

# **Audit and Governance Committee Report**



## **4 July 2011**

Report of **Audit Manager**

Report No. 6/11

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Wards Affected

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To: Audit and Governance Committee

DATE: 04 July 2011

## **Internal audit activity report quarter one 2011/2012**

### **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 Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

## **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

## **2011/2012 Audit Reports**

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

### **Completed Audits**

Full Assurance: 0

Satisfactory Assurance: 10

Limited Assurance: 3

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
<b>Capital Accounting</b>	-	<b>Satisfactory</b>	<b>2</b>	0	0	1	1	1	1
<b>Treasury Management</b>	-	<b>Satisfactory</b>	<b>6</b>	0	0	2	2	4	4
<b>Equalities and Diversity</b>	-	<b>Satisfactory</b>	<b>4</b>	0	0	1	1	3	3
<b>Creditor Payments</b>	-	<b>Satisfactory</b>	<b>5</b>	0	0	1	1	4	4
<b>Sundry Debtors</b>	-	<b>Satisfactory</b>	<b>4</b>	0	0	1	1	3	3
<b>General Ledger</b>	-	<b>Satisfactory</b>	<b>10</b>	0	0	5	5	5	4
<b>Council Tax</b>	-	<b>Satisfactory</b>	<b>5</b>	0	0	1	1	4	4
<b>1. ICT</b>	<b>10</b>	<b>Limited</b>	<b>8</b>	1	1	4	4	3	3
<b>Time Management</b>	-	<b>Satisfactory</b>	<b>4</b>	0	0	4	4	0	0
<b>2. Mortgage Administration</b>	<b>18</b>	<b>Limited</b>	<b>6</b>	2	2	3	3	1	1
<b>Pro-Active Anti-Fraud</b>	-	<b>Satisfactory</b>	<b>3</b>	0	0	3	3	0	0
<b>3. Travelling and Subsistence Expenses</b>	<b>25</b>	<b>Limited</b>	<b>15</b>	1	1	8	8	6	6
<b>Stray Dogs</b>	-	<b>Satisfactory</b>	<b>3</b>	1	1	2	2	0	0

## Follow Up Reviews

	Page Ref	Original Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
<b>Car Loans</b>	-	<b>Limited</b>	<b>2</b>	2	0	0	0
<b>HR Grievance</b>	-	<b>Full</b>	<b>3</b>	2	0	1	0
<b>HR Recruitment</b>	-	<b>Satisfactory</b>	<b>4</b>	2	1	1	0

8. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory, full assurance or follow up 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 committee members are alerted by e-mail when reports are published.
11. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

## Financial Implications

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

## Legal Implications

13. None.

## Risks

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

ADRIANNA PARTRIDGE  
AUDIT MANAGER

## **1. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) 2010/2011**

### **1. INTRODUCTION**

- 1.1 The fieldwork for this audit was undertaken between March and April 2011 and the final report was issued on 12 May 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
  - adequate strategies and policies are in place for ICT and are harmonised across both sites;
  - controls and processes are in place for the management of ICT systems;
  - appropriate security arrangements are in place for ICT systems;
  - adequate licences are in place for software and there is access to required systems from all sites; and
  - ICT systems are properly backed up.

### **2. BACKGROUND**

- 2.1 The IT operations team is harmonised between VWHDC and South Oxfordshire District Council (SODC), and consists of a shared IT operations manager and four teams (telecommunications, IT security, SODC helpdesk and VWHDC helpdesk).
- 2.2 The IT operations team is responsible for:
  - enhancing and maintaining the councils' business software applications;
  - making sure that the councils' computers and telephones are updated regularly, and keep working reliably and securely; and
  - providing technical support, training and advice via the helpdesk.

### **3. PREVIOUS AUDIT REPORTS**

- 3.1 ICT was last subject to an internal audit review in 2007/2008 and 11 recommendations were raised, four medium risk and seven low risk. A satisfactory assurance opinion was issued.
- 3.2 Of the 11 recommendations made, nine were agreed. Two are considered to no longer be applicable due to changes in the delivery of IT operations, and the remaining seven recommendations have all been implemented satisfactorily.

### **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 Eight recommendations have been raised in this review. One High risk, Four Medium risk and Three Low risk.

## **5. MAIN FINDINGS**

### **5.1 Strategies and policies**

- 5.1.1 Comprehensive strategies and polices are in place for ICT, and good progress has been made in harmonising the strategies and policies with SODC. Clear ownership for the strategies and policies has been assigned and the majority of them are available to all officers via the intranet. However, it was noted that some job descriptions require updating and the joint IT strategy needs to be made available to officers via the intranet. Two recommendations have been made as a result of our work in this area.

### **5.2 Management of ICT systems**

- 5.2.1 The system currently being used by the IT operations team for the management of ICT equipment is Spiceworks, and it is considered to be adequate. However, best practice was identified at SODC of a technology statement supporting the procurement of IT equipment and it is proposed that this statement is introduced at VWHDC. The system currently being used to manage all change requests and incident management calls is HEAT. The application allows for call logging of independent calls, however it was noted that service level agreement (SLA) priorities within HEAT are not currently aligned with the council agreed SLA priorities for responding to a helpdesk call, it does not have adequate authorisation protocols within the system and it does not have an adequate audit tracking facility for each stage of a response to a helpdesk call. Four recommendations have been made as a result of our work in this area.

### **5.3 Security arrangements**

- 5.3.1 An adequate information governance and security policy is in place, which is accessible to all council officers. Adequate processes are in place for controlling access to ICT systems for starters and leavers, however it was noted that from a sample of five new starters the necessary authorisation forms could not be found for three new starters. Appropriate network security arrangements are in place, which are subject to frequent vulnerability tests and management review. Internal audit could also confirm that physical security arrangements within the ICT office, ICT storeroom and ICT server room are adequate. One recommendation has been made as a result of our work in this area.

### **5.4 Software licences**

- 5.4.1 The Spiceworks system used by VWHDC for recording all ICT equipment, ensures adequate controls over the management of software licences. Internal audit is satisfied that the council has adequate licences for current usage requirements, and that access to required VWHDC systems is available for staff officers from different sites and when working remotely. No recommendations have been made as a result of our work in this area.

