

REPORT OF THE AUDIT MANAGER  
TO THE AUDIT & GOVERNANCE COMMITTEE  
18 MARCH 2009

Internal Audit Activity Report Quarter 4 2008/09

**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**

- 3.1 This report supports the Council's vision to build and safeguard a fair, open and compassionate community.

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

### Planned Audits

Full Assurance: 0  
 Satisfactory Assurance: 8  
 Limited Assurance: 1  
 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. Stock Control	30	Satisfactory	9	0	N/A	7	7	2	2
2. NNDR	41	Satisfactory	7	0	N/A	2	2	5	5
3. Petty Cash Procedures	49	Satisfactory	10	0	N/A	5	4	5	5
4. Budgetary Control	59	Satisfactory	5	0	N/A	0	N/A	5	5
5. Anti-Fraud & Corruption Arrangements	65	Limited	11	4	4	5	5	2	2
6. Council Tax	76	Satisfactory	4	0	N/A	1	1	3	3
7. General Ledger	82	Satisfactory	7	1	1	3	3	3	3
8. Receipt of Income Arrangements	90	Satisfactory	3	2	2	1	1	0	N/A
9. Academy	95	Satisfactory	7	0	N/A	5	5	2	1

### Follow Up Reviews

- 5.2 The follow up reviews for Business Continuity Planning and Risk Management which were due in this quarter, will be undertaken at a later date due to the shared Risk Management Officer not starting in post until January 2009.

	Agenda page reference	Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
10. Benefit Counter Fraud 2007/08	104	Satisfactory	3	1	0	2	0
11. White Horse Tennis & Leisure Centre 2007/08	108	Limited	4	2	0	1	1
12. Gifts and Hospitality 2008/09	113	Satisfactory	7	7	0	0	0
13. Bar Management 2008/09	118	Satisfactory	6	6	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. STOCK CONTROL 2008/2009

### 1. INTRODUCTION

- 1.1 Final issued 5<sup>th</sup> January 2009. The fieldwork for this audit was undertaken between September and December 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that adequate procedures are in place to make sure that the ordering and control of stock is conducted in accordance with the relevant policies and legislation;
  - To ensure that an adequate stock inventory and financial records are maintained to account for supplies of stock;
  - To ensure that measurements of stock are correctly calculated and appropriate levels are maintained;
  - To ensure that supplies of stock, and records of stock, are held securely and access is restricted.

### 2. BACKGROUND

- 2.1 Stock is held within the Reprographics Team who provide a central ordering service for stationery. Also incorporated within this audit is the IT consumable stock held by ICT and Controlled Stationery in the form of cheques which are managed by Capita.

### 3. PREVIOUS AUDIT REPORTS

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

### 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 Nine recommendations have been raised in this review. Seven Medium risk and two Low risk.

### 5. MAIN FINDINGS

#### 5.1 **Procedures and Ordering**

- 5.2 No documented procedures were evident to cover the processes of stock control and ordering within ICT or Controlled stationery. At the time of the review, Capita were unable to provide documents covering all aspects of control and ordering of controlled stationery in the form of cheques. The Reprographics team did have procedures covering central purchasing of stationery, but this did not include all aspects of the control and ordering of stock.

5.3 As far as ordering of stock, the majority of purchases are made using the Agresso creditors module, for which there are procedures and adequate separation of duties. Stock checks are usually carried out by the same officer who is responsible for the control, ordering and issue of stock within ICT, so there is a lack of independent control in this area. Capita manage the supply of blank cheques used for creditors' payments but there is no independent check carried out by a Council Employee.

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

#### 5.5 **Inventory and Records**

5.6 The ICT inventory is in effect a snapshot at the particular point in time. The inventory does not incorporate stock added and removed to calculate what should be held in stock as opposed to what is actually held. Hence, usage is not monitored to identify any discrepancies. Whilst Reprographics do record items which should be in stock but are not identified during the stocktake, and items which are found in the stocktake but not on the stock list, there is no reconciliation or analysis to identify ongoing anomalies and items which remain missing and have not been added back in at the next check. Capita use a control sheet to record cheque usage but this does not provide a control to detect discrepancies within the stock of cheques held.

5.7 Stock purchased and used is separately documented and supported by hard copy evidence. Whilst regular budget monitoring takes place within Reprographics, there is no apparent reconciliation between purchases and recharges coded within the General Ledger. Testing suggested two minor discrepancies between recharges made and the supporting documentation.

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

#### 5.9 **Measurements**

5.10 None of the areas reviewed had documented and agreed levels of stock which should be held in order to avoid over or under stocking. There is no indication as to how low supplies of blank cheques should be before re-ordering is necessary. Both ICT and Reprographics do have minimum stock levels built into their electronic system but, although there are no apparent issues, these are not documented and agreed.

5.11 It would appear from the testing undertaken that best value is obtained when ordering Reprographics or ICT supplies. However there is no documented process requiring a regular review of the suppliers used.

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

#### 5.13 **Security**

5.14 Reprographics stock is held within a separate room which is beyond the counter that usually prevents staff other than those authorised from accessing the Reprographics area. The ICT stock is held in a locked store room which is shared with HR, although it is infrequently used by HR. The layout of ICT and

Reprographic stock was clear and appropriate. Blank cheques are stored within a lockable filing cabinet which is not believed to be fireproof.

5.15 In general, stock held should be covered by the Council's general contents insurance provided by Zurich. There is nothing specific to cover the misappropriation of funds resulting from any theft of the stock of blank cheques. The Principal Technical Accountant has requested clarification from Zurich but this has not been resolved at the time of the review.

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

5.17 **Anti-Fraud and Corruption**

5.18 There do not appear to be entries on the risk register covering the possibility for misappropriation of stock and of blank cheques. Whilst the risk, likelihood and value of individual items may be low, there is still potential for fraud and corruption which should be registered.

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

**OBSERVATIONS AND RECOMMENDATIONS**

**PROCEDURES AND ORDERING**

**1. Procedures**

**(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Within ICT and Controlled Stationery, appropriately authorised procedures are put in place covering all aspects of the ordering and control of stock, which are available to all relevant staff.</p> <p>Reprographics procedures should be enhanced to include</p> <ul style="list-style-type: none"> <li>• Recharges</li> <li>• Use of stock system</li> <li>• Stock control process</li> <li>• archiving</li> </ul>	<p><u>Best Practice</u> Up to date authorised procedures are in place which are available to appropriate staff, and fully document processes to be followed and roles and responsibilities.</p> <p><u>Findings</u> Procedures for ordering and managing controlled stationery were not evident at the time of the audit.</p> <p>Within ICT, the ICT Helpdesk/Support Officer typed up a summary of the process following the initial interview. However, formal procedures are not in place. ICT do not have an agreed process to deal with redundant stock that needs writing off.</p> <p>Although procedures are in place covering the administration of stock managed within reprographics, these did not include the recharge process, use of the stock system, stock control process and archiving</p>	<p>ICT Team Leader &amp; Help Desk/Support Assistant</p> <p>Exchequer Services Manager, Capita.</p> <p>Deputy Director (Contracts and Procurement)</p>

	of old stock.  <u>Risk</u> If employees are not aware of the council's policies and procedures they would be unable to comply with them so may act in an inappropriate or unauthorised manner.	
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>  Management Response: ICT Team Leader		Implemented
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>  Management Response: Exchequer Services Manager, Capita.		30 <sup>th</sup> June 2009
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b> 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.  Management Response: Deputy Director (Contracts and Procurement)		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.

## 2. Segregation of Duties

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
As far as possible separate officers should carry out the duties of ordering, receiving, authorising, issuing, recording balance and carrying out stock checks. Stock checks should be subject to independent spot checks and should be appropriately signed, dated and authorised. Controlled stationery should be subject to regular, independent and documented checks including checks by an officer of the council.	<u>Best Practice</u> There is adequate separation of duties in the control and ordering of stock.	ICT Team Leader & Help Desk/Support Assistant
	<u>Findings</u> Within ICT the duties are mainly carried out by the same officer with occasional involvement of the ICT Trainee Support Assistant. However payments are authorised by an appropriate officer who has not been involved in other duties.	Exchequer Services Manager, Capita.
	Within Reprographics the stock checks tend to be carried out by the same officer each time and are spot checked by the Print Manager but not currently evidenced to that effect.	Deputy Director (Contracts and Procurement)
	Controlled stationery is recorded as	

	<p>it is used on a stock control sheet. There is no specific stock check however stock is checked during issue. Evidence of independent checks was lacking. Regular, independent and documented checks are required to identify possible discrepancies.</p> <p><u>Risk</u> If duties are not segregated for employees ordering, receiving, authorising and recording stock then items could be misappropriated and invoices paid inappropriately.</p>	
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		Implemented
Management Response: ICT Team Leader		
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		30 <sup>th</sup> June 2009
Management Response: Exchequer Services Manager, Capita.		
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <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 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 (Contracts and Procurement)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

