

REPORT OF THE AUDIT MANAGER
TO THE AUDIT & GOVERNANCE COMMITTEE
14 JANUARY 2009

Internal Audit Activity Report Quarter 3 2008/2009

1.0 Introduction and Report Summary

- 1.1 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.
- 1.2 The Contact Officer for this report is Adrianna Penn, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

2.0 Recommendations

that Members note the content of the report.

3.0 Relationship with the Council's Vision, Strategies and Policies

- (a) Vision strands A and C.
- (b) No specific strategy.
- (c) Anti Fraud and Corruption Policy; and all Policies indirectly.

4.0 Background

- 4.1 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 Councils' objectives. It assists the Councils 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.
- 4.2 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.

4.3 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

5.0 2008/2009 Audit Reports

5.1.1 Since the last Audit and Corporate Governance Committee meeting, the following audits have been completed:

Planned Audits

Full Assurance: 1

Satisfactory Assurance: 3

Limited Assurance: 4

Nil Assurance: 0

	Agenda page reference	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
1. Consultation	14	Limited	17	5	5	10	10	2	2
2. Rent Accounting	24	Limited	10	3	3	4	3	3	3
3. Brown Bins	32	Limited	10	4	4	4	4	2	2
4. Tender Process	39	Satisfactory	5	0	N/A	4	3.5	1	0.5
5. Treasury Management	44	Satisfactory	4	0	N/A	0	N/A	4	4
6. DSO	49	Limited	11	6	6	3	3	2	2
7. Post Room	57	Satisfactory	11	0	N/A	6	6	5	5
8. Capital Accounting	66	Full	1	0	N/A	1	1	0	0

Follow Up Reviews

	Agenda page reference	Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
8. Elections 07/08	68	Satisfactory	6	6	0	0	0
9. Concessionary Fares 07/08	72	Satisfactory	6	2	0	3	1
10. Abingdon LSP 07/08	76	Satisfactory	11	11	0	0	0

Appendix 1 of this report sets out the key points and findings relating to the completed audits

- 5.2 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.
- 5.3 A copy of each report has been sent to the appropriate Service Manager, the relevant Strategic Director, the relevant Section 151 Officer and the relevant Member Portfolio Holder.
- 5.4 A 6 month follow up is undertaken on all non-financial audits undertaken to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

ADRIANNA PENN
AUDIT MANAGER

1. CONSULTATION 2008/2009

1. INTRODUCTION

- 1.1 Final issued 10th September 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure appropriate consultation policies and procedures are in place.
 - To ensure that consultation is undertaken where appropriate.
 - To ensure that any consultation made is adequately documented.
 - To ensure that any changes made as a result of consultation are recorded.
 - To ensure that appropriate assessments are undertaken following any changes to assess the added value.
 - To ensure that an assessment of the financial cost of the consultation is undertaken.

2. BACKGROUND

- 2.1 Effective consultation can provide the opportunity for members of staff, local people and other partners to be involved in and to be able to influence policy making and service delivery. There is an increasing volume of good practice guidance available in relation to the undertaking of consultation exercises.

3. PREVIOUS AUDIT REPORTS

- 3.1 Consultation has not previously been subject to an internal audit review.

4. 2008/2009 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 Seventeen recommendations have been raised in this review. Five High Risk, Ten Medium Risk and Two Low Risk.

5. MAIN FINDINGS

5.1 Policies and Procedures

- 5.2 In the area of policies and procedures, Internal Audit was informed that the Consultation Policy is included within the Consultation Strategy. It was identified that there are no Corporate Consultation Procedures in place. Internal Audit considers that Corporate Procedures should be drafted and approved by the Senior Management Team. The Corporate Procedures should then be made available to all members of staff and documented procedures should be produced by all service teams. Five recommendations have been made as a result of our work in this area.

5.3 Appropriate Consultation Undertaken

- 5.4 As there are no Corporate Consultation Procedures in place, there is no criteria for members of staff to adhere to in relation to the parties that should be notified during consultation exercises, the techniques and the consultation period to be used. These issues should be addressed during the drafting of the Corporate Procedures and included within the document where appropriate. Three recommendations have been made as a result of our work in this area.

5.5 Consultation Documentation

- 5.6 There is no corporate register in place to which all consultations made are recorded as each service area undertakes their own consultation exercises. It was ascertained that this issue has been addressed within the Consultation Strategy and Internal Audit supports this approach. The review also noted that there is no guidance in place to detail the

documentation required for each consultation undertaken. These issues should be addressed during the drafting of the Corporate Procedures and included within the document as appropriate. Two recommendations have been made as a result of our work in this area.

5.7 **Recording Changes**

5.8 There are no Corporate Consultation Procedures in place in relation to the recording of changes made as a result of a consultation exercise being undertaken. The 'Consultation Guidelines' document refers to the 'evaluation of consultations' however this should be addressed by the Corporate Consultation Procedures. Guidance in best practice for consultation exercises suggests that changes should be appropriately documented and adequately recorded. One recommendation has been made as a result of our work in this area.

5.9 **Assessment of Added Value**

5.10 There are no Corporate Consultation Procedures in place in relation to assessing change. There is reference within the 'Consultation Guidelines' document in relation to evaluating consultation exercises, however there is no evidence to support that such assessments are undertaken at a corporate level. It is considered good practice to not only assess the added value of the changes made as a result of a consultation exercise but also to evaluate the effectiveness of the consultation itself.

5.11 Internal Audit considers that such assessments and evaluations should be undertaken for all consultation exercises and suggests that one officer of the Council is made responsible for ensuring that this occurs and the requirement is also documented within the Corporate Consultation Procedures. The outcome of the assessments and evaluations should be reported to Senior Management Team on a regular basis. Three recommendations have been made as a result of our work in this area.

5.12 **Assessment of Financial Cost**

5.13 There are no Corporate Consultation Procedures in place in relation to a financial cost evaluation and there is no evidence to support that such evaluations are undertaken at a corporate level. It is considered good practice to evaluate the costs involved in consultation exercises and share the results within the Council or with similar Local Authorities.

5.14 Internal Audit considers that financial cost evaluations should be undertaken for all consultation exercises and suggests that one officer of the Council is made responsible for ensuring that this occurs and the requirement is also documented within the Corporate Consultation Procedures. The outcome of the assessments and evaluations should be reported to Senior Management Team on a regular basis. Three recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Policy

(High Risk)

Recommendation	Rationale	Responsibility
Corporate Consultation Procedures should be produced.	<p><u>Best Practice</u> There should be organisation-wide standards (Corporate Policies/Procedures) in place which should be adhered to.</p> <p><u>Findings</u> There is no stand alone Corporate Consultation Policy in place, however the Head of Communications informed Internal Audit that the Policy is contained within the Consultation Strategy. There is a 'Consultation Guidelines' document in place which could be used to form</p>	Head of Communications

	Corporate Procedures. <u>Risk</u> There are no approved Corporate Consultation Procedures in place for members of staff which could lead to an inconsistent approach being applied.	
Management Response		Implementation Date
Recommendation is Agreed This is already recognised in the Consultation Strategy. Management Response: Head of Communications		April 2009

2. Policy

(Medium Risk)

Recommendation	Rationale	Responsibility
Once produced, the Corporate Consultation Procedures should be approved by Senior Management Team.	<u>Best Practice</u> Any policies/procedures in place should be approved at an appropriate level. <u>Findings</u> There are no approved Corporate Consultation Procedures in place. <u>Risk</u> There are no approved Corporate Consultation Procedures in place for members of staff which could result in an inconsistent approach being applied.	Deputy Director Organisational Development and Support
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		April 2009

3. Policy

(Low Risk)

Recommendation	Rationale	Responsibility
An appropriate officer should be assigned responsibility of the Corporate Consultation Procedures to ensure they remain relevant and up to date by regular review.	<u>Best Practice</u> All Policy/Procedure documents should be relevant and kept up to date. They should also be subject to regular review. <u>Findings</u> There are no approved Corporate Consultation Procedures in place. <u>Risk</u> Without ownership being allocated, there is a risk that the Corporate Consultation Procedures will not be regularly reviewed leading to the document becoming out of date and containing irrelevant information.	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From April 2009 onwards

4. Policy

(Low Risk)

Recommendation	Rationale	Responsibility
Following the production of the Corporate Consultation Procedures, they are distributed to Officers and made available on the Council's	<u>Best Practice</u> All Policy/Procedure documents should be made available to members of staff and should be easily and readily accessible. <u>Findings</u>	Head of Communications

Intranet site. Other up to date Consultation documents should be made available on the Intranet.	<p>There are no approved Corporate Consultation Procedures in place and it was ascertained that the Intranet contains out of date information.</p> <p><u>Risk</u> Without being accessible, there is a risk that the Corporate Consultation Procedures will not be adhered to leading to inconsistent and un-uniformed approaches being undertaken by members of staff.</p>	
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From April 2009

5. Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
Upon adoption of the Corporate Consultation Procedures, an officer within each service area should produce documented procedures. They should be relevant, comprehensive, up to date and version controlled. Heads of Service should ensure that they are being adhered to by their team.	<p><u>Best Practice</u> There should be organisation-wide standards (Procedures) in place which should be adhered to and each service area should have their own documented procedures in place.</p> <p><u>Findings</u> There are no approved Corporate Consultation Procedures in place and it was ascertained that each service area undertakes their own consultation exercises.</p> <p><u>Risk</u> There are no Corporate or local procedures in place for members of staff which could result in an inconsistent approach being applied.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From April 2009

APPROPRIATE CONSULTATION UNDERTAKEN

6. Appropriate Parties

(Medium Risk)

Recommendation	Rationale	Responsibility
Whilst drafting the Corporate Consultation Procedures, it should be considered how inclusive the proposed consultation process is going to be. The Corporate Consultation Procedures should then detail the outcome.	<p><u>Best Practice</u> It is an important part of the Consultation Process to find out the view of an accurate cross section of the population as a whole and different sections of the community, particularly minorities. The process should be included in policy/procedure documents.</p> <p><u>Findings</u> There are no approved Corporate Consultation Procedures in place. There are no defined criteria as to the parties that should be notified in consultation exercises.</p> <p><u>Risk</u> An accurate cross section of the population is not being consulted by the Council leading to inaccurate results and limited</p>	Head of Communications / Equalities Officer

	responses being received.	
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		April 2009

7. Consultation Techniques

(Medium Risk)

Recommendation	Rationale	Responsibility
The most appropriate techniques to be used during the consultation process should be considered and then be included in the Corporate Consultation Procedures.	<p><u>Best Practice</u> The techniques used as part of the Consultation Process should compliment the purpose of the exercise and the techniques should be used competently. The process should be included in policy documents.</p> <p><u>Findings</u> There are no approved Corporate Consultation Procedures in place, however there is guidance contained within the 'Consultation Guidelines' document. There are no defined criteria as to the appropriate consultation techniques to be used within consultation exercises and there are no procedures in place for staff to follow and adhere to.</p> <p><u>Risk</u> Without using appropriate techniques, there is a risk that the results and responses received are not appropriate and do not address the issues raised by the consultation exercise.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From April 2009

8. Consultation Period

(Medium Risk)

Recommendation	Rationale	Responsibility
The consultation period to be used within consultation exercises should be considered as it may differ from one consultation exercise to the next. The Corporate Consultation Procedures should then detail the outcome.	<p><u>Best Practice</u> The consultation period used as part of the Consultation Process should be appropriate to each consultation exercise undertaken. The process should be included in policy/procedure documents.</p> <p><u>Findings</u> There are no approved Corporate Consultation Procedures in place. There is no defined criteria as to the appropriate consultation period which should be used for each consultation exercise undertaken and there are no procedures in place for staff to follow and adhere to.</p> <p><u>Risk</u> Without using an appropriate consultation period, there is a risk that consultees are not given enough time to submit their responses leading to inaccurate results being recorded. There is also a risk that an inappropriate consultation period may cause an unnecessary delay in receiving</p>	Head of Communications

	responses from consultees leading to inaccurate results being recorded.	
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From April 2009

CONSULTATION DOCUMENTATION

9. Central Register

(High Risk)

Recommendation	Rationale	Responsibility
All consultations made by the Council should be recorded on a Central register.	<p><u>Best Practice</u> It should be possible to identify all consultations undertaken by the Council.</p> <p><u>Findings</u> As detailed in the Consultation Strategy, the Council has an aim to 'structure and plan consultation from a central point to ensure consistency and co-ordination'. Currently, there is no central / corporate register in place in which to record all consultations undertaken. It was ascertained with the Head of Communications that this is included in the Strategy.</p> <p><u>Risk</u> Without being recorded in a central register, there is a risk that some consultations undertaken by the Council are not identified leading to inaccurate and unreliable records being maintained.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		Awaiting outcome of Development Control procurement process

10. Adequate Documentation

(Medium Risk)

Recommendation	Rationale	Responsibility
The issue of adequately documenting all consultations undertaken should be addressed and the outcome should then be included in the Corporate Consultation Procedures.	<p><u>Best Practice</u> There should be corporate guidance in place relating to the documentation required for all consultation exercises.</p> <p><u>Findings</u> There are no Corporate Consultation Procedures in place. There is no defined criteria as to the documentation required for consultation exercises and there are no procedures in place for staff to follow and adhere to.</p> <p><u>Risk</u> Without guidance being in place, there is a risk that adequate documentation is not available for all consultations which could result in results being inaccurate and unreliable.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		April 2009

RECORDING OF CHANGES

11. Recording of Changes

(High Risk)

Recommendation	Rationale	Responsibility
Any changes made as a result of any consultation exercises should be appropriately documented and adequately recorded. This requirement as taken from the Audit Commission's guidance on Best Practice should be included in the Corporate Consultation Procedures.	<p><u>Best Practice</u> Any changes made as a result of consultation exercises should be documented and recorded. The process should be included in policy/procedure documents.</p> <p><u>Findings</u> There is no approved corporate guidance on how changes should be documented and recorded. The 'Consultation Guidelines' document makes reference to the 'evaluation of consultations' however this is not identified within the Strategy and needs to be addressed by the Corporate Consultation Procedures.</p> <p><u>Risk</u> It would not be possible to inform consultees how their views were taken into account during the consultation exercise if changes cannot be readily identified which is not considered good practice.</p>	Head of Communications and Deputy Directors
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		From September 2008

ASSESSMENTS OF ADDED VALUE

12. Appropriate Assessment

(High Risk)

Recommendation	Rationale	Responsibility
Appropriate assessments should be undertaken following any changes to assess the added value and also the effectiveness of the consultation itself.	<p><u>Best Practice</u> In order to identify any added value of any changes made, an assessment should be undertaken. The effectiveness of the consultation should also be evaluated as this is considered good practice by the Audit Commission.</p> <p><u>Findings</u> There are no Corporate Consultation Procedures in place in relation to assessing change. There is reference within the 'Consultation Guidelines' document in relation to evaluating consultation exercises however there is no evidence in place to support that such assessments are undertaken. Best practice suggest that the effectiveness of the consultation itself should be evaluated and this is currently not being undertaken.</p> <p><u>Risk</u> It would not be possible to ascertain the added value of any changes made which may result in changes being made that do not add value to the Council.</p>	Head of Communications and Deputy Directors
Management Response		Implementation Date

Recommendation is Agreed Management Response: Head of Communications	September 2008
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13. Appropriate Assessment

(Medium Risk)

Recommendation	Rationale	Responsibility
The added value assessments and evaluation process should be included in the Corporate Consultation Procedures.	<p><u>Best Practice</u> Guidance should be in place for members of staff to ensure a consistent and uniformed approach.</p> <p><u>Findings</u> There are no Corporate Consultation Procedures in place in relation to assessing change.</p> <p><u>Risk</u> Officers would not be aware of the process leading to assessment and evaluation not being undertaken.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		April 2009

14. Appropriate Assessment

(Medium Risk)

Recommendation	Rationale	Responsibility
An officer should be assigned responsible for ensuring an added value assessment and effectiveness evaluation is undertaken on all consultations. The results of the evaluation should be reported to SMT on a regular basis. Consideration should be given to submitting an annual report to the appropriate Committee	<p><u>Best Practice</u> An officer should be assigned responsibility to ensure assessments and evaluations are undertaken on all consultations. Senior management Team should be made aware of the results of these assessments and evaluations.</p> <p><u>Findings</u> Each service area undertakes their own consultation exercises and there is no evidence to support that added value assessments and effectiveness evaluations are undertaken.</p> <p><u>Risk</u> There is a risk that assessments and evaluations will not be undertaken for all consultation exercises leading to the Corporate Consultation Procedures not being adhered to and also non-compliance to good practice guidance.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Communications		September 2008