## 5.5 Back up arrangements

5.5.1 Adequate back up and insurance arrangements for ICT systems and equipment are in place, which are managed appropriately by the IT operations team. However, it was noted that the council's ICT arrangements have not been subject to a disaster recovery test since 2009. In addition, reports documenting the results of the last disaster recovery test and whether any appropriate action following the test had been taken could not be obtained by internal audit. One recommendation has been made as a result of our work in this area.

## OBSERVATIONS AND RECOMMENDATIONS

### STRATEGIES AND POLICIES

#### 1. Job descriptions

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Up to date job descriptions should be in place for all staff officers.</p> <p><u>Findings</u> It was noted that 2 out of 4 team leaders did not have an adequate job description and 1 further team leader did not have an up to date job description.</p> <p><u>Risk</u> If adequate job descriptions are not in place, poor performance may not be managed appropriately as roles and responsibilities have not been clearly defined.</p>	The job descriptions for each member of the IT operations team should be reviewed and updated where necessary.	Shared IT Operations Manager
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b> Will review and update job descriptions.</p> <p>Management Response: Shared IT Operations Manager</p>		30 October 2011

#### 2. IT strategy

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Strategies should be made available to all officers to ensure effective support.</p>	The joint IT strategy should be made available to all officers via the intranet.	Shared IT Operations Manager

<u>Findings</u> It was noted that the IT strategy is not available on the intranet.		
<u>Risk</u> If strategies are not widely communicated, there is a risk that the desired objectives will not be achieved.		
<b>Management Response</b> Recommendation is <b>Agreed</b> Will liaise with IT intranet authors to establish an intranet page with links to IT strategy documents.  Management Response: Shared IT Operations Manager		<b>Implementation Date</b> 30 June 2011

## MANAGEMENT OF ICT SYSTEMS

### 3. Technology statement (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The purchase of ICT equipment should be effectively controlled, and standardised hardware and software should be obtained.	The technology statement currently in place at SODC which governs the purchase of ICT equipment should be written and applied to VWHDC.	Shared IT Operations Manager
<u>Findings</u> It was noted that at SODC a technology statement is in place which governs the standards required for the purchase of ICT equipment. Such a statement is not in place at VWHDC.		
<u>Risk</u> If adequate guidance is not issued for the purchase of ICT equipment, there is a risk that equipment may be purchased which is not compliant with the council's operating system and any purchase agreements incorporating best value prices may not be utilised.		
<b>Management Response</b> Recommendation is <b>Agreed</b> Will arrange for similar document to be created and		<b>Implementation Date</b> 30 June 2011

distributed.	
Management Response: Shared IT Operations Manager	

#### **4. SLA priorities** (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Performance management targets should be clear and measurable.	The SLA priorities within HEAT need to be aligned with the council's agreed SLA priorities for responding to a helpdesk call.	Shared IT Operations Manager
<u>Findings</u> It was noted the service level agreement priorities stated on the intranet for the helpdesk, are not currently aligned with the service level agreement priorities built into HEAT which is the system used to manage change requests and incident management calls.		
<u>Risk</u> If performance targets are not clear and measurable, poor performance may not be identified and dealt with appropriately.		
Management Response	Implementation Date	
<u>Recommendation is Agreed in Principle</u> Current service plan has actions to move to single helpdesk system which will be RMS. Will update HEAT accordingly prior to move to single system.	30 June 2011  Management Response: Shared IT Operations Manager	

#### **5. Authorisation protocols in HEAT** (High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Any changes to ICT systems should be appropriately authorised.	Authorisation protocols should be built in to HEAT to ensure that change requests and incident management calls are reviewed and appropriate prior to implementation.	Shared IT Operations Manager
<u>Findings</u> Internal audit observed that anyone within the helpdesk team can log a call, assign it, respond to the call and close a call within HEAT (helpdesk system). There is no formal		

authorisation process for different types of helpdesk calls  <u>Risk</u> If authorisation protocols are not in place, there is a risk that inappropriate and/or unauthorised changes could be made to the operating server potentially leading to service disruption.		
<b>Management Response</b>  Recommendation is <b>Agreed in Principle</b> IT strategy is to move to single IT system based on RMS which has these controls in place. Its seems the current system, HEAT, doesn't have this ability so these recommendations will be implemented as part of the migration to RMS.  Management Response: Shared IT Operations Manager	<b>Implementation Date</b>  30 October 2011	

## 6. Audit tracking facility in HEAT

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Managers should be able to identify which members of staff acted on a helpdesk call to ensure any performance needs/training needs can be identified.  <u>Findings</u> Internal audit observed that anyone within the team can log a call, assign it, respond to the call and close a call. The system does not keep a complete audit trail of what has occurred in relation to a call, HEAT only records the last time someone modifies the call.  <u>Risk</u> If an adequate audit tracking facility is not in place, there is a risk that inappropriate and/or unauthorised changes could be made to the operating server and the officer responsible may not be able to	The HEAT system should be reviewed to ascertain whether a comprehensive audit tracking facility can be installed, to ensure that each stage of a helpdesk is recorded. If such a facility is not available, members of the team should record any activity within the notes section of the call.	Shared IT Operations Manager

be identified.		
<b>Management Response</b> Recommendation is <b>Agreed in Principle</b> We recognise this requirement which is already in place for RMS. As the IT strategy is to move to a single system, this control will be enabled when this migration is implemented.  Management Response: Shared IT Operations Manager	<b>Implementation Date</b> 30 October 2011	

## SECURITY ARRANGEMENTS

### 7. New users (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> New users should be appropriately authorised before being set up on ICT systems.  <u>Findings</u> From a sample of five new users, a new user set up form could not be found for 1 starter and the necessary e-mail and internet access form could not be found for 2 starters.  <u>Risk</u> If users are set up on ICT systems without appropriate authorisation, this could result in unacceptable or inappropriate use of the council's ICT systems.	IT operations staff should ensure that all new users have completed the necessary authorisation forms before being set up on council ICT systems.	Shared IT Operations Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Reviewed process was flawed. This has been reviewed and similar controls to those used by SODC have been implemented.  Management Response: Shared IT Operations Manager		30 April 2011

## BACK UP ARRANGEMENTS

### 8. Disaster recovery tests (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Critical business systems should be recovered in an agreed timescale following a disaster.	a) The disaster recovery arrangements should be tested on an annual basis.	Shared IT Operations Manager