## INVENTORY AND RECORDS

### 3. Ongoing Records of Stock Levels

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Movements of stock are recorded against the inventory to provide a record of stock levels at any point in time. Stock which should be held is matched with what is held and any anomalies are then identified, recorded and resolved.</p> <p>Documentation of</p>	<p><u>Best Practice</u> Stock inventories are used as a basis to record movements of stock in and out so that stock levels are recorded at any point in time and information is available to match with purchases and recharges.</p>	<p>ICT Team Leader &amp; Help Desk/Support Assistant</p> <p>Exchequer Services Manager, Capita.</p>
	<p><u>Findings</u> IT stock purchased is recorded and evidenced with quotes and orders. IT stock usage is recharged using the help desk calls logged. These</p>	<p>Deputy Director (Contracts and Procurement)</p>

<p>stock issued and received are checked, signed, dated and retained to support stock records. Where possible the value per unit of stock should be included and the total value held at any one point identified.</p>	<p>are not reconciled with stock held to identify any differences between what should be held in stock and what is held in stock.</p> <p>Whilst reprographics maintain a record of stock which is missing or misplaced at the time of the stock check, and a separate record of stock no longer listed but which has been located, there is no clear document which brings together stock items which are still missing and have not been added back in. There is no analysis to identify what items remain missing and to spot any regular anomalies that require investigation. The stock check should be fully noted to ensure all stock in, out or nil items are accounted for as 4 items on the inspected inventory appeared to be unrecorded. A value of stock is not included on the inventory.</p> <p>Controlled stationery is not subject to controls which would identify discrepancies within the stock of cheques held.</p> <p><u>Risk</u> If stock is not regularly recorded and monitored then there would be no confirmation that stores are being properly managed and anomalies may go undetected.</p>	
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: ICT Team Leader</p>		Implemented
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Exchequer Services Manager, Capita.</p>		30 <sup>th</sup> June 2009
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <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 the controls identified need to be incorporated into the revised system, and will ensure they are implemented where applicable.</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

Management Response: Deputy Director (Contracts and Procurement)	
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#### 4. Reconciliations

(Medium Risk)

Recommendation	Rationale	Responsibility
Stock held, purchased, used and recharged is reconciled with original documents and with financial records of purchases and recharges.	<p><u>Best Practice</u> Stock records in the general ledger are reconciled with usage, purchases and recharges.</p> <p><u>Findings</u> Testing of Reprographics documentation supporting stock usage and recharges suggested 3 small discrepancies. Whilst the differences were very small, there is no apparent matching of recharge requests with ledger transactions and supporting documentation.</p> <p><u>Risk</u> If stock is not regularly reconciled with purchases and recharges then any anomalies or misappropriations may not be evident.</p>	Deputy Director (Contracts and Procurement)
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> 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 (Contracts and Procurement)</p>		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.

## MEASUREMENTS

#### 5. Agreed Stock Levels

(Low Risk)

Recommendation	Rationale	Responsibility
The minimum and maximum amount of stock held should be identified, documented and authorised and used as part of the ordering process.	<p><u>Best Practice</u> Stock is maintained at an appropriate level to meet needs but avoid overstocking.</p> <p><u>Findings</u> Within reprographics minimum levels of stock are used within the stock control system to identify when orders are needed. Whilst there do not appear any issues with stock the levels are not documented</p>	<p>ICT Team Leader &amp; Help Desk/Support Assistant</p> <p>Exchequer Services Manager, Capita.</p> <p>Deputy Director (Contracts and Procurement)</p>

	<p>or agreed.</p> <p>Within IT, consumables appear to be kept at appropriate levels and are recorded within the electronic stock recording system but this is not documented or agreed.</p> <p>In the absence of agreed stock levels for controlled stationery it is not clear when cheques need ordering to avoid running out of supplies.</p> <p><u>Risk</u> If stock levels are not maintained at agreed levels then items may be over ordered and result in unnecessary wastage and expense.</p>	
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		Implemented
Management Response: ICT Team Leader		
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		30 <sup>th</sup> June 2009
Management Response: Exchequer Services Manager, Capita.		
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b>		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.
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.		
Management Response: Deputy Director (Contracts and Procurement)		

## 6. Suppliers

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Suppliers should be regularly reviewed in accordance with documented and agreed procedures to ensure best value is obtained.	<p><u>Best Practice</u> Suppliers are subject to regular review.</p> <p><u>Findings</u> Although testing undertaken did not highlight concerns, there are no clear or documented procedures requiring the obtaining of best value when placing orders or a regular review of the suppliers used within</p>	Deputy Director (Contracts and Procurement)

	<p>Reprographics.</p> <p>Controlled stationery is only available from specialist suppliers.</p> <p><u>Risk</u> If suppliers are not regularly reviewed then inefficiencies may result from unnecessary overcharging.</p>	
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <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 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 (Contracts and Procurement)</p>		<p>Following Corporate Administration and Reprographics review – implementation timescales to be agreed.</p>

## SECURITY

### 7. Restricted Access

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Access to IT supplies is restricted to key personnel.</p> <p>Cheques are held in a secure fireproof safe with access limited to key personnel.</p>	<p><u>Best Practice</u> Access to stock is restricted to personnel directly involved in the control of stock.</p> <p><u>Findings</u> IT stock is held in a locked room which has shared storage with HR.</p> <p>Blank cheques are stored within a lockable filing cabinet which is not believed to be fireproof.</p> <p><u>Risk</u> If stores are not held securely and with appropriate access then stock could easily be stolen.</p>	<p>ICT Team Leader &amp; Help Desk/Support Assistant</p> <p>Exchequer Services Manager, Capita.</p>
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: ICT Team Leader</p>		<p>Implemented</p>
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Exchequer Services Manager, Capita.</p>		<p>30<sup>th</sup> June 2009</p>

**8. Insurance****(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Appropriate cover for misappropriation of cheques should be provided by insurance.	<p><u>Best Practice</u> Stock items are covered by insurance in the event of their loss.</p> <p><u>Findings</u> The Council's insurance arrangements with Zurich do not currently state the cover provided should the stock of blank cheques be misappropriated and cashed. This has been queried with the insurers, but not resolved at the time of producing this report.</p> <p><u>Risk</u> If stock held is not appropriately insured then financial losses may occur as a result of fire or theft should an incident occur.</p>	Chief Accountant/ Accountant
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Accountant responsible for insurance to chase up insurers for response regarding cover for blank cheques.  Management Response: Chief Accountant		31 <sup>st</sup> March 2009

**ANTI FRAUD****9. Pro-Active Anti Fraud****(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	<p><u>Best Practice</u> The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken.</p> <p><u>Findings</u> The risk register does not identify potential areas for fraud and corruption. Key areas for fraud do not appear to have been identified within the business area and there are no formal processes in place to pro-actively identify occurrences of fraud and corruption.</p>	<p>ICT Team Leader &amp; Help Desk/Support Assistant</p> <p>Exchequer Services Manager, Capita.</p> <p>Deputy Director (Contracts and Procurement)</p>

	<p><u>Risk</u> If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring which could lead to significant financial, operational, legal and reputational implications.</p>	
<b>Management Response – ICT Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		Implemented
Management Response: ICT Team Leader		
<b>Management Response – Controlled Stationery Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		30 <sup>th</sup> June 2009
Management Response: Exchequer Services Manager, Capita.		
<b>Management Response – Reprographics Staff Officer</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b> 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.		Following Corporate Administration and Reprographics review – implementation timescales to be agreed.
Management Response: Deputy Director (Contracts and Procurement)		

## **2. NNDR 2008/2009**

### **1. INTRODUCTION**

- 1.1 Final issued 27<sup>th</sup> January 2009. The fieldwork for this audit was undertaken during November and December 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that the recommendations made following the 2007/2008 NNDR audit undertaken at the Vale of White Horse District Council have been implemented;
  - To ensure that the NNDR system has been promptly updated with amendments to valuations and that records have been updated to record new properties and amendments to existing properties;
  - To ensure that inspections are taking place as required and liaison with other service areas such as Planning and Building Control are adequate to inform the NNDR system;
  - To ensure that recovery procedures are carried out in accordance with the Council Debt Recovery strategy and that the debt chasing arrangements are adequate;
  - To ensure that there is documentary evidence to support both payment and refund transactions and also that the transactions are legitimate;
  - To ensure that write offs are undertaken in accordance with Council policy;
  - To ensure that credit balances are reviewed regularly and appropriate action is undertaken.

### **2. BACKGROUND**

- 2.1 The Council is a Billing Authority for NNDR (business rates) purposes and is responsible for working out NNDR bills, giving any relief that may be due and collecting the money. The process for the capture of Business Rates is administered by Capita from offices located in Bromley, with two void inspectors employed to carry out inspections locally over both South Oxfordshire District Council and the Vale of White Horse District Council. Business rates collected are remitted to the "National Pool", a central account held by the Department of Communities and Local Government (DCLG) and then redistributed back to local authorities as part of the local government finance settlement.
- 2.2 The Council is required to monitor performance in respect of the percentage of business rates collected; Internal Audit noted the collection rates for NNDR for 2007/2008 were 99.36% for which officers should be commended.

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

- 3.1 NNDR was last subject to an internal audit review in March 2008, and seven recommendations were raised and a satisfactory opinion was issued.
- 3.2 Internal Audit has concluded that of the six agreed recommendations four recommendations have been fully implemented and one recommendation was considered to be partially implemented and is still under review by the

Client team. The remaining recommendation regarding the review of guidance notes and application forms has not been achieved due to other work priorities. Internal Audit is satisfied that the recommendations have been reviewed appropriately and a satisfactory conclusion has been recorded.

