared.</p> <p><u>Risk</u></p> <p>The resilience of the payroll process cannot be assured in the event of staff loss/illness.</p> <p>Inconsistent practices may be applied within the payroll team.</p>	<p>Priority should be given to completing the procedure notes to replace the current data input notes. These should be distributed to all staff involved in the payroll department.</p>	<p>Payroll Project Lead</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Payroll Project Lead</p>		<p>31 January 2011</p>

2. Documented Roles and Responsibility

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Roles and responsibilities are documented to ensure staff awareness of their position and function within the team.</p> <p><u>Findings</u></p> <p>A document has been produced that outlines all the payroll related tasks that each member to the team undertakes. However, it gives no indication of the line management responsibilities or the hierarchy of the payroll process.</p> <p><u>Risk</u></p> <p>Aspects of the payroll function may not be delegated or undertaken resulting in delays in the payroll process.</p>	<p>The current roles and responsibilities document should be revised to include the roles of each member of the payroll team.</p>	<p>Payroll Project Lead</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p>		

A hierarchy chart will be included in the Payroll Procedure Manual and this will also be included in the roles and responsibilities document.	31 January 2011
Management Response: Payroll Project Lead	

3. Job Descriptions

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All staff have documented job descriptions. <u>Findings</u> During testing, the HR department were unable to provide job descriptions for any member of the payroll team. <u>Risk</u> Staff may not be fully aware of their function within the department.	Job descriptions for payroll staff should be prepared and agreed. These should be retained on employee files.	Payroll Project Lead/Shared HR manager
Management Response		Implementation Date
Recommendation is Agreed As and when the decision is made to retain an in-house payroll team, Payroll and HR will collaborate to prepare and agree the necessary job descriptions. Management Response: Payroll Project Lead/Shared HR Manager		31 March 2011

Secure Payroll Records

4. HR Pro User Access

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Only relevant and current employees have access to the HR Pro system <u>Findings</u> During testing it was noted that two users had access to the back office HR Pro system that were no longer employed by the council. <u>Risk</u> Potential lack of control over data integrity.	Access rights to the back office HR Pro system should be reviewed on a regular basis to ensure only relevant employees have access.	Shared HR Business Support Manager
Management Response		Implementation Date
Recommendation is Agreed		30 November 2010

Management Response: Shared HR Manager	
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Starters and Leavers

5. Reconciliation of Starters and Leavers to HR Records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>A Reconciliation between amendments to the payroll records and the establishment list should be completed on a regular basis.</p> <p><u>Findings</u></p> <p>During our testing we noted that HR records are only reconciled to the payroll system on an annual basis.</p> <p><u>Risk</u></p> <p>Errors on the HR or Payroll systems may not be detected resulting in under or over payments to employees.</p>	<p>A reconciliation of starters and leavers per the payroll and HR systems should be completed on a quarterly basis.</p>	<p>Payroll Supervisor/HR Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A decision regarding the future direction of the payroll service is required; if payroll is outsourced there will be an opportunity to integrate the HR and payroll systems. Payroll and HR will agree and document a formal procedure to enable a monthly reconciliation.</p> <p>Management Response: Payroll Project Lead/HR Manager</p>		<p>01 December 2010</p>

Variations

6. Insurance Records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Employees are adequately insured when conducting Council basis.</p> <p><u>Findings</u></p> <p>We noted that the Council has updated its Driving at Work policy to include the need for service managers to ensure staff provide an annual confirmation that they retain vehicle insurance for business purposes. We were informed that the facility to record this has been incorporated into the HR Pro system but has not been</p>	<p>A record of the annual confirmation that staff retain car insurance for business purposes should be retained by the Council on the HR Pro System.</p>	<p>HR Manager</p>

used to date.		
<u>Risk</u> Employees may be driving on Council business when not adequately insured, which may expose the council to legal action.		
Management Response		Implementation Date
Recommendation is Agreed		30 June 2011
Management Response: Shared HR Manager		

7. Multiple input forms

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Best practice would be to create a standard set of payroll input forms which would be used at both VWHDC and SODC. <u>Findings</u> During testing it was noted that SODC and VWHDC use different payroll input forms for most of their processes. Payroll are moving towards receiving this information electronically from HR, however, many paper input forms are still being received. <u>Risk</u> The current system is inefficient in the use of payroll staff time and may lead to confusion amongst staff.	Consideration should be given to adopting a common format for payroll input forms across both Councils.	Payroll Supervisor/Shared HR Business Support Manager
Management Response		Implementation Date
Recommendation is Agreed		30 June 2011
Management Response: Payroll Project Lead/Shared HR Manager		

8. Payroll Audit Trail

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All payroll amendments are checked to provide errors are minimised and an adequate audit trail exists. <u>Findings</u> Amendments can be checked by two	All amendments to payroll data should be reviewed after input either via the payroll grid stamp or audit report. In addition, a standardised method of reviewing amendments to the payroll system should be introduced to prevent confusion	Payroll Supervisor

<p>methods:</p> <p>1) The paper form is grid stamped by payroll, signed as checked/input and then countersigned as reviewed.</p> <p>2) The paper form is grid stamped by payroll and signed as checked/input. An audit report is then produced from the I@W system detailing the amendment which is then countersigned as reviewed.</p> <p>During testing it was identified that some amendments had not been countersigned as reviewed on either the payroll grid stamp or the audit report.</p> <p><u>Risk</u></p> <p>Incomplete audit trail.</p> <p>Payroll staff may be unable to substantiate when changes were received and input.</p>	<p>arising over where the amendment has been checked.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Management Response: Payroll Project Lead</p>		<p>31 December 2010</p>

9. Monitoring Monthly Pay

(Low Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u></p> <p>An exception report of all amendments to payroll standing data is produced on a monthly basis. This is reviewed and agreed to source documentation.</p> <p><u>Findings</u></p> <p>We noted that a 100% check of all variances over £20 between the monthly payrolls is carried out, however this is not traced back to supporting documentation. A separate check of all amendments to temporary data (i.e. expenses) is also carried out as this accounts for the majority of month on month differences.</p> <p><u>Risk</u></p> <p>A standard monetary amount does not provide adequate assurance over the integrity of the payroll. The benefit of this check is further reduced by the presence of expense payments in each payroll run.</p>	<p>Consideration should be given to using an audit trail report for permanent changes to payroll standing data and agreeing all changes to source documentation.</p>	<p>Payroll Project Lead</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in Principle</p>		

<p>Research to date with the current payroll providers (Capita) has established that the current payroll provider (I@W) is unable to produce the required.</p> <p>Management Response: Payroll Project Lead</p>	N/A
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10. Overtime Claims

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All payroll source documents are date stamped when received</p> <p><u>Findings</u></p> <p>During testing we noted that many overtime forms had not been date stamped or stamped with an incorrect date (i.e. dated prior to the form being completed).</p> <p><u>Risk</u></p> <p>It may not be possible to identify which overtime payments are due for the current month or validate why payment was not made for forms received after the cut-off date.</p>	<p>Overtime forms should be date stamped when received by the payroll department to identify those received before and after the cut off dates.</p>	<p>Payroll Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Payroll Project Lead</p>		<p>Immediate</p>

11. Authorised Signatory List for Members' Expenses

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>An approved signatory list is in place to which approval of all amendments is agreed.</p> <p><u>Findings</u></p> <p>Members do not have the facility at present to submit expenses electronically and return paper forms which contain an 'authorised signature'. During testing it was highlighted that there is currently no authorised signatory list in place against which payroll can verify the 'authorised signature' to ensure that the expenses</p>	<p>An authorised signatory list should be created to ensure variations to pay have been approved by an appropriate person.</p>	<p>Payroll Supervisor</p>

have been appropriately approved.		
<u>Risk</u> Amendments to pay may be processed without the required authorisation.		
Management Response		Implementation Date
Recommendation is Agreed in Principle All members/councillors claims are authorised for payment by one individual (or their substitute) from democratic services and a list of specimen authorised signatories from democratic services will be obtained and held within the payroll. Work has been completed to provide members/councillors with access to submit claims electronically, only a few members are unable to use this format. Access and authorisation rules are built in to the electronic process. Management Response: Payroll Project Lead/Shared IT Applications manager		31 December 2010

12. Processing of Expenses

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Expenses are only approved when processed electronically. <u>Findings</u> With the exception of members' expenses, amendments to payroll are authorised electronically via the HR Pro system. However, some staff are still using the paper forms. <u>Risk</u> Amendments to pay may not be processed in a timely manner or be appropriately authorised.	Staff should be reminded that amendments to pay and expense claim forms will only be processed if received electronically.	Shared IT Application Manager
Management Response		Implementation Date
Recommendation is Agreed Work has commenced to provide access to all casual staff to enable electronic submission. ICT has completed work to enable electronic submission of all travel claims. Management Response: Shared IT Application Manager		01 February 2011