ASSESSMENTS OF FINANCIAL COST

15. Appropriate Assessment

(High Risk)

Recommendation	Rationale	Responsibility
The evaluation process should include an assessment to determine the actual cost of the	<p><u>Best Practice</u> A financial cost evaluation should be undertaken to ensure the cost of the consultation exercise is identified in a</p>	Head of Communications

consultation, both directly and indirectly. The proportion of the cost in relation to the service area should also be identified. The cost should be compared to similar exercises within the Council or similar local authorities. These areas are considered good practice and they should be incorporated into a financial cost evaluation and undertaken at this Council.	<p>consistent way. The results should be compared to similar Local Authorities as this is considered good practice by the Audit Commission.</p> <p><u>Findings</u> There is no guidance in place in relation to a financial cost evaluation and there is no evidence to support that such an evaluation is undertaken.</p> <p><u>Risk</u> It would not be possible to ascertain the cost of undertaking consultation exercises which may result in excessive expenditure within this area and it would not be clear if the Council is using its resources effectively.</p>	
Management Response	Implementation Date	
Recommendation is Agreed in Principle Would need support to identify indirect costs.	April 2009	
Management Response: Head of Communications		

16. Appropriate Assessment

(Medium Risk)

Recommendation	Rationale	Responsibility
Once the financial cost evaluation process has been decided it should be included in the Corporate Consultation Procedures.	<p><u>Best Practice</u> Guidance should be in place for members of staff to ensure a consistent and uniform approach. The process should be included in policy documents.</p> <p><u>Findings</u> There is no corporate guidance in relation to evaluating the financial cost of consultation exercises.</p> <p><u>Risk</u> Officers would not be aware of the process leading to financial cost evaluations not being undertaken.</p>	Head of Communications
Management Response	Implementation Date	
Recommendation is Agreed in Principle Would need support to identify indirect costs.	April 2009	
Management Response: Head of Communications		

17. Appropriate Assessment

(Medium Risk)

Recommendation	Rationale	Responsibility
Upon approval of the Corporate Consultation Procedures, an officer is assigned responsible for ensuring a financial cost evaluation is undertaken on all consultations. The results of the evaluation should be reported to SMT on a regular basis. Consideration should be given to submitting an annual report to the	<p><u>Best Practice</u> An officer should be assigned responsibility to ensure financial cost evaluations are undertaken on all consultations. Senior management Team should be made aware of the results of such evaluations.</p> <p><u>Findings</u> Each service area undertakes their own consultation exercises and there is no evidence to support that financial cost evaluations are undertaken.</p>	Head of Communications

appropriate Committee.	<u>Risk</u> There is a risk that financial cost evaluations will not be undertaken for all consultation exercises leading to the Policy not being adhered to and also non-compliance to good practice.	
Management Response		Implementation Date
Recommendation is Agreed in Principle Would need support to identify indirect costs.		April 2009
Management Response: Head of Communications		

2. RENT ACCOUNTING 2008/2009

1. INTRODUCTION

1.1 Final issued 12th September 2008.

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

- To ensure that documented work procedures and Abritas system procedures are in place and being adhered to.
- To ensure that roles and responsibilities for the Rent Accounting function are clearly defined and allocated.
- To ensure that all Rent Accounting functions are being undertaken effectively and efficiently.
- To ensure income is regularly reconciled between Abritas and Agresso and any discrepancies are promptly identified and resolved.
- To ensure rent arrears are accurately identified, promptly pursued and recovered where appropriate.
- To ensure that write-offs are only undertaken where the recovery process has been exhausted and that the write-offs are approved by an appropriate officer.

2. BACKGROUND

2.1 The Abritas system is a software package used by Housing to record tenants rent accounts including Homelessness and Temporary Accommodation. The system provides an accounting function therefore rent accounts are not recorded on Agresso, the Councils Sundry Debtor system.

2.2 At the time of the audit, the Temporary Accommodation Officer had been in post for approximately 4 months and the Technical Admin Assistant Post was vacant. It is anticipated that the Technical Admin Post will be recruited to within the next 6 months. The vacant post appears to be having an impact on the performance of the Housing Team.

3. PREVIOUS AUDIT REPORTS

3.1 Rent Accounting was last subject to an internal audit review in August and September 2007, fourteen recommendations were raised and an unsatisfactory opinion was issued.

3.2 Of the fourteen recommendations made, nine had been fully implemented and five had been partially implemented. Of the five partially implemented recommendations, all have been addressed by a further recommendation being made within the 2008/2009 audit review.

4. 2008/2009 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 Ten recommendations have been raised in this review. Three High Risk, Four Medium Risk and Three Low.

5. MAIN FINDINGS

5.1 Procedures

5.2 Internal Audit reviewed the procedures in place and found that a number of procedures had been created and documented as a result of the 2007/2008 audit review. The review also confirmed that the newly documented procedures appear relevant and up to date, however it was noted that none of the documents are version controlled. One recommendation has been made as a result of our work in this area.

5.3 Roles and Responsibilities

- 5.4 A review of the job description for the Temporary Accommodation Officer and the Technical Admin Assistant identified that the key areas of the Rent Accounting function within the Housing Team have been appropriately allocated to members of staff.
- 5.5 Following the 2007/2008 audit, it was highlighted that resources within the team had been an issue for sometime and the team has encountered difficulties in performing all functions effectively and efficiently. During the 2008/2009 audit fieldwork, Internal Audit noted an improvement in this area, however it appears that the vacant Technical Admin Assistant post continues to impact the performance of the team in relation to the rent accounting function. Internal Audit has no recommendation to make at this time in relation to the appropriate allocation of duties within the Housing Team.
- 5.6 **Effectiveness and Efficiency of the Housing Team**
- 5.7 The Local Performance Targets in place in relation to the Temporary Housing Officer appear to be generic in nature. It was ascertained that there are no specific targets in relation to Housing Rents in place for the Temporary Housing Officer, as the primary target for the Housing Team is to get people placed in accommodation. Performance targets should be in place to assess the efficiency and effectiveness of appropriate officer's performance in relation to Housing Rents. One recommendation has been made as a result of our work in this area.
- 5.8 **Reconciliation of Income**
- 5.9 It was recommended following the 2007/2008 audit review that appropriate training be given to officers to facilitate the reconciliation process and it was confirmed that monthly reconciliations of income are being undertaken by the Policy, Strategy and Enabling Officer who has received the appropriate training. It was ascertained that there have been no discrepancies highlighted through the monthly income reconciliations, therefore no testing could be undertaken to ascertain whether discrepancies had been investigated and resolved where appropriate. It was noted that the Team Leader (Housing Operations) would benefit from receiving additional training on both Abritas and Agresso to facilitate the monitoring/reconciliation process. One recommendation has been made as a result of our work in this area.
- 5.10 **Rent Arrears**
- 5.11 The agreed and documented recovery procedures for Rent Accounting debts should now be incorporated into the Council's revised SODC/VWHDC recovery procedures as previously agreed.
- 5.12 From the testing undertaken, it was ascertained that arrears are not pursued in accordance with agreed procedures, however it is acknowledged by Internal Audit that the procedures have been recently introduced and their application is yet to be evidenced. Whilst monitoring large value arrears cases, an assessment should be made as to whether there is scope to increase payments made under agreed payment plans. This assessment should be documented and undertaken regularly.
- 5.13 At the time of the audit fieldwork, there were 78 accounts with a credit balance totalling £18,396.65. It was ascertained that there are a number of reasons as to why an account could have a credit balance, however Internal Audit considers that a review of such accounts is required to ensure the balances are accurate.
- 5.14 The debts relating to Housing Rents on Agresso should be reviewed and the necessary recovery action taken where necessary. The review and any action taken should be evidenced to ensure debts are fully supported and documented should any be put forward for write off.
- 5.15 Five recommendations have been made as a result of our work in this area.
- 5.16 **Write Offs**
- 5.17 As previously recommended, a Write Off Policy and Write Off Protocol have been produced and agreed. Internal Audit was unable to undertake any sample testing on write offs as none

had been actioned therefore it was not possible to confirm that the Policy and Protocol are being adhered to.

5.18 The write offs that had been inappropriately written off the Abritas system by a former employee require review by the Housing Team. Internal Audit testing confirmed that there are a number of accounts listed on the write off summary that remain live on Abritas despite being recorded on the balance sheet as being written off.

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

OBSERVATIONS AND RECOMMENDATIONS

PROCEDURES

1. Version Control

(Low Risk)

Recommendation	Rationale	Responsibility
As previously recommended, all procedures should be version controlled.	<p><u>Best Practice</u> Procedures should be version controlled to ensure the most recent document is used.</p> <p><u>Findings</u> The procedures in place appear relevant and up to date, however they are not version controlled.</p> <p><u>Risk</u> Officers may use out of date procedures leading to inappropriate working practices.</p>	Team Leader (Housing Operations)
Management Response		Implementation Date
Recommendation is Agreed		31 December 2008
Management Response: Deputy Director Housing		

EFFECTIVE AND EFFICIENT UNDERTAKING OF FUNCTION

2. Local Performance Targets

(Low Risk)

Recommendation	Rationale	Responsibility
Local Performance Targets should be introduced to assess the efficiency and effectiveness of the function.	<p><u>Best Practice</u> It should be possible to monitor Officers in relation to the efficiency and effectiveness of their performance within their role.</p> <p><u>Findings</u> The performance targets currently in place appear to be quite general and do not relate to the performance of Officers in relation to efficiency and effectiveness.</p> <p><u>Risk</u> Managers would not be aware of the performance of Officers within their team if there were no specific performance targets in place which could result in ineffective and inefficient performances being undetected by managers.</p>	Team Leader (Housing Operations)
Management Response		Implementation Date
Recommendation is Agreed in Principle Housing consider that appropriate performance targets regarding rent collection are in place. We will review targets/indicators and procedures when appropriate administration support is available.		By 31 March 2009

Management Response: Deputy Director Housing	
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RECONCILIATION OF INCOME

3. Training

(Low Risk)

Recommendation	Rationale	Responsibility
The Team Leader (Housing Operations) should receive additional training to facilitate the monitoring process. Training should be provided for both Abritas and Agresso.	<p><u>Best Practice</u> Officers should receive appropriate training to ensure they can undertake their role effectively.</p> <p><u>Findings</u> It was previously recommended that training should be given to appropriate officers in relation to the reconciliation of income. Internal Audit was informed that appropriate training had been provided, however it was noted during the 2008/2009 audit review that the Team Leader (Housing Operations) would benefit from receiving additional training to facilitate the monitoring process. Training for both Agresso and Abritas should be provided.</p> <p><u>Risk</u> The Team Leader would not have the skills to perform key processes resulting in ineffective monitoring being undertaken.</p>	Team Leader (Housing Operations)
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>At present there is only one officer trained to undertake the reconciliation of income. It is proposed that this function be transferred to the Technical Administration Officers once the vacant post has been filled and training given. As an interim measure the Temporary Accommodation Officer and Team Leader will be trained to reconcile income.</p> <p>The Abritas system is currently being upgraded and Abritas have agreed to provide training once the upgrade has been implemented.</p> <p>Management Response: Deputy Director Housing</p>		31 December 2008

RENT ARREARS

4. Documented Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
The agreed and documented recovery procedures for rent accounting debts should be incorporated into the Council's revised SODC/VWHDC recovery procedures.	<p><u>Best Practice</u> Agreed procedures should be incorporated in corporate policies and procedures.</p> <p><u>Findings</u> It was previously recommended that recovery procedures for rent accounting debts be agreed and documented and then incorporated into the Council's revised SODC/VWHDC recovery procedures. Testing confirmed that recovery procedures have been agreed and documented however they have not yet been incorporated into the revised recovery procedures as previously agreed.</p> <p><u>Risk</u> Without being incorporated into corporate</p>	Team Leader (Housing Operations)

	<p>policies and procedures, there is a risk that the new recovery procedures specific to accounting debts will not be adhered to resulting in inappropriate procedures being applied.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed Procedures consistent with the SODC/VWHDC recovery procedure have been drafted in consultation with legal and the Revenues & Benefits Client Manager. The documentation has been submitted to Revenues & Benefits Client Manager to be included in the recovery procedure.</p> <p>Management Response: Deputy Director Housing</p>		31 December 2008

5. Large Value Arrears Cases

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>During the monitoring of large value arrears cases, an assessment should be made as to whether there is scope to increase the payment made as part of any payment plan. The assessment should be documented and undertaken regularly.</p>	<p><u>Best Practice</u> Any monitoring or actions undertaken should be documented to ensure there is evidence to support the process.</p> <p><u>Findings</u> Whilst large cases are being reviewed, there is no evidence to support that such monitoring and assessments are being undertaken.</p> <p><u>Risk</u> Without assessments being undertaken there is a risk that the debt will not be reduced in an appropriate timescale and there would be no evidence to support that monitoring is being undertaken.</p>	Team Leader (Housing Operations)
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle Housing recognise that there is scope for this work, however we find that payment plans, whether council or court imposed are frequently not kept to and this forms the primary focus of our work. However we ensure that the large current value arrears are reviewed on default and at six month intervals.</p> <p>Management Response: Deputy Director Housing</p>		Dependant upon resources

6. Recovery of Arrears

(High Risk)

Recommendation	Rationale	Responsibility
<p>All arrears cases are pursued in accordance with agreed procedures and Policy. Where all avenues of recovery have been exhausted by Housing, the cases are promptly passed to Legal.</p>	<p><u>Best Practice</u> Arrears should be pursued in accordance with agreed procedures and Policy to include the passing of cases to Legal where appropriate.</p> <p><u>Findings</u> From the testing undertaken, it was ascertained that arrears are not pursued in accordance with agreed procedures. It is acknowledged that the procedures have been recently introduced and their application is yet to be evidenced.</p> <p><u>Risk</u> Arrears would not be appropriately</p>	Team Leader (Housing Operations)

	recovered resulting in the debt stagnating. There would be no evidence to support the recovery process undertaken leading to the debt being written off as it can no longer be pursued.	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Actions to recover arrears are being undertaken however the procedures which have been put in place have a resource implications associated to implementation.</p> <p>The team has a vacant Technical Administration Post which has been vacant since April and delayed pending the corporate admin review. The job description to this post has been redrafted and includes a support role to the Temporary Accommodation Officer. This post will be advertised in September.</p> <p>Management Response: Deputy Director Housing</p>		31 December 2008

7. Credit Balances

(Medium Risk)

Recommendation	Rationale	Responsibility
A review of accounts with credit balances should be undertaken to ensure the balance on the account is accurate, the account has been dealt with appropriately and refunds or re-allocation of income are being actioned where appropriate.	<p><u>Best Practice</u></p> <p>Balances on accounts should be accurate and credit balances should be investigated to ensure that the account has been dealt with correctly and refunds/re-allocation of income has been actioned where appropriate.</p> <p><u>Findings</u></p> <p>Following a review of the arrears listing on Abritas, it was noted that there are 78 accounts with a credit balance totalling £18,396.65. There are a number of reasons as to why the accounts have a credit balance, however Internal Audit considers that a review of such accounts is required to ensure the balances are accurate.</p> <p><u>Risk</u></p> <p>Credit balances reduce the overall level of arrears resulting in the total figure being understated. There is potential that the claimant is entitled to a refund or the balance is awaiting to be allocated to the correct account leading to records being incorrect.</p>	Team Leader (Housing Operations)
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>It is intended to analyse all such accounts to ensure accuracy. However it is anticipated that credits shown are likely be the result an misalignment between tenancy dates (temporary accommodation and move on) and housing benefit payments rather than genuine refunds due and the work has been prioritised accordingly.</p> <p>Management Response: Deputy Director Housing</p>		Dependant upon resources

8. Rent Arrears on Agresso

(High Risk)

Recommendation	Rationale	Responsibility
The aged debt relating to Housing Rents on	<p><u>Best Practice</u></p> <p>There should be evidence to support the</p>	Team Leader (Housing Operations)