#### **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 Seven recommendations have been raised in this review. Two Medium risk and Five Low risk.

#### **5. MAIN FINDINGS**

##### **5.1 Valuation and Updating NNDR Records**

- 5.2 Internal Audit acknowledges that procedures regarding Valuations have now been fully documented. A review of the arrangements regarding valuation changes was undertaken by Internal Audit on a site visit to Bromley on 6 August 2008. The testing on that occasion and further testing undertaken as part of this audit confirmed that reconciliation is undertaken promptly, and assurance is provided to the Revenues and Benefits Client team that quarterly reconciliation exercises are carried out from information retained on the Academy system to that provided by the Valuation Office. No recommendations have been made as a result of the work undertaken in this area.

##### **5.3 Inspections**

- 5.4 Internal Audit has concluded that the void inspections are carried out in a timely manner, and system records are well supported with documentation to confirm the occupation status of a property. Regular reconciliation of system documentation to manual records are carried out by the inspectors. However, Internal Audit considers that greater detail should be recorded after inspections together with revisions to the registration/application form. Internal Audit fully supports the development of the inspection role to alert ratepayers to small business rate relief where appropriate. Internal Audit has made two recommendations as a result of the work undertaken in this area.

##### **5.5 Recovery Procedures**

- 5.6 Internal Audit considers that the arrangements regarding the recovery processes are robust. However, Internal Audit is of the opinion that NNDR customer comments should be recorded in a consistent manner with a greater level of detail. Internal Audit fully support Capita's void inspector's proactive approach to engage with non payers, and would advocate that the recent exercise is reviewed to ascertain how effective the process has been and whether a timetable should be introduced to carry out future exercises of this nature. Internal Audit has made three recommendations as a result of the work undertaken in this area.

**5.7 Payment/Refund Transactions**

5.8 The arrangements regarding payment transactions are considered robust with very few items being posted to suspense. The NNDR suspense account is reviewed daily resulting in only six transactions as at 4 December 2008 being held in suspense, all of which were under investigation to be resolved. Reconciliation of NNDR payments to the general ledger is completed each month and signed off appropriately by Accountancy. 15% of all refund transactions are checked for accuracy by the Client team and this is found to be satisfactory. The client team is aware of Internal Audit concerns regarding the use of a rubber stamp/electronic signature for authorisation purposes and Internal Audit noted that the client team are reviewing their arrangements regarding this process in the near future. There are no recommendations made as a result of the work undertaken within this area.

**5.9 Write Offs**

5.10 The only write off's undertaken in 2008/2009 relate to bankruptcy, liquidation and administration cases. Seven cases were reviewed by the client team who rejected one case for further investigation. The remaining six cases were dully authorised by the Revenues and Benefits Client Manager and processed by Capita promptly. However, Internal Audit noted 29 cases awaiting write off which Internal Audit considers should be actioned as soon as possible. Internal Audit was informed at the exit meeting that the process for write offs will be undertaken on a monthly basis. Internal Audit did note that clarity is required to the written documentation regarding write offs used by Capita staff. Two recommendations have been made as a result of the review of this area.

**5.11 Credit Balances**

5.12 Internal Audit is satisfied that the arrangements relating to the review of credit balances are adequate. The reconciliation of refunds further supports these arrangements. The controls regarding the identification of credit balances appears to be working effectively and the client team pre authorisation checking procedures are robust. No recommendations have been made as a result of the work undertaken in this area.

**OBSERVATIONS AND RECOMMENDATIONS**

**INSPECTIONS**

**1. Inspection Records**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
That greater detail is recorded on the inspection card to ensure clarity with regards to the status and liability of the business rates	<u>Best Practice</u> Regular inspections occur with adequate written commentary to support amendments to the database maintains the integrity of the NNDR system records.	Property Inspectors and Revenues Manager (Capita)

premises.	<p><u>Findings</u> Internal Audit noted the inspection documentation contained very little detail, the information recorded denoted that no further action was to be taken and the account should be scanned and closed. Internal Audit noted that a number of issues are still outstanding and liability has not been fully established therefore further investigations were required.</p> <p><u>Risk</u> Failure to ensure inspections are carried out on a regular basis which results in amendments to the database could undermine the integrity of the NNDR system.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is: <b>Agreed</b> Clearer detail will be recorded by the Property Inspector where necessary to help provide further clarity should any query arise. In addition, the inspectors will familiarise themselves with their allocated visits for that day and cross-check with the database (Academy) to establish any developments/notes.</p> <p>Management Response: Revenues Manager (Capita)</p>		January 2009

## 2. Registration Form

(Low Risk )

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>The registration / application form is reviewed to incorporate reference to the small business rate relief to alert ratepayers at the earliest opportunity. Consideration should also be given to the provision of pre paid self addressed envelope to encourage ratepayers to return the registration form promptly without incurring any expense.</p>	<p><u>Best Practice</u> Prompt inspections, accurate registration and assessment for relief determine liability for billing purposes which supports the billing and recovery processes.</p> <p><u>Findings</u> Internal Audit reviewed the registration form and noted no reference to small business rate relief, furthermore the void inspector stated that he has had occasion to discuss with some ratepayers their eligibility for small business rate relief.</p> <p><u>Risk</u> Exemptions and relief may not be applied to the NNDR accounts in accordance with legislation and/or in a timely manner.</p>	Business Rates Manager (Capita) and Revenues Manager (Capita)

Management Response	Implementation Date
<p>Recommendation is: <b>Agreed in Principle</b></p> <p>Capita will review the registration/application form. Consideration will also be given to the use of pre-paid return envelopes; however, cost implications will also need to be considered.</p> <p>Management Response: Revenues Manager (Capita)</p>	June 2009

## RECOVERY PROCEDURES

### 3. Account Suppression

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Information with regards account suppressions is recorded in a consistent manner with a greater level of detail. In addition the Academy system records should be cross referenced to the EDMS records in order to ensure that NNDR account history is clear and concise and provides an adequate audit trial of activities.</p>	<p><u>Best Practice</u></p> <p>Records are updated with adequate information to support account suppressions to ensure when appropriate that recovery actions can be initiated in accordance the Council's recovery policy.</p> <p><u>Findings</u></p> <p>Internal Audit has concluded from the compliance testing of account suppressions that information is not always being recorded in a consistent manner and may benefit from a greater level of detail. The Academy system records are not consistently being cross referenced to the EDMS system records in order to ensure that NNDR account history is clear, concise and can be followed easily by the Client team when appropriate.</p> <p><u>Risk</u></p> <p>Failure to ensure records are updated to record recovery actions could result in debts not being chased in accordance with the Debt Recovery Strategy and delays in the receipt of income.</p>	Business Rates Manager (Capita)
Management Response	Implementation Date	
<p>Recommendation is: <b>Agreed</b></p> <p>All staff will be reminded to clearly notepad reasons for applying any suppression and also keep a record (notepad) of any subsequent updates.</p> <p>Management Response: Business Rates Manager (Capita)</p>	February 2009	

### 4. Recovery Issues

(Low Risk)

Recommendation	Rationale	Responsibility
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<p>The anomalies identified by Internal Audit for NNDR accounts 30039037 and 30321684 are investigated and resolved.</p>	<p><u>Best Practice</u> Errors identified from review of NNDR accounts should be resolved and correctly swiftly to enable the recovery stages to proceed.</p> <p><u>Findings</u> A/C 30039037: the credit balance could be transferred to another NNDR account which will resolve the suppression. A/C 30321684 was last updated on 7.8.08, there is no information recorded to indicate account is being regularly reviewed. Information contained on both the Academy and EDMS system is not cross referenced to assist officers to resolve the suppression. The relevant inspection documentation indicates that no further action is required and the inspection should be scanned and closed.</p> <p><u>Risk</u> Failure to ensure records are updated to record recovery actions could result in debts not being chased in accordance with the Debt Recovery Strategy and delays in the receipt of income.</p>	<p>Business Rates Manager (Capita)</p>
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> Capita will investigate both accounts accordingly and carry out necessary transfers.</p> <p>Management Response: Business Rates Manager (Capita)</p>		<p>January 2009</p>

**5. Inspection Visits**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Capita should undertake an analysis of the response to the site visit to NNDR non payers to ascertain how effective the process has been. Consideration should also be given to adopting a timetable to undertake visits to NNDR non payers to encourage regular</p>	<p><u>Best Practice</u> Regular visits to NNDR non payers is undertaken to encourage regular commitment to paying their NNDR account.</p> <p><u>Findings</u> Capita has instigated visits to business rates non payers as a one off exercise but has yet to evaluate what benefits have been gained from the process. Visits were undertaken by the Void inspectors who commented that they thought</p>	<p>NNDR Management Team (Capita) &amp; Senior Client Officer (VWHDC)</p>

payments.	the exercise had been very productive and useful as a relationship building/income generation exercise.  <u>Risk</u> Without prompt inspections, the status of properties may have changed and the Council could be losing income or billing an incorrect amount.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b> Capita will discuss this additional work with the council's client team & consideration will be given in carrying out a similar exercise before the end of the 2008/2009 financial year.  Management Response: Revenues Manager (Capita)		31 March 2009

