Audit and Governance Committee Report

18 January 2012

Report of **Audit Manager**

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To: Audit and Governance Committee

DATE: 18 January 2012

Report No. 59/11

Wards Affected
All

Internal audit activity report quarter three 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: 2
Satisfactory Assurance: 5
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
Car Parks	-	Satisfactory	9	0	0	4	4	5	5
Building Control	-	Satisfactory	3	0	0	2	2	1	1
Council Tax	-	Full	1	0	0	1	1	0	0
Planning Fees	-	Full	2	0	0	0	0	2	2
1. Payroll	40	Limited	12	1	1	7	6	4	4
2. Waste Mgt & Recycling	53	Limited	14	2	2	8	8	4	4
General Ledger	-	Satisfactory	9	0	0	5	5	4	3
3. Establishment Listing	66	Limited	3	2	2	0	0	1	1
Licensing	-	Satisfactory	9	0	0	6	6	3	3
Travel & Subsistence	-	Satisfactory	15	0	0	6	5	9	9

Follow Up Reviews

	Page Ref	Original Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
4. ICT	70	Limited	8	2	0	5	1
Stray dogs	-	Satisfactory	3	0	0	2	1

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.

Systemic Control Weaknesses

12.   **Appendix 2** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

Financial Implications

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

Legal Implications

14.   None.

Risks

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

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. PAYROLL 2011/2012

1. INTRODUCTION

1.1   The fieldwork for this audit was undertaken in September 2011 and the final report was issued on 22 November 2011.

1.2   The following areas have been covered during the course of this review to provide assurance that:
- the administration of payroll is appropriate and up-to-date so that the payroll process runs efficiently and securely, i.e. policies and procedures, security of records;
- amendments to payroll standing data are appropriately authorised, documented and actioned in a timely manner, including:
  - all starters and leavers have appropriate authorisation;
  - addition and deductions to pay are processed in a timely manner to avoid over/under payments;
  - variations to pay, i.e. overtime, are authorised, documented and processed in a timely manner; and
  - only the employee can access the part of HR Pro system to amend personal data;
- payroll data is transferred between payroll, HR and finance systems in an accurate and timely manner, as appropriate;
- Capita has an adequate audit trail and authorisation procedures in place for authorisation of and amendment to payroll;
- employees are paid in a timely manner; and
- payroll records are reconciled with the council's establishment listing and general ledger.

2.   BACKGROUND

2.1   Since 1 February 2008, South Oxfordshire District Council (SODC) and VWHDC payroll team harmonised, which is based at SODC. The current payroll system used is known as Ingenuity@Work and was implemented in January 2007. The system is managed through an agreement with Capita.

2.2   The management structure of the council was revised on 1 April 2009 and as a result, the payroll team was transferred from human resources (HR) to finance. The payroll team currently carries out all the day-to-day payroll activity up to authorising Capita to release the BACs payment. Payroll services are currently under review to determine the future placement of the payroll function within the management structure.

3.   PREVIOUS AUDIT REPORTS

3.1   Payroll was last subject to an internal audit review in November 2010 and 18 recommendations were raised. A limited assurance opinion was issued.

3.2   From the 18 recommendations, internal audit was able to evidence that ten recommendations have been implemented, one recommendation was partly implemented and seven recommendations were not implemented. Having reviewed the recommendations, internal audit considered that five

recommendations not implemented and the partly implemented recommendation are still relevant and should be brought forward as part of the current year review.

4.   2011/2012 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 and six recommendations have been brought forward from the 2010/2011 review. One High risk, seven Medium risk and four Low risk.

5. MAIN FINDINGS

5.1   **Administration of payroll**

5.1.1   Internal audit established that draft payroll procedures are in place, but are not completed due to long-term sickness. After reviewing the draft procedures, internal audit was satisfied with the information within the procedures. Internal audit established that the overtime policy is in draft format and due to go to management team for approval. In February 2011, an email from the Head of HR, IT and Customer Services was sent out to all heads of service and service managers stating the rates for officers claiming overtime.

5.1.2   Internal audit is satisfied that access to the payroll system is restricted to only the payroll team which is based at South Oxfordshire District Council and the Capita team based in Carlisle. The system prompts the user to change their password every 60 days. Internal audit noted that the HR pro system does not prompt users to change their password. Internal audit observed the payroll area when no payroll officers were on site and was satisfied that the payroll documentation is locked away in a cupboard, where the key is kept securely. Two recommendations have been made as a result of our work in this area.

5.2   **Variation to payroll data**

5.2.1   Internal audit found some areas of weakness whilst testing both starters and leavers. The request to recruit forms were not approved by the HR manager. There was no audit trail to confirm that both appointment forms and leaver forms were signed by HR as required; and also no audit trail to confirm that line managers have approved the leaver form.

5.2.2   Internal audit was satisfied with the overtime claimed in 2011/2012 to date (July 2011) as the correct rate was claimed and the overtime claim forms were appropriately authorised. Testing identified some overtime claim forms were received after the cut-off date, but this was due to the claim forms being sent via DX post, as payroll is based at SODC.

5.2.3   Internal audit was satisfied after testing the amendment of data. Internal audit found that all amendment forms were signed by the line manager and all amendments were appropriately made on the payroll system. One minor issue was identified, on one occasion the amendment form was not signed a HR officer as required. Three recommendations have been made as a result of

our work in this area.

5.3   Transfer of payroll data

5.3.1   Internal audit established that on a monthly basis Capita produce an interface file from the payroll system and transfer the file to the general ledger. The file is checked and the net pay total is balance to the BACs file to confirm accuracy before inputted onto the general ledger. Accountancy also carries out checks by undertaking monthly reconciliations of the payroll system and the general ledger. No recommendations have been made as a result of our work in this area.