<p>Agresso is reviewed to ensure all debt has been and continues to be effectively pursued in accordance with the documented recovery procedure. If all avenues of recovery have been pursued, the debt should be passed to Legal for further recovery action or the recovery action relating to the debt should be evidenced and then put forward for write off.</p>	<p>recovery action undertaken in relation to aged debt. It should continue to be actively pursued and when all avenues have been exhausted, evidence should be gathered to put forward the debt for write off.</p> <p><u>Findings</u> Testing on the aged debt held on Agresso highlighted instances where no recent recovery action has been undertaken, appropriate reminders have not been sent and also it appears that some accounts have not recently been reviewed.</p> <p><u>Risk</u> Arrears would not be appropriately recovered resulting in the debt stagnating. There would be no evidence to support the recovery process undertaken leading to the debt being written off as it can no longer be pursued.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed The debts on Agresso are historic debts that date from 2001-2005. We previously understood that these debts were being pursued on our behalf by sundry debtors. However we are now working through these debts and writing off/collecting as appropriate using the Council's debt recovery procedure.</p> <p>Management Response: Deputy Director Housing</p>		31 December 2008

WRITE OFFS

9. Write offs

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Write offs should only be actioned once all recovery avenues have been exhausted. The agreed write off Policy and write off protocol should be followed in all instances.</p>	<p><u>Best Practice</u> Write offs should only be actioned when all recovery avenues have been exhausted. Agreed policy and procedures should be adhered to.</p> <p><u>Findings</u> In response to a recommendation made following the 2007/2008, it was confirmed that a Write off Policy and Write Off Protocol have been produced and agreed. Internal Audit was unable to undertake testing on write offs as none had been actioned, therefore it was not possible to confirm that the Policy and Protocol are being adhered to.</p> <p><u>Risk</u> Arrears would not be appropriately recovered resulting in the debt stagnating. There would be no evidence to support the recovery process undertaken leading to the debt being written off as it can no longer be pursued.</p>	N/A
Management Response		Implementation Date
<p>Recommendation is Not Agreed The findings demonstrate that we are still working to recover all debts where possible. If recovery proves impossible we will action the</p>		N/A

appropriate policies and procedures.	
Management Response: Deputy Director Housing	

10. Write offs on Abrisas

(High Risk)

Recommendation	Rationale	Responsibility
<p>The write offs inappropriately actioned on Abrisas are reviewed in detail by the Team Leader (Housing Operations) to ensure that all debts that can be actively pursued are actioned and any debts that can no longer be recovered are identified. A write off pro-forma should be completed detailing the debts that can no longer be pursued and passed to the Deputy Director (Housing and Community Safety) to allow the debts to be recommended for write off. The debts should then be passed to the Revenues and Benefits Client Manager to ensure the write offs have been appropriately undertaken in accordance with Policy.</p>	<p><u>Best Practice</u> Write offs should only be actioned when all recovery avenues have been exhausted. Write offs should be appropriately authorised and promptly actioned.</p> <p><u>Findings</u> A total of £20,753.64 had been inappropriately been written off the Abrisas system by a former employee. The debt had to be manually added to the balance sheet as it was assumed the accounts concerned had a nil balance. Internal Audit testing confirmed that there are a number of accounts listed on the write off summary that remain live on Abrisas, therefore the debt has been accounted for twice and in some instances, the debt can still be recovered. The accounts need to be reviewed, approved for write off where appropriate and actioned promptly.</p> <p><u>Risk</u> The overall level of debt is overstated as the information held on Abrisas is incorrect. Without appropriate authorisation, the debts will not be written off in accordance with policy. Without review, some debt that can be recovered will be written off inappropriately.</p>	Team Leader (Housing Operations)
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Housing confirm that all debts are now known, correctly established and subject to appropriate recovery procedures.</p> <p>Exhaustive enquiries will be made to all of the accounts and where a former tenant is traceable, the case will be pursued in accordance with the recovery proceedings. A write off pro-forma has been agreed for use in individual write offs that requires appropriate authorisations etc as required in this recommendation.</p> <p>This review necessitates the input of the Temporary Accommodation Officer and an audit of each rent account as there may be outstanding housing benefit payments that have not been posted to an account.</p> <p>Management Response: Deputy Director Housing</p>	31 March 2009	

3. BROWN BINS 2008/2009

1. INTRODUCTION

1.1 Final issued 13th October 2008.

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

- To ensure that management information is used to monitor and manage the brown bin scheme adequately and accurately.
- To ensure that income is appropriately processed and reconciled to budgeted income and management information.
- To ensure that the procedure for controlling the renewals and non renewals of brown bins is comprehensive and adequate and being adhered to.
- To ensure that brown bin operations are controlled in accordance with the contractual terms.

2. BACKGROUND

2.1 The Brown Bin scheme came into fruition through a notice of change in 2005 to clauses of the Waste Services contract agreed in 2003. There are two different types of bins currently available to customers, 140 litres and 240 litres. So far, the scheme has been very successful to the point of demand outstripping supply of the brown bins on a national level.

2.2 At the time of the audit, the Waste Management team currently has 1 Technical Officer actively in post and another on maternity leave. This post has been filled.

3. PREVIOUS AUDIT REPORTS

3.1 The Brown Bin process was last subject to an internal audit review in June 2007 and a satisfactory opinion was issued.

3.2 As the previous audit was performed as part of a wider Recycling audit and did not include the level of detail performed here, the relevant recommendations have been incorporated into this report and presented to management where deemed appropriate.

4. 2008/09 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 Ten recommendations have been raised in this review. Four High Risk, four Medium Risk and two Low Risk.

5. MAIN FINDINGS

5.1 Management Information

5.2 The CRM system is the database used by Waste Management to record brown bin customer details and track payments. Currently, the only management information created from the CRM system, is weekly reports automatically sent to Waste Management detailing new customers. However, the Waste Services Manager can run other reports from the system as required, but it was noted that he does not currently have up to date password access to the CRM system. Although this is not required when the Waste Services Manager is trying to access reports, it is required to access customer details.

5.3 Regarding the management of the scheme, there have been meetings between Waste Management, Capita and Accountancy, but there have not been any regular meetings with Capita to specifically develop the management of the financial aspects of the process. Two recommendations have been made as a result of our work in this area.

5.4 Income Reconciliation

- 5.5 Internal Audit noted that the current application pack for the scheme does not clearly indicate that it is an annual payment scheme, emphasise the direct debit payment option and outline the renewal process. New orders were tested to the point that they were sent to the contractor and Internal Audit has no concerns in this area. However, it was observed that customers' bank details for the direct debit orders were being left unsecured in a pigeon hole by the post room rather than being handed directly to an appropriate officer for inputting.
- 5.6 It was also noted that the income account budget for brown bins is not subject to regular monitoring. At the time of the audit a variance was noted on the income account, but the Waste Services Manager had insufficient information available to him to clarify whether it was a unjustified variance or a justified variance owing to annual fluctuations in renewals. Five recommendations have been made as a result of our work in this area.
- 5.7 **Renewals Procedure**
- 5.8 It is acknowledged by Internal Audit, that Capita and Waste Management have been reviewing the renewals procedure as problems have been encountered due to the CRM system not being able to interface with Agresso. This has led to delays in identifying renewals, raising renewals invoices, identifying non-payments and retrieving bins which have not been paid for. Internal Audit recommends that a reconciliation process between CRM and Agresso is introduced to assist in ensuring that all renewals are processed and the expected income is received.
- 5.9 Internal Audit did note that payment details on the Council's website did not clearly indicate all of the options available to the customers. Two recommendations have been made as a result of our work in this area.
- 5.10 **Adherence with Contractual Terms**
- 5.11 The relevant contracts were obtained for the original Waste Services Contract and the Notice of Change that was applied initiating brown bins. The contractor appeared to be performing in line with their contractual terms and there seemed to be sufficient management and communication between the Council and Veolia. However, it was noted that the service area risk register was not up to date. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

MANAGEMENT INFORMATION

1. CRM Password and Access

(Low Risk)

Recommendation	Rationale	Responsibility
The Waste Services Manager should obtain a new password for the CRM system.	<u>Best Practice</u> The Waste Services Manager should be able to access the CRM system on an ongoing basis. <u>Findings</u> The Waste Services Manager did not have access to the CRM system. <u>Risk</u> Errors or issues are not picked up due to lack of management supervision.	Waste Services Manager
Management Response		Implementation Date
Recommendation is Agreed ICT have re-activated password. Management Response: Dave Wilson, Waste Services Manager		Implemented

2. Capita Meeting

(Medium Risk)

Recommendation	Rationale	Responsibility
Waste Management should meet with Capita regularly to ensure that financial responsibilities are being fulfilled and any problems with the brown bin scheme are discussed and the necessary action is taken.	<p><u>Best Practice</u> Waste Management are aware of their responsibilities concerning the brown bin process, what the process should be achieving and how. Currently a key part of the process is handed to Capita (i.e. invoicing for renewals and communication of legal referrals), and they should be meeting to monitor this area of the process and get updates on any problems so they can be communicated to the customers where applicable.</p> <p><u>Findings</u> There are no regular meetings with Capita at the moment to discuss the financial aspect of the brown bin process.</p> <p><u>Risk</u> Capita have problems with the invoicing or monitoring of the old and unpaid items and do not communicate these to Waste Management, resulting in complaints that have not been prepared for and ultimately embarrassment to the council. Loss of income through payments to contractors that are not justified by the service given.</p>	Waste Services Manager
Management Response	Implementation Date	
<p>Recommendation is Agreed Capita will be asked to nominate a delegate for regular meetings with the Waste Services Manager and Technical Admin Assistant. Others to be invited as necessary (eg Org Change Manager). Propose monthly frequency at present.</p> <p>Management Response: Dave Wilson, Waste Services Manager</p>	Implemented - First meeting took place on 12 th August.	

INCOME RECONCILIATION

3. Brown Bins Application Pack

(Medium Risk)

Recommendation	Rationale	Responsibility
The application pack for customers should clearly explain that the scheme is an annual one with renewal payments and include the various methods of payment.	<p><u>Best Practice</u> The customer receiving the application pack should be aware of the full details of the scheme.</p> <p><u>Findings</u> Internal Audit noted that the current application pack does not explicitly state that the scheme payment is annual. There are also no renewal details sent out with the invoices.</p> <p><u>Risk</u> Customers do not prepare for or expect any payment request when the renewal invoice and date arises, leading to a misunderstanding and extra time involved for a resolution before payment is received. This can lead to complaints, potentially stagnant debtors on the balance sheet and bad debt needing to be written off that could have been recovered.</p>	Waste Services Manager

Management Response	Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Several thousand application packs have already been made up, so making amendments to these will be time-consuming and may require additional temporary resources.</p> <p>Management Responses: Dave Wilson, Waste Services Manager</p>	October 2008

4. Direct Debits

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Greater emphasis should be made on utilising direct debits methods when informing customers about the brown bin scheme.</p>	<p><u>Best Practice</u></p> <p>The Brown Bin scheme should work as efficiently as possible and if required should be restricted to limited method of payments from customers for simplicity. The dates of renewal should ideally be the same for every customer and any direct debits should have part payment up to this renewal date.</p> <p><u>Findings</u></p> <p>Management appeared keen to get as many customers onto the Direct Debit payment method as possible, however this seemed quite a large task as in the period from April to Mid June, only 2% of the payments made were by direct debit.</p> <p><u>Risk</u></p> <p>Management aims are not met and the efficiency of the scheme suffers as a result, as well as management control over objectives.</p>	Waste Services Manager
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>Initial discussion with the Technical Admin Assistant and LSP Manager has indicated that Direct Debits do in themselves create problems. These will be investigated in conjunction with Capita and appropriate solutions identified. Branding of scheme will then be amended to ensure emphasis on Direct Debits.</p> <p>Management Response: Dave Wilson, Waste Services Manager</p>	1 st January 2009	

5. Control of Direct Debit Forms

(High Risk)

Recommendation	Rationale	Responsibility
<p>Receipt and control of direct debit forms should be controlled so that the forms go straight to the relevant officer from the post room.</p>	<p><u>Best Practice</u></p> <p>The person opening the post should know where the bank details of customers go to and should not leave them unattended. The person due to receive the bank details of customers should know where they come from, from whom and how often.</p> <p><u>Findings</u></p> <p>The Technical Admin Assistant does not know who opens the mail containing bank details or who she received them from, just that they come through internal post. The bank details are left in a pigeon hole at the end of the office before they are collected by someone distributing the internal post</p>	Waste Services Manager / Head of Admin

	and given to the officer.	
	<u>Risk</u> There is fraudulent or wrongful use of customers' bank details or that they are lost in the handing over process if they are not handed directly.	
Management Response		Implementation Date
Recommendation is Agreed Waste Services Manager to meet with Head of Admin to agree revised procedure for security of direct debit mandates. Management Response: Dave Wilson, Waste Services Manager		1 st September 2008 then ongoing.

6. Budget Monitoring

(High Risk)

Recommendation	Rationale	Responsibility
Now that the budgets are available to view on the Agresso system, the Waste Services Manager should regularly monitor the budget.	<u>Best Practice</u> The budget of any scheme is monitored regularly, significant variances investigated and explanations obtained. Also the actual column of the income that has been received is reviewed for reasonability and any unusual items investigated. <u>Findings</u> It did not seem as though the Waste Services Manager had reviewed the budget monitoring information recently and there was a large variance on the brown bins income account which could not be explained. <u>Risk</u> The anticipated end of year income is below what was expected due to under recovery, mis-postings or other factors not investigated appropriately.	Waste Services Manager
Management Response		Implementation Date
Recommendation is Agreed The data arising from implementation of Recommendation 7 will allow meaningful budget monitoring. Management Response: Dave Wilson, Waste Services Manager		Implemented

7. Variance Analysis of Brown Bin Budget

(High Risk)

Recommendation	Rationale	Responsibility
The annual distribution cycles of dates of income on orders and renewals should be produced by the CRM system administrator and sent to the Waste Services Manager to help with the analysis of the budget.	<u>Best Practice</u> Any significant variances between budgeted and actual income discovered by the cost centre managers is queried and given a valid explanation. <u>Findings</u> There appeared to be no explanation for the current reported variance between the actual and budgeted income for the Brown Bin scheme for the year to date. Also there had been no attempts to obtain an explanation through analysis of seasonal patterns or statistical information using reports obtainable from the CRM system.	Waste Services Manager / Organisational Change Manager / Capita

	<u>Risk</u> The explanation for the under receipt of income is fraudulent activity or immoral practice that has gone unnoticed. Or that there are problems with the process of the receipt of income, either on the side of the contractor's (Capita) or the council's.	
Management Response		Implementation Date
Recommendation is Agreed This has been discussed with the Organisational Change Manager. He feels that Agresso would be the best source of monthly budget profile prediction. This will be pursued as soon as subscription data is uploaded on to Agresso Management Response: Dave Wilson, Waste Services Manager		1 st August 2008 then ongoing.

RENEWALS PROCEDURE

8. Reconciliation of Income

(High Risk)

Recommendation	Rationale	Responsibility
Waste Management should either undertake a reconciliation between the income that has been received per the Agresso system and the new and renewed orders on the CRM system to ensure that all expected income has been received.	<u>Best Practice</u> The CRM system is interrogated to find out how many bins have been issued or renewed over a given period. Using a cost per unit, the expected amount of income relating to these purchases is calculated. This should then be reconciled to actual income according to the revenue accounts on the Agresso system, and any significant or unexpected differences investigated. <u>Findings</u> There is no reconciliation kept by the Waste Management team, Capita or Accountancy and the only communication of the outstanding debt that could be monitored is from the 'Referred to legal' documents sent from the Manager of Accounts Receivable and Accounts Payable in Capita to the Heads of Service via the Revenue and Clients Manager. <u>Risk</u> If the income received is not reconciled and the reasons for the difference between expected income and the actual income are not chased up, reasons for non retrieval may keep occurring, or reasons for missing income may not be identified.	Waste Services Manager / Organisational Change Manager / Capita
Management Response		Implementation Date
Recommendation is Agreed in Principle This may require further development to be made to the CRM system, although it is accepted that such reconciliation would be of value. Will discuss with Organisational Change Manager. Management Response: Dave Wilson, Waste Services Manager		October 2008

9. Website Information

(Low Risk)

Recommendation	Rationale	Responsibility
All possible methods of payment should be explicitly referred to on	<u>Best Practice</u> Customers are aware of all of the possible methods of payments, and are pointed in	Waste Services Manager/Communications Team

the Council's website.	<p>the right direction of other methods if one is not available.</p> <p><u>Findings</u> The notice on the Council's website only states the phone number for the Council, it does not state that this is the number required to order a brown bin over the phone, nor does it explain that brown bins are available through direct debit or paying cash over the counter in the council offices.</p> <p><u>Risk</u> Customers assume they cannot get the service they require because of the lack of information on the website notice, resulting in customers not joining the scheme.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>The web-booking facility has been suspended due to faults. In view of the fact that there is currently a shortage of brown bins, there are no immediate plans to reactivate the facility and it may not be reactivated until the replacement CRM system is in place. In the short term, the relevant web pages will be reviewed and amended to reflect the current situation regarding the shortage of bins, and to emphasise alternative means of payment. Longer term, the web ordering facility will be reviewed in conjunction with the implementation of the new CRM system. It may be possible to provide a facility for paying renewals on-line.</p> <p>Management Response: Dave Wilson, Waste Services Manager</p>		1 st November 2008

ADHERENCE WITH CONTRACTUAL TERMS

10. Updating Risk Register

(Medium Risk)

Recommendation	Rationale	Responsibility
The risk register is kept up to date and key risk areas identified by management are communicated to staff	<p><u>Best Practice</u> The risk register is reviewed regularly and that staff are aware of the key risk areas for potential fraud.</p> <p><u>Findings</u> The risk register has not been reviewed since 2007/2008.</p> <p><u>Risk</u> Key risk areas are not identified or staff are not aware of risk within their processes or how they are supposed to be secured, potentially leading to fraud.</p>	Waste Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Management Response: Dave Wilson, Waste Services Manager</p>		October 2008

4. TENDER PROCESS 2008/2009

1. INTRODUCTION

- 1.1 Final issued 16th October 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that adequate policies and procedures are in place;
 - To ensure that tender exercises within the Council are undertaken in accordance with the relevant legislation, corporate guidance and best practice;
 - To ensure that tender documentation is maintained in a secure manner for all procurement exercises.