## WRITE OFFS

### 6. Write offs

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
The write off procedures supplied by Capita are revised to ensure the information regarding bankruptcy and liquidation is clear and consistent and in accordance with the information contained within the Council's write off policy.	<u>Best Practice</u> Debts that are not pursuable should be written off promptly so the appropriate focus can be directed to debts which are pursuable.  <u>Findings</u> Internal Audit reviewed the write off procedure supplied by Capita and noted the content was misleading in that it states that debts over £1501 must be approved by an Executive member and doesn't categorically state that the Revenues and Benefits Client Manager can write off debts above £1501 in the cases of bankruptcy, liquidation and administration as stated in the sundry debts write off procedure.  <u>Risk</u> The level of debtors is misrepresented in the financial accounts leading to confusion about the level of bad debt provision to be made.	Revenues Manager (Capita) and Senior Client Officer (VWHDC)
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Capita will liaise with the council's client team to finalise		March 2009

correct procedure, which currently differs to that of SODC.	
Management Response: Revenues Manager (Capita)	

## 7. Write Offs

(Medium Risk)

Recommendation	Rationale	Responsibility
The current 29 cases for write off should be reviewed and written off as a matter of urgency and certainly within the current financial year.	<p><u>Best Practice</u> NNDR debts are identified and written off promptly to ensure an accurate assessment of NNDR debts can be reviewed by management to decide on the appropriate course of action.</p> <p><u>Findings</u> Internal Audit noted some 29 cases were awaiting write off, which date from April 2008 to date. As at 11 December the backlog of 29 write off cases were awaiting action.</p> <p><u>Risk</u> Resources are deployed chasing debts that are uneconomical to pursue allowing other debts to accumulate that might otherwise be collected.</p>	Business Rates Manager & Senior Revenues Officer (Capita)
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b> Write-off batches have now commenced and will be carried out monthly throughout the financial year. However, personal debt submissions could be delayed slightly as we may require further tracing work to be carried out – SBI. SBI turn-around times with dealing with tracing requests should be 4 weeks.</p> <p>Management Response: Business Rates Manager (Capita)</p>		March 2009

### 3. PETTY CASH PROCEDURES 2008/2009

#### 1. INTRODUCTION

- 1.1 Final issued 17<sup>th</sup> January 2009. The fieldwork for this audit was undertaken between June and August 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure Petty Cash Procedures exist which incorporate and comply with any relevant policies and financial regulations, and are appropriately authorised;
  - To ensure there is appropriate and adequate documentary evidence to support the Petty Cash float amount, responsibilities regarding Petty Cash and transactions;
  - To ensure that comprehensive records are maintained of Petty Cash payments which are checked and reconciled regularly;
  - To ensure that the Petty Cash float is maintained in accordance with agreed procedures;
  - To ensure that Petty Cash transactions are legitimate, appropriate and completed promptly.

#### 2. BACKGROUND

- 2.1 Petty Cash totalling £1520.00 is held in 11 separate locations which comprise Wantage Civic Hall, Wantage Local Services Point the Guildhall and Abbey House. Eight of these floats are held within teams at Abbey House.

#### 3. PREVIOUS AUDIT REPORTS

- 3.1 Spot checks of Petty Cash amounts have been held on a regular basis but there are no previous recommendations to incorporate into this review.

#### 4. 2008/09 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 Ten recommendations have been raised in this review. Five Medium risk and five Low risk.

#### 5. MAIN FINDINGS

##### 5.1 **Procedures and Policies**

- 5.2 Petty cash holders follow a procedure issued by Internal Audit in April 2003. It is inappropriate for Internal Audit to own and maintain this procedure due to a need to maintain independence, and ownership should be transferred to an operational level. The procedure does not include a requirement to review insurance requirements following increases or decreases in levels of petty cash held. The amount insured on the premises unattended and not held in a

safe or strong room is £500 with a £250 deductible. The total held within Abbey House is £1120 and the largest float balance of £500, is held within a locked desk rather than a secure safe.

5.3 Eight of the eleven petty cash floats are held in different locations within Abbey House. Internal Audit would advocate that a single petty cash float is held in one secure location for use by all Abbey House staff.

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

#### 5.5 **Documentary Evidence**

5.6 Evidence could be provided, supporting the establishment of a cash float balance at the Guildhall. Although not specifically petty cash, Internal Audit are advised that the same process is followed for both petty cash and cash floats. It was noted that documents are obtained when float balances are issued or transferred to a different holder, but not when a float is repaid. Petty cash usage at the Guildhall does differ to other areas, in that expenditure is often out of hours so prior authorisation is difficult and amounts almost always exceed the specified limit.

5.7 From the testing undertaken, the majority of petty cash expenditure is for provision of refreshments and lunches for meetings. It was noted that one claim for travel should have been claimed as expenses, not as petty cash. An authorised signature is required on claims exceeding £20 before payment is issued, but this was not evident from the test examples. Appropriate authorisation is not obtained from the relevant budget holder prior to cash being dispensed, and several claims were seen to have been claimed and issued by the same officer.

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

#### 5.9 **Comprehensive Records**

5.10 All payments made should be listed within the cashier's petty cash book, which is used together with supporting receipts for replenishment of funds and reconciled back to the float balance. From the testing undertaken Internal Audit have no concerns in this area. The Accountancy team record float balances and obtain certificates from float holders at the end of each financial year confirming the amount held.

5.11 Once receipts are paid out and the float balance reimbursed, the supporting evidence is filed in lever arch files within Capita's creditor's office. However, the receipts are not marked to indicate that they have been reimbursed, so could be used to reclaim amounts already paid.

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

#### 5.13 **Petty Cash Float**

5.14 Claims to replenish the float balance are made by the petty cash holder, usually on a monthly basis, and checked independently by the directorate's authorised signatory. The form used incorporates a total of receipts held

which are to be reimbursed, cash held and the float balance by way of reconciliation. The claim is then passed to the creditor's team for repayment.

5.15 It was noted that when petty cash balances are transferred, appropriate documentation is completed recording the transaction. However, it was noted that if petty cash floats are repaid, no documentation is obtained as evidence of repayment.

5.16 No recommendations have been made as a result of our work in this area as they have been incorporated with recommendations covered by different objectives.

#### 5.17 **Transactions**

5.18 Staff guidance is needed as to the appropriate use of petty cash. The procedure covers the correct methods of maintaining the petty cash float, but do not detail what is acceptable/unacceptable use of petty cash. The majority of spending appears to be for provision of lunches and hospitality. One replenishment claim with 9 items included 6 items which were provision of refreshments and lunches.

5.19 Discussions with the Strategic Director suggest that the use of petty cash to provide hospitality and refreshments is acceptable, so no recommendations have been made as a result of our work in this area.

#### 5.20 **Anti Fraud and Corruption**

5.22 The Council's risk register did not appear to contain any reference to identifying the potential for fraud and corruption within this area. A pro-active process was not seen to be in place to identify and address the risks.

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

## **OBSERVATIONS AND RECOMMENDATIONS**

### **PROCEDURES AND POLICIES**

#### **1. Petty Cash Procedure Update**

**(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Petty Cash Guidance Manual to be amended and:- <ul style="list-style-type: none"> <li>• Include reference to insurance arrangements requiring review when float balances change.</li> <li>• Include details of how a float is established and who</li> </ul>	<u>Best Practice</u> Adequate and up to date policies and procedures are in place covering the establishment and use of petty cash floats.  <u>Findings</u> The latest Petty Cash guidance was issued by Internal Audit in 2003. No reference is made to insurance requirements so any changes may not be reflected in insurance cover.	Chief Accountant

<p>authorises purpose and value.</p> <ul style="list-style-type: none"> <li>Specify that the approval of expenditure by the budget holder should be prior to cash being dispensed.</li> <li>Separate section covering use of cash at the Guildhall for bar purchases.</li> </ul>	<p>Details of who can authorise the establishment of a float, its purpose and value are not included in the guidance. Authorisations are not obtained prior to dispensing cash. The guildhall usage is different to other petty cash and the procedures do not take account of this.</p> <p><u>Risk</u> If Petty Cash floats are not held in accordance with the appropriate regulations then insurance cover may be invalidated which would expose the Council to financial risk.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>This is a new and therefore extra responsibility for the accountancy team and it will need to be factored into the Finance 2009/10 service plan.</p> <p>Management Response: Head of Finance</p>		<p>During 2009/2010</p> <p>To be finalised as part of setting the 2009/2010 service plan.</p>

## 2. Petty Cash Procedure Ownership

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Petty Cash Guidance Manual ownership transferred from Internal Audit to elsewhere within Finance and an officer nominated as responsible for regular reviews and updates.</p>	<p><u>Best Practice</u> A nominated officer has responsibility regular review and maintenance of the Petty Cash procedures.</p> <p><u>Findings</u> The latest Petty Cash guidance was issued by Internal Audit in 2003 but would be more appropriate as part of the Financial processes. There is no mechanism for regular review and a responsible officer is not nominated.</p> <p><u>Risk</u> If Petty Cash procedures are not appropriately reviewed and maintained then current practices may not be appropriate or authorised.</p>	<p>Chief Accountant</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Head of Finance</p>		<p>1 April 2009</p>