5.4   Capita authorisation procedures

5.4.1   Internal audit established that Capita carry out no amendments to payroll data as they are conducted by the payroll team. Capita would await instruction from the payroll team to recalculate the payslips after the amendments are completed. No recommendations have been made as a result of our work in this area.

5.5   Employees paid in a timely manner

5.5.1   Internal audit established that there is a cut off date whereby the payroll team would like to receive all variable information, i.e. overtime claim forms, to ensure that the pay run is carried out in a timely manner. Internal audit noted that an email is sent to all employees on a monthly basis notifying them of the cut off date. A checklist is in place for the payroll team to follow when undertaking the pay run process, which is initialled and dated when a task is completed.

5.5.2   Internal audit is satisfied with the process undertaken to ensure that all employees are paid in a timely manner. Dummy pay runs are carried out monthly and checked against the previous month; and the main pay run is then carried out and reconciled with the dummy pay run to confirm accuracy. Internal audit found variances between both pay runs, but the payroll team could not locate the documentary evidence to support the variances. After the payroll team is satisfied with the accuracy of the main pay run, they would sign and email Capita the bacstel release authorisation form, so that Capita can make payment to all employees. One recommendation has been made as a result of our work in this area.

5.6   Payroll reconciliation

5.6.1   Internal audit established that reconciliations between the payroll system and the general ledger are conducted on a monthly basis by an Accountant. Internal audit established that one reconciliation had a variance, but was satisfied due to the variance being payroll reversals. The other reconciliation balanced.

5.6.2   It is noted that the establishment listing reconciliation between the payroll system and the establishment list is to be carried out as part of the establishment listing 2011/2012 review, which is due to commence in August 2011. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

2010/2011 PREVIOUS AUDIT RECOMMENDATIONS

1. Authorised signatory list for members' expenses   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> An approved signatory list is in place to which approval of all amendments is agreed. <u>Findings</u> 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 have been appropriately approved. <u>Risk</u> Amendments to pay may be processed without the required authorisation.	An authorised signatory list should be created to ensure variations to pay have been approved by an appropriate person.	Payroll Supervisor
2010/2011 Management Response		**Implementation Date**
Recommendation is **Agreed** 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
2011/2012 Management Response		**Implementation Date**
Recommendation is **Agreed** An authorised signatory list has been drawn up for staff who have been authorised by their Heads of Service to sign off any payroll input forms Management Response: Payroll Supervisor		30 November 2011

2. Maternity calculations (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All members of the payroll team are able to proficiently perform maternity pay calculations. <u>Findings</u> 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. One of these members of staff is the temporary Payroll Project Lead. <u>Risk</u> Maternity calculations may not be able to be completed or incorrectly calculated in the event of staff absence.	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.	Head of Finance/Capita
2010/2011 Management Response		**Implementation Date**
Recommendation is **Agreed** 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 Management Response: Payroll Project Lead		31 January 2011
2011/2012 Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** It is felt that the existing level of knowledge is sufficient in the short-term pending the transfer of this function to Capita. Capita is planning to use functionality within the payroll system to carry out the calculation in future. Management Response: Head of Finance		1 March 2012

3. Capita contract (High Risk)

Rationale	Recommendation	Responsibility

Best Practice A detailed service level agreement is in place setting out the roles of each organisation, with service standards included. Findings The current contract between the Council and Capita is extremely limited in detail of the service to be provided and effective monitoring arrangements. Risk The Council may not be achieving value for money. There is little recourse against poor or inefficient service.	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: 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.	Head of Finance/Capita
2010/2011 Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Unfortunately, Finance has inherited a poor contract and they are working with Capita to prepare a detailed SLA. Management Response: Payroll Project Lead		31 March 2011
2011/2012 Management Response		**Implementation Date**
Recommendation is **Agreed** Both the contractual arrangements and performance indicators are being reviewed as part of the project to fully outsource payroll Capita. Management Response: Head of Finance		1 March 2012

4. Staff responsibilities   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Up-to-date training records for payroll staff are maintained. Findings When the Payroll service was	Staff within the payroll section should be aware of all changes to laws and regulations and their implications for the payroll.	Head of Finance/Capita

| 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.

Risk
An error made by Capita may not be identified.
Current payroll team may not have appropriate skills for accurate completion of the payroll function.		
2010/2011 Management Response		**Implementation Date**
Recommendation is **Agreed in Principle**
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.

Management Response: Payroll Project Lead/Shared HR Manager | | 31 March 2011 |
| **2011/2012 Management Response** | | **Implementation Date** |
| Recommendation is **Agreed in Principle**
The whole of the payroll function is being outsourced to Capita. One of the reasons for this is the lack of in-house qualified expertise.

Management Response Head of Finance | | 1 March 2012 |

5. Insurance records   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice
Employees are adequately insured when conducting Council basis.

Findings
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 | A record of the annual confirmation that staff retains car insurance for business purposes should be retained by the Council on the HR Pro System. | N/A |

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 used to date.

Risk
Employees may be driving on Council business when not adequately insured, which may expose the council to legal action.