2. BACKGROUND

- 2.1 The tender process is mainly outlined in the Council's Constitution and underpinned by the Procurement Strategy for the period of 2008 to 2011. Relevant legislation includes the Local Government Act 1972 and 2003, Freedom of Information Act 2000 and Public Contracts Regulation 2006.

3. PREVIOUS AUDIT REPORTS

- 3.1 This is the first time that the Tender Process has been specifically reviewed.
- 3.2 The tender process was partially reviewed as part of a previous Contract Management audit, and relevant recommendations have been incorporated into this report and presented to management where deemed appropriate.

4. 2008/2009 AUDIT ASSURANCE

- 4.1 **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.
- 4.2 Five recommendations have been raised in this review. Four Medium Risk and one Low Risk.

5. MAIN FINDINGS

5.1 Policies and Procedures

- 5.2 Internal Audit reviewed the Council's Procurement Strategy and the Contract Standing Order section of the Constitution. It was noted that the section of the Constitution relating to Contract Standing Orders was out of date at the time of the review; however it was in the process of being updated for presentation to the Constitutional Advisory Group. In addition, the Council's Procurement Strategy could only be found on the external internet. Two recommendations have been made as a result of our work in this area.

5.3 Tender Exercises

- 5.4 Sample testing was performed across six tenders selected from the tender book kept by Democratic Services. The process was established through discussions with management and key areas detailed where necessary (e.g. the rationale for choice of suppliers). There was only one tender selected which involved e-tendering (the currently ongoing Joint Waste Management Contract).
- 5.5 Internal Audit determined that envelopes being delivered containing the tenders were not being correctly labelled by the relevant people handling them. Also, that the process would be more efficient if staff and officers were reminded of the procedures surrounding the communication to applicants regarding the correct labelling of envelopes, and their subsequent processing once delivered to the Council. Two recommendations have been made as a result of our work in this area.

- 5.6 It was also noted that the Approved List used for some tenders was not Council-wide and did not cover a range of suppliers facilitating all service areas. One recommendation has been made as a result of our work in this area.
- 5.7 **Record Management**
- 5.8 Internal Audit noted that the Council had no up to date policy for the retention of documents. It is acknowledged that the original resources used for the latest version are no longer available to the Council. A recommendation relating to the updating of this policy has been made in a separate audit.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Updating Constitution

(Medium Risk)

Recommendation	Rationale	Responsibility
Progression with reviewing the Council's Contract Standing Order arrangements within the constitution continues to completion and incorporates all relevant legislation.	<p><u>Best Practice</u> The constitution dictates the basic procedures for any tender process. The section relating to Contract Standing Orders should be up to date for guidance on the frequency of review of continuous documents such as supplier approval lists and record management policy.</p> <p><u>Findings</u> Although a review of the Contract Standing Orders section of the constitution is in progress, an up to date version of this section was not available at the time of the audit.</p> <p><u>Risk</u> If the Council's policy or procedures are not up to date, the correct procedure may not be followed by management leading to inefficiency and potentially embarrassment for the Council, especially if non-compliance with procedures is discovered through freedom of information requests.</p>	Deputy Director, Contracts and Procurement.
Management Response		Implementation Date
<p>Recommendation is Agreed Deputy Director (Contracts & Procurement) working with the Head of Democratic Services and Head of Legal Services to produce updated Contract Standing Orders for next Constitutional Advisory Group.</p> <p>Management Response: Michael MacKay, Deputy Director – Contracts and Procurement. Implementation Date: Carole Nicholl, Head of Democratic Services.</p>		When the Local Government Act 2000 Review of Constitution Advisory Group considers the matter and thereafter when Council approves.

2. Procurement Policy

(Low Risk)

Recommendation	Rationale	Responsibility
That the procurement strategy is available to all staff via the intranet.	<p><u>Best Practice</u> All policies and procedures should be available to all staff and to the public where appropriate.</p> <p><u>Findings</u> The procurement strategy could be found on the Council's external website but not on the intranet.</p> <p><u>Risk</u></p>	Deputy Director, Contracts and Procurement.

	If the long term goals and objectives of the Council are not effectively communicated to staff this may result in duplication of work and sub-optimal achievement of short term goals.	
Management Response		Implementation Date
Recommendation is Agreed		31 st March 2009
Management Response and Implementation Date: Michael MacKay, Deputy Director – Contracts and Procurement		

TENDER EXERCISES

3. Reminder E-mails for Post Room and Tender Officers

(Medium Risk)

Recommendation	Rationale	Responsibility
Democratic Services give consideration to sending reminder e-mails to the Post Room reminding them of the tender process, and to relevant officers reminding them of the need to communicate to applicants the correct procedure for labelling tender envelopes.	<p><u>Best Practice</u></p> <p>All post room are aware of the process for the receipt of tender envelopes, and all officers are aware of the requirement to communicate correct envelope labelling procedures to tender applicants.</p> <p><u>Findings</u></p> <p>Internal Audit determined that tender envelopes being received are not always being processed correctly due to applicants not receiving correct guidance from the Council regarding envelope labelling.</p> <p><u>Risk</u></p> <p>If envelopes are not labelled properly once they are received in the building, or new or inexperienced staff in the post room are not aware of the procedure, tenders may be lost, opened accidentally or wrongly delivered.</p>	Head of Democratic Services.
Management Response		Implementation Date
Recommendation is Agreed		IMPLEMENTED -
The sample envelope shown to the Head of Democratic Services after the completion of the audit was correctly marked with the date and time received and a number had been allocated indicating in which order the tender should be opened.		Reminder sent to post room staff reminding them of the tender process on 10.10.08
However, the Head of Democratic Services did advise the Internal Auditor after the audit that on very rare occasions in the past officers seeking tenders had not instructed tenderers correctly, or tenderers had not complied with the requirements of marking envelopes clearly (i.e. as tender documents; the addressee and the deadline for receipt). Therefore, the post room staff had been unaware that a blank envelope contained a tender until it had been opened. In such instances the person opening the envelope has resealed it immediately and signed and dated the envelope as having been opened in error by them.		IMPLEMENTED -
Management Response and Implementation Date: Carole Nicholl, Head of Democratic Services		Officers reminded of the need to communicate to tenderers the correct procedure for labelling tender envelopes – Team Brief dated 30.09.08

4. Tender Envelopes and Tender Book

(Medium Risk)

Recommendation	Rationale	Responsibility
a) Tender envelopes are labelled with the details of officers who have handled them when they are received by the	<p><u>Best Practice</u></p> <p>Officers who handle tender envelopes should label the tender envelope with the time and date it was received, their name, department and position.</p>	Head of Democratic Services.

Council.	<u>Findings</u> From five sampled, one tender envelope had the time and date of receipt recorded but provided no record of who had handled the envelope. From a review of the tender book, it was noted that although signatures were taken of those in attendance at the opening there were no printed names and job title. There was also no estimated value of each tender or time of opening for each of the selected tenders.	
b) Details of tender openings in the tender book should contain the name of each officer attending, the time of the opening and the contract value of each tender.	<u>Risk</u> If tender envelopes do not record the time and date of receipt in the Council, there is a risk that there is no record to show if a tender is eligible for consideration if there is a delay or the envelope is misplaced before it reaches Democratic Services. If inadequate details are recorded in the tender book, there is a risk that the Council cannot evidence that it followed a fair tender process if contested.	
Management Response		Implementation Date
a) Recommendation is Not Agreed Please see comments above. It has not been explained to the Head of Democratic Services satisfaction why it is necessary for the tender envelope to be signed by every officer who has handled it. It is believed that this places an unnecessary task for no purpose and that there has never been an issue regarding this and therefore the requirement to introduce this measure is unfounded. When an envelope is opened in error, then of course whoever has opened it, signs and dates it. But to ask everyone who handles an envelope to sign it is pointless. Potentially several members of staff might need to sign it: - staff in the LSP who receive it; the post room staff who collect it; another post room staff who sorts it; another member of staff who brings the envelope upstairs; the Democratic Services Officer who puts it in the locked cupboard; the DSO who takes it out of the cupboard to the opening session.		IMPLEMENTED – 10.10.08 Email sent to Deputy Directors asking them to notify the DSO's of the anticipated cost of any scheme so that this can be included in the tender book.
b) Recommendation is Agreed At the tender openings the signature of each officer present and the contract value of each tender are already recorded. Whilst the purpose of recording the time of opening is unclear as tenders are always opened after the deadline time for receipt, this will be added. Furthermore, whilst each officer signs the tender book, they can also be asked to print their name and title.		
In terms of the tender value, it is assumed that the Auditor is referring to the anticipated cost of the scheme.		
Management Response and Implementation Date: Carole Nicholl, Head of Democratic Services		

5. Review of Approved List of Suppliers

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>The Council's list of approved suppliers is reviewed in line with the constitution, and includes suppliers required for all council departments.</p>	<p><u>Best Practice</u> There is an approved supplier list for the whole council which is reviewed in accordance with the frequency detailed in constitution (once every three years).</p> <p><u>Findings</u> The approved supplier list has not been reviewed in accordance with the Constitution, and the current list is not Council-wide and only applies to Property Services.</p>	<p>Deputy Director, Contracts and Procurement.</p>

	<p><u>Risk</u></p> <p>If the approved supplier list is not reviewed regularly, it may not properly reflect the correct suppliers available to the Council for tenders, potentially leading to overpriced contracts. Also if the list contains suppliers that have not returned the Health and Safety questionnaire, then the council may be liable in an accident, if the precautions of the supplier have not been properly checked.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This is an action in the Procurement Strategy Action Plan but no resources currently available to carry out this task.</p> <p>Management Response and Implementation Date: Michael MacKay, Deputy Director - Contracts and Procurement</p>		31 st March 2009

5. TREASURY MANAGEMENT 2008/2009

1. INTRODUCTION

- 1.1 Final issued 21st October 2008.
- 1.2 The following areas have been covered during the course of this review:
- Review of the Council's Treasury Management Strategy regarding the investment of funds;
 - Regular monitoring of Treasury Management Performance;
 - Sampling of Transactions;
 - Adherence to CIPFA Code of Practice;
 - Access controls to computerised systems;
 - Adequate separations of duties regarding the duties within the Treasury Management function.

2. BACKGROUND

- 2.1 The Treasury Management function is defined in the CIPFA Code of Practice for Treasury Management as 'the management of the organisation's cash flow, its banking, money markets and capital market transactions; the effective control of risk associated with those activities and the pursuit of optimum performance consistent with those risks'. The treasury management function is provided by both an external fund manager (Investec Asset Management) and an in-house team comprising the Principal Accountant (Technical) and an Accountant.
- 2.2 The Council is required in accordance with the CIPFA Code of Practice for Treasury Management to document the Treasury Management and Investment Strategy annually and gain approval from members for its implementation. The strategy sets the borrowing limits, investment objectives; approved organisations for investments, guidelines and the performance criteria for the in house operation. The Principal Accountant (Technical) also has responsibility for reviewing the Treasury Management activities for both the external fund managers and the in house team and regularly reporting the performance information to management and members on an annual basis.

3. PREVIOUS AUDIT REPORTS

- 3.1 Treasury Management was last subject to an internal audit review in December 2007 and no recommendations were raised and a Full Assurance opinion was issued.

4. 2008/2009 AUDIT ASSURANCE

- 4.1 **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.
- 4.2 Four recommendations have been raised in this review. All four recommendations have been rated as being Low Risk.

5. MAIN FINDINGS

- 5.1 **Treasury Management Strategy**
- 5.2 Internal Audit is satisfied that there is a current Treasury Management Strategy which the in house team are compliant with. The procedures and work instructions that underpin the strategy should be reviewed and updated. Internal Audit also noted that the agreement with the Council's current fund managers had expired, but would advocate that the current agreement is extended and continues until the introduction of a shared management team across the two Councils is agreed and implemented. Thereafter the Treasury management function should be jointly reviewed to realise value for money benefits where appropriate. Two recommendations have been made as a result of the work undertaken in this area.

5.3 Treasury Management Performance

- 5.4 Internal Audit can confirm that regular monitoring of the treasury management performance is carried out; investment activities are reviewed by the Council's section 151 officer and appropriately reported to members on an annual basis. Officers are compliant with published guidelines for investment opportunities and Internal Audit has noted that the in house team have succeeded in yielding a better than anticipated return on income invested in 2007/08. No recommendations have been made as a result of the work undertaken in this area.

5.5 Investment Transactions

- 5.6 It is the opinion of Internal Audit that the Treasury Management function for the placing and monitoring of investments is well organised and managed. Records exist to track and support that the correct interest and principal sum had been received by the Council at the appropriate time. No recommendations have been made as a result of the work undertaken in this area.

5.7 Adherence to CIPFA Code of Practice

- 5.8 The audit review noted that the Council is compliant with the CIPFA Code of Practice for Treasury Management. However the Council's Treasury Management policy is in need of review to ensure issues such as risk management and money laundering arising from the CIPFA guidance produced in 2004 are incorporated, and to ensure the policy reflects Treasury Management current practice and terms of reference. Internal Audit concluded that officers involved in the Treasury Management process are consistent in their approach and diligent in their duties. One recommendation has been made as a result of the work undertaken in this area.

5.9 Access Controls to Computerised System

- 5.10 Internal Audit considers that satisfactory controls and procedures are in place to protect information and data from unauthorised access and to ensure that data is backed up and protected from loss or damage. However Internal Audit would advocate as a good housekeeping measure that the Bank should be requested to delete inactive users in order to maintain robust controls regarding access rights. One recommendation has been made as a result of the work undertaken in this area.

5.11 Separation of Duties

- 5.12 Controls are in place that ensures adequate separation of duties between those with responsibility for the day to day operations, monitoring performance, checking and authorising transactions and reconciliation. The procedures further support the existing arrangements, however Internal Audit has commented that the procedures and work instructions should be reviewed and updated. A recommendation to address this issue has already been made under the section Treasury Management Strategy.