### 3. Location of Petty Cash

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Petty Cash is managed centrally at Abbey House and held in one secure location.</p>	<p><u>Best Practice</u> Petty cash is held and managed from one secure central location.</p> <p><u>Findings</u> There are 8 separate locations for petty cash within Abbey House resulting in 8 separate processes. A small float balance of £50 is held within a safe but the largest balance of £500 is held within a desk.</p> <p><u>Risk</u> If Petty Cash floats continue to be held in several separate and inappropriate locations then the Council is exposed to greater risks than is necessary.</p>	<p>Chief Accountant</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Not Agreed</b> The number of petty cash floats should be set at a level that is conducive to the efficient management of services. This could be eight or one or somewhere in-between. A review of the number of petty cash floats is required within Abbey House will be carried out in 2009/2010.</p> <p>Management Response: Head of Finance</p>		<p>During 2009/2010</p> <p>To be finalised as part of setting the 2009/2010 service plan.</p>

### 4. Review Insurance Cover

(Low Risk)

Recommendation	Rationale	Responsibility
<p>If Petty Cash continues to be held in several separate locations then a review of insurance cover is needed to ensure there is sufficient cover.</p>	<p><u>Best Practice</u> Adequate and up to date insurance covers the amount of petty cash floats held.</p> <p><u>Findings</u> The largest float balance of £500 is held in a locked desk rather than in a safe. Current insurance cover for money not held in a locked safe or strongroom is £500 out of hours or unattended with a £250 deductible amount per occurrence. The total cash held within Abbey House is £1120 so insurance appears inadequate</p> <p><u>Risk</u> If Petty Cash floats are not appropriately insured then the Council is exposed to financial risk.</p>	<p>Principal Technical Accountant</p>

Management Response	Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>The current arrangements ensure the maximum insurance cover for the various floats held within Abbey House. The limit for money unattended and not in a safe is £500. The limit for money attended is £5,000. There is no float in excess of £500 so insurance covers all the floats as long as they are in a locked desk and there is evidence of a break in. Insurance cover does not reimburse the first £250 because the decision has been made not to fund down to this level.</p> <p>Management Response: Head of Finance</p>	Implemented

## DOCUMENTARY EVIDENCE

### 5. Float Repayment

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A certificate is required when float balances are paid back to record the amount repaid, who repaid it, date repaid and signatures of receiving and returning officers.</p>	<p><u>Best Practice</u> When petty cash floats are repaid, the holder returning the funds should be provided with a receipt and a certificate completed detailing the transaction.</p> <p><u>Findings</u> No documents are produced when float balances are repaid although they are when float is issued. Cash is paid into the cash office and coded within Agresso. The officer returning the funds does not have a receipt for this.</p> <p><u>Risk</u> If there is no documentary evidence supporting the amount repaid &amp; who it is repaid by, then it would be difficult to resolve any issues should discrepancies occur.</p>	Chief Accountant
Management Response	Implementation Date	
<p>Recommendation is <b>Agreed</b></p> <p>The petty cash float is repaid into the LSP who issue a receipt. This receipt should be kept with the float holders documentation. The procedure note needs to be updated to stress the importance of keeping the receipt.</p> <p>Management Response: Head of Finance</p>	1 April 2009	

### 6. Claim Authorisation

(Medium Risk)

Recommendation	Rationale	Responsibility
Appropriate authorisation should	<p><u>Best Practice</u> All claims are appropriately</p>	Chief Accountant

<p>be evident on petty cash claim vouchers prior to cash being dispensed. When next printed the claim voucher should be amended to include an authorisation signature. On any one claim, a different member of staff should carry out each role of claiming, authorising and issuing petty cash.</p>	<p>authorised before petty cash is dispensed.</p> <p><u>Findings</u> The guidance manual states that all expenditure must be approved by the appropriate budget holder but this is only happening after cash has been dispensed and when the float balance is replenished. Claims exceeding the stated £20 limit should have prior approval of an Assistant Director on the claim voucher, this was not evident from the testing undertaken. Six of eleven transactions relating to the Guildhall were claimed, issued and received by the same person who is the petty cash holder.</p> <p><u>Risk</u> If adequate authorisation is not obtained prior to issuing petty cash then inappropriate payments may be made.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Head of Finance</p>		<p>When the claim vouchers are next re-printed.</p>

## 7. Guidance to Staff Claiming Petty Cash

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Guidance is provided to all staff on what can/cannot be claimed by petty cash and the correct procedure to follow when amounts exceed stated limits.</p>	<p><u>Best Practice</u> All staff are aware of the correct use of petty cash and the appropriate authorisations required.</p> <p><u>Findings</u> Evidence of train travel expenses claimed via petty cash rather than through expenses. Approximately ¼ of claims tested were in excess of the stated £20 limit but did not have the required signature prior to payment.</p> <p><u>Risk</u> If staff are not aware of the appropriate use of petty cash then funds could be misappropriated resulting in adverse financial implications for the Council.</p>	<p>Chief Accountant</p>
<b>Management Response</b>		<b>Implementation Date</b>

Recommendation is <b>Agreed</b>	During 2009/2010
Management Response: Head of Finance	To be finalised as part of setting the 2009/2010 service plan.

### 8. Guildhall Petty Cash

(Low Risk)

Recommendation	Rationale	Responsibility
An exception is stated within Petty Cash guidance for agreed arrangements to cover out of hours purchases for the Guildhall.	<p><u>Best Practice</u> All staff follow the procedures for claiming petty cash and obtain appropriate authorisations.</p> <p><u>Findings</u> Petty cash is mainly used by the Guildhall to purchase supplies of alcohol out of hours so appropriate authorisation may not always be available in advance. The expense will almost always be in excess of the £20 limit. Six of eleven transactions relating to the Guildhall were claimed, issued and received by the same person who is the petty cash holder. The guildhall useage is different to other petty cash and needs clarifying.</p> <p><u>Risk</u> If staff do not follow the procedures for petty cash then they could be seen as acting inappropriately and without authorisation.</p>	Chief Accountant
Management Response	Implementation Date	
Recommendation is <b>Agreed</b>	During 2009/2010	
Management Response: Head of Finance	To be finalised as part of setting the 2009/2010 service plan.	

## COMPREHENSIVE RECORDS

### 9. Reimbursed Receipts

(Low Risk)

Recommendation	Rationale	Responsibility
The petty cash holder should mark each receipt that has been repaid so that it cannot be represented for payment at a future	<p><u>Best Practice</u> Once repaid, receipts should be cancelled to confirm payment has been made.</p> <p><u>Findings</u> None of the receipts tested during</p>	Chief Accountant

date.	<p>the audit were marked to show they had been repaid. The receipts supporting claims for petty cash to be replenished are filed in lever arch files kept on open shelving within the creditors office so would be available for re-use.</p> <p><u>Risk</u> If receipts are not cancelled or otherwise marked as repaid then they could be used to obtain reimbursement more than once.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Officers will be advised of this with immediate effect.</p>		February 2009
Management Response: Head of Finance		

## ANTI FRAUD AND CORRUPTION

### 10. Pro-active Identification of Fraud And Corruption

(Medium Risk)

Recommendation	Rationale	Responsibility
Processes to pro-actively identify any evidence of fraud and corruption within the business area are introduced.	<p><u>Best Practice:</u> The chances of fraud and corruption occurring are limited through pro-active management processes being in place. There should be evidence available to confirm that sufficient action to limit occurrences of fraud and corruption has been undertaken.</p> <p><u>Findings:</u> Key areas for fraud have not been identified within the business area and there are no formal processes in place to pro-actively identify occurrences of fraud and corruption. The process for formulating risks does not appear to be pro-active.</p> <p><u>Risk:</u> If adequate processes are not implemented to pro-actively identify instances of fraud and corruption, there is a risk that sufficient action would not be taken to limit the chance of fraud and corruption occurring which could lead to financial, operational, legal and reputational implications.</p>	Chief Accountant



## **4. BUDGETARY CONTROL 2008/2009**

### **1. INTRODUCTION**

- 1.1 Final issued 25<sup>th</sup> February 2009. The fieldwork for this audit was undertaken during October and November 2008.
- 1.2 The following areas have been covered during the course of this review:
- To ensure timetable, procedures and processes are in place which relate to the Budget Setting process;
  - To ensure that documented procedures exist for the budget monitoring function;
  - To ensure that adequate training has been given to budget holders to enable them to carry out their budgetary control responsibilities;
  - To ensure that adequate arrangements are in place to investigate and resolve any variances;
  - To ensure that adequate governance arrangements exist to report issues to senior management and members if appropriate;
  - To ensure that the commitment accounting arrangements are being fully utilised to inform the budgetary control process.

### **2. BACKGROUND**

- 2.1 The Strategic Director is the Section 151 officer for the Council and as such is responsible for the administration of the financial affairs of the Council. A key element of the administration of the financial affairs falls to the Accountancy section which is part of the Ridgeway Shared Service Partnership with South Oxfordshire District Council. The section is comprised of a Chief Accountant, 1 Principal Accountant (Technical), 2 Principal Accountants, 2 Accountants, 1 Technical Finance Officer and 1 Reconciliation Officer.
- 2.2 Financial Regulations are the rules that govern the financial administration of the Council and the responsibilities of those charged with carrying out duties with financial implications. Good budgetary control ensures revenue budgets are used for their intended purpose and are properly accounted for. Budgetary control should also be a continuous process which enables service areas to review and adjust its budgets during the financial year. It should also provide the mechanism that calls to account managers responsible for defined elements of the budget.