<p><b>Findings</b></p> <p>The IT operations manager confirmed that the council's disaster recovery arrangements were last tested in 2009. Reports documenting the results of the last disaster recovery test and whether any appropriate action following the test had been taken could not be obtained by internal audit.</p> <p><b>Risk</b></p> <p>Inadequate testing could mean that the disaster recovery plan may not work in a real disaster and mission critical activities may not be achieved. This could result in significant legal, financial, operational and reputational implications.</p>	<ul style="list-style-type: none"> <li>b) Test results should be documented and analysed.</li> <li>c) A formal action plan should be implemented to address any weakness identified during testing (including contractor performance).</li> </ul>	
<b>Management Response</b>		<b>Implementation Date</b>
<p><b>Recommendation is Agreed</b></p> <p>Council has contract with DR suppliers which provides testing dates. Test will be scheduled, run and documented in line with recommendation.</p> <p>Management Response: Shared IT Operations Manager</p>		31 December 2011

## **2. MORTGAGE ADMINISTRATION 2010/2011**

### **1. INTRODUCTION**

- 1.1 The fieldwork for this audit was undertaken in April 2011 and the final report was issued on 17 May 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
  - to document the administrative process for mortgages at South Oxfordshire District Council and Vale of White Horse District Council, and ensure they are fit for purpose;
  - to ascertain whether the processes at both councils could be harmonised;
  - to identify best practice at both councils for mortgage administration;
  - to ensure the mortgage administrative process at both councils is cost effective.

### **2. BACKGROUND**

- 2.1 This audit was requested by the Head of Finance following observations that the processes for administering mortgages varied between VWHDC and SODC even though the two councils use the same software system and have similar volumes of mortgage accounts to administer.
- 2.2 Mortgages administration is currently undertaken by Capita, however this is not covered within the contract the council has with Capita. At the time of review there were six live mortgage accounts with a total outstanding of £12,192.83.

### **3. PREVIOUS AUDIT REPORTS**

- 3.1 This is the first audit review within this area.

### **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 Six recommendations have been raised in this review. Two are high risk, three are medium risk and one is low risk.

### **5. MAIN FINDINGS**

- 5.1 **Administration process**
- 5.2 VWHDC and SODC utilise the same software system, provided by Associated Consultants Limited (ACL), to administer mortgages. In general processes are mainly manual and are similar across the two sites. However at SODC the process is managed within the finance team and at VWHDC the service is administered by Capita although this is not covered within the

contract between Capita and the council. Areas of best practice have been identified from the comparison across both councils and four recommendations have been made as a result of our work in this area.

### 5.3 **Harmonisation**

5.4 Mortgages are administered in a similar way using the same software at SODC and VWHDC hence processes would lend themselves well to being harmonised across the two councils. Mortgages are administered for VWHDC by Capita outside of the contract and should this arrangement cease the council would need to make alternative arrangements or allocate and train a resource. There is no current spare capacity within VWHDC accountancy team to absorb this role and the team are currently undergoing a fit for the future review in order to identify staffing cost savings. One recommendation has been made as a result of our work in this area.

### 5.5 **Best practice**

5.6 Four areas of best practice have been identified across both councils. These include procedures, supporting documentation and sign off of reconciliations. One recommendation has been made to incorporate these areas within each authority's current processes.

### 5.7 **Cost effectiveness**

5.8 Mortgages administration at VWHDC is currently provided by Capita and whilst this may initially seem cost effective, Capita are not contractually obliged to provide the service. The process is not time consuming given the volume of cases, and similar processes are followed at VWHDC and SODC. No recommendations have been made as a result of our work in this area.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **ADMINISTRATION PROCESS**

#### **1. Back up**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>The mortgages administration software and data should be regularly backed up and not located on a standalone pc.</p> <p><u>Findings</u></p> <p>The mortgage administration software and data is held on a standalone pc and not currently backed up. The pc it is held on is old and likely to be obsolete should it require any repair or maintenance.</p>	<p>a) Mortgages data and software should be backed up immediately, then on a regular basis and the back up held securely.</p> <p>b) The mortgages system should be held on a network in order to prevent the loss of the system should the pc it is currently held on fail.</p>	Shared IT Operations Manager

<u>Risk</u> If the PC holding mortgages data were to fail then the data is not recoverable and key financial information regarding mortgages may be difficult and time consuming to recover from other means.		
<b>Management Response</b>  Recommendation is a) <b>Agreed in Principle</b> b) <b>Not Agreed</b> As the PC and data running this application is the responsibility of the council, I agree an immediate and regular backup of the system should take place to aid recovery in the event of a problem occurring. The software is stand-alone and is used solely by Capita. Relocating to a network would incur some minimal cost. With regular backups and recovery tests, there is no reason to migrate the software onto a network system and introducing further complexity.  Management Response: Shared IT Operations Manager	<b>Implementation Date</b> 30 June 2011	

## 2. Password

(High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The password to access the mortgages system should be held securely by an additional officer so it can be made available should the need arise.  <u>Findings</u> The password to access the mortgage administration software and data is known only by one officer.  <u>Risk</u> If the officer who knows the password for the mortgages system is unavailable then the council, or contractor, would have no means of accessing the data held on the mortgages system should urgent queries arise.	The mortgages system password should be held securely and available appropriately in case of absence.	Customer Service Manager, Capita
<b>Management Response</b>  Recommendation is <b>Agreed</b> Capita is quite happy to share the password with the council	<b>Implementation Date</b> 31 May 2011	

<p>and will provide the password and log in details within a sealed envelope for the Chief Accountant to retain for use in case of absence.</p> <p>Management Response: Customer Service Manager, Capita</p>	
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### 3. Cash posting (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Cash payments are only reflected within the mortgages system once they have been received and coded within the general ledger.</p> <p><u>Findings</u> A payment of £93.79 is posted to an individual mortgage account each month regardless of whether it is coded within the general ledger. Whilst it is acknowledged that regular payments are received they are not always monthly receipts and can be twice some months and none in other months.</p> <p><u>Risk</u> If the payments are not posted to the mortgages system in the same month as they are received and coded to the general ledger there is a risk that the two systems may go out of synchronisation and the mortgages system may show payments not yet received. This could adversely affect any calculations such as if a redemption value were calculated.</p>	<p>The payments posted to the mortgages accounts should match the general ledger codings. If there are two payments in one month and none in another then this should be reflected within the individual's mortgage account.</p>	Accountant
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Agreed and already in place since April 11.  Management Response: Chief Accountant		30 April 2011