2010/2011 Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Shared HR Manager	30 June 2011
2011/2012 Management Response	**Implementation Date**
Recommendation is **Not Agreed** Scanning a copy of an insurance document onto an employee's HR pro record or alternatively recording on HR pro that the employee's manager has seen the insurance document is likely to create unnecessary work. This is because if either of these options were implemented there would need to be a trigger in the process to prompt the employee to submit evidence of having an updated policy every year. Requiring all employees to tick a box on the electronic mileage claim form to declare that they have adequate business insurance would address the risk outlined above without creating a significant amount of work. An employee will not be eligible to make a mileage claim without ticking this box. If an employee makes a false declaration relating to business insurance in order to make a mileage claim they are likely to be subjected to the disciplinary process. Management Response: Shared HR Manager	N/A

6. Documented Roles and Responsibility   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Roles and responsibilities are documented to ensure staff awareness of their position and function within the team. Findings A document has been produced that outlines all the payroll related tasks that each member to the team	The current roles and responsibilities document should be revised to include the roles of each member of the payroll team.	Head of Finance/Capita

undertakes. However, it gives no indication of the line management responsibilities or the hierarchy of the payroll process. Risk Aspects of the payroll function may not be delegated or undertaken resulting in delays in the payroll process.		
2010/2011 Management Response		**Implementation Date**
Recommendation is **Agreed** A hierarchy chart will be included in the Payroll Procedure Manual and this will also be included in the roles and responsibilities document. Management Response: Payroll Project Lead		31 January 2011
2011/2012 Management Response		**Implementation Date**
Recommendation is **Agreed in principal** The current documentation is considered sufficient pending the impending outsourcing to Capita. Management Response: Head of Finance		1 March 2012

2011/2012 AUDIT RECOMMENDATIONS

ADMINISTRATION OF PAYROLL

7. Payroll procedures   (Medium risk)

Rationale	Recommendation	Responsibility
Best Practice Payroll procedures are fully completed and distributed to all payroll officers. Findings Internal audit established that payroll procedures are currently in draft format and not completed due to long-term sickness within the payroll team. Risk If payroll procedures are not in place, there is a risk of payroll officers not carrying out their duties appropriately.	To complete the payroll procedure notes as soon as possible and distribute them to all the payroll officers.	Payroll Supervisor
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle**		Implemented

This will not be completed now that the payroll function is to be fully outsourced to Capita. The draft procedures have been shared with Capita. Management Response: Payroll Supervisor	

8. HR pro system password control   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The HR pro system prompts all employees to change their password every 90 days. <u>Findings</u> Internal audit established that the HR pro system does not prompt employees to change their password. <u>Risk</u> If the password for the HR pro system is not changed regularly, there is a risk of another employee establishing the password and changing data on the system.	Human Resources should ensure that the settings are changed on the HR pro system so that the system prompts employees to change their password.	Shared HR Business Support Manager

Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Shared HR Manager	31 March 2012

VARIATION OF PAYROLL DATA

9. Request to recruit form approval   (Medium risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All request to recruit forms are approved by the HR manager. <u>Findings</u> During sample testing of starters, for two of the two tested, the request to recruit form was not approved by the HR manager. <u>Risk</u> If the request to recruit forms are not approved by the HR manager, there is a risk of unauthorised starters being	All request to recruit forms should be signed by the HR Manager, giving her approval to recruit.	Shared HR Business Support Manager

set-up on the system.		
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Agreed that someone in the HR team needs to approve request to recruit forms however this does not need to be the Shared HR Manager. The HR business partners should have a detailed knowledge of what is happening in their service area and should also have a general understanding of what's happening in other service areas. This should give them the knowledge necessary to approve request to recruit forms for their service areas. Management Response: Shared HR Manager		Immediate

10. HR Authorisation   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All appointment/leaver/amendment forms are signed by HR officers. <u>Findings</u> During sample testing of starters, for two of the two tested, the appointment form was not signed by a HR officer. During sample testing of leavers, for three of the nine tested, the leaver form was not signed by a HR officer. During sample testing of amendment to data, for one of the 20 tested, the amendment form was not signed by a HR officer. <u>Risk</u> If the appointment/leaver/ amendment forms are not signed by the HR team, there is a risk of the HR team not receiving the forms and not updating the HR system.	All appointment/leaver/ amendment forms should be signed by an officer from HR as required.	Shared HR Business Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Shared HR Manager		Immediate

11. Emails attached to leaver forms (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> For all leaver forms received via email, the email is filed alongside the form so that an audit trail exists. <u>Findings</u> During sample testing of leavers, only three of the nine leaver forms were signed by the service manager. The HR business support manager stated that the forms are received via email and the email is sent by the service manager, so the appointment is not required to be signed. Internal audit requested copies of the email to confirm approval from service manager, but HR did not send copies of the email. <u>Risk</u> If there is no audit trail to confirm that leaver forms are approved by the service manager, there is a risk of the forms not being signed or approved by the line manager.	If leaver forms are received via email, HR should ensure that the email is saved within the system alongside the form to confirm that they are signed by the line manager.	Shared HR Business Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Shared HR Manager		Immediate

EMPLOYEES PAID IN A TIMELY MANNER

12. Evidence for variances (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All variances occurring between the dummy and main pay run reconciliation has documentary evidence. <u>Findings</u> During the review of the July 2011 reconciliation between the dummy and main pay run, internal audit established that	The payroll team should ensure that all documentation relating to variances to payroll data is filed appropriately.	Payroll Supervisor

a variance of £253.40 occurred, but there was no documentary evidence. Risk If there is no documentary evidence for variance occurred, there is a risk of variances not being accounted for and some employees and members being under/over paid.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Payroll supervisor		Immediate

2. WASTE MANAGEMENT & RECYCLING 2011/2012

1. INTRODUCTION

1.1   The fieldwork for this audit was undertaken in November 2011 and the final report was issued on 19 December 2011.

1.2   The following areas have been covered during the course of this review to provide assurance that:
- Policies and procedures are comprehensive, up to date and available to appropriate employees;
- The council's waste management and recycling strategies and the relevant service plans reflect government national initiatives and include appropriate objectives and targets;
- The accuracy of weighbridge and weight/volume tickets to council records, recharges and reconciliation to contractor invoices;
- Arrangements for formulating data submissions are adequate and returns are consistent with council records and presented coherently;
- The value of recycled materials recorded by the council is valid, accurate, up-to-date and supported by a management trail;
- Adequate promotion of recycling, waste management service and reduction strategies;
- There are adequate stock control processes in place, and stock data can be verified.