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

- 3.1 Budgetary Control was last subject to an internal audit review in March 2007, however formal responses to the previous audit recommendations were never finalised and therefore the Audit Manager concluded that the 2006/2007 internal audit report on budgetary control would be removed from the monitoring schedule.
- 3.2 Matters arising from the 2006/2007 review have been included in this review of budgetary control.

#### 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 recommendations are considered as Low risk.

#### 5. MAIN FINDINGS

##### 5.1 **Budget Setting**

- 5.2 Internal Audit can confirm that adequate procedures and processes are documented which relate to the budget setting arrangements. Accountancy produces an annual timetable for budget setting, which Internal Audit has verified that budget holders adhered to. Officers have been given clear instructions to follow regarding their responsibilities of being a budget holder. Internal Audit has established that the timetable, procedures and processes which relate to the budget setting process are adequate. No recommendations have made following the review of this area.

##### 5.3 **Budget Monitoring Procedures**

- 5.4 Documented procedures exist for the budget monitoring function which are clear and specify a reporting timetable to escalate issues arising from the budget monitoring arrangements. Budget holders are developing their skills in budget monitoring to ensure variances are maintained at minimum levels. Accountancy has improved the cash and recharges posting to enable budget monitoring to be undertaken in a timely manner. Internal Audit has concluded that concise procedures have assisted greatly in providing clarity to budget holders in their role and responsibility with regards to budget monitoring. No recommendations have been made as a result of the work undertaken in this area.

##### 5.5 **Training**

- 5.6 Adequate training has been given to all budget holders to enable them to carry out budget monitoring for their respective service areas. Overall Internal Audit confirmed that budget holders were diligent in carrying out their budgetary control responsibilities with very few exceptions. However one budget holder of the ten budget holders reviewed has been reminded to have regular meetings with her designated accountant, to discuss and document exceptions arising from the budget monitoring function to ensure compliance to the budget monitoring guidance. One recommendation has been made as a result of the work undertaken in this area.

##### 5.7 **Variances**

- 5.8 Internal Audit has concluded from the results of the sample testing of variances, that adequate arrangements are in place to investigate and resolve variances and overall budget holders are compliant with these arrangements.

However significant variances have occurred over the last two years, and Internal Audit would advocate that Accountancy should assist service areas with the development of budget profiling to ascertain whether benefits can be derived for the budget monitoring process. Internal Audit also noted that another budget holder of those reviewed should be reminded that variances are reported to Accountancy and the appropriate management hierarchy. Internal Audit has made two recommendations as a result of the work undertaken in this area.

## 5.9 Governance Arrangements

5.10 Internal Audit has concluded that adequate governance arrangements exist to report issues to both the senior management team and members if required. Regular reports are produced arising from the budget monitoring process, to enable those with the responsibility for the financial administration of the Council budgets to be well versed to make informed decisions regarding the delivery of services. No recommendations have been made as a result of the work undertaken in this area.

## 5.11 Commitment Accounting Arrangements

5.12 Internal Audit noted conflicting information regarding the use of purchase orders from the Agresso financial management system and the respective service areas. Internal Audit has concluded that there is scope to improve and maximise the use of purchase order coverage further and would advocate that service areas adopt best practice and are tasked to increase the volume of purchase order raised. One recommendation has been made as a result of the work undertaken in this area.

## OBSERVATIONS AND RECOMMENDATIONS

### BUDGET MONITORING TRAINING

#### 1. Budget Monitoring Meetings

(Low Risk)

Recommendation	Rationale	Responsibility
<p>All budget holders should be reminded to have regular monthly meeting with the designated accountant to discuss all matters relating to the budget monitoring function.</p>	<p><u>Best Practice</u> Regular budget monitoring meetings held with the respective accountant ensure budgets are controlled and assist staff to deliver an effective budget monitoring function.</p> <p><u>Findings</u> One budget holder from a sample of ten budget holders is not compliant with the budget monitoring arrangements, in that regular meetings with her accountant to discuss the budget for which she is responsible were not evident.</p> <p><u>Risk</u> Failure to ensure budget holders</p>	<p>Chief Accountant</p>

	have received adequate training and attend meetings regularly to discuss their budgets with their respective accountant could result in staff not delivering an effective budget monitoring function for the Council.	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>Chief Accountant will discuss with the relevant budget holders the requirement for regular meetings and ask that the monthly meeting should be maintained throughout the year.</p> <p>Management Response: Chief Accountant</p>		Immediately

## VARIANCES

### 2. Budget Profiling

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Accountancy should assist service areas with the development of budget profiling to ascertain whether any benefits can be achieved for the budget monitoring process.	<p><u>Best Practice</u></p> <p>The continuing development of the budget profiling function could assist in ensuring that budgets accurately reflect commitment and expenditure throughout the year thus providing effective monitoring controls.</p> <p><u>Findings</u></p> <p>Internal Audit recognises that budget profiling is carried out however to improve the arrangements regarding budget monitoring and to possibly assist with some reduction in variances, consideration should be given to assisting service areas with developing the profiling arrangements regarding the set up of their budgets to establish if benefit could be gained from this process.</p> <p><u>Risk</u></p> <p>A lack of understanding of sound and informed profiling could result in overspends and reduced income however budget profiling should be used with caution and only be based on sound evidence of expenditure and income.</p>	Chief Accountant
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b>		Immediately

Whilst in some cases budget profiling may be a useful tool to help budget holders manage their budgets, it will also be necessary for the accountants to monitor the use of the techniques in that it can be and has been used to hide monthly variances which then do not appear as a problem until the year end. The accountants will be instructed to remind budget holders that this is an option but to be cautious in its application.

Management Response: Chief Accountant

### 3. Variance Reporting

(Low Risk)

Recommendation	Rationale	Responsibility
<p>All budget holders should be reminded to ensure that significant variances are reported to Accountancy and the respective portfolio holder as part of the monthly budget monitoring timetable.</p>	<p><u>Best Practice</u> Regular reviews to identify variances are carried out which are communicated to the appropriate officers who have the opportunity to gain approval for correction where appropriate.</p> <p><u>Findings</u> Internal Audit reviewed the budget report and noted an underspend of £27,035.84 which was not known about until the year end. It constituted little amounts from a wide range of cost centres within Facilities Management. Whilst Internal Audit acknowledges that the individual cost centres may not have amounted to much, the overall effect generated a significant underspend and Accountancy should have been alerted to this matter before the year end. Evidence to support an explanation regarding the variance, was sought from the budget holder, unfortunately no information to support this matter was forthcoming. However, he did state that verbally the information was communicated to the appropriate officers.</p> <p><u>Risk</u> Accountancy and portfolio holders will not be aware of variances arising and be denied the opportunity to address any issues relating to the budget.</p>	<p>Chief Accountant</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> Chief Accountant will discuss with the relevant budget holders</p>		<p>Immediately</p>

this issue to ensure that all variances are clearly flagged up through the year.

Management Response: Chief Accountant

## COMMITMENT ACCOUNTING ARRANGEMENTS

### 4. Purchase Orders

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Budget holders should be reminded of the need to utilise the commitment accounting arrangements by maximising purchase order coverage, in that a named officer should be given clear instructions as to what to do a purchase order for.</p>	<p><u>Best Practice</u> Purchase orders are fully utilised to inform the budget monitoring process and to facilitate that those with responsibility for the financial management of the Council can make informed decisions based on accurate budget information.</p> <p><u>Findings</u> Capita produced statistics that illustrated that some 414 invoices were processed throughout September which were not linked to a purchase order; Internal Audit reviewed the suppliers and noted that a number of invoices processed with purchase orders could have been put through the purchase order module.</p> <p><u>Risk</u> The Council is not operating to its full capacity with regards to its financial management system and major decisions are taken without appropriate budget commitments being recorded.</p>	<p>Chief Accountant</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> The Chief Accountant will discuss this issue with the Strategic Director as to how to increase the use of purchase orders.</p> <p>Management Response: Chief Accountant</p>		<p>28 Feb 2009</p>

## 5. ANTI-FRAUD & CORRUPTION ARRANGEMENTS 2008/2009

### 1. INTRODUCTION

- 1.1 Final issued 3<sup>rd</sup> March 2009. The fieldwork for this audit was undertaken between August 2008 and January 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure an adequate, up-to-date and approved anti-fraud and corruption policy and response plan, money laundering policy and whistleblowing policy is in place.
  - To ensure that supporting guidelines and procedures are in place for the policies, which include reference to the process to follow for disclosures from within the Council and from outside the Council.
  - To ensure that the roles and responsibilities of all the relevant parties within the policies are clarified in an effective manner i.e) the whistleblower, Human Resources, Internal Audit, Section 151 Officer, Monitoring Officer.
  - To ensure there is an effective network for promoting the policies across the Council.
  - To ensure that adequate training processes and awareness mechanisms are in place.

