

SYSTEMIC CONTROL WEAKNESSES

APPENDIX 2

Background

The table below lists systemic control weaknesses which have been identified at either or both councils (SODC and VVHDC), from the internal audit reports issued in final since 1 April 2010. 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.

Definition

A systemic control weakness is defined for the purpose of this table, as a significant control weakness which has been identified across a number of operational areas.

Methodology

Every recommendation made by internal audit 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 have been listed as a systemic control weakness according to their

Systemic control weaknesses as at 8 March 2012

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RECOMMENDATION LOG

Recommendations have been categorised by control type

Supervision - Staff and activities should be adequately supervised by someone who understands the process and will detect deviations from accepted practice.

Organisation - There should be a clear organisational structure and all staff should be aware of their roles and responsibilities.

Authorisation and approval - all transactions and decisions should be authorised by a nominated officer.

Management: Suitable financial and operational management information should be produced, and there should be active use of exception reports, critical review and management enquiry.

Arithmetical and accounting - There should be adequate checking and re-performing, reconciliations, effective costing and processing systems and accurate accounting records and use of control accounts.

Personnel - There should be controlled appointments and ongoing training and appraisals

Segregation of duties - The functions of authorising, recording and custody/controlling should be undertaken by separate officers

| Points Key | |
|------------|----------------------------|
| 1 | Low risk recommendation |
| 2 | Medium risk recommendation |
| 3 | High risk recommendation |

1. SUPERVISION RECOMMENDATIONS

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2. ORGANISATION RECOMMENDATIONS

| No. | Recommendation Type | Asset Identified in | Council | Points | Recommendation Point Total |
|-----|---|-------------------------------------|---------|--------|----------------------------|
| 24 | Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer. | Capital Accounting 1011 | SODC | 1 x 3 | |
| | | Capital Accounting 1011 | VWHDG | 1 | |
| | | Creditor Payments 1011 | SODC | 1 | |
| | | Equities and Diversity 1112 | SODC | 1 x 2 | |
| | | Equities and Diversity 1112 | VWHDG | 2 | |
| | | Equities and Diversity 1112 | SODC | 1 x 2 | |
| | | General Ledger 1112 | SODC | 2 x 1 | |
| | | General Ledger 1112 | VWHDG | 2 x 1 | |
| | | Health and Safety 1011 | SODC | 1 x 2 | |
| | | Health and Safety 1011 | VWHDG | 1 x 4 | |
| | | Housing & Council Tax Benefits 1011 | SODC | 1 | |
| | | Housing & Council Tax Benefits 1011 | VWHDG | 1 x 2 | |
| | | HR Grievance Procedure 1011 | VWHDG | 1 | |
| | | HR Recruitment 1011 | SODC | 1 | |
| | | HR Recruitment 1011 | SODC | 2 x 2 | |
| | | HR Recruitment 1011 | VWHDG | 1 | |
| | | Payroll 1112 | SODC | 2 x 2 | |
| | | Payroll 1112 | VWHDG | 1 | |
| | | Payroll 1112 | SODC | 2 x 2 | |
| | | Payroll 1112 | VWHDG | 1 | |
| | | Sundry Debtors 1011 | SODC | 1 x 2 | |
| | | Sundry Debtors 1011 | VWHDG | 2 | |
| | | Time Management 1011 | SODC | 2 x 3 | |
| | | Travel and Subsistence 1112 | SODC | 3 x 1 | |
| | | Travel and Subsistence 1112 | SODC | 2 x 2 | |
| | | Travel and Subsistence 1112 | VWHDG | 1 | |
| | | Treasury Management 1011 | SODC | 3 x 2 | |
| | | Treasury Management 1011 | VWHDG | 1 | |
| | | Comestore - BCP, DR and EP 1011 | SODC | 1 x 2 | |
| | | Comestore - BCP, DR and EP 1011 | SODC | 1 x 3 | |
| | | Car Loans 1011 | SODC | 2 | |
| | | Car Loans 1011 | VWHDG | 2 | |
| | | Mortgage Administration 1011 | VWHDG | 1 | |
| | | Licensing 1112 | SODC | 2 | |
| | | Licensing 1112 | SODC | 3 x 1 | |
| | | Licensing 1112 | VWHDG | 4 x 2 | |
| | | Licensing 1112 | VWHDG | 1 | |
| | | Licensing 1112 | SODC | 3 x 2 | |
| | | Gifts and Hospitality 1112 | SODC | 1 | |
| | | Gifts and Hospitality 1112 | VWHDG | 1 | |
| | | Stationery System 1112 | SODC | 2 | |
| | | Stationery System 1112 | SODC | 1 | |
| | | Leisure Centres 1011 | SODC | 3 | |