#### 4. Redeemed balances

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Mortgages accounts which are redeemed but have either credit or debit balances are reviewed in accordance with an agreed mechanism.</p> <p><u>Findings</u> At the time of review a listing of redeemed mortgages from the ACL system included seven accounts in credit totalling £1251.68 and six accounts in debit totalling £478.08.</p> <p><u>Risk</u> If redeemed mortgages with balances are not reviewed and managed appropriately then the council may not be correctly reflecting fees received in redeeming mortgages.</p>	Redeemed accounts which have an outstanding balance should be reviewed and managed in accordance with an agreed process.	Chief Accountant
Management Response		Implementation Date
Recommendation is <b>Agreed</b>		30 June 2011
Management Response: Chief Accountant		

#### HARMONISATION

#### 5. Harmonisation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Mortgages are administered in a structured manner with roles and responsibilities clearly defined.</p> <p><u>Findings</u> Capita carry out mortgages administration outside of a contract as part of an informal arrangement. The processes followed are similar to those at SODC who use the same software.</p> <p><u>Risk</u> If mortgage administration is not harmonised then the council may</p>	Consideration should be given to harmonising mortgages administration across VWHDC and SODC and for this to be managed in house as currently undertaken at SODC.	Chief Accountant

not be making best use of its resources and there may be duplication of efforts across the two councils.		
Management Response	Implementation Date	
<p>Recommendation is <b>Agreed</b></p> <p>Accountancy will consider whether mortgages can be brought back in house (and managed in accordance with best practice), given current resourcing levels and the desire to reduce staff numbers as a consequence of the current fit for the future review.</p> <p>Management Response: Chief Accountant</p>	To be confirmed following agreement of Accountancy staff resource levels as part of the current fit for the future review.	

## BEST PRACTICE

### 6. Best practice (Low Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b></p> <p>VWHDC and SODC should share best practice in administering mortgages.</p> <p><b>Findings</b></p> <p>In comparing mortgage administration across SODC and VWHDC, four areas of best practice were identified and are as stated within the recommendation in the next column.</p> <p><b>Risk</b></p> <p>If best practice is not identified and shared then the council may not be maximising use of its resources.</p>	<p>It is recommended that best practice in mortgages administration arising from this review is shared between VWHDC and SODC.</p> <p><b>1. PROCEDURES</b> VWHDC have more comprehensive procedures, although they have not been recently reviewed. They include an 'overview' as well as individual processes.</p> <p><b>2. SIGN OFF</b> VWHDC has an independent check and sign off of monthly reconciliations of cash.</p> <p><b>3. SUPPORTING DOCUMENTATION</b> SODC retains supporting reports for cash posting with the reconciliation. Whilst VWHDC have a sign off this is spreadsheet based and is not supported by prints showing cash posted to the mortgage system.</p> <p><b>4. CREDITS AND DEBIT</b></p>	Chief Accountant

	SPLIT SODC shows the split between credits and debits as part of the mortgage account summary at year end.	
<b>Management Response</b>	<b>Implementation Date</b>	
Recommendation is <b>Agreed</b>  Management Response: Chief Accountant	To be confirmed following agreement of Accountancy staff resource levels as part of the current fit for the future review.	

### **3. TRAVELLING AND SUBSISTENCE EXPENSES 2010/2011**

#### **1. INTRODUCTION**

- 1.1 The fieldwork for this audit was undertaken between January and February 2011 and the final report was issued on 26 May 2011.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
  - appropriate policies and procedures are in place covering all aspects of travel and subsistence expenses;
  - claims are correctly detailed, documented and evidenced;
  - claims are processed promptly and accurately and in accordance with agreed procedures;
  - claims and amendments to claims are checked and agreed appropriately;
  - appropriate details are recorded to report on officers mileage and carbon emissions;
  - appropriate monitoring and management information is available and utilised.

#### **2. BACKGROUND**

- 2.1 Officers claim travel and subsistence expenses through an online system developed in house which has been available to VWHDC employees for claims paid from August 2010. Claims are routed to the officers' line manager for authorisation. Each month authorised claims are reported and processed via the payroll system. During the review it was noted that whilst the Strategic Director (Section 151 Officer) had no concerns regarding the online system, it was not officially approved in accordance with the council's financial regulations.

#### **3. PREVIOUS AUDIT REPORTS**

- 3.1 Travelling and subsistence expenses was last subject to an internal audit review in March 2007 in the staff allowances audit. Twenty recommendations were raised and the report was in a previous format which did not state an assurance opinion.
- 3.2 The recommendations related to relocation expenses as well as travel and subsistence. Procedures have changed now that the online self service HR module is implemented and following harmonisation with SODC. Hence recommendations have not been specifically followed up and they are covered in the testing from the current audit review.

#### **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 Fifteen recommendations have been raised in this review. One high risk, eight medium risk and six low risk.

## **5. MAIN FINDINGS**

### **5.1 Policy and procedures**

- 5.2 The 'officers' travelling & subsistence claims – scheme rules' is effective from 1 April 2006 and was reviewed June 2008 hence does not reflect the current process of claiming expenses online. It is noted that the rules are scheduled for review over the forthcoming months. Procedures are available online covering the process for submitting online claims from the perspective of the employee, manager, payroll and human resources. One recommendation has been made as a result of our work in this area.

### **5.3 Claim documentation**

- 5.4 Supporting documentation was checked for travel and subsistence payments made in November 2010. All of the claims were supported by either an online or paper based claim. Of 101 claim elements paid 24 were paper based rather than using the online claim system. This included 11 councillor claims and 13 officer claims. Receipts could not be found for 51 of the 101 claim elements and inconsistencies were observed in the approach to labelling the receipt envelopes. Receipts for VWHDC officers were found within SODC documentation and vice versa. Receipts for travel claims authorised by the Head of Finance were retained within the officer's locked filing cabinet rather than passed on to payroll. A claim for reimbursement of professional subscriptions was found within the planning envelope for October but was not an online claim and should have been authorised by the manager and passed on for payment outside of the online claim system. Four recommendations have been made as a result of our work in this area.