### 2. BACKGROUND

- 2.1 The Council has a duty to safeguard the resources at its disposal, including the public funds that it administers. The Council employs staff and engages contractors to deliver its services and it expects those staff to be honest, reliable and trustworthy. The community that is served by the Council also expects it to have the highest standards of probity and to be corruption free.
- 2.2 The Council's external auditors, the Audit Commission, report annually on the Council's Annual Governance Statement and use its assessment to continually monitor the Council's performance in relation to its use of resources. The criteria that the Audit Commission adopt for delivering its assessment includes a pro-active anti-fraud and corruption policy and response plan that is published widely to staff and all other stakeholders and is reviewed regularly and updated to reflect changing work and cultural patterns.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 This is the first time that a specific review of the Council's anti-fraud and corruption arrangements have been reviewed. Adherence by staff officers to the Anti-Fraud and Corruption policy was last subject to an internal audit review in March 2008 but the report was not issued in final. The draft findings from that audit have been incorporated into this 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 11 recommendations have been raised in this review. Four High risk, five Medium risk and two Low risk.

## **5. MAIN FINDINGS**

### **5.1 Anti-Fraud and Corruption Policies**

- 5.2 It was noted that an anti-fraud and corruption policy statement is in place, however it has not been subject to review and there is no clear owner for the policy. Internal Audit's opinion is that it is limited in detail and could be strengthened. In addition, it was identified that an anti-fraud and corruption response plan is not in place to assist officers in carrying out an investigation.

- 5.3 A draft money laundering policy has been documented, but it has never been approved and there is no clear owner for the policy. A whistleblowing policy is in place, but it has not been subject to a recent review. It was also identified that there is no guidance for members of the public on the Council's website, on how to report a concern with a staff officer, member, partner or contractor. Seven recommendations have been made as a result of our work in this area.

### **5.4 Anti-Fraud and Corruption Procedures and Guidance**

- 5.5 Three service areas within the Council are likely to undertake investigations – Internal Audit (fraud and corruption), Human Resources (disciplinary/officer code of conduct) and Legal and Democratic Services (member code of conduct). Each service area is governed by their own internal procedures in conducting their respective investigations, but it was identified by Internal Audit that there is not a standard approach to compiling investigation files, working papers and evidence.

- 5.6 Internal Audit reviewed a sample of disciplinary investigation files (there had not been any code of conduct investigations in the last 2 years), and it was noted that information was not documented in a clear format, evidence was not always on file to support the findings and in some cases a formal report documenting the findings was not on file. One recommendation has been made as a result of our work in this area. Please also see the recommendations made as part of the section above - Anti-Fraud and Corruption Policies.

### **5.7 Roles and Responsibilities**

- 5.8 There are only two named officers within the anti-fraud and corruption policy statement – Section 151 Officer and Monitoring Officer – but in Internal Audit's opinion the Human Resources Manager, Chief Executive and the Strategic Directors could also be involved in a related investigation. Roles and responsibilities of these officers are not clearly clarified. Internal Audit interviewed all of the officers, and it was noted that only two officers were familiar with the contents of the anti-fraud and corruption policy statement and response plan and only three officers were familiar with the contents of the whistleblowing policy. All officers welcomed greater guidance on their role and responsibilities. Please see the recommendations made as part of the section above - Anti-Fraud and Corruption Policies.

**5.9 Anti-Fraud and Corruption Network**

5.10 Internal Audit confirmed that there is no visibility of the anti-fraud and corruption arrangements within the Council or externally on the Council's website for members of the public, contractors and partners. Anti-fraud and corruption is not referred to within the Constitution, the policy statement is not available on the Council's intranet or internet and the arrangements are not referred to in the members or officers induction process. Two recommendations have been made as a result of our work in this area.

**5.11 Anti-Fraud and Corruption Training**

5.12 It was identified that a training module is not currently in place for fraud and corruption or money laundering. No evidence could be obtained that any member had received anti-fraud and corruption or money laundering training, but four officers had received external training in 2005. One recommendation has been made as a result of our work in this area.

**OBSERVATIONS AND RECOMMENDATIONS**

**POLICIES AND PROCEDURES**

**1. Anti-Fraud and Corruption Strategy**

**(High Risk)**

Recommendation	Rationale	Responsibility
<p>The Council's Anti-Fraud and Corruption Strategy should be reviewed and updated.</p> <p>The following elements should be included:</p> <ul style="list-style-type: none"> <li>• Objective and scope of the policy (to include contractors / partners / suppliers);</li> <li>• Adequate definition of fraud and corruption;</li> <li>• Examples of how a fraud can occur;</li> <li>• Approach to preventing fraud and corruption;</li> <li>• Code of conduct;</li> <li>• Roles and responsibilities;</li> <li>• Reporting channels;</li> <li>• Detection and investigation responsibilities;</li> <li>• Confidentiality statement; and</li> <li>• Documented owner of</li> </ul>	<p><u>Best Practice</u> Comprehensive anti-fraud and corruption arrangements should be in place, supported by a clear strategy.</p> <p><u>Findings</u> An Anti-Fraud and Corruption Policy Statement is in place, but key elements are missing.</p> <p><u>Risk</u> If the Council's approach to anti-fraud and corruption is not clarified, there is a risk that fraud and corruption will not be deterred / prevented and any instances of identified fraud and corruption would not be dealt with appropriately. This could result in financial, legal and reputational implications for the Council.</p>	<p>Head of Legal and Democratic Services</p>

the policy and signposts to other relevant documents.		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>  Legal and Democratic Services will work with Internal Audit to develop an appropriate strategy.</p> <p>Management Response: Head of Legal and Democratic Services</p>		September 2009

## 2. Anti-Fraud and Corruption Response Plan

(High Risk)

Recommendation	Rationale	Responsibility
<p>An Anti-Fraud and Corruption Response Plan should be drafted and implemented.</p> <p>The following elements should be included:</p> <ul style="list-style-type: none"> <li>• Objective and scope of the policy;</li> <li>• Instructions on action required at point of discovery;</li> <li>• Reporting channels (prior to, throughout and end of investigation);</li> <li>• Investigation process including setting the TOR and appointing investigating officer;</li> <li>• Security of evidence;</li> <li>• Management, retention and security of documents;</li> <li>• Guidance about interviewing;</li> <li>• When and how to contact the police;</li> <li>• Guidance about recovering assets;</li> <li>• Experts to contact for advice;</li> <li>• Advice about briefing those who deal with the media; and</li> <li>• Documented owner of the policy and signposts to other relevant documents.</li> </ul>	<p><u>Best Practice</u>  Should fraud and corruption be suspected or identified, the Council should have clear guidelines on how it should/will be dealt with.</p> <p><u>Findings</u>  An Anti-Fraud and Corruption Response Plan is not in place.</p> <p><u>Risk</u>  If the authority of the Council to undertake a fraud and corruption investigation is not made clear, there is a risk that the integrity, responsibility and authority of the Council could be brought into question. This could result in unnecessary resources being utilised to clarify the matter and delays to an investigation being completed.</p>	Head of Legal and Democratic Services

<b>Management Response</b>	<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>  Legal and Democratic Services will work with Internal Audit to develop an appropriate strategy.</p> <p>Management Response: Head of Legal and Democratic Services</p>	September 2009

### 3. Money Laundering Policy

(High Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>The draft Money Laundering Policy should be reviewed and then implemented.</p> <p>The following elements should be included:</p> <ul style="list-style-type: none"> <li>• Indications of money laundering.</li> <li>• Documented owner of the policy and signposts to other relevant documents.</li> </ul>	<p><u>Best Practice</u>  A comprehensive policy should be in place to prevent/deter money laundering, and to state how the Council will deal with any instances of money laundering being identified.</p> <p><u>Findings</u>  A Money Laundering Policy has been drafted but it has never formally been approved and implemented.</p> <p><u>Risk</u>  If an adequate money laundering policy is not in place, there is a risk that laundering operations will not be identified / prevented which could result in significant financial loss to the Council.</p>	Head of Finance

<b>Management Response</b>	<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>  The Head of Finance will work with Internal Audit to develop an appropriate strategy.</p> <p>Management Response: Head of Finance</p>	September 2009

### 4. Whistleblowing Policy

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>The Council's Whistleblowing Policy should be reviewed and updated.</p> <p>The following elements should be included:</p> <ul style="list-style-type: none"> <li>• Employee and public safeguards.</li> <li>• Anonymous allegations.</li> <li>• The role of the</li> </ul>	<p><u>Best Practice</u>  A comprehensive whistleblowing policy should be in place to prevent/deter inappropriate conduct, guide officers on how to report a concern and state how the Council will deal with any whistleblowing reports.</p> <p><u>Findings</u>  A Whistleblowing Policy is in place, but it is not</p>	Head of Legal and Democratic Services

whistleblower (and when that ends).	comprehensive and some elements are currently vague.  <u>Risk</u> If an adequate whistleblowing policy is not in place, there is a risk that identified inappropriate conduct is not reported or it is reported to the wrong bodies and therefore the necessary corrective action is not taken.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Legal and Democratic Services will work with Internal Audit and Human Resources to develop an appropriate policy.  Management Response: Head of Legal and Democratic Services		September 2009