2. BACKGROUND

2.1   The waste management team is led by the Shared Waste Manager and are responsible for waste collection and recycling. The delivery of the service has been outsourced to Biffa Group Limited; however the management of the contract remains the responsibility of the council.

2.2   The team works across Vale of White Horse and South Oxfordshire District Councils (VWHDC & SODC) and consists of three Waste Management Technical Officers (3 FTE), a Shared Administration Team Leader (1 FTE) and two Administrators (1.5 FTE). For 2011/2012 of the total amount of materials, the total amount of refuse collected aggregated to 5951 tonnes to the nearest whole tonne – as at 30 September 2011 for 2011/2012. Recycling information cannot be verified as at audit date as wholly correct, this has been acknowledged in our audit work.

3. PREVIOUS AUDIT REPORTS

3.1   Waste management and recycling was last subject to an internal audit follow-up review in April 2008. In the initial audit 14 recommendations were made and agreed. During the first follow up, it was identified that six recommendations had been implemented, three recommendations had been party implemented and five recommendations had not been implemented. During this review, of the remaining eight recommendations, one was no longer relevant, five recommendations had now been implemented and two have been restated.

4. 2011/2012 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   Fourteen recommendations have been raised in this review. Two are high risk, eight are medium risk and the remaining four are low risk.

5. MAIN FINDINGS

5.1   **Policies and procedures**

5.1.1   Internal audit through discussion with the Shared Administration Team Leader established there is a need to formulate policies and procedures across a number of areas, e.g. waste management, recycling, performance and financial administration. Similarly, there is a need to revise roles and responsibilities within the department. Two recommendations have been made as a result of our work in this area.

5.2   **National initiatives**

5.2.1   The waste management strategy adopted by the council is the document formulated by the Oxfordshire Waste Partnership (OWP), and the team's service plan includes SMART targets. Central government no longer require local authorities to report national indicators, however they retain the need to input municipal waste data on the government reporting database, WasteDataFlow. On review of the contractor meetings file, for three meetings, agenda documents were found however no accompanying minutes or notice of cancellation of the meeting could be evidenced. One recommendation has been made as a result of our work in this area.

5.3   **Weighbridge records**

5.3.1   Internal audit reviewed the allocation of costs for all invoices which had been processed for 2011/2012 as of the audit date, from the contractor (up until August 2011) and recycling credits (up until June 2011). Following discussion with the Waste Management Technical Officer, internal audit established the data provided from outside the council related to recycling and waste collected is not checked to primary evidence (e.g. tickets) on a sample basis by the council. The Shared Administration Team Leader stated the workings behind the 2011/2012 price list for duties (bill of quantities) conducted by the contractor is unclear. Four recommendations have been made as a result of our work in this area.

5.4   **Data submissions**

5.4.1   The Waste Management Technical Officer is responsible for inputting data on behalf of the council onto the national WasteDataFlow database. Internally, the Waste Management Technical Officer reports the raw waste management and recycling data in a summarised format to the Performance and Project Officer. This data is used as part of the monthly 'Board Report: A graphical summary of the councils' performance' which is presented to Cabinet. No recommendations have

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

5.5   **Recycling credits**

5.5.1   The Waste Management Technical Officer receives recycling data from
         a variety of providers, which include the contractor and charities (e.g. the
         Salvation Army). This information is mapped for reporting purposes.
         Internal audit identified the July, August and September recycling
         invoices had not been issued – and the use of electronic rather than
         manual authorisation would speed up the process. The Contract
         Manager confirmed the mix of recycling materials sent to the materials
         recovery facilities reported to the council – is as at the end of the
         financial year 2010/2011 and not up to date. Three recommendations
         have been made as a result of our work in this area.

5.6   **Communication**

5.6.1   The communications team use a variety of methods to publicise services
         (e.g. social networking sites). There is a specific communications plan
         set each year, and the Communications Officer consults with both the
         Head of Corporate Strategy and the contractor to discuss issues which
         arise in the year. The council also work in conjunction with the
         Oxfordshire Waste Partnership (OWP) to promote waste reduction.
         Campaigns by the council included the new waste service introduced in
         2010 and collections days at specific times of the year, e.g. christmas
         and bank holidays. One recommendation has been made as a result of
         our work in this area.

5.7   **Stock control**

5.7.1   Currently, other than a year end stock take – there are no other stock
         monitoring arrangements in place, e.g. perpetual inventory checks, and
         no stock register. The Shared Waste Manager and Shared
         Administration Team Leader has acknowledged there is a need to
         improve stock control. One recommendation has been made as a result
         of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Policies and procedures   **(High Risk)**

Rationale	Recommendation	Responsibility
Best Practice There are authorised, comprehensive and up to date policies and procedure notes which cover all key areas, e.g. waste management, recycling and performance management. Findings The Shared Administration	Ensure there are policies and procedures covering: - waste management, - recycling activities, - performance management, - financial administration and checking of waste and recycling information and invoices,	Shared Waste and Parks Manager

Team Leader stated there is a need to develop new policies and procedures for all activities. There are no policies and procedures, e.g. for waste/recycling/data/stock management. Risk There is a lack of procedure or compliance with best practice which may lead to, for example: poor performance/stock/data management or inefficient administration of financial transactions.	- data management, - stock management.	