13. Incorrect Mileage Calculations

(Low Risk)

Rationale	Recommendation	Responsibility
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<p><u>Best Practice</u></p> <p>Expense forms are simplified to minimise the risk of errors.</p> <p><u>Findings</u></p> <p>From sample testing of 20 expense claims, one item was identified in which the total mileage claimed had been incorrectly calculated based on the odometer readings. One councillor expense was also identified in which bicycle miles had been paid as car miles resulting in an overpayment of £1.80.</p> <p><u>Risk</u></p> <p>The council may be incurring unnecessary costs.</p>	<p>Calculations should be reviewed for arithmetical accuracy.</p>	<p>Payroll Supervisor/Shared ICT Application manager</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in Principle</p> <p>We are working towards receiving all claims for expenses electronically which will then remove this item as a risk</p> <p>ICT has completed work to enable electronic submission of all travel claims</p> <p>Management Response: Payroll Project Lead/Shared ICT Application manager</p>		<p>31 March 2011</p>

14. Mileage Claim Forms

(Low Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u></p> <p>Expense forms are simplified to minimise the risk of errors.</p> <p><u>Findings</u></p> <p>From sample testing of 20 expense claims, one item was identified in which the total mileage claimed had been incorrectly calculated based on the odometer readings. One councillor expense was also identified in which bicycle miles had been paid as car miles resulting in an overpayment of £1.80.</p> <p><u>Risk</u></p> <p>The council may be incurring unnecessary costs.</p>	<p>Claim forms should be simplified to avoid unnecessary data such as odometer readings.</p>	<p>Shared ICT manager</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in Principle</p> <p>ICT has completed work to enable electronic submission of all travel claims.</p>		<p>31 March 2011</p>

Management Response: Shared ICT Application Manager	
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15. Maternity Calculations

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All members of the payroll team are able to proficiently perform maternity pay calculations.</p> <p><u>Findings</u></p> <p>Internal audit noted that maternity pay calculations are currently being performed by only two members of the payroll team. One employee is responsible for completing the calculations and the other responsible for checking the accuracy of the calculations.</p> <p><u>Risk</u></p> <p>Maternity calculations may not be able to be completed or incorrectly calculated in the event of staff absence.</p>	<p>Additional members of the payroll team should be given training on the process for calculating maternity payments to prevent over reliance on individual payroll staff.</p>	<p>Payroll Project Lead</p>
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>An ongoing training need has been identified by the payroll project Lead. (see rec 18) 2 substantive and 1 temporary member of staff received in house training on 23 March 2010. The 3rd substantive post holder that will be returning to work from maternity leave in January 2011 is already trained and holds a payroll qualification. A refresher in house training session has been arranged and all in house training is notified to HR for training record purposes</p> <p>Management Response: Payroll Project Lead</p>	<p>31 January 2011</p>	

CAPITA

16. Capita Contract

(High Risk)

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

Laws, Regulations and Current Guidance

17. Training Records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Up-to-date training records for payroll staff are maintained</p> <p><u>Findings</u></p> <p>Internal audit noted that although staff had received training on specific payroll areas no records of receiving this training were maintained.</p> <p><u>Risk</u></p> <p>Staff training needs cannot be effectively addressed.</p> <p>The current payroll team may not have appropriate skills for accurate completion of payroll function.</p>	<p>Training records should be maintained for all payroll specific training received by the payroll team</p>	<p>Shared HR Business Support Manager</p>
<p>Management Response</p>		<p>Implementation Date</p>

Recommendation is Agreed	31 March 2011
Management Response: Shared HR Manager	

18. Staff responsibilities

(Medium Risk)

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

3. Housing and Council Tax Benefits Overpayments & Recovery 2010/2011

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in September 2010, and the final report was issued on 26 November 2010.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- q) overpayments are supported by documentary evidence, are adequately recorded and correctly calculated;
 - r) housing and council tax benefits are correctly classified for Housing Benefits Subsidy purposes;
 - s) the recovery of overpaid benefits is prompt, efficient and effective from initial billing to legal action if required;
 - t) a management review process has been established to monitor the level of overpayment.

2. BACKGROUND

- 2.1 The Council delegated the service of administering housing and council tax benefits to Capita in July 2006 for both the Vale of White Horse District Council and South Oxfordshire District Council. Internal Audit recognises that since the introduction of the payment and performance mechanism with regards to the recovery of housing benefit overpayment, Capita has brought the recovery arrangements back in house under the control of the senior benefit officer, who is currently supported by two part time officers (VWHDC 2 days, SODC 3 days). The service was previously administered from Capita's Mendip offices.
- 2.2 Internal Audit still considers it is early days to summarise how effective the current recovery arrangements are, but acknowledges that a clear process has been established in recent months for all relevant staff to follow.

3. PREVIOUS AUDIT REPORTS

- 3.1 Housing & council tax benefits was last subject to an annual assurance internal audit review in December 2009 and housing and council tax benefit overpayments and recovery were included as part of that review. Ten recommendations were raised, of which four recommendations related to overpayments and recovery. A limited assurance opinion was issued against the overpayment and recovery process.
- 3.2 All areas of the overpayment and recovery process have been reviewed as part of this follow up review and where appropriate, recommendations have been restated or modified to reflect the current arrangements.

4. 2010/2011 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 Five recommendations have been raised in this review. One High risk, Two Medium risk and Two Low risk.

5. MAIN FINDINGS

5.1 Calculation of Overpayment

5.2 Internal Audit has acknowledges that there are still issues relating to the classification of overpayments for housing benefit purposes, however much work has been undertaken to facilitate a robust system for the control of housing benefits overpayment and referral to Legal for recovery where appropriate. From the review of system records and documentation in relation to housing benefit overpayment, Internal Audit is satisfied that overpayments are supported by documentary evidence, are adequately recorded and the cases reviewed were correctly calculated. The checking and subsidy claim classification process undertaken by Capita has been the subject of concern however it is anticipated that improvement in this area will become evident throughout 2010/2011. A further commentary regarding the accuracy of the processing of benefits claims will be made in the annual assurance audit undertaken for the housing and council tax benefit service. No recommendations have been made as a result of the work undertaken in this area.

5.3 Classification of Overpayment

5.4 Internal Audit and the Council recognise that there are ongoing issues with regards to the accuracy of benefit assessments and classification of errors for subsidy purposes. The service is being closely monitored by the RSSP board and the Housing Benefit Client Team for improvements. This six month review undertaken by Internal Audit can demonstrate that processes have been put in place to facilitate robust recovery arrangements; however the staff resources currently allocated by Capita to housing benefit overpayment are inadequate. In addition, Internal audit is of the opinion that high value overpayments should be targeted for recovery and/or write as a matter of priority. Whilst Internal Audit recognises there has been some improvement in the HB overpayment arrangements, there is still significant progress to be made. Two recommendations have been made as a result of the work undertaken in this area.

5.5 Recovery Process

5.6 Internal Audit acknowledges that the overall position with the recovery of housing benefits has not changed significantly since the last audit took place in December 2009, other than the introduction of a clear process for officer to follow with regards to pursuing the recovery of housing benefit overpayments. The compliance testing demonstrated that numerous reminders/final notices have been sent over the course of the last few years with some little response. Internal Audit considers that recovery should be carried out in accordance with the stated timetable and followed through in the appropriate manner to County Court judgement if necessary. Regular meetings between all relevant parties (Capita, Legal Services and Revenues and Benefits client team) should be introduced to assist with the development of robust recovery arrangements. Two recommendations have been made as a result of the work undertaken in this area.

5.7 Management Review

5.8 Internal Audit has concluded that improvements have been made in the level of detail provided as part of the management reporting information to the Ridgeway Shared Service Partnership board. The monitoring arrangements for housing benefit overpayments continue to improve in response to the incentives applied, however Internal Audit noted a requirement to inform and train officers within Legal Services of the classification of the recovery status on the Academy system following referral to Legal Services as both parties need to process this information. One recommendation has been made as a result of the work in the area.