5.13 Proactive Anti Fraud Arrangements

- 5.14 Internal Audit has identified that adequate arrangements exist to support a robust control environment for the administration of the Council's Treasury Management function. Furthermore the segregation of duties adopted by the service area also serves to minimise the risk of fraud and corruption with regards to the Treasury Management function. No recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

PROCEDURES AND WORK INSTRUCTIONS

1. Procedures and Work Instruction

(Low Risk)

Recommendation	Rationale	Responsibility
That the Treasury Management procedure and work instructions	<u>Best Practice</u> Procedures should be relevant, contain good practice guidance, be up to date,	Staff Officer

should be reviewed and updated and thereafter should be reviewed at regular intervals to ensure further changes are incorporated when necessary.	<p>subject to review and be distributed to all relevant personnel to assist them to operate efficiently.</p> <p><u>Findings</u> The Principal Accountant (Technical) stated that some changes had occurred in the Treasury Management process which were not reflected in the work instructions and therefore he acknowledged that the procedures and work instruction should be reviewed to ensure they correctly reflect current work practice.</p> <p><u>Risk</u> Failure to ensure policies and procedures exist to inform staff could result in staff not operating with efficiency, effectiveness and in accordance with Council procedures.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed They are still useable but should be updated.</p> <p>Management Response: Principal Accountant (Technical)</p>		31 December 2008

2. Fund Manager Agreement

(Low Risk)

Recommendation	Rationale	Responsibility
That the formal agreement is continued and extended with the Council's current fund managers, Investec to support the current treasury management arrangements until such time as the shared management arrangements with SODC is agreed and implemented. Furthermore the treasury management arrangements should be reviewed jointly to realise value for money benefits where necessary.	<p>Best Practice Formal documentation should exist to inform the working arrangements with the Council's Fund Managers to ensure clarity with regards to the execution of the contract.</p> <p><u>Findings</u> Internal Audit noted that the current agreement with Investec had expired as at April 2008 and noted the comments of the Principal Accountant (Technical) who stated that the agreement still informs the current arrangements which they are looking to review in light of the introduction of a shared management team with South Oxfordshire District Council.</p> <p><u>Risk</u> Arrangements with external service providers are not documented resulting in contractual obligations not being met, unable to provide obligation of the contractor, lack of regular performance information and dispute in regard to fees and charges.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed Current agreement is "held over". It could be formally extended.</p> <p>Management Response: Principal Accountant (Technical)</p>		31 December 2008

CIPFA CODE OF PRACTICE

3. Treasury Management Policy

(Low Risk)

Recommendation	Rationale	Responsibility
That the Principal Accountant (Technical)	<p><u>Best Practice</u> Policy documents should be reviewed regularly</p>	

<p>should undertake a comprehensive review of the Treasury Management Policy to ensure issues such as risk management and money laundering arising from the CIPFA guidance produced in 2004 are incorporated if appropriate and to ensure the policy correctly reflects Treasury Management practice and terms of reference.</p>	<p>to ensure they are up to date, approved by the appropriate committee and be available to employees for inspection and reference.</p> <p><u>Findings</u> Whilst much of the Treasury Management policy remains current, Internal Audit noted that the policy does contain some inaccuracies such as reference to the Service Delivery Policy and Overview Committee, half yearly report on treasury management activity and the position of Director of Corporate Resources which no longer exists. Furthermore CIPFA guidance produced in 2004 has elaborated on the detail required in the Treasury Management policy, some of which Internal Audit agrees may not apply to a Council of our size and stature. However, issues such as risk management and money laundering should be considered and incorporated to ensure the Treasury Management policy is in accordance with the CIPFA code of practice.</p> <p><u>Risk</u> Without staff awareness of the Council's policies, they cannot comply with them which may result in an inconsistent approach being followed and erroneous decisions being made.</p>	
Management Response		Implementation Date
Recommendation is Agreed		31 March 2009
Management Response: Principal Accountant (Technical)		

ACCESS TO COMPUTER SYSTEM

4. Access Rights

(Low Risk)

Recommendation	Rationale	Responsibility
<p>That the bank is requested to delete all redundant users of the Finance Director system in order to maintain robust controls relating to access to the system.</p>	<p><u>Best Practice</u> Regular reviews of access rights for users should be undertaken to ensure security and integrity of the computerised system is maintained.</p> <p><u>Findings</u> Internal Audit requested a list of user names for the Finance Director software from the ICT service area and noted that some 16 officers were classified as users on 27 August 2008, five of these officers are no longer employed by the Council.</p> <p><u>Risk</u> Not adopting good housekeeping measures to ensure access rights are regularly reviewed and appropriately deleted could result in poor controls relating to the security of Finance Director system.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed These officers would not be able to access the system but we have asked the bank to delete them.</p>		Implemented

Management Response: Principal Accountant (Technical)	
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6. DIRECT SERVICES ORGANISATION 2008/2009

1. INTRODUCTION

1.1 Final issued 28th November.

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

- Ensuring through testing and review, that the timetable of standing orders in place for the DSO is relevant.
- Review the budget of the DSO and ensure effective budget monitoring and income coding is taking place.
- Assess accuracy and efficiency of record keeping and ensure it allows administrative and financial functions to be carried out correctly.
- Ensure effective arrangements are in place to implement and follow the Council's health and safety legislation, fire and health at work regulations, and that an effective reporting process is in place for observations of non-compliance by staff.
- Review the procedures of management for monitoring, testing performance and reporting results, along with action taken against any shortfalls.

2. BACKGROUND

2.1 The Direct Services Organisation is treated as a separate function within the Council. The Manager of DSO reports to the deputy director for Commercial Services but except for this the service operation is dependant on demand from its customers and the subsequent recharge to the relevant service area for its revenue.

2.2 At the time of the audit, internal audit did not come across and were not made aware of any departmental issues for the Direct Services Organisation.

3. PREVIOUS AUDIT REPORTS

3.1 This is the first time the Direct Services Organisation has had an audit performed on it as a separate function.

3.2 As this is the first time for the audit is being performed on the Direct Services Organisation, there are no previous recommendations to report on.

4. 2008/2009 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 11 recommendations have been raised in this review. Six High Risk, three Medium Risk and two Low Risk.

5. MAIN FINDINGS

5.1 Standing Order Timetable

5.2 Internal Audit walked through the process used by the DSO for the recording of work. It was confirmed that there is no overall timetable maintained for the services provided, but the septic tank service had a weekly timetabling system in place. However this is not maintained once the planned works have been completed.

5.3 Internal Audit noted there is no electronic calendar kept of any recurring services for septic tank customers, despite at times there being an annual visit anticipated. Annual visits and monthly records are kept on a card based system, summarising visits for each customer. Internal Audit has made one recommendation in this area.

5.4 Budget Monitoring

- 5.5 The budget monitoring process is heavily dependant on the system of recharges. It was confirmed that job numbers originally allocated to the workers from customer requests, were not immediately entered into the main spreadsheet used for recharges. This causes difficulties in finding the documentation and reconciling jobs to documentation.
- 5.6 The DSO Manager derives his overall recharge sheet from the individual timesheets submitted by each worker. Although every timesheet reviewed had a counter-signature from the DSO Manager, Internal Audit found that the timesheets submitted often didn't include a job number, despite one always being allocated at the start of the job. This caused difficulty in tracking the relevant paperwork for the various jobs. Internal Audit has made two recommendations in this area.
- 5.7 **Record Keeping**
- 5.8 Once a job has been completed, if applicable each worker will submit the completed work order with the necessary details (e.g. labour cost, attachment of good receipt if materials were required). Internal Audit found completion dates were not being documented which made it difficult to determine the status of the job once it had been filed. It was also noted that invoices relating to expected materials incoming, were not being kept track of. Internal Audit acknowledge the difficulties DSO have been experiencing when trying to track invoices through the recently implemented Agresso system.
- 5.9 Internal Audit undertook testing around the process of emptying septic tanks and found no concerns with the sales invoices that were being sent out in relation to timing and amount charged. However, it is considered important that staff perform a reconciliation between the work performed emptying the septic tanks and the payments made to their supplier (Thames Water) for the service of the disposal of the septic material.
- 5.10 In addition, Internal Audit found that no inventory of equipment kept by the DSO is being maintained. In order to allow a better review of what needed to be documented on a potential inventory list; Internal Audit visited the Challow Depot. Internal Audit has made four recommendations in this area.
- 5.11 **Health and Safety**
- 5.12 Whilst walking through the process for the documentation of job costs, Internal Audit discovered that only some counter-signatures were documented on the mileage forms produced by each DSO driver.
- 5.13 Internal Audit reviewed a sample of mileage forms for various vehicles used by the DSO, and found that safety checks were not always being documented on the reverse of the mileage form when each vehicle was being used. It was noted that this was being performed on some of the older vehicles. Internal Audit interviewed the Health and Safety Officer and it was identified that some of the Health and Safety Risk Assessments were last performed in 1995. Internal Audit has made two recommendations in this area.
- 5.14 **Testing Performance**
- 5.15 Internal Audit reviewed the feedback that DSO received from their customers through questionnaires and found an overall positive response, commenting on the positive view of workers and the speed of the service. However it was noted that the organisation had only sent the questionnaires within a certain period in 2007, and does not seek customer feedback on a regular basis. Internal Audit has made one recommendation in this area.
- 5.16 **Pro-Active Fraud**
- 5.17 Internal Audit questioned management on their awareness of key risk areas for fraud and the action they had taken against it. Management were not aware of the key risk areas within the DSO and had not performed any pro-active counter fraud measures. Internal Audit has made one recommendation in this area.

OBSERVATIONS AND RECOMMENDATIONS

STANDING ORDER TIMETABLE

1. Electronic Storage of Standing Orders

(Low Risk)

Recommendation	Rationale	Responsibility
Management give consideration to the movement towards electronic storage for standing order cards.	<p><u>Best Practice</u> Storage of customer details is as efficient as possible and electronic systems are used wherever possible when appropriate.</p> <p><u>Findings</u> Internal Audit reviewed the process of timetabling recurring customers for the emptying of septic tanks and discovered there is a control weakness due to no annual calendar of septic tank customers being maintained.</p> <p><u>Risk</u> In the event of fire, data stored in hard copy could be lost. Whereas information on a shared drive could be accessed from several different locations and may be unaffected. Additionally, data stored in soft copy will ultimately require less storage space.</p>	Barry Davies (Direct Services Organisation Manager), Julie Green (Senior Administrative Officer), Stacie Carter (Administrative Assistant)
Management Response		Implementation Date
<p>Recommendation is Agreed Details of all tanks emptied are placed on database on main server. Inquiries will be made into having a suitable programme for electronic storage of standing order cards.</p> <p>Management Response: Direct Services Organisation Manager</p>		March 2009

BUDGET MONITORING

2. Job Numbers Added to Timesheets

(Medium Risk)

Recommendation	Rationale	Responsibility
Workers should be adding the job number to their timesheets to allow easier tracking of jobs and timesheet summaries that can be monitored more effectively.	<p><u>Best Practice</u> All jobs that are undertaken have a code for reference purposes to prevent confusion over which job they are allocating time to.</p> <p><u>Finding</u> Some workers are not putting the job number of their work order onto their timesheets. Upon reviewing the Master timesheet for June, Internal Audit found it difficult to determine which jobs related to which job numbers and how to find the relevant work order in the filing system.</p> <p><u>Risk</u> If documentation cannot be found efficiently, customer service could suffer should the paper work be required for a query. Also, if there is no consistent way of referring to jobs, there may be confusion and potentially time being incorrectly allocated.</p>	Barry Davies (Direct Services Organisation Manager)
Management Response		Implementation Date
<p>Recommendation is Agreed Already been implemented.</p>		Implemented

Management Response: Direct Services Organisation Manager	
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3. Timesheet Masterfile: Documentation of Procedure

(Low Risk)

Recommendation	Rationale	Responsibility
The process of populating the timesheet and calculating internal recharges is documented as a procedure.	<p><u>Best Practice</u> That another member of staff should be able to use the timesheet masterfile and apply the process from scratch if necessary.</p> <p><u>Findings</u> Internal Audit walked through the process of receiving and compiling timesheets with the Direct Services Organisation Manager. The process of entering the information onto the spreadsheet and putting into an internal recharge document was a complicated one and could not have been performed without the explanation of the manager.</p> <p><u>Risk</u> If the manager is not available, the person required to fill in the sheet will have no guidance on how to perform this and may perform it incorrectly, resulting in delays on internal charges.</p>	Barry Davies (Direct Services Organisation Manager)
Management Response		Implementation Date
Recommendation is Agreed Will be implemented from December 2008.		December 2008
Management Response: Direct Services Organisation Manager		

RECORD KEEPING

4. Completion Date on Work Orders

(Medium Risk)

Recommendation	Rationale	Responsibility
The completion date box on all work orders should be filled in.	<p><u>Best Practice</u> In order to understand when a task is completed, so that resources can be released or admin staff know when to issue invoices to customers, the completion date of any task should be clearly visible on the work order. This also helps when doing the accounts as the date of the service that has been provided to a particular service can be allocated to a particular financial year.</p> <p><u>Findings</u> Internal Audit selected several jobs from the overall timesheet summary. From the documentation obtained, neither the work order retained by the Council nor the version filled in by the staff performing the work had the completion date.</p> <p><u>Risk</u> If the completion date is not detailed on the paperwork, there could be issues as to exactly when the work was completed if the customer is not satisfied with the quality of the work or they feel that they have been</p>	Barry Davies (Direct Services Organisation Manager)

	charged incorrectly.	
Management Response		Implementation Date
Recommendation is Agreed Will be implemented from December 2008.		December 2008
Management Response: Direct Services Organisation Manager		

5. Equipment Inventory

(High Risk)

Recommendation	Rationale	Responsibility
Management should maintain an inventory of significant equipment owned by the Council and used by the Direct Services Organisation.	<p><u>Best Practice</u> Management should know how much equipment and what is available at any one time, and should be able to view listings of equipment available for upcoming jobs and queries from customers as to their capacity for large or specialist jobs.</p> <p><u>Findings</u> The Direct Services Organisation Manager does not keep an inventory of the equipment that is available to the DSO staff and does not know if a particular tool is owned by the Council or not.</p> <p><u>Risk</u> If management cannot tell if tools or equipment are missing, then the service is left open to misappropriation. This may in turn lead to replacement of equipment unnecessarily if the original reason for it missing is not identified and investigated.</p>	Barry Davies (Direct Services Organisation Manager)
Management Response		Implementation Date
Recommendation is Agreed Inventory will be compiled.		February 2009
Management Response: Direct Services Organisation Manager		

6. Outstanding Invoice List

(Medium Risk)

Recommendation	Rationale	Responsibility
An outstanding list is maintained allowing officers to see when goods the Council has received have not been invoiced for by the supplier.	<p><u>Best Practice</u> Officers are aware of any outstanding invoices due on a particular job and know which companies need chasing if necessary.</p> <p><u>Findings</u> Internal Audit took a sample of work orders from the Master Timesheet for June and discovered that for one job the Council had waited two months to be invoiced by the supplier. Further, testing revealed management sometimes wait more than two weeks for an invoice to arrive without chasing.</p> <p><u>Risk</u> If there are purchase invoices that the council has not paid or are not recorded, there may be costs with amounts unknown that are outstanding. This may present difficulties with budget monitoring or budget setting processes if the amounts</p>	Barry Davies (Direct Services Organisation Manager)

	outstanding are large.	
Management Response		Implementation Date
Recommendation is Agreed Outstanding list to be compiled.		February 2009
Management Response: Direct Services Organisation Manager		

7. Reconciliation of Thames Water Information

(Medium Risk)

Recommendation	Rationale	Responsibility
Thames Water monthly reports should be reconciled to septic tank work orders.	<p><u>Best Practice</u> The information that is received from Thames Water has a sufficient degree of verification to ensure the information relating to invoices is accurate.</p> <p><u>Findings</u> Internal Audit took a sample of septic tank order tickets and discovered that the amounts being collected are not reconciled to the amounts being dumped at the Thames Water site.</p> <p><u>Risk</u> That there is misuse of council vehicles and the amounts that are being taken to the Thames Water site are not being charged for, or are being done on an ad-hoc basis. Also that the invoices received from Thames Water are not accurate or overstated.</p>	Barry Davies (Direct Services Organisation Manager), Julie Green (Senior Administrative Officer), Stacie Carter (Administrative Assistant)
Management Response		Implementation Date
Recommendation is Agreed Will be implemented in December 2008.		December 2008
Management Response: Direct Services Organisation Manager		

SAFETY LEGISLATION

8. Vehicle Logs: Counter Signatures and Safety Checks

(High Risk)

Recommendation	Rationale	Responsibility
Management should be documenting counter-signatures on the vehicle logs that are submitted by vehicle drivers. Also, workers driving vehicles should be performing and completing the vehicle check logs on the reverse of the vehicle log page.	<p><u>Best Practice</u> All mileage is reviewed by management and any necessary safety checks are carried out on vehicles before they are used.</p> <p><u>Findings</u> Internal Audit took samples from the vehicle logs for the vehicles used by the Direct Services Organisation and found that there were several that did not hold signatures. On the reverse of the vehicle logs, most of the sample taken had no safety check completed.</p> <p><u>Risk</u> Mileage could be falsified or equipment misused if the locations the vehicle has travelled to and the number of miles is not reviewed. Also if the correct documentation is not filled in the Council may be liable if there is an accident</p>	Barry Davies (Direct Services Organisation Manager)

	involving a faulty vehicle.	
Management Response		Implementation Date
Recommendation is Agreed Already been implemented.		Implemented
Management Response: Direct Services Organisation Manager		