Management Response	Implementation Date
Recommendation is **Agreed** Management response: Shared Waste and Parks Manager	31 March 2012

2. Job descriptions   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice There are clear and up-to-date job descriptions in place for all officers. Findings From discussion with human resources (HR) it was confirmed there are no up to date job descriptions for all officers within the corporate strategy department responsible for waste management and recycling e.g. the Shared Administration Team Leader. Furthermore, the Shared Administration Team Leader stated roles and responsibilities needed to be revised. Risk Duties are not carried out due to confusion over roles and responsibilities, and poor performance may not be managed appropriately.	Ensure there are job descriptions and/or roles and responsibilities up to date for all members of staff.	Shared Waste and Parks Manager

Management Response	Implementation Date
Recommendation is **Agreed** Shared Team Leader job description has been written and has been evaluated, with a temporary person currently in post.	31 March 2012

Management Response: Shared Waste and Parks Manager	

NATIONAL INITIATIVES

3. Meetings   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All formal meetings with contractors have agendas, minutes and are recorded throughout the year. <u>Findings</u> From review of the contractor meetings file - there is an agenda for the June meeting – but no formal minutes. This is similarly the case for July and May operations meetings. <u>Risk</u> Without a clear record of all meetings or reasons for cancellation – there is a lack of compliance with good practice and lack of visible audit trail, e.g. which may be required in the event of a dispute.	Ensure all operations, contract and other key meetings are minuted, if meetings are cancelled this should be recorded within the minutes file.	Shared Waste and Parks Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Procedures have been put in place and all operations, contract and other key meetings are minuted and have agendas. Management Response: Shared Waste and Parks Manager		30 December 2011

ACCURACY OF WEIGHBRIDGE RECORDS AND INVOICES

4. Spot Checks   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> There is a regular complete or spot check of weighbridge and recycling records to the tickets. <u>Findings</u> Following discussion with the Waste Management Technical Officer, internal audit established the data related to recycling and waste collected is	Ensure there are the necessary spot checks of tickets to data received by the council.	Shared Waste and Parks Manager

not checked to primary evidence (e.g. tickets) on a sample basis. Risk Incorrect records of waste collection and recycling leading to incorrect financial payments and strategic decisions.		

Management Response	Implementation Date
Recommendation is **Agreed** This will be checked as part of a monthly reconciliation of data provided by Biffa, County Council and Agrivert. Management response: Shared Waste and Parks Manager	31 March 2012

5. Bill of quantities   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice A responsible officer has a clear record and knowledge of the bill of quantities and its compliance with the contracted terms. Findings Following discussion with the Shared Administration Team Leader, the workings behind the current bill of quantities is unclear and clarification is needed with the contractor over whether the current contract is being complied with. Risk Without knowledge of the formulation of the bill of quantities – incorrect payments may be made and the contracted terms may not be complied with.	Clarify the workings behind the bill of quantities and ensure rates are approved yearly.	Shared Waste and Parks Manager

Management Response	Implementation Date
Recommendation is **Agreed** Discussions with Biffa have started and further clarifications are to be agreed. Management response: Shared Waste and Parks Manager	31 January 2012

6. Rate checks   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice There is a documented check of all calculations and rates	The invoices and recycling breakdown received should be	Shared Waste and Parks Manager

applied on each invoice presented to the council.	marked when the rates are checked.	
Findings Following discussion with the Shared Administration Team Leader, whilst there is a check of the rates used – this is not formally documented for waste invoices. For recycling, from our sample testing it has been noted the documentation of the check of the recycling breakdown has not been done on all occasions (1 out of 6 – not signed off). Risk Without formal sign off, there is a lack of visible audit trail and record of rates and quantities being checked.		

Management Response	Implementation Date
Recommendation is **Agreed in Principle** The core invoice will be checked following any changes and the variable will be checked monthly. Management response: Shared Waste and Parks Manager	31 December 2011

7. Variable work   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice There is a record of all variable work requested which is used to reconcile with waste invoices. Findings Through discussion with the Shared Administration Team Leader, a spreadsheet is currently being developed to record all new resident requests for bins to be collected. Risk An incorrect invoice charge may not have been and identified, possibly leading to unnecessary financial loss to the council.	Ensure there is a record of variable work required, e.g. new residents and requests made by waste management team.	Shared Waste and Parks Manager

Management Response	Implementation Date
Recommendation is **Agreed in Principle** We are currently putting in place procedures that will	29 February 2012

address this issue.

Management response: Shared Waste and Parks Manager

RECYCLING MATERIALS

8. Electronic authorisation   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Electronic authorisation enables prompt processing of recycling invoices. <u>Findings</u> Currently, once the recycling credits are approved the forms are manually transported from VWHDC to SODC location for processing. On review of the Recycling credits – as at audit date – the July, August and September credit invoices have not been issued to Oxfordshire County Council. Given the period of time which has elapsed (audit date: 14th October), internal audit highlighted the time lag is excessive. <u>Risk</u> A lack of adherence to good financial practice and the possibility of a loss of interest.	Consider using electronic authorisation of recycling credits	Shared Waste and Parks Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** We will do this for December and then ongoing after that. Management response: Shared Waste and Parks Manager		31 December 2011

9. Turnaround time targets   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> There is an established time within which all invoicing is expected to be completed. <u>Findings</u> On review of the recycling credits – as at audit date – the July, August and September credit invoices have not been	Establish internal time targets to ensure recycling credit invoices are issued promptly.	Shared Waste and Parks Manager

issued to Oxfordshire County Council. Given the period of time which has elapsed (audit date: 14th October), internal audit highlighted the time lag is excessive.