OBSERVATIONS AND RECOMMENDATIONS

CLASSIFICATION OF OVERPAYMENTS

1. High Value Overpayment Cases

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All old and historical debts should be rigorously pursued or written off whichever is considered appropriate.</p> <p><u>Findings</u> Internal Audit was made aware of a debtors listing which denoted some 18 high value overpayment cases from Oct 1998 to May 2010 which had been in the possession of the benefit client team for some time. Only one case had been written off, the position noted with regards to the other cases remained stagnant.</p> <p><u>Risk</u> If older debts are not rigorously pursued, it may not be possible to recover the debt due to the person moving or the debt becoming time barred.</p>	<p>That the high value overpayment cases reviewed by Internal Audit should be referred to legal services or written off if considered appropriate. Internal Audit would advocate that high value overpayment debts in excess of £5K should be prioritised for recovery and/or write off purposes to enable the Council to state an accurate bad debt provision.</p>	<p>Capita Benefits Manager & Revenues and Benefits Client Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>The work to review all debts over £5K had already been done prior to the latest IA review. Of those debts some were awaiting write off but this process takes longer as a different format is followed; more detail is required; and, they must be signed off at councillor level. Some high value cases may sit with the client longer than others, but this will be because every avenue will explored to recover the debt before it is authorised for write – off. If any money can be gleaned it benefits the council and Capita. For information this approach has now also been applied to debts of £3K and over and will continue to focus on lower levels of debt as the higher amounts are appropriately resolved.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		<p>Already done prior to latest IA review.</p>

2. Staff Resources

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Adequate staff resources are allocated to the</p>	<p>Capita should increase the staff resource attached to the recovery of housing benefit overpayments for a specified period to</p>	<p>Capita Benefits Manager</p>

<p>recovery process to ensure sustained effort and reduction of debt.</p> <p><u>Findings</u> The current resource attached to Housing Benefit overpayments is one full time senior benefit officer and two part time employees, (Vale 2 days) and (SODC 3 days).</p> <p><u>Risk</u> Inadequate staff resources could result in an increase of overpayment debt and difficulty in recovery due to the person moving or the debt becoming aged barred.</p>	<p>assist with the reduction of housing benefit overpayments.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Not Agreed</p> <p>The existing resource is perfectly adequate to facilitate the effective recovery of outstanding debts. The fact that there are many years of unrecovered debts to tackle is due to previous inactivity. However, Capita is now incentivised to recover overpayments and as such the necessary staffing is used to maximise collections and any potential bonus Capita may earn from this work. At present, for your information it is possible that up to 4 other full time staff can be working on overpayment recovery at any one time which further re-affirms Capita's commitment to reducing this aged debt position.</p> <p>Management Response: Capita Benefits Manager</p>		<p>N/A</p>

RECOVERY PROCESS

3. Recovery Timetable

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All old and historic debts should be rigorously pursued.</p> <p><u>Findings</u> The compliance testing noted that the housing benefit system had registered up to 10 final notice/reminders being sent to the claimant before the issue of the legal letters. Repeated reminder/final notices sent to housing benefit claimant had failed to</p>	<p>That recovery of housing benefit overpayments are pursued in accordance with the Council stated timescale.</p>	<p>Capita Benefits Manager & Revenues and Benefits Client Manager</p>

<p>produce or enlist any significant response in the majority of cases.</p> <p>Risk If the Council's timetable for recovery actions is not adhered to, cases may not progress fast enough to allow repayments to be sought.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Due to the lack of activity on many accounts it was necessary to re-start the recovery process to ensure that the customer had been given a recent opportunity to rectify the debt position. This will of course vary from the timetable agreed between Capita and the councils. At present there will be inevitable delays in sending all relevant cases to Legal Services and we have agreed which cases (over £5k and older cases for example) that they wish to have first. If all cases which could be sent to Legal Services were forwarded in line with the timetable then the sheer volume of work could prove to be problematic at this point in time. Therefore a sensible volume of traffic is managed to take account of current priority cases. This will be reviewed on an ongoing basis at our regular meetings with all concerned parties.</p> <p>Management Response: Capita Benefits Manager</p>		Ongoing

4. Progress Meetings

(Low Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice All officers involved in recovery meet on a regular basis to progress recovery of HB overpayment cases.</p> <p>Findings There is no establishment structure for regular meeting to discuss recovery action. The legal assistant (VWHDC) is proactive in seeking cases that can be put through the legal recovery process, however regular meeting with all relevant parties to agree cases for referral to legal services would assist the process.</p> <p>Risk Failure to ensure that recovery cases are actively progressed and monitored could result in difficulty in collecting the</p>	<p>That officers from all the relevant parties, (Legal Services, Capita and Client Team) meet on a monthly/regular basis to agree the cases which could be passed to legal services for recovery of the overpayment to facilitate a robust ongoing recovery process.</p>	<p>Revenues and Benefits Client Manager</p>

debt.		
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Whilst informal meetings have been held regularly it is true that the process may benefit from a more formal approach. The first meeting has already happened and will continue until further notice.</p> <p>Management Response: Capita Benefits Manager</p>		Already in place

MANAGEMENT REVIEW

5. Academy Training for Legal Staff

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Recovery status on the Academy system should be kept up to date to enable accurate management reports.</p> <p><u>Findings</u> Legal Services were not aware that additional codes/description had been introduced to denote recovery status whilst cases were being pursued by Legal Services.</p> <p><u>Risk</u> Failure to keep the recovery status updated could result in inaccurate management information being produced.</p>	That Legal Services undertake training to enable them to amend the Academy system to denote the overpayment recovery status whilst the recovery of debt is under its control.	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>I agree that additional training should be given to Legal Services to enable them to ensure that their actions are properly recorded within the Academy system. New codes were in fact agreed following consultation with the Legal Services to ensure that their processes could be effectively recorded within Academy and we now need to ensure they are utilised.</p> <p>Management Response: Capita Benefits Manager</p>		1 February 2011

4. Leisure Centre 2010/2011 (SOLL)

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in July and August 2010, and the final report issued on 14 December 2010.
- 1.2 The following areas have been covered during the course of this review. To provide assurance that:
- the leisure centre is operating in accordance with agreed terms and conditions;
 - appropriate monitoring arrangements are in place;
 - management information is effectively utilised and is prompt and accurate;
 - comments and complaints are appropriately managed, recorded and resolved;
 - memberships are managed in accordance with agreed terms;
 - health and safety and insurance requirements are being adequately addressed;
 - cash is handled appropriately;
 - Income is analysed and appropriately recorded.

2. BACKGROUND

- 2.1 VWHDC is responsible for five leisure centres, of which four leisure centres are operated by SOLL. These are Tilsley Park, Wantage Leisure Centre, Faringdon Leisure Centre and Abbey Meadows Outdoor Pool. The council owns Tilsley Park and Abbey Meadows Outdoor Pool whilst the other sites are operated under joint use agreements with Oxfordshire County Council.
- 2.2 The council's monitoring team consists of four individuals, the shared leisure manager, the shared development officer (leisure), the shared leisure facilities officer and the shared leisure co-ordinator who collectively are responsible for the monitoring of all leisure contracts for both SODC and VWHDC. Faringdon Leisure Centre (FLC) has been selected for review in this audit.

3. PREVIOUS AUDIT REPORTS

- 3.1 SOLL was last subject to an internal audit review in August 2008/09 and seven recommendations were raised. A satisfactory assurance opinion was issued. A follow-up of the report was undertaken in April 2010. Three recommendations had not been implemented. IA is satisfied with the rationale for non-implementation of the recommendations.

4. 2010/2011 AUDIT ASSURANCE

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

5. MAIN FINDINGS

5.1 CONTRACT

5.2 From review Internal Audit (IA) can confirm the contract between SOLL and the VWHDC to be sufficiently detailed and up-to-date. The contract has been signed and dated by appropriate individuals. No recommendations have been made as a result of our work in this area.

5.3 MONITORING ARRANGEMENTS

5.4 The procedures to carry out health and safety (h&s) inspections are not documented by the council monitoring team. From work undertaken, IA noted procedures for example those relating to CRB checks and pool tests are not as robust as they should be. The council's monitoring team carry out quarterly h&s and monthly cleanliness inspections. IA noted that no quarterly h&s inspections have been carried out since January 2010 due to resources available within the council's leisure team however quarterly h&s inspections have since restarted in September 2010. One recommendation has been made as a result of our work in this area.

5.5 MANAGMENT INFORMATION

5.6 From review IA can confirm monthly management information produced by SOLL is sufficiently detailed and the subject of discussion in the monthly contractor meetings. SOLL provides the council with comprehensive accident information, an annual 'assurance framework' report and an annual business plan. No recommendations have been made as a result of our work in this area.

5.7 COMMENTS/COMPLAINTS

5.8 SOLL have a comprehensive customer charter in place which details the process of dealing with customers making complaints. IA noted from the monthly 'comments/complaints summary log' sheets that detail of the resultant action/outcome and date the issues arising are not always recorded. Leisure centre staff are not aware of the procedure notes to record and report comments and complaints. One recommendation has been made as a result of our work in this area.