9. Review of Old Risk Assessments

(High Risk)

Recommendation	Rationale	Responsibility
Management review old risk assessments to ensure they still reflect current working practices and procedures.	<u>Best Practice</u> That any risk assessments are relevant to current working practices and that any risks involved with the assessed task are still documented. <u>Findings</u> Internal Audit reviewed the Direct Services Organisation risk assessment file and found that some of the risk assessments were last performed in 1995. <u>Risk</u> If the procedures or equipment used for the task have changed from the original assessment, there may need to be more risks to consider or new tools or type of equipment needing to be reviewed.	Barry Davies (Direct Services Organisation Manager)
Management Response		Implementation Date
Recommendation is Agreed Will be implemented in December 2008.		December 2008
Management Response: Direct Services Organisation Manager		

TESTING PERFORMANCE

10. Feedback Forms

(Medium Risk)

Recommendation	Rationale	Responsibility
Management give consideration to the issuance of feedback forms with invoices to constantly monitor the quality of service.	<u>Best Practice</u> That feedback from customers is sought as often as possible and the results analysed. <u>Findings</u> Internal Audit noted that the last feedback session was over a limited period of time in 2007 and that, although the results were positive, there was no constant review of performance beyond this. <u>Risk</u> If the performance of the service is not reviewed over a sufficient amount of time, it may suffer without management realising.	Barry Davies (Direct Services Organisation Manager), Julie Green (Senior Administrative Officer)
Management Response		Implementation Date
Recommendation is Agreed Annual survey.		May 2009
Management Response: Direct Services Organisation Manager		

ANTI-FRAUD AND CORRUPTION

11. Pro-Active Fraud Identification and Review

(High Risk)

Recommendation	Rationale	Responsibility
<p>Management should give consideration to the implementation of proactive fraud initiatives, including the identification of areas of risk and annual review of those areas. Also, admin staff should read the Council's Anti-Fraud and Corruption policy once it has been put back onto the intranet.</p>	<p><u>Best Practice</u> All staff are aware of the Anti-Fraud and Corruption policy and how it relates to their responsibilities. Also that management are aware of the risk areas within their service areas and their responsibilities should they identify or suspect fraud or corruption within the council.</p> <p><u>Findings</u> Admin staff were not aware of the location of the Anti-Fraud and Corruption policy and management had not identified the key risk areas within their service area.</p> <p><u>Risk</u> If fraud initiatives are not in place in line with Council policy, the service area may be susceptible to fraud.</p>	<p>Barry Davies (Direct Services Organisation Manager), Julie Green (Senior Administrative Officer)</p>
Management Response		Implementation Date
<p>Recommendation is Agreed Policy will be read and measures implemented.</p> <p>Management Response: Direct Services Organisation Manager</p>		<p>May 2009</p>

7. POST ROOM 2008/2009

1. INTRODUCTION

- 1.1 Final issued 9th December.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that Post Room procedures exist which incorporate and comply with any relevant policies and financial regulations, and are appropriately authorised;
 - To ensure that Post is received, distributed and opened securely and in accordance with policies and procedures;
 - To ensure that recharges for Post Room services are accurate and timely;
 - To ensure that appropriate and regular reconciliations of expenditure to invoices and source documents are undertaken;
 - To ensure that outgoing documents are dealt with securely and appropriately.

2. BACKGROUND

- 2.1 Vale of White Horse District Council has a Post Room which opens, sorts and distributes incoming post as well as collecting and processing outgoing mail.
- 2.2 At the time of the audit the Administration Team were understaffed following the loss of two part time posts and the absence of the Head of Administration.

3. PREVIOUS AUDIT REPORTS

- 3.1 Post Room services have not been subject to an internal audit review before.

4. 2008/2009 AUDIT ASSURANCE

- 4.1 **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.
- 4.2 Eleven recommendations have been raised in this review. Six Medium Risk and five Low Risk.

5. MAIN FINDINGS

5.1 Procedures

- 5.2 At the time of the audit, 17 working instructions were available covering most of the duties of the Post Room. A procedure was not evident to cover the process for dealing with the receipt of tender documents, dealing with cash remittances other than cheques, the process followed to recharge outgoing franked post and the process of managing and recharging business reply post.
- 5.3 Whilst the working instructions which are in place do appear to be comprehensive, there is no mechanism for their regular review and authorisation. Testing highlighted areas where the procedures did not match current practices. E.g. the instructions for packet post do not reflect the changes made by Royal Mail to pricing according to the size and weight of letters and packets.
- 5.4 Two recommendations have been made as a result of our work in this area.

5.5 Receipt and Distribution

- 5.6 Most incoming post is delivered by Royal Mail each morning and this is sorted, counted and opened with the Post Room. A small amount of DX post is collected from Abingdon Town centre by a member of staff. At the time of testing this was an average of 10 items per day. Post is delivered and outgoing mail collected within Abbey House each morning and afternoon. Where a cheque is received other than with a remittance slip, such as with a

planning application, post room staff take the cheque and documentation outside of the security of the post room in order to photocopy the cheques and key documents. Whilst there are usually at least two officers present during the post opening these are not situated in close proximity. Although very little cash is received, procedures only require the attendance of two officers for the opening of private and confidential mail.

5.7 Detailed records are maintained of post received and distributed by departments. Original documentation is adequately recorded as it is received and distributed, but follow up is needed on items not listed as being returned to the sender by recorded delivery. Of 31 items listed as received from April to June 2008 only nine had been marked with a return date. Whilst Capita would be responsible for the return of a further eight items this leaves 14 original documents received and not recorded as returned. This is believed to be due to the service areas dealing with the return of the documents and not notifying the post room.

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

5.9 **Recharges**

5.10 The procedure states that recharges to the individual departments are made on a monthly basis and usually within the first week of the month. This is not always the case as some recharges are driven by the receipt of Royal Mail invoices which are received at various times. There is no evidence that recharges are checked or authorised independently before they are issued. Testing indicated some minor errors such as four items in May's franking recharges which were merged into two journal codings whereas they had been kept separate in other months. The layout of the recharge memo was enhanced slightly from July onwards to include a description for the codes.

5.11 Business Replies received are recharged to the departments receiving the replies. The account with Royal Mail is regularly topped up with £300 to maintain a credit balance. Testing showed that the invoices from Royal Mail do not appear to match with the daily record sheets of Business Replies received and the recharges are based on the £300 top up rather than on the actual expenditure.

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

5.13 **Reconciliations**

5.14 Daily statistics are recorded for post coming into and going out of the Post Room. Post opened is reconciled back with post delivered on a daily basis. Records are not subject to independent checks. Reconciliations also take place as part of the process for recharging departments for Royal Mail invoices. Details on the invoices are matched with postal dockets, daily record sheets and franking machine records as part of validating the amounts charged and working out how much should be recharged to the departments.

5.15 There does not appear to be a process in place to reconcile overall the amounts charged to the team and recoded out to the service areas. Testing suggested that not all of the recharges had been coded correctly within Agresso.

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

5.17 **Outgoing Post**

5.18 The majority of outgoing post is collected by Royal Mail. A small amount of items, mainly legal and land charges documents, are delivered using SecureDX which involves an officer taking DX post to a pick up point within Abingdon. The time spent delivering of an evening and collecting of a morning for what was seen to be an average of 10 items of post would not appear cost effective. However the DX post does provide speed and some degree of security over legal documents.

5.19 The post room use a mailing machine for postings which have too many items for the individual service areas to pack themselves. There doesn't appear to be any guideline stating what quantity should be passed to the post room for processing and what deadlines are in place. Advance notice of items which the post room need to process, such as council Agenda's, is informally provided and only to one member of the team.

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

OBSERVATIONS AND RECOMMENDATIONS

PROCEDURES

1. Working Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Detailed working procedures are introduced to cover:-</p> <ul style="list-style-type: none"> • Dealing with tender documents • Processing cash remittances • Managing and recharging franked outgoing post. • Managing and recharging Business Reply post. 	<p><u>Best Practice</u> Adequate, version controlled, authorised and up to date policies and procedures are in place covering all Post Room duties</p> <p><u>Findings</u> 17 work instructions were provided covering the bulk of the Post Room duties. At the time of the review a procedure was not evident covering the handling of cash remittances other than cheques, handling tender documents and recharges of franked post and business reply post. The Post Room Administration Assistant explained and provided evidence of the processes followed but there is no documentation covering these duties.</p> <p><u>Risk</u> If sensitive and controlled documents, such as tenders for contracts or proofs of identity, are not appropriately handled then the council would not be able to adequately justify that it has taken all appropriate steps should items be reported as missing.</p>	Deputy Director (Organisational Development and Support)
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that the controls identified need to be incorporated into the revised system, and will ensure they are implemented where applicable.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.

2. Overall Control Procedure

(Low Risk)

Recommendation	Rationale	Responsibility
<p>An overall Post Room procedure note is developed stating roles and responsibilities, listing processes covered by working instructions and detailing the process of review and authorising the work instructions.</p> <p>All procedures are regularly reviewed and appropriately authorised.</p>	<p><u>Best Practice</u> Roles and responsibilities for Post Room duties are clearly defined and allocated and a mechanism is in place to document and manage the relevant procedures.</p> <p><u>Findings</u> Only 3 of the 17 working instructions had been revised in the last 2 years. Testing indicates that the work instructions do not reflect current practices in all cases. E.G. Packet post does not reflect recent changes in the way Royal Mail classify mail by a mixture of weight and size. Also the opening mail work instruction states post is counted before it is opened which is not current practice.</p>	Deputy Director (Organisational Development and Support)

	<p><u>Risk</u> If staff are not aware of policies and procedures relevant to their role then they may not be operating with efficiency and effectiveness which may result in unauthorised and inappropriate actions being taken.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that the controls identified need to be incorporated into the revised system, and will ensure they are implemented where applicable.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

RECEIPT AND DISTRIBUTION

3. Two Officers Open Post

(Low Risk)

Recommendation	Rationale	Responsibility
Two officers, in close proximity, should be in attendance for all post opening processes.	<p><u>Best Practice</u> Two officers are present during post opening in order that there is a witness to verify that any cash or valuable records received are dealt with correctly.</p> <p><u>Findings</u> Although two people are present when Private and Confidential mail is opened, this is not a requirement for any other post opening. A witness is obtained when cash is received. Whilst there is usually more than one officer present in the post room while post is being opened, the workstations are not in close proximity.</p> <p><u>Risk</u> If post is not dealt with securely and appropriately then there is a risk of items being mislaid or misappropriated which would result in adverse financial implications for the Council.</p>	Deputy Director (Organisational Development and Support)
Management Response		Implementation Date
<p>We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

4. Original Documents Log

(Medium Risk)

Recommendation	Rationale	Responsibility
Original documents which are passed to Capita should be marked as such within the date returned to post room and date posted fields in the log book. Items, other than	<p><u>Best Practice</u> A record is maintained with details of originals of sensitive documents, such as proof of identity, received, distributed and returned.</p> <p><u>Findings</u></p>	Deputy Director (Organisational Development and Support)

those sent to Capita, which are not returned to the Post room should be followed up and actions taken recorded in the log book. Staff should be reminded that original documents must be returned by recorded delivery.	<p>Whilst a log is maintained detailing original documents received and a signature obtained from the officer they are passed to, not all of those documents are recorded in the log as being sent back to the originator. Out of a check of 31 documents, nine were marked in the log as returned to the post room and issued, eight were passed to Capita who are subsequently responsible for the return of the documents, which leaves 14 documents not recorded or noted as followed up to check they have been returned.</p> <p><u>Risk</u> If adequate controls are not in place for the receipt, opening, distribution and return of sensitive documents then officers could be wrongly accused of misplacing or losing items.</p>	
Management Response		Implementation Date
<p>We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

5. Copying Cheques And Correspondence

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Wherever possible, references should be written on the back of cheque remittances rather than photocopies of documents accompanying cheques. The original documentation should be noted that a cheque has been received. This could be facilitated by a rubber stamp.</p> <p>Where this is not possible, original documentation and the cheque should be passed to the cashiers for processing and for matching with a receipt as appropriate. Documents would then be collected from the cash office by the appropriate services area.</p>	<p><u>Best Practice</u> Remittances are retained with the secure Post Room environment until passed to the cash office.</p> <p><u>Findings</u> Cheques received with correspondence rather than with remittance slips, such as those accompanying planning applications, are photocopied and the original documents also copied. The cheque with a copy of correspondence is passed to the cashiers and the original correspondence with a copy of the cheque is passed to the relevant department. This is unnecessarily time consuming and a waste of paper. Also sensitive information such as bank details are being circulated outside of a controlled environment. Cheques are documents are removed from the secure environment unnecessarily.</p> <p><u>Risk</u> If post is not dealt with securely then there is a risk of items being mislaid which could have an adverse impact upon the Council's reputation.</p>	Deputy Director (Organisational Development and Support)
Management Response		Implementation Date
<p>We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales</p>

Management Response: Deputy Director (Organisational Development and Support)	to be agreed.
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6. Desktop Copier/Printer

(Low Risk)

Recommendation	Rationale	Responsibility
A desktop copier/ scanner/ printer is located within the Post Room.	<p>Best Practice A copier/printer is available within the Post Room so that documents which need copying are not removed from the secure environment and time spent opening post is reduced.</p> <p>Findings Some items, such as returned cheques require photocopying and this is carried out by Post Room staff and the copied documents distributed accordingly. E.G returned cheques copied to Fraud and originals to Accountancy. Other cheque remittances such as DX received items are copied. This involves removing documents and cheques from the confines of the Post Room to take them to the photocopier.</p> <p>Risk If post is not dealt with securely then there is a risk of items being mislaid which could have an adverse impact upon the Council's reputation.</p>	Deputy Director (Organisational Development and Support)
Management Response		Implementation Date
We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.
Management Response: Deputy Director (Organisational Development and Support)		

RECHARGES

7. Independent Checks

(Medium Risk)

Recommendation	Rationale	Responsibility
Calculations of statistics should be checked for accuracy and matched with original documentation by an independent officer, initialled as checked and appropriately authorised before circulation.	<p>Best Practice Documentation detailing calculations of statistics are independently checked for accuracy and authorised.</p> <p>Findings Documentation supporting recharges and other statistical records are not currently checked or authorised by an independent officer. Testing indicates minor errors in details of recharges required where codings were merged in one month but not in others. Also the amounts detailed in daily post records do not always add up back to the stated amounts.</p> <p>Risk If post room recharges are not appropriate and accurate then unnecessary charges may be incurred with adverse implications</p>	Deputy Director (Organisational Development and Support)

	for the service area's budget.	
Management Response		Implementation Date
We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.
Management Response: Deputy Director (Organisational Development and Support)		

8. Comprehensive Documentation

(Low Risk)

Recommendation	Rationale	Responsibility
All documentation relating to post room recharges and calculations follow the same clear format with sufficient detail. Each spreadsheet and record sheet should be clearly labelled to state what is being recorded.	<p><u>Best Practice</u> Documentation supporting recharges is clear to enable quicker checks to be made.</p> <p><u>Findings</u> The Administration team enhanced the layout of the Franked outgoing post recharge memo from July onwards to include a brief text description of the cost centres being recharged. This is considered good practice and it is recommended that this is introduced to other recharge documentation. Spreadsheets did not contain an overall heading stating their purpose.</p> <p><u>Risk</u> If documentation is not presented as clearly and accurately as possible then the detection of possible errors may be delayed resulting in adverse implications for service area budgets.</p>	Deputy Director (Organisational Development and Support)
Management Response		Implementation Date
We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.
Management Response: Deputy Director (Organisational Development and Support)		

9. Business Replies

(Medium Risk)

Recommendation	Rationale	Responsibility
The detail provided by Royal Mail should be analysed to identify expenditure by department and not by a proportion of the top up amount. If this is not possible then the recharge process should be formally agreed. Independent checks should be made and if any allowable adjustments are made these should be clearly detailed.	<p><u>Best Practice</u> Documentation supporting recharges matches with amounts invoiced by Royal Mail and the process follows agreed procedures.</p> <p><u>Findings</u> The daily mail records are recorded on a spreadsheet which is then used to provided a listing of recharges for business reply usage. Of 50 rows of data on the spreadsheet for 19/5/08 to 28/7/08 14 did not match the details on the daily work record. The sum of the total column did not match that stated. The Royal Mail invoice detailed items received but these did not match with the spreadsheet items.</p>	Deputy Director (Organisational Development and Support)