Risk
A lack of adherence to good financial management and the possibility of monies not being recovered by the council.

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Recycling credits are subject to external data being provided which we do not have direct control over, however we will establish internal time targets. Management response: Shared Waste and Parks Manager	31 January 2012

10. Materials recovery facilities   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice The mix of recycling materials sent to the materials recovery facilities reported to the council is reported on a monthly basis. Findings The Contract Manager confirmed the mix of recycling materials sent to the materials recovery facilities reported to the council – is as at the end of the financial year 2010/2011 (i.e. March 31st 2011), however processes are being put in place to ensure the mix is reported on a monthly basis. Risk Incorrect allocation of invoice charges will result in incorrect financial records.	Ensure the contractor provides monthly up-to-date breakdown of materials sent to the materials recovery facilities (MRFs).	Shared Waste and Parks Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Management response: Shared Waste and Parks Manager		31 January 2012

PROMOTION

11. Service user feedback   **(Medium Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> An action plan should be drawn up, as a result of, any service user feedback exercise to address any outstanding issues. <u>Findings</u> There is no evidence that an action plan was drawn up as a result of the latest VWHDC survey regarding waste management and recycling services. <u>Risk</u> The council may fail to act on service user feedback to improve service delivery.	Ensure there is an action plan devised as a result of service user feedback	Shared Waste and Parks Manager

Management Response	Implementation Date
Recommendation is **Agreed** Management response: Shared Waste and Parks Manager	31 March 2012

STOCK CONTROL

12. Stock   **(High Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> There should be regular stock counts and an updated stock register. <u>Findings</u> Through discussion with the Shared Administration Team Leader, internal audit identified there is no formal stock control system in place. There is in addition, no threshold established for the minimum level of stock, i.e. bins, held. <u>Risk</u> A misappropriation of stock may not be identified leading to unnecessary financial loss to the council.	A stock control system needs to be put in place: (a) stock register (b) regular monitoring, count and reconciliation of stock levels. (c) establish a threshold for the minimum level of bins held.	Shared Waste and Parks Manager

Management Response	Implementation Date
Recommendation is **Agreed** Work has already began - will be put immediately in place. Management response: Shared Waste and Parks Manager	Immediately

2010/2011 PREVIOUS RECOMMENDATIONS

13. Customer database reporting   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The customer database be fully utilised to help produce reports to aid service delivery, e.g. tracking reports. <u>Findings – 2007/2008</u> This will be discussed with the OSM in conjunction with other CRM issues arising from these reports, and a way forward agreed. <u>Follow Up Observations – 2007/2008</u> Organisational Development has stated that there will be no further development in the CRM system; it will be superseded by another system in Autumn 2008, which is currently being commissioned by Organisational Dev. Waste services will review their processes to link in with the new system, to ensure better accountability and tracking facilities. However it should be noted that the current reports allow management to verify contractor claims and monitor performance on non collections. Recommendation was considered to be partly implemented and the revised implementation date as 31 October 2008. <u>Findings – 2011/2012</u> Through discussion with the Shared Waste Manager, the review currently remains ongoing – and no final decision has been made. <u>Risk</u>	It is recommended that the reporting facility contained within the CRM system should be reviewed by the Waste Management Team and the Organisational Change Manager to address the shortfall in reporting as identified by the Waste Management Team to enable reports to be produced that deliver improvements in the monitoring arrangements.	Shared Waste and Parks Manager

The council is not utilising the facilities to deliver improvements in delivery of customer-specific services.		
Management Response 2007/2008		**Implementation Date**
Recommendation is **Agreed** This will be discussed with the OSM in conjunction with other CRM issues arising from these reports, and a way forward agreed. Management Response: Waste Services Manager		30 September 2007
Management Response		**Implementation Date**
Recommendation is **Agreed** Currently with IT to develop a new joint system. Management Response: Shared Waste and Parks Manager		31 March 2012

14. Customer database monitoring   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The customer database should be reviewed by the waste and recycling team alongside other service areas, e.g. debtors. <u>Findings – 2007/2008</u> A preliminary report specification, primarily to address the lack of information relating to brown bins, has been prepared. It has been forwarded to the Organisational Change Manager as a draft. Further discussions concerning feasibility to take place. Outcome to be determined by the action date. <u>Follow Up Observations – 2007/2008</u> Organisational Development has stated that there will be no further development in the CRM system; it will be superseded by another system in Autumn 2008, which is currently being commissioned by Organisational Dev. Waste services will review their processes to link in with the new system, to ensure better accountability and tracking facilities.	It is recommended that the waste team should review of all the processes that feed into the CRM system to ensure the CRM system is being fully utilised by officers for input, monitoring and where necessary report purposes. This review should take place in conjunction with members of the Organisational Change service area and the Debtors service area to formulate a regular timetable for the production of reports with a view to improving the management arrangements.	Shared Waste and Parks Manager

Recommendation was considered to be partly implemented and the revised implementation date as 31 October 2008. Findings – 2011/2012 Through discussion with the Shared Waste Manager, the review currently remains ongoing – and no final decision has been made. Risk Without cross council consultation the review may not deliver as efficient an outcome as is possible.		
Management Response 2007/2008		**Implementation Date**
Recommendation is **Agreed** A preliminary report specification, primarily to address the lack of information relating to brown bins, has been prepared. It has been forwarded to the Organisational Change Manager as a draft. Further discussions concerning feasibility to take place. Outcome to be determined by the action date. Management Response: Waste Services Manager		31 August 2007
Management Response		**Implementation Date**
Recommendation is **Agreed** Currently with IT to develop the system to meet our needs. We have mapped what is needed. Management Response: Shared Waste and Parks Manager		31 March 2012

3. ESTABLISHMENT LISTING 2011/2012

1. INTRODUCTION

1.1   The fieldwork for this audit was undertaken in October and November 2011 and the final report was issued on 20 December 2011.