5.9 MEMBERSHIPS

5.10 From testing undertaken all membership details for new joiner, cancellations and renewals were found to be accurate and up to date. Membership details are held by the leisure centre on their system database and can only be accessed by those with passwords. Completed membership forms at FLC are kept securely in the office of the general manager. No recommendations have been made as a result of our work in this area.

5.11 HEALTH & SAFETY

5.12 Instances were noted of leisure centre staff not having the required CRB checks. Details of insurance claims are not reviewed by the council's monitoring team. Health and Safety monitoring sheets are not fully completed by leisure centre staff furthermore key h&s operating manuals for fire safety, manual handling, young persons, fire prevention and fire protection systems had not been reviewed in a timely manner. Four recommendations have been made as a result of our work in this area.

5.13 CASH INCOME

5.14 From discussion and review, it was noted that a second person is not regularly present during the cashing-up process at FLC. Manual banking sheets are not fully completed with both signatures and income details are missing. Discrepancies were noted at FLC between the daily banking sheets and till receipts with no audit trail to confirm investigation of discrepancies. IA is of the opinion that the GM should verify and confirm that the cashing up process arrangements which amongst other things supports the statement of accounts is

satisfactory. One recommendation has been made as a result of our work in this area.

6. ACKNOWLEDGEMENTS

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

OBSERVATIONS AND RECOMMENDATIONS

MONITORING ARRANGEMENTS

1. Council - Monitoring Arrangements

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> To ensure a robust monitoring system, all health & safety (h&s) monitoring/inspection arrangements should be documented to reflect the checks made and the procedures to follow.</p> <p><u>Findings</u> The procedures for carrying out quarterly h&s and monthly cleanliness inspections is not documented.</p> <p><u>Risk</u> If the monitoring process and procedures are not documented there is a risk that staff may not be aware of the process to follow. This may also lead to an ineffective monitoring system.</p>	<p>All monitoring arrangements and procedures should be documented. This should include detailed guidance on how to carry out the checks and the documentary evidence required to confirm compliance.</p>	<p>Shared Leisure Co-ordinator</p>
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>Requirements for monitoring are documented and a standard template is used for both health and safety inspections and monthly monitoring checks. However, it is acknowledged that it would be beneficial to write formal processes to ensure consistency.</p> <p>Management Response: Shared leisure manager</p>	<p>April 2011</p>	

COMMENTS AND COMPLAINTS

2. Contractor - Complaints Procedure		(Medium Risk)
Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Detail of complaint and resultant action/outcome and date issues arising should be documented Comprehensive and accurate information should be provided to the council.</p> <p><u>Findings</u> Comments/complaints summary log sheet</p>	<p>Leisure centre staff should be made aware of procedure notes to record and report both verbal and written complaints accurately. Comments/complaints summary log sheets should detail all complaints received by FLC.</p>	<p>SOLL</p>

<p>presented to the council (in monthly contractor meetings) did not detail all complaints received by FLC.</p> <p>From discussion with the general manager it was confirmed that they were not aware of SOLL's procedure notes to record comments/complaints.</p> <p><u>Risk</u> If staff are not aware of the procedures to record comments/complaints there is a risk staff may not follow the correct procedures. This may lead to the council not obtaining details of all comments or complaints made. Furthermore there is an insufficient audit trail to confirm that all complaints are responded to appropriately and in a timely manner as per contract.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed in principle</p> <p>SOLL Group Policy for recording comments is contained within OP 3.20 Customer Comments. The individual site has been trained on the company policy to deliver the consistent outcome. The Policy will be reviewed in our group monitor and review groups.</p> <p>Management Response: SOLL Vale Contract Manager</p>		September 2010

HEALTH & SAFETY

3. Contractor - H&S Operating Manuals

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All h&s operating procedures should be up-to-date and reviewed periodically.</p> <p><u>Findings</u> At the time of the audit key h&s operating manuals provided by the general manager had not been updated. These include manual handling which was last reviewed</p>	<p>It is recommended that all h&s manuals should be reviewed periodically and kept up-to-date. The dates when manuals are reviewed and when they are next due for review should be documented on the procedure review sheet or the manual itself.</p>	SOLL

<p>in 2007. Safety signs, fire prevention and fire protection systems had not been reviewed since 2005. The emergency action plan for Fire and Evacuation had not been reviewed since 2007.</p> <p>The operating procedure review sheet which shows when h&s safety operating manuals were last reviewed and when they are next due for review had not been updated.</p> <p><u>Risk</u> There is a risk that the council may be non-compliant with h&s legislation if h&s manuals are not reviewed and updated periodically. Staff may be unaware of procedures to follow which may also lead to instances of non-compliance.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed in principle</p> <p>SOLL has in place an annual plan to review all the H&S operating procedures. All policies were reviewed between 2008-2009 on a planned basis. Policy is reviewed on a reactive basis by the Monitoring and Review Group on 3 occasions annually.</p> <p>The Fire and Evacuation procedures were updated in April 2008.</p> <p>The Monitoring and Review Group, having reviewed all policies have approved a strategy that focuses on the health and safety implementation and standards over the year 2010-2011.</p> <p>SOLL had not amended the date documented on the manual handling policy and this is an administrative oversight. The date of the review was April 2009 and the policy document has been amended accordingly. The same applies for the safety signs policy which was reviewed in 2008.</p> <p>Review dates of procedures will continue to be monitored as part of quarterly health and safety inspections.</p> <p>Management Response: SOLL Vale Contract Manager</p>		<p>In Place</p>

4. Contractor - Monitoring Sheets

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Leisure Centres should ensure that all h&s</p>	<p>All h&s monitoring sheets should be fully completed by leisure centre staff in accordance with relevant h&s guidance.</p>	<p>SOLL</p>

<p>monitoring sheets are completed in accordance with all relevant h&s guidance.</p> <p><u>Findings</u> Daily Pool Water Test Sheets are not regularly completed.</p> <p><u>Risk</u> There is a risk that the leisure centres may be in non-compliance with h&s legislation. This may lead to the council being held liable if any issues/concerns arise regarding public safety leading to financial penalties and reputational damage.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed in principle</p> <p>SOLL at present have pool test sheets at each site which dictate frequency of pool tests for each pool.</p> <p>SOLL accept that pool test sheets have not been filled out as regularly as they should have been in relation to our record logs and this has been highlighted in SOLL's recent internal H&S monitoring. SOLL will enforce this procedure through the November H & S Seminar and ensure designated employees complete the checks.</p> <p>Completion of health and safety monitoring sheets is monitored during the quarterly health and safety monitoring checks.</p> <p>Management Response: SOLL Vale Contract Manager</p>		<p>November 2010</p>

5. Contractor - Criminal Records Bureau (CRB) Checks

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The council has a legal and moral responsibility to provide a duty of care to all children, young people and vulnerable adults.</p> <p><u>Findings:</u> At the time of the audit from the sample tested one employee contracted to act as a lifeguard from 01/03/2010 to date did not have a CRB check. Prior to this date the employee worked as a party host. From the role fulfilled by the employee</p>	<p>All relevant employees should have an up-to date CRB checks which should be renewed every five years.</p>	<p>SOLL</p>

<p>a CRB check is required.</p> <p><u>Risks</u> There is a risk that inappropriate individuals may have access to children and vulnerable adults. Furthermore if CRB checks are not renewed periodically new convictions may go undetected or unnoticed since the previous CRB check, putting the safety of vulnerable people at risk.</p>			
<p>Management Response</p>	<p>Implementation Date</p>		
<p>Recommendation is Not Agreed</p> <p>The Lifeguard in question, has held an enhanced CRB form since July. The application was made in March at the commencement of Jack's employment. As the position of Party Host & Lifeguard, the employee does not have any direct unsupervised contact with children. As a party host, we host the birthdays but the parents supervise. All the CRB information is held in the personnel office at Wantage Leisure Centre and Soll is satisfied that this is the correct location for confidential and sensitive information to be stored.</p> <p>Sample of CRB checks are reviewed (and will continue to be) as part of the quarterly health and safety inspections.</p> <p>Frequency of CRB checks are an industry issue which it is hoped will be resolved with the implementation of the new Independent Safeguarding Authority scheme which has currently been put on hold. In between time Soll will review the open ended nature of our current policy with its advisors.</p> <p>Management Response: SOLL Vale Contract Manager</p>		<p>Ongoing</p>	

6. Contractor - Insurance

(Low Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u> All Insurance claims should be reviewed to prevent re-occurrence of the accident.</p> <p><u>Findings</u> An insurance claim involving faulty equipment is currently in the process of being settled by SOLL. Whilst the council's monitoring team reviews monthly accident information; the insurance claims following the accidents are not reviewed.</p>	<p>Details of all insurance claims should be reviewed by the council's monitoring team</p>	<p>SOLL</p>