### **5.5 Claim processing**

- 5.6 Claims paid in November included two councillor claims submitted for expenses incurred more than two months prior. The allowance scheme states that claims made later than two months will only be paid with specific approval of the Monitoring Officer. Deadlines for submission of authorised claims is clearly stated on the council's intranet and backed up by monthly emails to staff. All claims recorded as authorised by the cut off date were found to have been processed and paid in accordance with stated timescales. Discrepancies were observed in the mileage rate and essential user allowances paid to three officers. Four recommendations have been made as a result of our work in this area.

### **5.7 Claim authorising**

- 5.8 At the outset of the review the name of the officer authorising claims was not recorded within the online system. This was amended at Internal Audit's request and is recorded for subsequent claims. A report was promptly developed for audit purposes to provide the details supporting the amounts reported to payroll. Adjustments have been made to authorising officers

within the online claim system at the request of the claiming officer and without supporting confirmation from an appropriate manager. Claims which are declined have a reason recorded and are notified to the claimant for amendment and resubmission if appropriate. Authorisers are not required to confirm they have viewed and checked receipts prior to authorising claims and the procedure does not emphasise the need to check claims and receipts. Four recommendations have been made as a result of our work in this area.

**5.9 Mileage and carbon emissions**

5.10 The council has a target to reduce carbon dioxide emissions by 20% by the end of 2012/13 from a 2007 baseline and service areas have a target of reducing business miles by each year to assist in achieving this. Online claims record key data such as vehicle engine size and miles travelled which are utilised to calculate the council's carbon dioxide emissions and business miles travelled. The introduction of an online expenses system has reduced the time spent in calculating the data as an electronic export is now available using the online reports. Paper based travel and subsistence claims require manual addition to the electronic data. The online reports cannot be accessed from VWHDC offices but as the information is required quarterly this does not present a significant problem. No recommendations have been made as a result of our work in this area.

**5.11 Monitoring and management information**

5.12 There are currently no management reports produced regarding the online claims system except for those utilised by payroll each month for processing payments. There is no built in mechanism to prevent an officer from duplicating an online claim and no report to identify duplications. Reports are available for mileage performance data via the council's intranet which currently utilise on line claim data and some data has been recorded for 2009 for comparison. Whilst the reports have mainly been developed for use by the Air Quality Officer and Energy Officer in compiling carbon emissions data they also provide team level data to support stated performance against the service target for mileage reduction. The availability of the mileage performance reports is not well known. Two recommendations have been as a result of our work in this area.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **POLICIES AND PROCEDURES**

<b>1. Policy</b>	<b>(Medium Risk)</b>	
<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<u>Best Practice</u> Travel and subsistence policy should be in place which reflects current practices and is regularly reviewed.	a) The travel and subsistence policy should be updated to include the following and should be regularly reviewed:- <ul style="list-style-type: none"><li>• the process for claiming</li></ul>	Shared HR Business Partner

<p><b>Findings</b></p> <p>a) At the time of review the travel and subsistence claims scheme rules were effective from April 2006 and last reviewed June 2008. However, it is noted that there are plans to rewrite the policy. The current version does not cover:-</p> <ul style="list-style-type: none"> <li>• the new process of online claim submission,</li> <li>• the requirement for claims to be made directly to the employee,</li> <li>• the availability of a passenger allowance of five pence per mile for officers as well as councillors,</li> <li>• the recovery of any overpaid claims arising from overstated claims,</li> <li>• the retention period for claim documentation and supporting evidence as required by HMRC.</li> </ul> <p>b) The constitution requires submission of claims by the seventh day of the month whereas current practice requires submission within three working days.</p> <p>c) Milometer readings are not requested on the online claim but they are on the members allowances paper based claim. Whilst there does not appear to be a legal requirement to record milometer readings it is a stated requirement within the councils officers' travelling and subsistence claims scheme rules.</p> <p><b>Risk</b></p> <p>If appropriate policies and procedures covering travel and subsistence are not in place, then inappropriate</p>	<p>online,</p> <ul style="list-style-type: none"> <li>• the requirement for claims to be paid directly to the employee,</li> <li>• detail the availability of a five pence passenger allowance for relevant travel,</li> <li>• state that recovery of overpaid expenses where a claim is overstated may be undertaken,</li> <li>• state the retention period for claim documentation and supporting evidence.</li> </ul> <p>b) The councils financial regulations contained within the constitution should be reviewed and reflect current practices and the harmonised claim process.</p> <p>c) Consideration should be given to either recording milometer readings within the online claim system, or updating the scheme rules accordingly.</p>	
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journeys may be undertaken resulting in excessive claim payments.		
Management Response	Implementation Date	
<p>Recommendation is <b>Agreed</b></p> <p>The Travel &amp; Subsistence Policy is included in batch 3 policies, due to be re-published by July 2010. We will include the recommendations above in the new policy or any accompanying procedures as appropriate.</p> <p>Management Response: Shared HR Business Partner</p>	31 July 2011	
<b>CLAIM DOCUMENTATION</b>		

## 2. Payroll documentation

(Low Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b></p> <p>All evidence in support of the council's payments for travel and subsistence should be retained within the relevant authority's paperwork.</p> <p><b>Findings</b></p> <p>Two officers who claimed online in the month tested were recorded within the SODC listing rather than VWHDC. Whilst they were correctly recorded and paid by VWHDC, the documentation supporting the claim for the two officers was retained within the SODC file but not copied to the VWHDC file.</p> <p>It is acknowledged that the online listing is updated to ensure the officers appear in the correct report but documentation should be available within the appropriate file.</p> <p>Although payroll is a joint service the two authorities are separate entities.</p> <p><b>Risk</b></p> <p>If payroll documentation</p>	Where officers employed by VWHDC appear on an SODC online claim listing, a copy of their reported claim should be retained within the VWHDC payroll supporting documentation.	Payroll Supervisor

recording details of claims paid is not retained within the relevant authority's paperwork it may prove difficult and time consuming to provide evidence should a HMRC visit occur.		
<b>Management Response</b>  Recommendation is <b>Agreed</b> Payroll procedures will be updated to cover this requirement. Payroll staff will be reminded at the next monthly payroll staff briefing.  Management Response: Payroll Supervisor	<b>Implementation Date</b>  30 June 2011	