1.2   The following areas have been covered during the course of this review to provide assurance that:
- roles and responsibilities for preparing, maintaining and using the establishment listing are clearly defined and communicated;
- adequate controls are in place for making amendments to the establishment listing;
- the establishment listing contains all of the necessary data which is up to date;
- access to the establishment listing is given to appropriate officers; and
- appropriate reconciliations are undertaken between the establishment listing, accountancy records and payroll records, and any discrepancies are investigated and resolved appropriately.

2. BACKGROUND

2.1   An establishment list supports the development and management of an agreed organisational structure, by ensuring control of the number and grade of authorised posts and the agreed budget and number of employees that are assigned to each post within a team. Each service area within the council has an agreed establishment, and any changes to the establishment must be processed and authorised in accordance with human resources (HR) policy.

2.2   The business support manager within HR is responsible for maintaining the council's establishment list, but all senior managers are responsible for ensuring that information held within the establishment list is up to date. The establishment list is the primary source of information for salary budget setting.

3. PREVIOUS AUDIT REPORTS

3.1   A specific establishment list audit has not previously been undertaken. Controls relating to the establishment list are normally undertaken as part of the annual payroll audit. In the 2010/2011 payroll audit, one recommendation was made which related to a reconciliation process between the establishment list and payroll records. A process has been introduced, but this has not yet been implemented. A recommendation has been made as part of the current year review.

4. 2011/2012 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   Three recommendations have been raised in this review, two high risk and one low risk.

5. MAIN FINDINGS

5.1   Roles and responsibilities

5.1.1   Roles and responsibilities for preparing, maintaining and using the establishment list have now been clearly defined within Human Resources. Internal HR procedures have been drafted for updating the establishment list, and these are accessible to the relevant officers. The establishment list is now subject to a monthly review by the HR Business Support Manager. No recommendations have been made as a result of our work in this area.

5.2   Amendment control

5.2.1   Documented processes are in place to govern how amendments are made to the establishment list, and spreadsheets are used to log, action and track amendments. From a review of six recent amendments, internal audit is satisfied that suitable authorisation was obtained. All amendments are subject to monthly management review; however there is no evidence of this checking process. One recommendation has been made as a result of our work in this area.

5.3   Up to date data

5.3.1   Internal audit is satisfied that the relevant information is included within the establishment list, and a process has been introduced to ensure that it is reviewed on a monthly basis. However, internal audit reconciled the establishment list as at 31 July 2011 to the payroll report as a 4 August 2011 and found 85 discrepancies between the two reports. As at the date of issuing the draft report, these discrepancies had not be reviewed and resolved. One recommendation has been made as a result of our work in this area.

5.4   Access

5.4.1   Internal audit could confirm that access to the establishment list is controlled and appropriate. On a monthly basis senior managers, HR and Accountancy are sent a copy of the most recent establishment list. No recommendations have been made as a result of our work in this area.

5.5   Reconciliations

5.5.1   Internal audit is satisfied with the proposed reconciliation process between the establishment list and payroll report, but as reported in section 5.3 above, 85 discrepancies have been identified between the two reports. The proposed reconciliation process needs to be implemented as soon as possible.

5.5.2   Internal audit is satisfied that the establishment list feeds into the salary budget setting process, and relevant officers are consulted in the budget setting process. Historically there has been confusion within the council as to how the establishment list and budget relate to each other, but internal audit is satisfied with the guidance notes that have been drafted by accountancy to address this issue. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

AMENDMENT CONTROL

1. Evidence of monthly check   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Documented evidence of checks made should be in place. <u>Findings</u> The business support manager currently reviews all amendments to the establishment list on a monthly basis, however there is not evidence of this check. <u>Risk</u> Without an adequate trail of the checking procedure, there is a risk that should the checking not occur this would not be identified and rectified.	The payroll spreadsheet should be signed off by the Business Support Manager at the end of the each month to evidence the checking process.	Shared Business Support Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Management response: Shared HR Manager		31 March 2012

UP TO DATE DATA

2. Identified discrepancies   (High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Payroll records and the establishment should reconcile. <u>Findings</u> Internal audit reconciled the establishment list as at 31 July 2011 to the payroll report as at 4 August 2011, and found 85 discrepancies between the establishment list and the payroll report. <u>Risk</u> Without appropriate reconciliations and up to date data, there is a risk that	The discrepancies identified by internal audit between the establishment list and payroll report should be reviewed by payroll and HR and records amended accordingly.	Capita payroll and HR

incorrect information is not identified and amended appropriately. This could result in inappropriate/unauthorised payments and/or ghost/duplicate employees not being identified and removed from payroll.		
Management Response		**Implementation Date**
Recommendation is **Agreed** This will be discussed as part of determining the new payroll processes following the outsourcing of the full payroll service to Capita. Management response: Shared HR Manager and Head of Finance		31 March 2012

RECONCILIATIONS

3. Reconciliation process (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Payroll records and the establishment should reconcile. Findings HR and payroll have agreed to a four monthly reconciliation process, but this has not yet commenced. Risk Without appropriate reconciliations and up to date data, there is a risk that incorrect information is not identified and amended appropriately. This could result in inappropriate/unauthorised payments and/or ghost/duplicate employees not being identified and removed from payroll.	The proposed reconciliation process of the establishment list to payroll records needs to be implemented as soon as possible.	Capita payroll and HR
Management Response		**Implementation Date**
Recommendation is **Agreed** This will be discussed as part of determining the new payroll processes following the outsourcing of the full payroll service to Capita. Management response: Shared HR Manager and Head of Finance		31 March 2012

4. ICT FOLLOW UP 2010/2011

1. INTRODUCTION

1.1   The original fieldwork for this audit was undertaken in April 2011 and the final report was issued in May 2011. The follow up report was issued on 22 November 2011.