| | | | | | | |
|------|---|---------------------------------------|-------|-------|--|-----|
| | | Leisure Centres 1011 | VWHDG | 1 | | |
| | | Occialia/Uniform ICT Procurement 1112 | SODC | 2 x 2 | | |
| | | Facilities Management 1112 | SODC | 1 | | |
| | | Grounds Maintenance 1112 | VWHDG | 2 | | |
| | | Car Parks 1112 | SODC | 1 | | |
| | | Cash Office 1112 | VWHDG | 2 x 1 | | |
| | | Building Control 1112 | SODC | 1 | | |
| | | Planning Fees 1112 | SODC | 3 x 1 | | |
| | | Planning Fees 1112 | VWHDG | 2 x 1 | | |
| | | Brown Bins 1112 | SODC | 2 | | |
| | | NNDR 1112 | SODC | 1 | | |
| | | NNDR 1112 | VWHDG | 1 | | |
| | | Waste Mgt & Recycling 1112 | SODC | 3 | | 150 |
| 2.2 | Appropriate IT systems should be in place. | Waste Mgt & Recycling 1112 | VWHDG | 3 | | |
| 2.3 | Effective communication of work instructions. | Capital/Accounting 1011 | SODC | 2 | | 3 |
| | | Capital/Accounting 1011 | VWHDG | 1 | | |
| | | Licensing 1112 | VWHDG | 2 | | |
| | | General Ledger 1112 | VWHDG | 2 | | |
| | | Health and Safety 1011 | SODC | 3 | | |
| | | Health and Safety 1011 | VWHDG | 3 | | |
| | | ICT 1011 | SODC | 1 x 2 | | |
| | | Pro-active Anti-Fraud 1011 | SODC | 2 | | |
| | | Pro-active Anti-Fraud 1011 | VWHDG | 2 | | |
| | | Stray Dogs 1011 | VWHDG | 2 | | |
| | | Gifts and Hospitality 1112 | SODC | 2 | | |
| | | Gifts and Hospitality 1112 | VWHDG | 2 | | |
| | | Grounds Maintenance 1112 | SODC | 4 | | |
| | | Cash Office 1112 | VWHDG | 1 | | |
| | | NNDR 1112 | VWHDG | 2 | | |
| | | Building Control 1112 | SODC | 4 | | 26 |
| 2.4 | All IT system functionality should be fully utilised. | Council Tax 1112 | SODC | 2 | | |
| | | Council Tax 1112 | VWHDG | 2 | | |
| | | Household & Council Tax Benefits | SODC | 2 | | |
| | | Overpayments 1011 | SODC | 1 | | |
| | | Stray Dogs 1011 | VWHDG | 1 | | |
| | | Treasury Management 1011 | SODC | 1 | | |
| | | Licensing 1112 | VWHDG | 1 | | |
| | | Stray Dogs 1011 | VWHDG | 1 | | |
| | | Cash Office 1112 | VWHDG | 1 | | |
| | | Payroll 1112 | SODC | 3 | | |
| | | Travel and Subsistence 1112 | SODC | 2 | | |
| | | Travel and Subsistence 1112 | VWHDG | 1 | | |
| | | Waste Mgt & Recycling 1112 | SODC | 2 | | |
| | | Waste Mgt & Recycling 1112 | VWHDG | 1 | | |
| 2.5 | TOR should be in place for working groups. | Health and Safety 1011 | SODC | 1 | | 26 |
| | | Health and Safety 1011 | VWHDG | 1 | | |
| 2.6 | Clear performance targets should be in place. | ICT 1011 | SODC | 2 | | 2 |
| | | ICT 1011 | VWHDG | 2 | | |
| | | Best Control 1011 | SODC | 2 | | |
| | | Grounds Maintenance 1112 | SODC | 4 | | |
| | | Grounds Maintenance 1112 | VWHDG | 2 | | |
| | | Car Parks 1112 | SODC | 2 x 2 | | |
| | | Car Parks 1112 | VWHDG | 2 x 2 | | |
| | | Waste Mgt & Recycling 1112 | SODC | 4 | | |
| | | Waste Mgt & Recycling 1112 | VWHDG | 1 | | 19 |
| 2.7 | Adequate contracts/SLA should be in place for all partnerships/supplier arrangements. | Payroll 1112 | SODC | 3 | | |
| | | Payroll 1112 | VWHDG | 3 | | |
| | | Stray Dogs 1011 | SODC | 1 | | |
| | | Stray Dogs 1011 | VWHDG | 1 | | |
| | | Pest Control 1011 | SODC | 2 | | |
| | | Brown Bins 1112 | SODC | 3 x 2 | | |
| | | Brown Bins 1112 | VWHDG | 1 | | |
| | | Equalities and Diversity 1112 | SODC | 4 | | |
| | | Equalities and Diversity 1112 | VWHDG | 4 | | |
| | | Facilities Management 1112 | SODC | 1 | | |
| | | Facilities Management 1112 | VWHDG | 1 | | 22 |
| 2.8 | | | | | | |
| 2.9 | | | | | | |
| 2.10 | | | | | | |