<u>Risk</u> There is a risk additional lessons are not being learned to prevent re-occurrence of the accident in the future.		
Management Response		Implementation Date
Recommendation is Agreed in Principle SOLL Leisure's insurers have settled the claim on 22 nd February 2010. All accidents and insurance claims are investigated fully either by Soll or its insurers. The group health and fitness manager reviewed all risk assessments relating to equipment after this incident occurred and information verifying these checks has been passed to Solls insurers. SOLL contract manager to inform officers of any claims being made in the council's facilities. Insurance claims to be included as agenda item in monthly contractor meetings. Management Response: SOLL Vale Contract Manager		Ongoing

CASH INCOME

7. Contractor – Cashing up Arrangement

(High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Income is processed accurately, transparently and in accordance with the contracts own procedures. <u>Findings</u> It was noted a second person was not regularly present during the cashing up process in accordance with the contracts own procedures. Discrepancies between till receipts and income recorded were noted. Discussions with the Finance Assistant confirmed the discrepancies had not been investigated at the leisure centre. Mathematical errors which had also not been investigated were noted on the daily banking sheets. <u>Risk</u> If accurate accounting	The GM should verify and confirm that the cashing up arrangements are satisfactory and include: <ul style="list-style-type: none"> • A second person to be present during the cashing up process • Information to be accurately recorded on the daily banking sheets and any discrepancies in cashing up should be investigated and appropriately recorded in a timely manner. 	SOLL

<p>records are not maintained the contractor may be non-compliant with its contractual obligations which are: 'The company shall maintain and provide complete and accurate operational and financial records'.</p>		
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Soll must implement and monitor its processes to ensure local compliance.</p> <p>Management Response: SOLL Vale Contract Manager</p>		<p>November 2010</p>

5. DWP: Security Breach of Customer Information System – August 2010

1. INTRODUCTION

- 1.1 This report details the findings from an investigation that has been conducted by Internal Audit in conjunction with Capita regarding a breach of security relating to access to the Department of Work and Pensions (DWP) Customer Information System. The investigation was instigated on receipt of a letter dated 5th August 2010 from the DWP, Housing Benefit Strategy Division alerting the Section 151 Officer to the apparent breach of security relating to an employee's access to the DWP: Customer Information System. The DWP had identified the operator as one authorised by this Council to access the DWP system.
- 1.2 This work has been undertaken as part of the contingency allowance within Internal Audit's 2010/2011 Audit Plan, agreed with the Audit and Governance Committee of Vale of White Horse District Council.
- 1.3 The following areas have been covered during the course of this review:
- To ascertain the person responsible and the circumstances surrounding the breach of security relating to the DWP site.
 - To confirm the process for dealing with a breach of security in relation to access to CIS.
 - To agree the outcome of the investigation.
 - To make recommendations to minimise the recurrence of future security breaches.

2. BACKGROUND

- 2.1 The Section 151 Officer was informed of a breach of security in relation to accessing the Department of Work and Pensions: customer information system. The Vale of White Horse District Council has signed up to the memorandum of understanding between the Department of Work and Pensions which sets out the framework and operation policy through which authorities can access benefit data for the administration of housing and council tax benefit purposes. DWP has rules regarding confidentiality of information. The Council has explicit responsibility for the security of DWP information and is accountable for actions of users with access to the DWP's customer information system. The incident took place on 12 May 2010, and the Council was informed on 5th August 2010.
- 2.2 The DWP requested that the Section 151 Officer investigate accesses to CIS which they considered were unauthorised. They had identified the incident took place on 12 May 2010 and related to five traces that did not appear to be business related. The accesses appear to trace children of the operator and the addresses of these children were outside of the area covered by the Vale of White Horse District Council.
- 2.3 The Section 151 officer delegated the investigation to the Auditor who identified that the alleged perpetrator was a benefits assessor employed by Capita on our contract. Capita Local Government Services as the financial services provider for the Council are required to ensure that users accessing the customer information system comply with the relevant legislation and the conditions of accessing CIS data.
- 2.4 The auditor in conjunction with the Capita Contract Manager (CCMH), who is based at Havant commenced an investigation on Monday 9th August 2010.

3. MAIN FINDINGS

- 3.1 **Summary of activity relating to the CIS: breach of security investigation**
- 3.2 Internal Audit identified perpetrator as the Capita employed benefits assessor (BA). The BA

has been employed by Capita since January 2009 and has been working on the processing of benefits claims on behalf of the council since June 2009. The BA signed a confidentiality agreement relating to CIS administration on 11 June 2009, a copy of which has been provided to Internal Audit as part of this investigation. On commencement of the investigation, the BA's CIS access and computer access was immediately revoked.

3.3 The BA was on annual leave from 6 August to 16 August and returned on 17 August 2010. During this period of absence, Capita's Contract Manager (CCMH) was asked to research the BA's personnel record to ascertain any connection with the traces undertaken on the CIS and obtain work records regarding work being carried out on 12 May 2010. The CCMH gathered sufficient evidence to conclude that the breach of security should be reviewed under Capita's disciplinary procedure.

3.4 **Disciplinary Hearing**

3.5 The BA returned from annual leave on Tuesday 17 August 2010 and was immediately suspended from duties by Capita Team Leader. The BA was informed of the reasons for his suspension, provided with a letter confirming his suspension, provided with a copy of his signed CIS: administration confidentiality agreement dated 11 June 2009 and given a further letter informing the BA to attend a disciplinary hearing on Friday 20th August 2010.

3.6 The disciplinary hearing took place on Friday 20 August at 2pm. The BA chose not to be accompanied by a Trade Union representative or work colleague. The BA confirmed that it must have been him who did the traces; the dates of birth were that of the BA's children but the BA would not disclose his reasons for undertaking the traces.

Outcome of Disciplinary Hearing

3.7 Capita's Contract Manager, Havant (CCMH) has concluded that the BA used CIS for unauthorised non-work related purposes, which constitutes gross misconduct and the CCMH's decision was immediate dismissal. A letter to confirm the decision was sent on 23 August and the recipient had 5 days in which to appeal the decision. An appeal has not been lodged and Capita has confirmed the dismissal is concluded.

3.8 Internal Audit having taken advice from Thames Valley Police Authority and DWP, who have suggested that the incident constitutes a criminal offence under Section 55 of the Data Protection Act 1998 and section 1(1) of the Computer Misuse Act 1990 and should therefore, be reported to Hampshire and Isle of Wight Police Authority.

3.9 Following the conclusion of the audit investigation Internal Audit notified the Hampshire and Isle of Wight police, who confirm they would investigate the potential criminal offence.

3.10 **Prevention Measures**

3.11 Five recommendations have been made to address the issues arising from this investigation.

4. CONCLUSIONS

4.1 Internal Audit would conclude that control weaknesses have been identified, which are as follows:

- A significant delay occurred before the Section 151 officer was informed of the CIS: Breach of security by the DWP. The incident took place on 12 May and the Council was not informed until 5 August 2010.
- Capita did not have adequate processes in place to detect the breach by its employee and did not alert the Council's section 151 officer of this particular breach of security.
- Internal Audit was unable to establish if user permissions are reviewed periodically to ensure compliance with the DWP rules and regulations.

- Assurance should be provided that Capita have undertaken periodic security check as required by the Council's section 151 officer and submit to the Council information to confirm these arrangements.
- 4.2 Effective remedial action was taken in that the Capita employee has been dismissed. This is the first incident requiring a joint investigation and the collaboration worked very effectively. The investigation was initiated immediately, the fieldwork was completed within days and the offender was dismissed within a minimum timescale.
- 4.3 Internal Audit recommends that Capita should inform all staff with similar access rights of the circumstances relating to their colleague's dismissal to serve as a deterrent to all employees working with confidential data.

RECOMMENDATIONS

Internal Audit has made a number of recommendations to improve control processes relating to accessing data for the administration of the housing benefit service.