2. INITIAL AUDIT FINDINGS

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

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that two recommendations have been implemented, one recommendation is currently ongoing and five recommendations have not been implemented with revised implementation dates given.

3.2   Four of the five recommendations not implemented relate to the current helpdesk system (HEAT) in use at VWHDC. This is being replaced by the helpdesk system (RMS) which is in use at SODC. Internal audit has assessed the control environment of RMS and considers it to be very strong. The IT Operations Manager confirmed that the target date for implementation is the end of December 2011, and the relevant recommendation will then be implemented.

FOLLOW-UP OBSERVATIONS

STRATEGIES AND POLICIES

1. Job descriptions   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice Up to date job descriptions should be in place for all staff officers. Findings 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. Risk If adequate job descriptions are not in place, poor performance may not be managed appropriately as roles and responsibilities have not been clearly defined.	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**

Recommendation is **Agreed** Will review and update job descriptions. Management Response: Shared IT Operations Manager	30 October 2011
Follow-Up Observations	
The IT Operations Manager confirmed that the job descriptions had not yet been reviewed due to other work priorities.	**Not Implemented** **Revised implementation date: 31 March 2012**

2. IT strategy   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Strategies should be made available to all officers to ensure effective support. <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.	The joint IT strategy should be made available to all officers via the intranet.	Shared IT Operations Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Will liaise with IT intranet authors to establish an intranet page with links to IT strategy documents. Management Response: Shared IT Operations Manager		30 June 2011
Follow-Up Observations		
Internal audit could confirm that the joint IT strategy is now available to all officers via the intranet.		**Implemented**

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. <u>Findings</u> It was noted that at SODC a technology statement is in place which governs that standards required for the purchase of ICT	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

| equipment. Such a statement is not in place at VWHDC.

Risk
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.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Will arrange for similar document to be created and distributed. Management Response: Shared IT Operations Manager		30 June 2011
Follow-Up Observations		
The IT Operations Manager confirmed that the SODC technology statement has not yet been applied to VWHDC.		**Not Implemented** **Revised implementation date: 31 January 2012**

4. SLA priorities   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Performance management targets should be clear and measurable. Findings 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. Risk If performance targets are not clear and measurable, poor performance may not be identified and dealt with appropriately.	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
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle**		30 June 2011

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. Management Response: Shared IT Operations Manager	
Follow-Up Observations	
The HEAT system is currently being replaced by the RMS system which is in use at SODC. Internal audit has assessed the control environment of RMS and considers it to be very strong. The IT Operations Manager confirmed that the target date for implementation is the end of December 2011, and this recommendation will then be implemented.	**Not Implemented** **Revised implementation date: 31 January 2012**

5. Authorisation protocols in HEAT   (High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Any changes to ICT systems should be appropriately authorised. <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.	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
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** 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		30 October 2011
Follow-Up Observations		
The HEAT system is currently being replaced by the RMS system which is in use at SODC. Internal audit has assessed the control environment of RMS and considers it		**Not Implemented** **Revised**

	implementation date: 31 January 2012
to be very strong. The IT Operations Manager confirmed that the target date for implementation is the end of December 2011, and this recommendation will then be implemented.	

6. Audit tracking facility in HEAT   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice 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. Findings 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. Risk 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 be identified.	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

Management Response	Implementation Date
Recommendation is **Agreed in Principle** 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	30 October 2011

Follow-Up Observations	
The HEAT system is currently being replaced by the RMS system which is in use at SODC. Internal audit has assessed the control environment of RMS and considers it to be very strong. The IT Operations Manager confirmed that the target date for implementation is the end of December 2011, and this recommendation will then be implemented.	**Not Implemented** **Revised implementation date: 31 January 2012**

SECURITY ARRANGEMENTS

7. New users   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice New users should be appropriately authorised before being set up on ICT systems. Findings 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. Risk 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

Management Response	Implementation Date
Recommendation is **Agreed** 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

Follow-Up Observations	
A list of the last 5 new users was obtained from ICT, and the necessary authorisation forms could be located. Authorisation forms are sent to ICT for processing, and are then passed to HR for filing.	**Implemented**

BACK UP ARRANGEMENTS

8. Disaster recovery tests   (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Critical business systems should be recovered in an agreed timescale following a disaster. Findings 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	a) The disaster recovery arrangements should be tested on an annual basis. b) Test results should be documented and analysed. c) A formal action plan should be implemented to address any weakness	Shared IT Operations Manager

and whether any appropriate action following the test had been taken could not be obtained by internal audit. Risk 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.	identified during testing (including contractor performance).	
Management Response		**Implementation Date**
Recommendation is **Agreed** Council has contract with DR suppliers which provides testing dates. Test will be scheduled, run and documented in line with recommendation. Management Response: Shared IT Operations Manager		31 December 2011
Follow-Up Observations		
The IT Operations Manager confirmed that the disaster recovery test has been scheduled for 19 – 23 December 2011.		**Ongoing**