3. AUTHORISATION AND APPROVAL RECOMMENDATIONS

| No | Recommendation Type | Audit Identified in | Council | Points | Recommendation Point Total |
|------|--|--------------------------------|---------|--------|----------------------------|
| 3.1 | Payments should only be made if appropriate authorisation has been received. | Credit Payments 1011 | SODC | 1 | |
| | | Credit Payments 1011 | VWHDG | 2 | |
| | | Treasury Management 1011 | SODC | 1 | |
| | | Treasury Management 1011 | VWHDG | 2 x 2 | 11 |
| 3.2 | Monetary thresholds should be introduced to govern authorisation levels. | Credit Payments 1011 | SODC | 1 | |
| 3.3 | Write offs should be undertaken in a timely manner. | Housing & Council Tax Benefits | VWHDG | 1 | 2 |
| | | Housing & Council Tax Benefits | SODC | 2 | |
| | | Overpayments 1011 | VWHDG | 2 | |
| | | Overpayments 1011 | SODC | 2 | |
| | | NNDR 1112 | VWHDG | 2 | |
| | | NNDR 1112 | SODC | 2 | |
| 3.4 | Access to IT systems should be appropriate and only be given once authorised by a relevant officer. | Stray Dogs 1011 | SODC | 1 | 9 |
| | | ICT 1011 | VWHDG | 1 | |
| | | ICT 1011 | VWHDG | 1 | |
| | | Payroll 1112 | VWHDG | 2 | |
| | | Pro-active Anti-Fraud 1011 | VWHDG | 2 | |
| | | Pro-active Anti-Fraud 1011 | VWHDG | 2 | |
| | | General Ledger 1112 | SODC | 3 | |
| | | Cash Office 1112 | VWHDG | 3 | 14 |
| 3.5 | Authorisation protocols should be built into IT systems to ensure only appropriate officers can undertake certain tasks. | ICT 1011 | VWHDG | 3 | |
| | | Travel and Subsistence 1112 | SODC | 1 | |
| 3.6 | An authorised signatory listing should be maintained. | Travel and Subsistence 1112 | VWHDG | 2 | 6 |
| | | Payroll 1112 | SODC | 1 | |
| | | Travel and Subsistence 1112 | VWHDG | 1 | |
| 3.7 | | | | | 3 |
| 3.8 | | | | | |
| 3.9 | | | | | |
| 3.10 | | | | | |

| No. | Recommendation Type | Asset Identified in | Council | Points | Recommendation Point Total |
|------|---|---|--|--|-------------------------------|
| 4.1 | ICT back up arrangements should be adequate and tested on a regular basis. | ICT 1011 Comms - BCP, DR and EP 1011 Mortgage Administration 1011 | SODC VWHDG SODC | 2 2 2 | 10 |
| 4.2 | Documentation should be filed appropriately. | Travel and Subsistence 1112 Travel and Subsistence 1112 Stationery System 1112 Stationery System 1112 Leader Project Assurance 1011 Facilities Management 1112 Grounds Maintenance 1112 Payroll 1112 | SODC VWHDG SODC VWHDG SODC SODC SODC SODC | 1 1 2 2 1 x 2 1 x 2 3 x 2 3 x 2 | 23 |
| 4.3 | Door codes should be changed on a regular basis. | Cash Office 1014 | VWHDG | 3 x 2 | 1 |
| 4.4 | Financial stationary should be locked securely at all times. | Cash Office 1011 | SODC | 1 | 1 |
| 4.5 | Staff should ensure their physical environment is secure to ensure conversations and data are appropriately confidential. | Cash Office 1112 Comms - BCP, DR and EP 1011 Facilities Management 1112 | VWHDG SODC SODC | 1 2 2 | 3 |
| 4.6 | Inventory records should be held of all physical assets. | Cash Office 1112 Waste Mgt & Recycling 1112 Waste Mgt & Recycling 1112 | VWHDG SODC VWHDG | 1 3 3 | 11 |
| 4.7 | Adequate key controls should be in place. | Facilities Management 1112 Cash Office 1117 | SODC VWHDG | 2 1 | 3 |
| 4.8 | Physical access rights should be reviewed on a regular basis. | Cash Office 1112 | VWHDG | 2 | 2 |
| 4.9 | Physical access rights should be terminated promptly once an employee leaves. | General Ledger 1112 | SODC | 2 | 2 |
| 4.10 | | | | | |

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[illegible][illegible]

| 8. SEGREGATION OF DUTIES RECOMMENDATIONS | | | | | |
|--|--|--|-------------------------------|------------------|----------------------------|
| No. | Recommendation Type | Audit Identified In | Council | Points | Recommendation Point Total |
| R.1 | A second officer should be present during a cashing up process. | Liaison Centres 1011 Liaison Centres 1011 Cash Office 1011 Facilities Management 1112 | SODC VWHDC SODC SODC | 3 3 1 2 | 11 |
| B.2 | Two officers should be present when opening post where valuable items could be received. | Cash Office 1011 Handling Postal Cash and Cheques 1011 | VWHDC VWHDC | 2 3 | 3 |
| B.3 | | | SODC | 2 | 2 |
| B.4 | Adequate segregation of duties should exist for the purchase of goods. | Facilities Management 1112 | SODC | 1 | 1 |
| B.5 | | | SODC | 1 | 1 |
| B.6 | | | | | |
| B.7 | | | | | |
| B.8 | | | | | |
| B.9 | | | | | |
| B.10 | | | | | |