### 3. Paper based claims (Low Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b> All users should submit claims in a consistent manner and utilise the online claim system. Where paper based claims are used these must be signed by the claimant.</p> <p><b>Findings</b> Of 101 payroll claim elements paid in November, 24 were from paper claims, including 11 submitted by councillors.</p> <p>Of the 13 paper claims submitted by officers, nine also claimed in December with only one of these nine changing from paper to online format.</p> <p>Paper based claims require manually recording within the council's data used to calculate officer's carbon emissions.</p> <p>One of the councillors paper based claim forms was not signed. Whilst there are no concerns regarding the specific claim and it had</p>	<ul style="list-style-type: none"> <li>a) Council officers should be reminded of the need to submit claims online and claimants who regularly submit paper claims should be targeted.</li> <li>b) Councillors should be encouraged to utilise the online claims system.</li> <li>c) Any forms not signed by the claimant and/or manager should be returned for signature prior to payment.</li> <li>d) The members allowance scheme rules should be updated to state that the claim should be signed by the officer in addition to the authorising manager otherwise it will be returned unpaid.</li> </ul>	<ul style="list-style-type: none"> <li>a) IT Development Officer</li> <li>b) Shared Democratic Services Manager (provided online claim is possible for councillors)</li> <li>c) Shared Democratic Services Manager/ Payroll Supervisor</li> <li>d) Shared Democratic Services Manager</li> </ul>

<p>been checked by the democratic services, the claimant's signature should have been obtained.</p> <p>Officers travel and subsistence scheme rules state that the claim should be signed by the officer in addition to the authorising manager otherwise it will be returned unpaid. This is not stated within the members' allowance scheme rules.</p> <p><b>Risk</b></p> <p>If claims are received in two different formats then more than one process needs to be undertaken and more manual intervention is needed with increased risk of errors or omissions.</p>		
<p><b>Management Response - HR, IT &amp; Customer Services</b></p> <p>Recommendation is <b>Agreed</b></p> <p>a) We will clarify within the online guidance.</p> <p>Management Response: Head of HR, IT &amp; Customer Services</p>	<p><b>Implementation Date</b></p> <p>a) 30 June 2011</p>	
<p><b>Management Response - Democratic Services</b></p> <p>Recommendation is <b>Agreed</b></p> <p>Democratic Services are happy to encourage use of the online claims system. We were not aware the system was accessible to councillors at Vale. The claim form for councillors requires the claimant to sign the form and we return if it is not.</p> <p>Management Response: Shared Democratic Services Manager</p>	<p><b>Implementation Date</b></p> <p>b), c) and d) 30 September 2011</p>	
<p><b>Management Response - Payroll</b></p> <p>Recommendation is <b>Agreed</b></p> <p>Payroll procedures will be updated to cover this requirement. Payroll staff will be reminded at the next monthly payroll staff briefing.</p> <p>Management Response: Payroll Supervisor</p>	<p><b>Implementation Date</b></p> <p>c) 30 June 2011</p>	

#### 4. Receipt checking

(Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Claims are authorised only	Claim authorisers should be advised of the need to:-	IT Development Officer

<p>upon production of a valid receipt which is checked against the amount claimed.</p> <p><b>Findings</b> Of 101 claim elements in November, receipts supporting 51 of these could not be located. The Head of Finance had retained receipts for expenses within a locked cabinet rather than pass them through to payroll as required.</p> <p>Receipts are not initialled as confirmation that they have been seen and as a means of preventing their re-use.</p> <p><b>Risk</b> If claims are not supported by appropriate evidence then it may not be possible to confirm that the claimed expenditure had been incurred.</p>	<ul style="list-style-type: none"> <li>a) Ensure there is a receipt to support all claims prior to their authorisation</li> <li>b) initial the receipt confirming the amount claimed has been checked</li> <li>c) ensure receipts are passed to the appropriate administrator for collation and forwarding to payroll.</li> </ul>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> We will clarify the guidance in the instruction note “Online Claims System (Viewing Claims – Manager)”.</p> <p>Management Response: Head of HR, IT &amp; Customer Services</p>		30 June 2011

## 5. Receipt storage

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b> Receipts are retained in a secure and consistently labelled manner.</p> <p><b>Findings</b> Envelopes with supporting receipts were not consistently labelled, did not separate out VWHDC and SODC receipts, used more than one envelope per service area, were not always sealed and receipts</p>	<ul style="list-style-type: none"> <li>a) Guidelines should include more specific detail of how receipts are to be managed and all authorisers and service area administrators should be made aware of the requirements.</li> <li>b) A template or labels should be provided to ensure consistent and distinct marking of receipt envelopes.</li> </ul>	IT Development Officer

<p>were not always placed in the envelope for the month they were paid.</p> <p>A paper claim for reimbursement of professional expenses was placed in with the receipt envelopes and not authorised or passed for payment.</p> <p><b>Risk</b></p> <p>If receipts are not readily located then the council may not be meeting the requirements of HM Revenues and Customs as it may not be possible to confirm the claimed expenditure had been incurred. Furthermore, if receipt envelopes are not readily identifiable from normal post then correspondence may be filed without being actioned.</p>	<ul style="list-style-type: none"> <li>c) Envelopes should include an area to record the references of the receipts included.</li> <li>d) An envelope per service area per authority is required for each month claims are submitted.</li> <li>e) The envelopes should be clearly dated as the month of submission to payroll for payment to avoid uncertainty as to whether they relate to the month of journeys or the month of the claim authorisation.</li> </ul>	
<b>Management Response</b>	<b>Implementation Date</b>	
<p>Recommendation is <b>Agreed</b></p> <p>We will clarify the guidance in the instruction note “Online Claims System (Viewing Claims – Manager)”.</p> <p>Management Response: Head of HR, IT &amp; Customer Services</p>	30 June 2011	

## CLAIM PROCESSING

### 6. Late claims (Low Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b></p> <p>Officers who fail to submit claims within a specified period are approved by an appropriate officer in addition to the usual authoriser.</p> <p><b>Findings</b></p> <p>The financial regulations require that councillors' claims submitted after two months of the expense</p>	<p>The process regarding submission and authorisation of late claims should be reviewed and harmonised with the approach at SODC and then:-</p> <ul style="list-style-type: none"> <li>a) The members allowance rules and the council's financial regulations should be updated accordingly so they are consistent and</li> </ul>	<p>Shared HR Business Partner</p>