	<p>Recharges are not based on actual items received but on a percentage of the £300 top up paid. No procedure is in place covering the process and agreeing how recharges are calculated.</p> <p><u>Risk</u> If recharges are not appropriate and accurate then unnecessary charges may be incurred with adverse implications for the service area's budget.</p>	
Management Response		Implementation Date
<p>We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

RECONCILIATIONS

10. Reconciliation To General Ledger

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A process is introduced to control and record the amounts charged and recharged within the general ledger. This log of invoices and recharges should be reconciled to the Agresso codings.</p>	<p><u>Best Practice</u> A record is maintained of charges raised and recharges due in order to assist with budget monitoring and reconciliations</p> <p><u>Findings</u> There is no evidence of a reconciliation made to ensure that the items charged to the post room budget are recharged out as requested. Testing on three recharge sheets suggests that one completed 28/8/08 had not been coded within Agresso and one listing appeared to be only partially entered.</p> <p><u>Risk</u> If regular reconciliations are not undertaken, then any errors or omissions may go undetected with potentially adverse financial implications.</p>	<p>Deputy Director (Organisational Development and Support)</p>
Management Response		Implementation Date
<p>We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that this recommendation will be considered and incorporated into any revised procedures where possible.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

OUTGOING POST

11. Post Room Services

(Low Risk)

Recommendation	Rationale	Responsibility
<p>A procedure is implemented covering the requirements and deadlines for passing</p>	<p><u>Best Practice</u> Advance warning of bulk mailing requirements is notified to the Administration Team and procedures are in</p>	<p>Deputy Director (Organisational Development and Support)</p>

<p>mailing machine items to the Post Room. This should be circulated to all service areas and should include a requirement to provide advance notification of bulk mailings which require Post Room resources. Staff should also be reminded not to use post room services for personal items.</p>	<p>place specifying the deadlines for processing machine mailing.</p> <p><u>Findings</u> An informal arrangement is in place for one member of the Administration team to be notified when Agendas will need to be issued. There is no documented procedure with deadlines as to when post needs to be with the post room in order for processing the same day and with details of the process to follow in giving advance notice. Internal audit observed several interruptions within the Post Room from staff requesting personal items are weighed and postage calculated.</p> <p><u>Risk</u> If sufficient notice is not given to the correct officers of bulk mailing requirements, then resources may not be available to meet the desired timescales for dealing with mailing bulk items and key deadlines may be missed.</p>	
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle We are currently in the middle of a major corporate administration and reprographics review, and the proposal is currently under consultation. We agree that the controls identified need to be incorporated into the revised system, and will ensure they are implemented where applicable.</p> <p>Management Response: Deputy Director (Organisational Development and Support)</p>	<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>	

8. CAPITAL ACCOUNTING 2008/2009

1. INTRODUCTION

1.1 Final issued 23rd December 2008.

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

- To ensure that the Council has an up to date Capital Financing Strategy and Asset Management Plan in order to develop and manage its Capital Programme.
- To ensure that adequate monitoring is undertaken in relation capital contracts and approved budgets.
- To ensure appropriate capital accounting arrangements are in place.
- To ensure adequate authorisation of additions, disposals, write offs, transfers and amendment of the asset register.
- To ensure the Asset Register is regularly reconciled to other sources.

2. BACKGROUND

2.1 The Council prepares annual financial statements which are subject to external review by the Audit Commission. The financial statements include details of the Council's capital assets and related capital expenditure. The Council's capital assets and capital expenditure are recorded on an asset register.

3. PREVIOUS AUDIT REPORTS

3.1 Capital Accounting was last subject to an internal audit review in March 2008 and one recommendation was raised and a satisfactory opinion was issued.

3.2 The recommendation made following the 2007/2008 audit review was reviewed by Internal Audit and it was ascertained that it had been implemented.

4. 2008/2009 AUDIT ASSURANCE

4.1 **Full Assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

4.2 One recommendation has been raised in this review and it is rated as Medium Risk.

5. MAIN FINDINGS

5.1 Capital Financing Strategy and Asset Management Plan

5.2 There is a Capital Financing Strategy in place and it refers to the Investment Policy (Property) which is in need of updating. The Asset Management Plan is comprehensive, giving officers an understanding of how assets feed into the Council's overall objectives. There are also a number of appendices which allow officers to access the required pro-forma forms.

5.3 The Capital Programme contains approved capital schemes and is also used to record appropriate capital expenditure. One recommendation has been made as a result of our work in this area.

5.4 Monitoring Arrangements.

5.5 The Principal Accountant (Technical) is the designated officer responsible for monitoring the Capital Budgets. Monitoring occurs on a monthly basis and there is regular interaction between the Principal Accountant (Technical) and lead project officers.

5.6 Capital projects are appraised using a pro-forma appraisal document and each section of the appraisal is signed off by the appropriate Deputy Director. No recommendations have been made as a result of our work in this area.

5.7 Accounting Arrangements

- 5.8 Internal Audit reviewed the draft Annual Governance Report prepared by the Audit Commission. Based upon the work undertaken by the Audit Commission, Internal Audit is satisfied that there are appropriate accounting arrangements in place. No recommendations have been made as a result of our work in this area.
- 5.9 **Adequate Authorisation**
- 5.10 From the testing undertaken, Internal Audit considers that the Asset Register is a comprehensive document which incorporates depreciation figures, capital expenditure and the book value of assets. Acquisitions and disposals are recorded where appropriate and assets are valued by an authorised and appropriately qualified officer. No recommendations have been made as a result of our work in this area.
- 5.11 **Asset Register**
- 5.12 Testing identified that the Asset Register is not completely reconciled until the end of the financial year in preparation for the annual financial statements and additions and disposals are verified during this reconciliation. The Principal Accountant (Technical) takes responsibility for ensuring the ledger values agree with those of the Asset Register and takes account of the Valuation report produced by the Head of Property Services. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

1. Investment Policy (Property)

(Medium Risk)

Recommendation	Rationale	Responsibility
The Investment Policy (Property) should be reviewed, updated where necessary and agreed by the appropriate committee as soon as possible.	<p>Best Practice Policy documents should be up to date and agreed by the appropriate committee.</p> <p><u>Findings</u> The Investment Policy (Property) is not up to date as it provides figures as at 31 March 2007. The document was agreed by the 'Service Delivery Policy Overview Committee' on 23 March 2004.</p> <p><u>Risk</u> Policy documentation in relation to investments may be out of date leading to inappropriate working practices and procedures being adopted and followed.</p>	Principal Accountant (Technical)
Management Response		Implementation Date
<p>Recommendation is Agreed The Property Investment Policy will be reviewed and considered by the Executive in February when they also agree the Annual Investment (TM) Strategy. Any proposed changes in policy will be referred to the next Council meeting.</p> <p>Management Response: Principal Accountant (Technical)</p>		February 2009

9. ELECTIONS FOLLOW-UP 2007/2008

1. INTRODUCTION

1.1 Final issued 17th September.

2. INITIAL AUDIT FINDINGS

2.1 The final report made six recommendations and six were agreed. A satisfactory opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1 The review found that all six recommendations had been successfully implemented.

3.2 Internal Audit noted that procedures are now dated and version controlled, travel claims have been appropriately amended, a significant supply of election/referendum earnings certificate of taxable income have been acquired for future elections and debtors are appropriately pursued when necessary. Furthermore Internal Audit confirmed that final accounts for elections are now checked and signed off by the Head of Democratic Services and a mechanism to undertake a post election review is now established to ensure the delivery of improvements for future elections. Internal Audit was supplied with evidence to support that all six recommendations have been fully implemented.

3.3 Internal Audit has concluded the audit of Elections and no further follow up work will be undertaken following this review.

FOLLOW-UP OBSERVATIONS

PROCEDURES AND MONITORING ARRANGEMENTS

1. Procedures

(Low Risk)

Recommendation	Rationale	Responsibility
All procedures relating to Electoral Services should be updated and expanded as necessary to reflect changes in legislation. Furthermore officers should operate a system of version control to denote when revisions to procedures have been made.	<u>Best Practice</u> Procedures should be reviewed regularly to reflect changes in legislation; furthermore the introduction of version control should assist in identifying when the review process should take place to facilitate a review timetable. <u>Findings</u> Internal Audit noted that only one of the six procedures obtained denoted that the procedure had been reviewed and updated. The procedures do not reflect revision dates. <u>Risk</u> If procedures are not in accordance with relevant legislation then they may not comply with legislation covering Human Rights and Data Protection.	Electoral Services Manager
Management Response		Implementation Date
Recommendation is Agreed		29/02/2008
Follow-Up Observations		
Internal Audit obtained copies of the revised procedures for election services from the Electoral Services Manager.		Implemented

ELECTORAL REGISTRATION

2. Scale of Fees

(Medium Risk)

Recommendation	Rationale	Responsibility
The Election Section should review whether petrol receipts should be acquired to support mileage claims/vat reimbursement for all staff employed to carry out election duties. Claim forms should be amended to reflect this requirement. Furthermore this information should be documented and conveyed to all staff prior to an election.	<p>Best Practice That all mileage claims are supported by a VAT receipt, which also supports the Council Vat claim.</p> <p>Findings The Council VAT officer has stated that a vat receipt should be produced to support mileage claims. Internal Audit considers that the Council may be required to state on the mileage claim form that petrol receipt should be obtained where possible to support the reclaiming of VAT.</p> <p>Risk The Council VAT claim could be considered invalid as it is not supported by the appropriate documentation.</p>	Electoral Services Manager
Management Response		Implementation Date
Recommendation is Agreed		Implemented for recent by-election 13/03/2008
Follow-Up Observations		
Travel claim form has been amended to alert elections staff to provide petrol receipts for mileage claims.		Implemented

3. Tax Documentation

(Low Risk)

Recommendation	Rationale	Responsibility
Election staff should ensure adequate supplies of tax forms are available to distribute, furthermore election staff should be informed of the requirement to complete the relevant tax documentation before the election to enable the information to be captured in a timely manner.	<p>Best Practice The official HMRC tax forms should be obtained prior to the Elections with a view to distributing and informing election staff of the requirement to ensure the relevant tax documentation is completed and sent to the Tax office.</p> <p>Findings Internal Audit noted there had been some confusion regarding the issue and control of the relevant tax forms at the time of the May elections. There are two forms that could be used in these circumstances a P527 and P528, Internal Audit noted that the Election office had put together their own version of these forms; (Election/Referendum earnings certificate of taxable income). Internal Audit would advocate that they use the official HMRC forms.</p> <p>Risk Failure to ensure election staff are supplied with the appropriate tax forms could result in erroneous election payments being made.</p>	Electoral Services Manager
Management Response		Implementation Date
Recommendation is Agreed		Implemented for recent by-election 13/03/2008

Follow-Up Observations	
Election Services now have a supply of Inland Revenue tax forms for distribution to election staff when necessary.	Implemented

RECHARGES

4. Outstanding Debtors Reports

(Medium Risk)

Recommendation	Rationale	Responsibility
The Election Services Manager should undertake training to enable her to review the outstanding debtors report on a monthly basis to enable her to assist with debt recovery for election purposes.	<p><u>Best Practice</u> Election staff should review the outstanding debtor reports on a regular basis with a view to assisting with debt recovery where possible.</p> <p><u>Findings</u> Internal Audit highlighted difficulties that staff have in tracking debtor's invoices on the Agresso system, the absence of regular outstanding debtor's reports has also impacted on Election staff not being able to resolve invoice queries.</p> <p><u>Risk</u> If debts are not recovered promptly then the Council may incur inappropriate costs.</p>	Electoral Services Manager
Management Response		Implementation Date
Recommendation is Agreed		Agreed June 2008
Follow-Up Observations		
The Electoral Services Manager has undertaken adequate instruction to enable her to chase debtors when necessary. Documentation which supported the chasing of an outstanding debt was obtained for retention on the audit file.		Implemented

BUDGET ARRANGEMENTS

5. Accounting Arrangements

(Medium Risk)

Recommendation	Rationale	Responsibility
That final accounts similar to those presented for parliamentary elections should be prepared for District elections and signed off by a designated officer to support all expenditure relating to such elections.	<p><u>Best Practice</u> That final accounts similar to those prepared for the Parliamentary elections are prepared, reviewed and signed off following closure of an election.</p> <p><u>Findings</u> The Election Services Manager stated that final accounts are prepared for the parliamentary elections as they are required to be sent off to the Dept of Communities and Local Government for scrutiny and approval. The same process of account approval does not occur for the local elections. Staff considers it would be helpful to have a formal process for the signing off of the accounts relating to local elections, the information is retained in a format that supports the presentation of final accounts.</p> <p><u>Risk</u> Failure to review the budget following closure of an election could result in</p>	Electoral Services Manager/Head of Democratic Services/Returning Officer

	variances not being identified or explained so they could be replicated in future years with a detrimental effect on the Council's reputation.	
Management Response		Implementation Date
Recommendation is Agreed		Agreed for next District Election or By Election.
Follow-Up Observations		
By Election: 13 March 2008 Accounting statements were prepared by the Electoral Services Manager and subsequently checked and signed off by the Head of Democratic Services.		Implemented

POST ELECTION REVIEW

6. Post Election Review

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that following each election a formal post audit review report should be drafted with a formal action plan, this process will assist in demonstrating accountability with regards to the election process.	<p><u>Best Practice</u> Formal post election review and action plan are drafted to inform and assist with the development of any future elections.</p> <p><u>Findings</u> The Chief Executive confirmed that his office doesn't retain formal documentation of these post election meetings, however the Election Services Manager stated that notes of the meetings had been taken by the Democratic Services Manager.</p> <p><u>Risk</u> Failure to review the election process can result in issues not being addressed for future elections. Therefore mistakes could be replicated in future years with a detrimental effect on the Council's reputation.</p>	Electoral Services Manager/Head of Democratic Services
Management Response		Implementation Date
Recommendation is Agreed		Review meeting held on the 17/03/2008 and notes taken for recent by-election. All future elections review to be held within 2 weeks of election.
Follow-Up Observations		
Copy of election review meeting 17 March 2008 was obtained to confirm that review meeting take place following each election.		Implemented

10. CONCESSIONARY FARES FOLLOW-UP 2007/2008

1. INTRODUCTION

1.1 Final issued 23rd October.

2. INITIAL AUDIT FINDINGS

2.1 The final report made six recommendations and all were agreed. A satisfactory opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1 The review found that two recommendations had been successfully implemented, three had not been implemented and one recommendation is ongoing.

3.2 Internal Audit is satisfied that adequate evidence is available to support the implementation of two of the recommendations and that every effort is being made by officers to conclude the implementation of the remaining recommendations. The recommendations have not fully been implemented due to other work priorities and it is anticipated that the recommendations will be concluded following the completion of the management restructuring process. Internal Audit will continue to monitor the progress of implementation against the outstanding recommendations.