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

High Fundamental control weakness for senior management action

Medium Other control weakness for local management action

Low Recommended best practice to improve overall control

PREVENTIVE MEASURES

1. Notification of Breach of Security incident

(High Risk)

Recommendation
The Section 151 officer should request that Capita introduce measures to alert the Council's section 151 officer of any breach of security relating to accessing benefit data via the DWP: Customer Information Systems in a timely manner.
Management Response
Recommendation is Agreed
Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 30 October 2010.
Management Response: Strategic Director and s. 151 officer

2. Proactive checks regarding breach of security issues

(High Risk)

Recommendation
The Section 151 officer should request that Capita adopt a process for undertaking adequate proactive checks to regularly detect any breach of security rules.
Management Response
Recommendation is Agreed
Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.
Management Response: Strategic Director and s. 151 officer

3. User permissions**(Medium Risk)**

Recommendation
The Section 151 officer should request that Capita review user permissions to access DWP data periodically to ensure compliance to the DWP rules and regulations.
Management Response
Recommendation is Agreed
Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.
Management Response: Strategic Director and s. 151 office

4. Confirmation of periodic review on security checks**(Low Risk)**

Recommendation
The Section 151 officer should be provided with assurances that Capita have undertaken periodic security checks as required by the Council's section 151 officer and submit information to confirm these arrangements.
Management Response
Recommendation is Agreed
Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.
Management Response: Strategic Director and s. 151 officer

5. Publication of information relating to security arrangements**(Low Risk)**

Recommendation
The Section 151 officer should request that Capita inform all staff with similar access rights of the circumstances and consequences relating to their colleague's dismissal to serve as a deterrent to all employees working with confidential data.
Management Response
Recommendation is Agreed
Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 30 October 2010.
Management Response: Strategic Director and s. 151 officer

Internal Audit will undertake a follow-up review of control processes operating within Capita regarding the access to DWP customer information systems in March 2011.

6. VALUE FOR MONEY IN PROCUREMENT FOLLOW UP 2009/10

1. INTRODUCTION

- 1.1 This report details the findings from internal audit's follow-up review of VFM Procurement 2009/2010. The original fieldwork was undertaken in June 2009 and the final report was issued in November 2009. Follow-up work has been undertaken in accordance with the 2010/2011 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 18 Recommendations and 15 were agreed. A Limited Assurance level opinion was issued.

3. FOLLOW UP MAIN FINDINGS

- 3.1 The review found that eight recommendations were implemented, five recommendations were not implemented and revised implementation dates have been agreed. Two recommendations were no longer applicable following the recent management restructure at the council.

FOLLOW-UP OBSERVATIONS

STRATEGY AND PROCEDURES

1. Strategy

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) To review and update the procurement strategy to the latest government procurement requirement and Council requirements.</p> <p>b) To update the procurement spend information within the strategy.</p>	<p><u>Best Practice</u> To ensure that the published procurement strategy accurately reflects the current government guidelines and the Council's requirements in the areas of procurement.</p> <p><u>Findings</u> The spend analysis within the procurement strategy is dated 2006/07 and the procurement strategy itself has not been updated since 2007. With the National Procurement Strategy now over its three year life span, Internal Audit was not clear on the government requirements going forward and how this affects the current strategy and procedures in place. The Head of Commercial Services stated that the procurement processes will be harmonised along with taking on many of the SODC processes, documents and guidance.</p> <p><u>Risk</u> Strategy, procedures and working practices move away from current government requirements leading to unsatisfactory delivery performance with possible reputational damage to the Council.</p>	<p>Head of Commercial Services</p>
Management Response		Implementation Date

<p>Recommendation is Agreed in Principle Head of Commercial Services is currently the responsible officer for the Vale's procurement strategy.</p> <p>Management Response: Organisational Change Group Manager</p>	1 April 2011
Follow-Up Observations	
<p>This action is now the responsibility of the Shared Performance and Project Manager (SPPM).</p> <p>From discussion with the SPPM it was confirmed that this recommendation is no longer relevant as the National Procurement Strategy ran from 2003 to 2006, and has never been made law or audited by government. It has also not been replaced by new legislation. However; best practice has been incorporated within the council's current procurement strategy.</p>	Not Applicable

2. Strategy Actions

(Low Risk)

Recommendation	Rationale	Responsibility
To review whether implementing an e-tendering solution is still a requirement for the Council.	<p>Best Practice To provide clear information to the general public on how to conduct business with the Council.</p> <p>Findings Internal Audit noted that in the procurement strategy it is mentioned that an e-tendering solution will be adopted. Internal Audit could not find any evidence of an e-tendering solution in place at the Council.</p> <p>Risk Without clear guidance and information in place for suppliers to use, the Council could restrict certain suppliers from the procurement activity and lose value for money.</p>	Head of Commercial Services
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The reference to e-tendering in the procurement strategy is currently the responsibility of the Head of Commercial Services.</p> <p>Management Response: Organisational Change Group Manager</p>		31 March 2010
Follow-Up Observations		
<p>From discussion, with the Head of Commercial Services it was confirmed VWHDC has now adopted the SODC e-tendering system which was implemented by the Shared Performance and Projects Officer (SPPO).</p> <p>From discussion with the SPPO, it was confirmed that the e-tendering system was harmonised in mid 2010 and has already been used for opening Vale tenders.</p>		Implemented

3. Procedures and Guidelines

(Medium Risk)

Recommendation	Rationale	Responsibility
To include in the Council's intranet site a robust set of procedures and process guidelines for the whole	<p>Best Practice To provide officers with a robust set of procedures and process guidelines for the whole procurement process with guidance on purchasing specific goods or services,</p>	Shared Performance Manager

procurement process on purchasing specific goods or services and where to look for existing contracts and framework agreements.	<p>where to look for existing contracts and the decisions to be made prior to entering a new tender exercise.</p> <p><u>Findings</u> Other than the procurement strategy, procurement procedural rules stated in the constitution and the generic project management methodology, no formal procurement procedures or guidance were found to be in place.</p> <p><u>Risk</u> Without detailed guidance and procedures in place for the procurement process, inappropriate processes are used in procurement projects, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.</p>	
Management Response		Implementation Date
Recommendation is Agreed		30 September 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From review, IA can confirm that the Joint intranet page includes detailed procedures and guidelines for the procurement process. A flow chart details how to start the tender process.		Implemented

4. e -Marketplace

(Low Risk)

Recommendation	Rationale	Responsibility
To include the Council's tender opportunities within the South East Business Portal.	<p><u>Best Practice</u> To publish contract opportunities to a wide audience to attract a good range of potential suppliers with increased chances of value for money.</p> <p><u>Findings</u> Although the Council uploads tender information to the website, OJEU and Mytenders, it was noted that the Council does not upload tender information to the linked South East Business Portal which is a portal designed to allow the sharing of information about existing contracts (Contract Store) and forthcoming tendering opportunities (Opportunities) across the 74 councils. Also in line with the SODC tender publication scheme.</p> <p><u>Risk</u> Tenders do not reach the wider supply chain community therefore chances of achieving better value for money is limited.</p>	Current Project Managers, and if 3 above is implemented, other officers that are carrying out procurement procedures, will adopt this forthwith. Shared Performance Manager to oversee.
Management Response		Implementation Date
Recommendation is Agreed The current Project Managers, and if 3 above is implemented, other officers that are carrying out procurement procedures, will adopt this forthwith.		Immediate

Management Response: Organisational Change Group Manager	
Follow-Up Observations	
From observation, IA can confirm that the Council's tender opportunities are now available on the South East Business Portal (SEBP). IA can confirm a current tender for the delivery of Joint Payroll Service can be seen on the SEBP	Implemented

5. Framework Agreements

Recommendation	Rationale	Responsibility
To publish listings of framework agreements and contracts on the Council's intranet site.	<p><u>Best Practice</u> To ensure that easily assessable information is available to officers on contracts and framework agreements.</p> <p><u>Findings</u> Internal Audit could not locate any listings of framework agreements in place to assist officers in understanding what the Council buys and which suppliers to use for certain commodities.</p> <p><u>Risk</u> Without clear information available, officers are unaware of the existing supplier agreements in place for specific goods or services, leading to wasted resource levels in identifying or sourcing from other providers.</p>	Head of Legal & Democratic Services in conjunction with Shared Performance Manager
Management Response		Implementation Date
Recommendation is Agreed in Principle		30 June 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From observation IA can confirm Framework Agreements are available on the Joint Intranet page and include contact details for the different types of Items the council buys. The Framework Agreement also includes details of authorised suppliers used.		Implemented

ECOMMERCE

6. Performance Information / Database

(Low Risk)

Recommendation	Rationale	Responsibility
To include in the Council's intranet site a section on supplier performance showing current and past performance of suppliers with linked documentation for Executive or Scrutiny reports and minutes.	<p><u>Best Practice</u> To store supplier performance information in a centralised system or location to allow for appropriate monitoring and analysis to take place and to ensure information is freely available to officers.</p> <p><u>Findings</u> The system for capturing performance lies with the owning officer for the procurement project, with reports being presented to the Executive or Scrutiny on an annual basis. Internal Audit could not find any evidence of a centralised spreadsheet, database or intranet site to monitor performance of suppliers and to show year on year trends.</p>	Shared Performance Manager

	<p><u>Risk</u> Without easily assessable and reliable performance information available to monitor performance of the contractor, opportunities to increase value for money and to manage performance issues and actions will not be taken in a timely manner to rectify any potential delivery, price and quality performance issues.</p>	
Management Response		Implementation Date
Recommendation is Agreed in Principle		30 September 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From discussion with the SPPM it was confirmed that the current system has been harmonized for use by Vale officers and the shared intranet has been updated but no contractor reviews have yet been completed or are scheduled to take place.		Not implemented Revised Implementation date: 1 April 2011
IA agreed a revised implementation date.		