<p>being incurred are only paid after specific approval of the Director of Corporate Resources (section 151 officer).</p> <p>The members allowance scheme rules state that claims submitted after two months are paid only with specific approval of the monitoring officer.</p> <p>Of 11 councillor claim elements paid in November, two included journeys more than two months prior to the claim date. One being journeys from 8/6/10 and submitted 30/9/10 and the other for journeys from 14/7/10 submitted 7/10/10. Neither had received any additional approval.</p> <p><u>Risk</u> If claims are not submitted and processed in a timely manner then details may be forgotten resulting in inaccurate claims. Additionally there is a risk that incorrect rates may be used for payments</p>	<p>state the requirements for late claims.</p> <p>b) Guidance should be provided to authorisers on how to manage late claim submissions.</p>	
<b>Management Response – HR, IT and Customer Services</b>		<b>Implementation Date</b>
<p><b>Recommendation is Agreed in Principle</b> Agree that the timescales for claims should be harmonised. This will be included in the revised policy. Democratic services are responsible for the councillors' rules. I agree that the rules should be the same for employees and councillors.</p> <p>Management Response: Shared HR Business Partner</p>		31 July 2011
<p><b>Management Response – Democratic Services</b></p> <p>Recommendation is <b>Agreed</b></p> <p>Management Response: Shared Democratic Services Manager</p>		<b>Implementation Date</b>

## 7. Councillor claim checks

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Checks undertaken should be clearly signed and dated.</p> <p><u>Findings</u> Councillor claims are authorised by democratic services checking that the officer attended the meeting the claim relates to. The claim is stamped with a standard wording and signed, however this is not dated.</p> <p>Testing included a claim signed 30/9/10 that was stamped as received by finance 3/11/10 and paid in November. Should the councillor query why the claim was not paid in October there is no date as to when the democratic services checks were made so it is not clear if there was a hold up in submitting the form or within the council departments.</p> <p><u>Risk</u> If checks made on claims are not dated then a full audit trail is not retained to support how the claim has been managed and identify any areas of delay.</p>	Checks made by democratic services that councillors attended meetings claimed should be dated as well as signed in order to assist in providing a full audit trail for the documentation.	Democratic Services Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		1 March 2011
Management Response: Democratic Services Manager		

## 8. Vehicle Details

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Payments made according to a vehicles engine size should be regularly checked to ensure correct rates are</p>	Claimants stated engine sizes should be checked to ensure:- a) Appropriate rates are paid for the stated size	Payroll Supervisor

<p>applied and any engine sizes which appear rounded and on the stated thresholds are checked.</p> <p><b>Findings</b></p> <p>Checks on November claims identified the following inaccuracies:-</p> <ul style="list-style-type: none"> <li>• A casual user stated engine size as 1200cc so was paid 65p per mile. The car registration was checked and identified as an 1198cc vehicle which should be paid at 52.2p per mile. The amount overpaid was £3.07.</li> <li>• One essential car user had been paid the correct lump sum allowance but was paid a casual user rate of 65p per mile rather than 50.5p resulting in an overpayment of £38.43.</li> <li>• Another essential user stated the engine size as 1038cc which requires a lump sum payment of £80.25 per month but had been paid £103.25, an overpayment of £23.00 for the lump sum. The user was also paid the mileage rate at 50.5p per mile rather than 40.9p so was overpaid by £18.05.</li> </ul> <p><b>Risk</b></p> <p>If exact details of vehicles engine sizes are not provided or checked then the council may be paying a higher mileage rate than it should.</p>	<p>of vehicle.</p> <p>b) Any stated sizes which appear to be rounded up or which are on stated thresholds are checked for accuracy.</p> <p>c) Lump sum payments are regularly checked against stated vehicle sizes.</p> <p>d) Changes of vehicles should be formally notified to payroll to ensure correct rates are applied.</p>	
<p><b>Management Response</b></p> <p>Recommendation is <b>Agreed</b></p> <p>The volume of essential car users has significantly reduced from April 2011. Those still in receipt of the essential user lump sum are now paid the same mileage</p>	<p><b>Implementation Date</b></p> <p>30 June 2011</p>	

rate as casual users. Payroll procedures cover the requirement to check that those users who still qualify for the essential user lump sum are paid correctly and a reminder will be given at the next payroll staff briefing.	
Management Response: Payroll Supervisor	

## CLAIM AUTHORISATION

### 9. Authorisation checks

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A mechanism is in place to remind authorisers of the need for checks prior to authorising claims.</p> <p><u>Findings</u> Whilst testing of claims paid in November did not highlight any issues, the procedures for managers authorising online claims do not refer to checking receipts until the end which is after claims have been authorised.</p> <p>Discussions with authorising officers and payroll suggest that the authorisation process is not as robust as it should be and officers perceive there to be additional checks made prior to payment of expenses once line managers authorise claims.</p> <p><u>Risk</u> If procedures do not emphasise the need for supporting receipts to be checked prior to authorisation of claims then there is a risk that claims may be authorised inappropriately and without supporting evidence.</p>	<p>a) Further training and guidance should be provided to authorisers explaining the checks which should be made on claims to ensure they are for appropriate business purposes and correctly calculated. Also, to ensure they are aware that the onus is on them for ensuring accuracy of claims and that no further checks are made against receipts and claims unless Internal Audit or HMRC carry out checks.</p> <p>b) Procedures for managers using the online claim system should refer to the requirement checking supporting receipts as a part of the authorisation process prior to authorising the claim.</p>	IT Development Officer
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		

We will clarify the guidance in the instruction note “Online Claims System (Viewing Claims – Manager)”.	30 June 2011
Management Response: Head of HR, IT & Customer Services	

## 10. Submission of claims (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Sufficient time is allowed for thorough checks to be made on expenses claims including inspection of supporting receipts.</p> <p><u>Findings</u> Guidance for claimants encourages the submission of claims for authorisation at the end of each month. As the deadline for authorised claims to be received for payroll input is the third working day of the month, there is a short period of time for the submission and checks to be made. IA have concerns that this may not allow thorough checks of claims and supporting receipts especially where any amendments may be required and where authorisers cover more than one site.</p> <p><u>Risk</u> If insufficient time is allowed for checks to be made on submitted claims then the checking process may not be as robust as it should be and claims may be authorised without sight of supporting receipts.</p>	Management should consider allowing teams to submit claims for authorisation as the expense occurs throughout the month to allow more time for authorisers to carry out appropriate checks on claims and supporting receipts.	IT Development Officer
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b> We will clarify the guidance in the instruction note “Online Claims System (Entering Claims)”.</p> <p>Management Response: Head of HR, IT &amp; Customer</p>		30 June 2011