FOLLOW-UP OBSERVATIONS

BUS OPERATOR AGREEMENTS

1. Bus Operator Agreements

(Medium Risk)

Recommendation	Rationale	Responsibility
That the Concessionary Fare Deed of Agreement should be obtained for all Commercial Bus Operators to ensure the service is conducted within the terms of a current agreement. Furthermore the Community Bus agreements should be consistent with those of the Commercial Bus operators.	<p><u>Best Practice</u> That all bus companies have a current agreement which assists with ensuring the assisted travel scheme is operated within the specified terms of the agreement.</p> <p><u>Findings</u> Internal Audit confirmed with the Revenues and Benefit Client team that only 4 agreements have been signed by the Bus Operators with a remaining 6 agreements outstanding.</p> <p><u>Risk</u> Failure to ensure that the appropriate agreements are in place could result in the Bus Companies not being aware of the parameters of the Council's Assisted Travel Scheme.</p>	Senior Revenues and Benefits Client Officer
Management Response		Implementation Date
Recommendation is Agreed		31 May 2008
Follow-Up Observations		
Four agreements remain outstanding; three bus operators have queried the basis of the agreement: however Internal Audit noted that they are compliant with the scheme. Disputed agreements with regards the bus operator agreements are being dealt with by Legal Services. The Senior Revenues and Benefit Client officer stated that there is a move to adopt a new agreement which is currently in use at SODC and there is a commitment to review the agreement following the conclusion of the management restructuring process.		Implemented

2. Job Descriptions

(Low Risk)

Recommendation	Rationale	Responsibility
The job descriptions of the Senior Revenues and Benefits Client officer and the Revenues and Benefits Client officers should be reviewed to reflect their responsibility for the Assisted Travel scheme.	<p><u>Best Practice</u> That the job description for all officers with responsibility for the Assisted Travel Scheme is clearly stated to ensure officers have clarity with regards to their duties.</p> <p><u>Findings</u> Internal Audit reviewed copies of the job descriptions of the Senior Revenues and Benefits Client Officer and the Revenues and Benefits Client Officer and noted that only the Revenues and Benefits Client Manager has a stated responsibility for the Assisted Travel Scheme within his job description.</p> <p><u>Risk</u> Failure to ensure officers have the appropriate and correct job description could result in officers not being fully conversant in their responsibilities.</p>	Revenues and Benefits Client Manager / Senior Revenues and Benefits Client Officer
Management Response		Implementation Date
Recommendation is Agreed		31 May 2008
Follow-Up Observations		
Internal Audit noted that due to other work priorities the job descriptions have not been reviewed and the Senior Revenues and Benefits Officer stated that this exercise will be conducted after the management restructuring process is completed.		<p>Not Implemented</p> <p>Revised Implementation date : 31 May 2009</p>

BUS OPERATOR CLAIMS

3. Procedures

(Low Risk)

Recommendation	Rationale	Responsibility
That procedure should be written to cover all aspects of work connected with the Assisted travel scheme, including the task of validating claims from the Bus Operators. This would ensure resilience in processing of claims and could assist in ensuring that claims are processed in a timely manner.	<p><u>Best Practice</u> That procedures are available to staff to assist with all duties connected with the Assisted Travel Scheme, furthermore procedures could be used for training purposes, improve resilience in service delivery and ensure claims can be processed in a timely manner.</p> <p><u>Findings</u> Internal Audit confirmed that there are no written procedures relating to the process of checking and validating the payments of claims from the Bus Operators.</p> <p><u>Risk</u> Failure to ensure adequate procedure are available to staff could result in payments being made which are not processed in accordance with the stated terms of the agreement.</p>	Revenues and Benefits Client Officer
Management Response		Implementation Date
Recommendation is Agreed		1 September 2008
Follow-Up Observations		

No procedures have been drafted at present; The Revenues and Benefits Officer is trying to obtain copies of earlier ISO Concessionary Fares procedures and work instructions as a starting point for the revised procedures.	Not Implemented Revised Implementation date; 31 May 2009
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4. Certificate of Accuracy

(Low Risk)

Recommendation	Rationale	Responsibility
That the Revenues and Benefits Client team should devise a checklist to track the return of the annual certificates of accuracy from the Bus Operators, non receipt of the certificates should prompt follow up action to ensure the certificates are captured in a timely manner.	<p><u>Best Practice</u> That the Revenues and Benefits Client team have a process in place to track the return of the annual certificates of accuracy in a timely manner.</p> <p><u>Findings</u> Internal Audit selected a sample of 10 bus operators to confirm that the annual certificate of accuracy had been presented to the Council for 2006/07. Internal Audit noted that four certificates had been supplied according to the terms and conditions of the contract agreement. Furthermore the Revenue and Benefits Client Officer had no procedure for dealing with any follow up actions arising and no chasing of the outstanding certificates had been carried out.</p> <p><u>Risk</u> There is no documentary evidence to support Council expenditure which could result in unauthorised payments being paid.</p>	Revenues and Benefits Client Officer
Management Response		Implementation Date
Recommendation is Agreed		1 September 2008
Follow-Up Observations		
Some Bus Operators have not provided certificates of accuracy due to the low cost of reimbursement offered by the Council. This factor will be taken up with Ridgeway SSP Joint Head of Finance for consideration. Internal Audit was provided with a list of outstanding certificates (11).		Not Implemented Revised Implementation date: 31 May 2009

BUS OPERATORS INVOICES

5. Bus Operators Invoices

(Low Risk)

Recommendation	Rationale	Responsibility
That a standard letter should be devised and issued to the Bus Operators encouraging them to provide details of journeys in support of their Concessionary Fares claim.	<p><u>Best Practice</u> That each claim/invoice is supported by accurate data to support all Council expenditure.</p> <p><u>Findings</u> Not all the Bus Operators are able to provide details of journeys. A standard letter should be devised and issued to the Bus Operators encouraging them to provide these details.</p> <p><u>Risk</u> Failure to ensure invoices are supported by accurate data could result in an invoice not being classified as bona fide and the Council incurring expenditure which has</p>	Senior Revenues and Benefits Client Officer

	not been validated.	
Management Response		Implementation Date
Recommendation is Agreed		1 September 2008
Follow-Up Observations		
Thames Travel is now providing details of journeys. A request to supply details of journeys is still outstanding with Stagecoach; the other Bus Operator will be approached for details. There are only two remaining bus operators that this applies to. Internal Audit is satisfied that every effort is being made to obtain the necessary details of journeys from the Bus Operators.		Implemented

ANTI FRAUD AND CORRUPTION ARRANGEMENTS

6. Anti Fraud and Corruptions Arrangements

(Medium Risk)

Recommendation	Rationale	Responsibility
That Management should ensure that adequate arrangements are in place to proactively identify fraud and corruption within their business area including an up to date risk register.	<p><u>Best Practice</u> An annual review of the internal control arrangements should be undertaken to identify the key risk areas. This could assist with identifying any evidence of fraud and corruption within their business area, to minimise it to a tolerable level.</p> <p><u>Findings</u> Due to other priorities management has not been able to undertake an annual review of the internal control arrangements within their business area to ensure they are operating effectively and as expected and the risk of fraud is minimised to a tolerable level.</p> <p><u>Risk</u> Fraud and corruption is not identified leading to significant financial, operational, legal and reputational implications.</p>	Revenues and Benefits Client Manager
Management Response		Implementation Date
Recommendation is Agreed		1 December 2008
Follow-Up Observations		
Internal Audit noted that due to other work priorities the risk register has not been reviewed. This issue will be taken up at the review meeting with the RSSP Joint Head of Finance as part of the management restructuring process.		Ongoing Revised Implementation date: 31 May 2009

11. ABINGDON LSP FOLLOW-UP 2007/2008

1. INTRODUCTION

1.1 Final issued 8th December.

2. INITIAL AUDIT FINDINGS

2.1 The final report made 11 recommendations and 11 were agreed. A satisfactory opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1 Associated evidence was obtained and reviewed by Internal Audit. It was concluded that all 11 recommendations have been implemented fully.

FOLLOW-UP OBSERVATIONS

POLICIES AND PROCEDURES

1. Telephone Payments

(Medium Risk)

Recommendation	Rationale	Responsibility
The process and procedures in regard to payments taken by telephone should be documented in a work instruction.	<p><u>Best Practice</u> All types of income service should be documented for staff to refer in case of a query in relation to a particular process.</p> <p><u>Findings</u> ALSP take payment by telephone on behalf of Environmental Services. Other service areas in Abbey House; Excess Charges, Sports Development and Licensing also take card payments over the 'phone from customers. However there is no procedure covering telephone payments.</p> <p><u>Risk</u> Incorrect procedures may be followed resulting in incorrect processes and errors.</p>	Contact Services Manager
Management Response		Implementation Date
Recommendation is Agreed		31.05.08
Follow-Up Observations		
Internal Audit obtained evidence that procedures have been documented in a work instruction which is available to all staff.		Implemented

INCOME

2. Amendments and Alterations

(Medium Risk)

Recommendation	Rationale	Responsibility
Any amendments or alterations to figures and/or amounts on the 'Balancing and Banking' sheets should be dated and initialled by the responsible officer.	<p><u>Best Practice</u> Any amendments or alterations to figures on financial documentation should record the officer making the amendment.</p> <p><u>Findings</u> Review of a sample of income and reconciliation documentation for the period October, November and December 2007 showed that where alteration and corrections had been made to figures these</p>	Contact Services Manager

	<p>had not been signed or initialled by the member of staff who had corrected the mistake.</p> <p><u>Risk</u> If staff are making amendments that are not clearly identified, queries may be difficult to resolve and amendments may be performed by inappropriate officers.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>All staff have been reminded.</p>		28.03.08
Follow-Up Observations		
Documents are now being completed with the signature and date of the responsible officer.		Implemented

3. Paying-In Books

(Low Risk)

Recommendation	Rationale	Responsibility
Cashiers should ensure that paying-in slips are completed in sequential order in accordance with the ALSP working instructions.	<p><u>Best Practice</u> Paying-in slips should be used in sequential order.</p> <p><u>Findings</u> It was noted that paying-in slips were not always used in sequential order.</p> <p><u>Risk</u> If controlled stationary is not used in sequential order, it is more difficult to monitor appropriate usage of the official recorded stationary.</p>	Contact Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>All staff have been reminded.</p>		28.03.08
Follow-Up Observations		
Internal Audit obtained evidence that the paying in book was being completed in sequential order and that management had communicated this to the Local Service Point officers.		Implemented

4. Income Collection Monitoring

(Medium Risk)

Recommendation	Rationale	Responsibility
The monitoring, recording and recovery of payment for the late collection of income by the Council's security company should be re-established with the roles and responsibilities for this duty clearly defined.	<p><u>Best Practice</u> Regular monitoring of late collections of income by the security company should take place to ensure that the cost of any missed collections is recovered.</p> <p><u>Findings</u> Examination of the log for late and/or non collection of income by the security company showed that there was very little information recorded for 2007/2008. The Head of Administration stated that since implementation of Agresso 5.5 it would appear that no one has been monitoring or recording the late collections and obtaining the credits from the security company for these non collections.</p>	Head of Administration

	<p><u>Risk</u> The Council are holding more funds than covered on our insurance policy, and are not recovering the cost from the security company for missed collections.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Corporate Administration to monitor.</p>		01.04.08
Follow-Up Observations		
<p>Internal Audit obtained evidence of monitoring performed by the Manager of Local Service Point, although there were no missed collections in the period up to the implementation date. Evidence was also obtained of the Council's procedures for missed collections, which detailed the correct procedure and the role involvement for the Administration Assistant and the Head of Administration within that procedure.</p>		Implemented

POSTAL REMITTANCES

5. Cash in Post – Documentation

(Medium Risk)

Recommendation	Rationale	Responsibility
All cash received in the post should be recorded in the ALSP 'Cash Received In Post Form', clearly identifying the amount, income details, date received, by whom and whether a receipt was issued.	<p><u>Best Practice</u> All cash received by post and past to ALSP for processing should be recorded on the 'Cash Received In Post Form' promptly after receipt.</p> <p><u>Findings</u> Of the twenty two cash (22) items received in the post room for the period 2007/2008 only 6 (six) items were recorded on the ALSP 'Cash Received In Post Form' for the same period, and not all elements of the form was completed.</p> <p><u>Risk</u> If cash income is not recorded and done promptly could lead to errors going undetected, with an opportunity for the misappropriation of funds.</p>	Contact Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>All staff have been reminded.</p>		28.03.08
Follow-Up Observations		
<p>The Cash Received Form was obtained for the period up to the implementation date and all of the cash had been appropriately documented.</p>		Implemented

6. Cash in Post Administration Process

(Low Risk)

Recommendation	Rationale	Responsibility
A procedure should be implemented to ensure that cash is not returned in the post to the customer.	<p><u>Best Practice</u> Cash should never be returned in post.</p> <p><u>Findings</u> The ALSP log has an entry which states: receipt 82 'Posted Back'.</p> <p><u>Risk</u> Funds could get lost or misappropriated.</p>	Head of Administration and Contact Services

Management Response	Implementation Date
Recommendation is Agreed	31.05.08
Follow-Up Observations	
The post room procedure was obtained that detailed the above recommendation.	Implemented

SECURITY

7. Access to Secure Areas

(Medium Risk)

Recommendation	Rationale	Responsibility
Access to the safe and security of the safe key should be reviewed, to ensure that stringent controls and back-up arrangements are in place.	<p><u>Best Practice</u> Access to secure areas should be controlled appropriately.</p> <p><u>Findings</u> The combination to the safe is not changed at regular intervals. There is no key register to record and list keys held by whom. There is no back-up key for the safe or a record kept of the make and model of the safe and the key number reference.</p> <p><u>Risk</u> If adequate safe arrangements are not in place there is a risk of fraud and misappropriation of funds.</p>	Contact Services Manager
Management Response		Implementation Date
Recommendation is Agreed		31.05.08
Follow-Up Observations		
From discussions with the management and staff this was deemed implemented, as the procedures had been reviewed and alternatives to the current working practice considered.		Implemented

8. Security Protocol

(Medium Risk)

Recommendation	Rationale	Responsibility
The Cashiering Manual should include a section on cash office security protocol and dealing with an emergency in the cash office.	<p><u>Best Practice</u> Staff should be made fully aware of the controls that are required to maintain a safe and secure working environment and the risk factors when these are not adhered to.</p> <p><u>Findings</u> A review of the 'cashiering work instructions and cashiering manual' identified that no reference is made to security arrangements whether these be procedure in the case of an emergency or general office safe security.</p> <p><u>Risk</u> Staff would not be aware of security procedures to adhere to in the case of an emergency or in the day to day operation of the service.</p>	Contact Services Manager
Management Response		Implementation Date
Recommendation is Agreed		30.09.08
Follow-Up Observations		
Documentation was reviewed that contained the emergency procedures for the cash office protocol.		Implemented

9. Risk Register**(Medium Risk)**

Recommendation	Rationale	Responsibility
The Service Area Risk Register should be reviewed to ensure that all risks are properly identified and accessed with an action recorded for each of the risks identified.	<p><u>Best Practice</u> Regular risk reviews, assessments and evaluations should be undertaken by management to ensure that staff are working in a safe and secure environment.</p> <p><u>Findings</u> The Risk Assessment Register for the Service Area was reviewed and it was dated the 27th October 2004.</p> <p><u>Risk</u> Risk exposures will not be identified and documented, and the necessary mitigating action may not be taken.</p>	Contact Services Manager
Management Response		Implementation Date
Recommendation is Agreed		30.09.08
Follow-Up Observations		
Internal Audit reviewed an update version of the risk register and deemed it satisfactory.		Implemented

ENCASHMENT OF CHEQUES AND REFUNDS**10. Supporting Documentation****(Medium Risk)**

Recommendation	Rationale	Responsibility
All documentation relating to the encashment of cheques should be held by the ALSP, to evidence appropriate authorisation and that payment has been made and received correctly.	<p><u>Best Practice</u> Records should contain all of the required documentation, including the full date, be legible and held in the relevant file.</p> <p><u>Findings</u> A sample of 20 encashment was reviewed and it was noted that 2 did not have all the supporting documentation in place correctly and 1 did not have the appropriate authorisation.</p> <p><u>Risk</u> Records would not contain all of the required details making it difficult to establish the actual payment date and to verify if procedures have been followed correctly and fully.</p>	Contact Services Manager
Management Response		Implementation Date
Recommendation is Agreed		28.03.08.
All staff have been reminded.		
Follow-Up Observations		
Supporting documentation was reviewed and had been signed by the appropriately authorised officer, and the relevant back up documentation was on file.		Implemented

SEPARATION OF DUTIES**11. System Access****(Medium Risk)**

Recommendation	Rationale	Responsibility
The ALSP Manager	<u>Best Practice</u>	Head of Organisational

<p>should review the current users on the cash receipting system, to ensure that they are all current employees, each member of the team only has one user name and they only have the level of access that is required to perform their role.</p>	<p>Regular reviews should be undertaken of users on the system to ensure that only current employees are registered as users.</p> <p><u>Findings</u> From inspection of the report provided by ICT of users and levels of access to the cash receipting system, it would appear that ex-employees are still shown as live users, one member of staff is on the system twice, and all staff have the highest level of access.</p> <p><u>Risk</u> Access and information is available to unauthorised officers, which could lead to a risk of fraud and misappropriation.</p>	<p>Change and Contact Services Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>However, the recommendation should be the responsibility of the Head of Organisational Change as an ICT issue.</p>		To be agreed.
Follow-Up Observations		
<p>An up to date version of the access report was received and the ex-employees had been removed. It was established that the duplicated users referred to in the above findings historically worked between both sites. Evidence was obtained showing one of the accounts has been made inactive as it had not been in use since 2005.</p>		Implemented