7. Contracts Register

(Low Risk)

Recommendation	Rationale	Responsibility
To update the existing contracts register with the inclusion of contract length, start and end date, value and owning contract officer. To also publish on the Councils' intranet site.	<p><u>Best Practice</u> To ensure an up to date contracts register is freely available with accurate information to ensure that contract dates can be freely assessed to allow for a timely re-tendering or contract extension.</p> <p><u>Findings</u> The contracts register available through legal services had not been updated since 2007. It was also not freely available to officers to review as and when required.</p> <p><u>Risk</u> Failure to incorporate an up to date contracts register, leading to non compliance with the national procurement strategy and poor visibility of contract end dates.</p>	Head of Legal & Democratic in conjunction with Shared Performance Manager
Management Response		Implementation Date
Recommendation is Agreed in Principle		30 September 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From observation IA can confirm that the Contracts Register has been published on the intranet and includes details of the start and end date of the contract, value and details of the Officer responsible for the contract.		Implemented

RISK MANAGEMENT

8. Risk Analysis

(High Risk)

Recommendation	Rationale	Responsibility
To ensure that an	<u>Best Practice</u>	Shared Performance

appropriate procurement risk management process is in place and followed for all procurement projects.	<p>An appropriate procurement risk management process is in place, to identify, evaluate and apply mitigation techniques to reduce risk exposure and financial loss.</p> <p><u>Findings</u> Of the procurement projects audited, one contained a thorough risk analysis, the VoIP contained minimal risk analysis and for the Cash Receipting and Lean projects Internal Audit could not find any evidence of a risk management process being followed.</p> <p><u>Risk</u> Without an appropriate procurement risk management process in place, inadequate identification, evaluation and mitigation techniques could lead to risk exposure and financial loss.</p>	Manager
Management Response		Implementation Date
Recommendation is Agreed		30 June 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From discussion with the Corporate Risk Officer, it was confirmed that the Procurement and Projects post responsible for the implementation of this recommendation has not yet been recruited and therefore, this recommendation has not been implemented.		Not Implemented
IA agreed a revised implementation date.		Revised implementation date: 1 April 2011

9. KPI's (Key Performance Indicators)

(Medium Risk)

Recommendation	Rationale	Responsibility
To ensure that where appropriate, supplier performance measures are agreed and included into contracts as KPI's to ensure adequate supplier performance measurement can be achieved.	<p><u>Best Practice</u> To incorporate agreed KPI's into contracts in order to ensure performance levels required by the Council are legal binding and adhered to for the duration of the contract.</p> <p><u>Findings</u> Of the available and working contracts tested, neither the VoIP, (Telephone) or Cash Receipting contract contained contractual KPI's in order to measure supplier performance.</p> <p><u>Risk</u> Without agreed performance measures in place to monitor performance of the contractor, actions will not be taken in a timely manner to rectify any potential delivery, price and quality performance issues.</p>	N/A
Management Response		Implementation Date
Recommendation is Not Agreed Already in place.		N/A

<p>Management Response: Organisational Change Group Manager</p> <p>Internal Audit Comment: KPI's were not evident within the documentation provided and reviewed as part of the audit sample size.</p>	
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10. Contractual Payment Deductions

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Include in future contracts, appropriate payment deductions for poor delivery against KPI's or general service delivery.</p>	<p><u>Best Practice</u> Suitable payment deductions against KPI's or general service delivery are built into the contract to mitigate the risk of poor service delivery by the contractor.</p> <p><u>Findings</u> Of the available and working contracts tested, neither the VoIP, (Telephone) or Cash Receipting contract contained contractual payment deductions for poor performance of the supplier.</p> <p><u>Risk</u> Without suitable contractual payment deductions in place for poor supplier performance, a lack of controls could lead to unsatisfactory delivery performance and resulting reputational and financial damage to the Council.</p>	N/A
Management Response	Implementation Date	
<p>Recommendation is Not Agreed All contracts let by the Projects Office are subject to a payment schedule that clearly states the terms under which payment will be made i.e. only when specific deliverables have been met and agreed as satisfactory by the council.</p> <p>Management Response: Organisational Change Group Manager</p> <p>Internal Audit Comment: The sample payment schedule provided to Internal Audit after issuing the draft audit report was a draft version, and related to delivery and installation and not specifically KPI's.</p>	N/A	

11. Small Supplier Equal Opportunities

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>To review whether the small business concordat has been adopted in entirety and address any outstanding items as required.</p>	<p><u>Best Practice</u> That all suppliers are treated equally and are provided the necessary information on what to expect when dealing with local government.</p> <p><u>Findings</u> Internal Audit noted that the Council intended to sign up to the small business friendly concordat by the end of March 2008. It was not clear to Internal Audit whether the Council has yet signed up to this good practice guidance.</p> <p><u>Risk</u> Without appropriate thought and</p>	<p>Head of Commercial Services in conjunction with Shared Performance Manager</p>

	information in place, small and medium sized businesses could form the opinion that the Council is allowing larger businesses to gain competitive advantage in the tendering process.	
Management Response		Implementation Date
Recommendation is Agreed in Principle		30 September 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From discussion with the Corporate Risk Officer, it was confirmed that the Procurement and Projects post responsible for the implementation of this recommendation has not yet been recruited and therefore, this recommendation has not been implemented.		Not Implemented
IA agreed a revised implementation date.		Revised Implementation Date: 1 st April 2011

CONTRACT STRATEGIES

12. Contract Strategy

Recommendation	Rationale	Responsibility
To include in the procurement strategy a reference or references to the different contract options available to the Council.	<p><u>Best Practice</u> To implement a contract strategy and/or assess the procurement strategy to ensure the Council is providing direction on contracts types that deliver best value for money.</p> <p><u>Findings</u> The Council has not adopted a contract strategy.</p> <p><u>Risk</u> An inappropriate contract strategy and/or management process is used, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.</p>	Head of Commercial Services
Management Response		Implementation Date
Recommendation is Agreed in Principle The Vale procurement strategy is currently the responsibility of the Head of Commercial Services.		30 September 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
This recommendation is now the responsibility of the SPPM.		Not Applicable
From observation and discussion with the SPPM, it was confirmed that that the options for choosing which procurement route to follow are now available on the intranet procurement flowchart and therefore the need for separate guidance is no longer necessary. The SPPM further confirmed that it is unlikely that the management team will consider the production of a procurement strategy due to shortage of resources in the current climate.		

13. Contract Management

(Medium Risk)

Recommendation	Rationale	Responsibility
a) To adopt a process to	Best Practice	b) Head of Legal &

<p>ensure signed contracts are either in place prior to commencement of any works. Where this cannot be achieved, outstanding actions are recorded, managed and completed within a reasonable timescale.</p> <p>b) To ensure a control mechanism is in place to provide traceability on contract files.</p>	<p>Agreed procurement processes and rules are adhered to at all times.</p> <p><u>Findings</u> Of the available and working contracts tested the VoIP (Telephone) was not yet signed and the allegedly signed Cash Receipting contract could not be found.</p> <p><u>Risk</u> Without a legally binding agreement, termination or change of services could lead to insufficient insurance cover in place for the Council.</p>	Democratic Services
Management Response		Implementation Date
<p>a) Recommendation is Not Agreed b) Recommendation is Agreed in Principle</p> <p>a) Final contract T&Cs are emailed to the company for approval prior to the contract being bound for signing etc. Once the company has agreed the T&Cs a 'contract' is in place. The signing of the documents is the formal completion. It would be impractical to insist on signed contracts being in place prior to commencement in all cases. However, wherever possible this should be the case.</p> <p>Management Response: Organisational Change Group Manager</p>		<p>b) 30 September 2010</p>
Follow-Up Observations		
<p>It was confirmed via email from the Head of Legal and Democratic Services that 'where the legal team is involved in drafting/completing contracts, a system is in place for the original contract documents to be stored in the strong room once they have been completed. The corresponding files are traceable through the legal team's work logging/time-recording system.</p>		Implemented