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## 11. Changes to authorising structure (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A mechanism is in place to ensure that amendments to the online claims system are appropriately agreed and documented.</p> <p><u>Findings</u> Amendments to the online system, such as changing authorising managers, have been implemented at officers' request and without agreement of an appropriate manager.</p> <p><u>Risk</u> If requests for changes to authorising officers are not suitably checked and authorised then any attempts to defraud by collusion may be undetected and unresolved.</p>	Changes to the online claim system, such as amending an officer's online manager, should be agreed by an appropriate officer, supported by a documented audit trail and notified to the relevant managers.	N/A
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> The online claim system is linked to the same data that are visible on the intranet and elsewhere. Changes to this data are made by the IT team in response to notifications from HR.</p> <p>Management Response: Head of HR, IT &amp; Customer Services</p>		Implemented

## 12. Online declarations (Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A mechanism is in place to ensure that officers declare claims are submitted appropriately.</p> <p><u>Findings</u> From the checks undertaken and discussions with authorising officers, IA is</p>	<p>Consideration should be given to including the following declarations within the online claim system:-</p> <p>a) that the claimant has deducted normal travel to and from work where appropriate prior to submission</p>	IT Development Officer

<p>concerned that some officers may not be deducting their normal travel to and from a place of work. There is no mechanism built into the online system to remind officers of this requirement but the paper based claims did record this so it was evident an adjustment had been made. Some claims were found to have been authorised without sight of supporting receipts</p> <p><b>Risk</b></p> <p>If officers are not required to declare their claim is appropriate and supported by receipts, then they may claim they were unaware of the requirement should the claim be queried.</p>	<p>b) that the claimant has supplied an appropriate receipt for the claim prior to submission</p> <p>c) that the authoriser has inspected the receipts for the claim being authorised.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p><b>Recommendation is Agreed in Principle</b></p> <p>We will investigate whether a change can easily be made to the system to enable these declarations to be included.</p> <p>Management Response: Head of HR, IT &amp; Customer Services</p>		30 September 2011 if practical

### 13. Managing corrections

(Low Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b></p> <p>If any discrepancies are noted when payroll process the online claim data, they should be appropriately managed and updated within the online claims system.</p> <p><b>Findings</b></p> <p>Whilst testing of claims paid in November did not highlight any issues internal audit were advised that there have been occasions when obvious errors, such as an officer claiming bicycle</p>	<p>Payroll procedures must ensure that data entered into the payroll system matches that on the online claim system. Where any corrections need to be made these must be suitably managed to ensure they are replicated within the online claim system and suitably documented and recorded.</p>	Payroll Supervisor

<p>rates for a car journey have been updated within the payroll system without reflecting this in the online claim system and without a documented authorisation for the change.</p> <p><b>Risk</b></p> <p>If changes are made within the payroll system and not reflected within the online claim system then details regarding officer's mileage and carbon emissions performance may be inaccurate.</p>		
<p><b>Management Response</b></p> <p>Recommendation is <b>Agreed</b></p> <p>Any anomalies/discrepancies will be notified to the Development Officer for amending within the electronic database accordingly and also copied to the authorising officer. Payroll procedures will be updated and staff reminded at the next payroll staff briefing meeting.</p> <p>Management Response: Payroll Supervisor</p>	<p><b>Implementation Date</b></p> <p>30 June 2011</p>	

## MONITORING AND MANAGEMENT INFORMATION

### 14. Exception report (Medium Risk)

Rationale	Recommendation	Responsibility
<p><b>Best Practice</b></p> <p>Exception reports are produced and reviewed on a regular basis to monitor and assist in identifying any potentially fraudulent duplicate claims.</p> <p><b>Findings</b></p> <p>There is no built in mechanism to prevent officers duplicating claims and at the time of review no exception reports were available which would assist in identifying duplicates which may be submitted fraudulently.</p> <p><b>Risk</b></p>	<p>Management should consider introducing a regular report which details any apparently duplicate claims for the same journey date. This should then be reviewed to identify any which appear to be fraudulent.</p>	<p>IT Development Officer</p>

If duplicate entries are not identified then erroneous or fraudulent claims may remain undetected and repeated with financial loss to the council.		
<b>Management Response</b>  Recommendation is <b>Agreed in Principle</b> We will investigate whether a change can easily be made to the system to enable duplicate claims to be identified in an exception report.  Management Response: Head of HR, IT & Customer Services	<b>Implementation Date</b>  30 September 2011 if practical	

## 15. Mileage performance reports

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Where performance reports exist they should be publicised as available to relevant officers and should explain what data is included.</p> <p><u>Findings</u> Mileage performance reports are available on the council's intranet and provide a means of monitoring a team's performance against corporate targets for reduction in business mileage. Whilst these are mainly used by the Air Quality Officer and Energy Officer they are not widely publicised and the Head of Finance was not aware they were available. Although the council's intranet provides links to performance reports these can only be run from SODC's network.</p> <p><u>Risk</u> If performance reports are not fully utilised then delays may occur in officers</p>	The availability of online mileage performance reports should be notified to all relevant officers. The intranet pages should explain that the reports can only be accessed from SODC network.	Policy and Engagement Manager / Head of HR, IT & Customer Services.

compiling data as they are unaware that an alternative reporting mechanism exists.		
<b>Management Response – Corporate Strategy</b>	<b>Implementation Date</b>	
<p><b>Recommendation is Agreed</b></p> <p>We are currently setting up quarterly reports for each Head of Service at both south and vale, these will provide information by individual and team, and will be available from Q1 2011. At this time we will publicise to Heads of Service exactly what information they can access electronically and what we will provide to them quarterly. Note that online reports are only available at south – not at vale.</p>	31 July 2011	
Management Response: Policy and Engagement Manager		
<b>Management Response – HR, IT &amp; Customer Services</b>	<b>Implementation Date</b>	
<p><b>Recommendation is Agreed</b></p> <p>We will publish a reminder in Connect.</p>	31 July 2011	
Management Response: Head of HR, IT & Customer Services		