PROCUREMENT PROJECTS

14. Documentation

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) To ensure that project initiation documents are defined and managed appropriately in accordance with the project management system.</p> <p>b) That the lean procurement project has in place an approved Business Case and defined Project Initiation Document (PID).</p> <p>c) That project documentation is stored in a centralized location.</p> <p>d) That a cost benefit analysis forms a required component of the project</p>	<p><u>Best Practice</u> Agreed procurement processes and rules are adhered to at all times. Storage of documentation is centralized to allow for knowledge capture.</p> <p><u>Findings</u> Telephones: Project Initiation Document was not evidenced as a standalone document. The Organisation Change Group Manager stated that this was part of the Business Case.</p> <p>Cash receipting: PID was not evidenced as a standalone document. The Organisation Change Group Manager stated that this was part of the Business Case. Minimal Cost Benefit Analysis (CBA) evidenced.</p> <p>Lean: Business Case not available through the projects team. PID not in place. A Cost Benefit Analysis (CBA) was not available</p>	<p>a) Shared Performance Manager</p> <p>c) Shared Performance Manager</p>

management system.	through projects team. Not all documentation was freely available through the OC team. The usage of the PID, although a required document, the usage appeared to be down to the discretion of the project manager. <u>Risk</u> With an inappropriate management process in use, lack of control in procurement projects could lead to unsatisfactory delivery performance and resulting reputational damage to the Council.	
Management Response		Implementation Date
<p>a) & c) Recommendations are Agreed in Principle b) & d) Recommendations are Not Agreed</p> <p>b) The Lean project already has a PID in place (attached). d) The CBA should form part of the Business Case put together by the Project Sponsor in support for the bid for funding. The Council's Project Management Methodology states:</p> <p>“The Project Sponsor is the person or body that authorises the production of a Business Case. The Business Case identifies the objectives and benefits expected of the project, which may be Financial, Strategic or Legislative.</p> <p>The Project Sponsor is responsible for the production of the Business Case and gaining the Authorities approval and funding for the project.</p> <p>Management Response: Organisational Change Group Manager Internal Audit Comment: The Lean PID provided to Internal Audit after issuing the draft audit report was not a signed copy.</p>		a) & c) 30 September 2010
Follow-Up Observations		
<p>14 a) & c) From discussion with the Corporate Risk Officer, it was confirmed that the Procurement and Projects post responsible for the implementation of this recommendation has not yet been recruited and therefore, this recommendation has not been implemented.</p> <p>IA agreed a revised implementation date.</p>		<p>Not Implemented.</p> <p>Revised Implementation Date: 1st April 2011</p>

FINANCIAL AND MANAGEMENT INFORMATION

15. Financial Systems

Recommendation	Rationale	Responsibility
To jointly review with SODC a previous SODC audit surrounding procurement Local Performance Indicators and splitting of creditor payments with a view to implementing within Agresso.	<p><u>Best Practice</u> That the Financial and Management Information System is able to provide sufficiently focused data on procurement spend with key suppliers, by contract, product or service, in a reasonable timescale to enable the Council to meet its policy commitments, and to facilitate best practice procurement.</p> <p><u>Findings</u> Internal Audit could not find any evidence of standard Agresso measurements and corresponding reports surrounding procurement spend. The SODC</p>	Shared Performance Manager

	<p>procurement audit from 06/07 identified eight Local Performance Indicators with Capita agreeing to implement. An additional item from the 06/07 audit included splitting of creditor payments to facilitate reporting and data analysis. Upon discussion with the Senior Revenues & Benefits Client Officer, it was apparent that this is not in place and questionable as to whether any of the indicators were actually agreed with Capita.</p> <p><u>Risk</u> Without reliable procurement financial and management information, opportunities to increase value for money and to manage expenditure will not be possible with potential loss of income and fraud or malpractice going unnoticed.</p>	
Management Response		Implementation Date
Recommendation is Agreed		30 June 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From observation IA can confirm Spikes Cavell have undertaken a spend analysis for all 74 councils in the South East, to provide each with data split by creditor category e.g. SMEs. This information is published at www.spotlightonspend.org.uk . From discussion with the SPPM it was confirmed the above data will provide the council with actionable management information and will improve the purchase of commodities.		Implemented

16. Tender Process

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) To define a standard form for documenting the tender opening process. To ensure the inclusion of signature, name, position and date. Also to define a centralized storage location for the signed copies.</p> <p>b) To include the costing element of the tender evaluation into the scoring matrix with an agreed weighting.</p> <p>c) Project board confirmation of supplier documents should be signed and dated.</p> <p>d) That the Project Board confirmation of supplier document for the Cash receipting project is evidenced and filed accordingly.</p>	<p><u>Best Practice</u> Tender openings are fully documented with clear information on tenders and officers present. Tender evaluations should be consistent in the method of obtaining value for money.</p> <p><u>Findings</u> Telephones: No cost evaluation was evident with the tender evaluation spreadsheet. Project Board performed confirmation of supplier but no signatures in place on the document.</p> <p>Cash receipting: Tender evaluation document was signed but the officer's name and position were not stated on the tender opening document. Project board confirmation of supplier was performed by email with no signed documentation in place.</p> <p>Lean: No signatures were in place on the tender opening document/record. No cost evaluation was evident with the tender evaluation spreadsheet.</p> <p>The costing element of the tender evaluation was not included in any of the</p>	<p>a) Democratic Services Manager</p>

	tender evaluation scoring matrices with an agreed appropriate weighting. <u>Risk</u> The Council could receive complaints of anti-competitive procedures and patronage if it enters into contracts that have not been the subject of fair and consistent procurement arrangements.	
Management Response		Implementation Date
<p>Recommendation is a) Agreed in Principle b) – d) Not Agreed</p> <p>b) The criteria for selection is clearly defined in the new Tender Evaluation Policy, which states that the lowest price that meets the essential criteria will be selected. Hence, the evaluation is run against the requirement table to confirm which companies meet the essential criteria. The cost of each of the compliant companies is then checked to identify the lowest price.</p> <p>c) This is not necessary. Electronic documentary evidence (email) is available and can be stored with the electronic documents.</p> <p>d) See c) above</p> <p>Management Response: Organisational Change Group Manager</p> <p>Internal Audit Comment: b) The Tender Evaluation Policy appears to have conflicting requirements on evaluation of price, with both a weighting system and a blanket lowest price acceptance method. c) and d) Email exchanges not provided to Internal Audit.</p>		a) 30 April 2010
Follow-Up Observations		
a) From review IA can confirm the SPPM, has implemented a harmonised design of tender opening record document, which meets the recommendation.		Implemented

17. Register of Interests

(Medium Risk)

Recommendation	Rationale	Responsibility
To perform a review of part 5 of the constitution on Staff Code Of Conduct to ensure outstanding issues surrounding the Staff Code Of Conduct are addressed in a timely manner.	<p><u>Best Practice</u> To ensure that inclusions in the constitution are complete and performed in a timely manner.</p> <p><u>Findings</u> Internal Audit noted that within part 5 of the constitution (Staff Code Of Conduct -), staff must comply with any requirement of the Council to register or declare any interest. Upon discussion with the Democratic Services Manager, although this is stated in the constitution it became apparent that this area is still work in progress. Internal Audit felt that as the staff code of conduct was introduced in 2007 that an excessive time delay has occurred without appropriate action and clarification.</p> <p><u>Risk</u> Officers are unaware or unsure on their responsibilities surrounding code of conduct exposing the Council to allegations of Code</p>	Democratic Services Manager

	breach leading to potential fraud and corruption and/or inappropriate behaviour.	
Management Response		Implementation Date
Recommendation is Agreed in Principle		30 April 2010
Management Response: Organisational Change Group Manager		
Follow-Up Observations		
From discussion with the HR Manager it was confirmed that due to lack of resources, this recommendation has not been implemented.		Not implemented.
IA agreed a revised implementation date.		Revised Implementation Date: 1 April 2011

PERFORMANCE

18. Contractual Quality Standards

(Medium Risk)

Recommendation	Rationale	Responsibility
To ensure that an appropriate section on Quality Assurance is built into all new contracts.	<p>Best Practice Suppliers should be able to demonstrate the adoption and adherence to an appropriate quality management system to ensure their services and/or products meet a defined standard.</p> <p>Findings There was no mention of quality standards/systems requirement within either the Telephones (VoIP) or Cash Receiving contracts.</p> <p>Risk Without contractual adherence to any quality management system, services and/or products provided could fall below an industry standard, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.</p>	N/A
Management Response		Implementation Date
Recommendation is Not Agreed Clarification is required on what this means in the context of the VoIP and Cash Receiving contracts.		N/A
The OGC procurement guidance does not recommend the inclusion of quality standards per se in contracts, only in those contracts where there is a legal requirement to adhere to a particular standard. Even then, in most cases this is covered by the caveat 'or equivalent'. This is to ensure that there is no discrimination.		
Management Response: Organisational Change Group Manager		