### 5. Approval and Owner of Policies

(High Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>a) The Audit and Governance Committee should formally approve the revised Anti-Fraud and Corruption Policy Statement and Response Plan, the Money Laundering Policy and the revised Whistleblowing Policy.</p> <p>b) Responsible officers should be appointed for each policy to ensure they remain up to date and are implemented. Internal Audit advocates that the Head of Finance should be the responsible owner for the Money Laundering Policy and Legal and Democratic Services should be responsible for all of the others.</p>	<p><u>Best Practice</u> The Council's anti-fraud and corruption arrangements should be endorsed at Committee level, and each policy should have a clear owner to ensure it remains up to date and the requirements are implemented.</p> <p><u>Findings</u> Internal Audit could not find any evidence that the policies had a clear owner or had been subject to review. In addition, it has not been clarified which Committee has responsibility for overseeing the anti-fraud and corruption arrangements.</p> <p><u>Risk</u> If the Authority's approach to anti-fraud and corruption is not endorsed at a governance level and promoted, there is a risk that an anti-fraud culture will not become embedded throughout the organisation and the objectives of the strategy will not be achieved.</p>	Head of Legal and Democratic Services / Head of Finance
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Head of Finance to be responsible for the money laundering		September 2009

policy and Head of Legal and Democratic Services for all other fraud related policies.	
Management Response: Head of Legal and Democratic Services / Head of Finance	

### 6. Visibility of Policies

(Medium Risk)

Recommendation	Rationale	Responsibility
The Anti-Fraud and Corruption Policy Statement, Whistleblowing Policy and Money Laundering Policy should be made accessible to officers and members of the public via the Council's intranet and internet.	<p><u>Best Practice</u> Policies should be visible to show a clear commitment to preventing and dealing with fraud and corruption within the Council.</p> <p><u>Findings</u> Internal Audit was not able to locate the Anti-Fraud and Corruption Policy Statement on the Council's intranet and internet, and the Whistleblowing policy was not available to the public on the Council's internet.</p> <p><u>Risk</u> If officers and members are not made aware or have access to the anti-fraud and corruption arrangements, there is a risk that they are not aware of their responsibilities and do not fulfil their obligations in accordance with the policies.</p>	Head of Legal and Democratic Services
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Legal and Democratic Services will liaise with Human Resources and the Communications Team.</p> <p>Management Response: Head of Legal and Democratic Services</p>		December 2009

### 7. Signposting of Policies

(Low Risk)

Recommendation	Rationale	Responsibility
The Anti-Fraud and Corruption Policy Statement and Response Plan, Whistleblowing Policy and Money Laundering Policy should be reviewed alongside supporting Human Resources policies (i.e code of conduct,	<p><u>Best Practice</u> Officers should be aware of all the relevant and corresponding guidance that is available to them on a particular issue.</p> <p><u>Findings</u> Internal Audit noted that there is no signposting from the Anti-Fraud and Corruption Policy</p>	Head of Legal and Democratic Services

disciplinary procedure etc) to ensure that adequate signposting between them is documented.	Statement to other relevant policies i.e) whistleblowing, code of conduct, disciplinary, declaration of interests.  <u>Risk</u> If officers are not aware of all of the relevant procedures they may act inappropriately and/or not receive adequate support from the sources that are available.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Legal and Democratic Services will discuss this with Human Resources.  Management Response: Head of Legal and Democratic Services		December 2009

## ROLES AND RESPONSIBILITIES

### 8. Standard Investigation Files

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
A standard approach for compiling investigation files and collating and documenting evidence should be implemented.	<u>Best Practice</u> Investigation documentation should be handled appropriately to ensure that its integrity is upheld.  <u>Findings</u> Internal Audit noted that there is an inconsistent approach to documenting investigations between Internal Audit, Democratic Services and Human Resources. There is also no guidance in place for the management of investigation documentation.  <u>Risk</u> If the integrity of investigation documentation is not upheld, there is a risk that any allegation of fraud and corruption ca not be substantiated within a court of law.	Head of Legal and Democratic Services / HR Manager / Audit Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Relevant parties to meet to agree a standard approach.  Management Response: Head of Legal and Democratic		December 2009

Services	
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## ANTI-FRAUD AND CORRUPTION NETWORK

### 9. Awareness of Anti-Fraud and Corruption Arrangements (Medium Risk)

Recommendation	Rationale	Responsibility
<p>Steps should be taken to raise the awareness of the Council's anti-fraud and corruption arrangements with members and officers.</p> <p>The following actions should be considered:</p> <ul style="list-style-type: none"> <li>• Specific reference to the arrangements in member and officer induction programmes.</li> <li>• Reference to the arrangements and AFC policy within the Constitution.</li> <li>• Visual notices around the building on whistleblowing avenues.</li> <li>• Greater profile of arrangements on the internet/intranet (see Rec 6).</li> <li>• Training programme on fraud and corruption for members and officers (see Rec 11).</li> </ul>	<p><u>Best Practice</u> The anti-fraud and corruption culture of the Council should be set at the top and promoted throughout the whole organisation to ensure it is embedded within the Council.</p> <p><u>Findings</u> Internal Audit is of the opinion that the Council's Anti-Fraud and Corruption Policy Statement and arrangements have limited visibility. A number of officers were interviewed and there was limited knowledge and understanding of the Council's current arrangements and of their role and responsibility in accordance with the relevant policies.</p> <p><u>Risk</u> If members and staff are not aware of their responsibilities in relation to anti-fraud and corruption, there is a risk that they do not fulfil their obligations appropriately and the objectives of the strategy will not be achieved.</p>	Head of Legal and Democratic Services
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Legal and Democratic Services will discuss this with Human Resources and the Communications Team.</p> <p>The Head of Legal and Democratic Services will raise awareness of anti-fraud and corruption arrangements with members.</p> <p>Management Response: Head of Legal and Democratic Services</p>		December 2009

### 10. Public Reports (Medium Risk)

Recommendation	Rationale	Responsibility
Information should be placed on the website for	<p><u>Best Practice</u> Guidance should be available to</p>	Head of Legal and Democratic Services

<p>members of the public, to guide them in reporting a fraud and corruption concern about a member, officer, partner or contractor.</p>	<p>members of the public on how to report a fraud and corruption concern.</p> <p><u>Findings</u> No guidance is in place for members of the public on the internet on how to report a fraud and corruption concern.</p> <p><u>Risk</u> If adequate guidance is not available to the public, there is a risk that identified inappropriate conduct is not reported or it is reported to the wrong bodies and therefore the necessary corrective action is not taken.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> To be discussed with the Communications Team.</p> <p>Management Response: Head of Legal and Democratic Services</p>		<p>December 2009</p>

## ANTI-FRAUD AND CORRUPTION TRAINING

### 11. Training Module

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>An anti-fraud and corruption/money laundering training session should be developed and made available to members/officers.</p>	<p><u>Best Practice</u> All members and staff should be aware of their responsibilities in accordance with the anti-fraud and corruption arrangements.</p> <p><u>Findings</u> There is currently no anti-fraud and corruption training module available to members and officers, and Internal Audit could not find any evidence that any member or officer had received anti-fraud and corruption training.</p> <p><u>Risk</u> If members and staff are not aware of their responsibilities in relation to anti-fraud and corruption and do not execute them effectively, there is a risk that they do not fulfil their obligations appropriately and the</p>	<p>Head of Legal and Democratic Services / Head of Finance</p>

	objectives of the strategy will not be achieved.	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>  Legal and Democratic Services and Head of Finance will work with Internal Audit, Accountancy and Human Resources to develop an appropriate training programme.</p> <p>Management Response: Head of Legal and Democratic Services / Head of Finance</p>		March 2010

## 6. COUNCIL TAX 2008/2009

### 1. INTRODUCTION

- 1.1 Final issued 3<sup>rd</sup> March 2009. The fieldwork for this audit was undertaken between November 2008 and January 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure through testing that the billing process contains effective internal controls and is operating efficiently and accurately.
  - To check that exempt and void properties are treated correctly and in line with council and local government policy.
  - To ensure through testing that credit balance and refund processes contain sufficient internal controls and are operating efficiently and accurately.
  - To ensure through testing that processes surrounding the write offs contain effective internal controls and comply with relevant financial regulation.
  - To ensure the reconciliation of the Academy system is performed correctly and that all council tax income is recorded correctly in the general ledger.

### 2. BACKGROUND

- 2.1 In recent years, the Council Tax system has changed software. The current software being used to process Council Tax is the Academy system, for which a separate audit has been performed. Capita currently hold responsibility for the handling and processing of Council tax queries, as well as for the mainstream maintenance of customer accounts. They operate both from Vale of White Horse District Council and from their shared service centre in Bromley, London. The Council's client team deal with authorisations of various transactions and the monitoring of the Council Tax totals, as well as enforcement of collection where relevant. It was also established during background research that recent procedures for refunds and write-offs had also been recently reviewed and agreed.
- 2.2 Internal Audit are not aware of any departmental issues.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Council Tax was last subject to an Internal Audit review in 2007/2008 and 10 recommendations were raised and a satisfactory opinion was issued.
- 3.2 Previous recommendations had all been implemented with no issues noted.

### 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. One Medium risk

and three Low risk.

## **5. MAIN FINDINGS**

### **5.1 BILLING**

5.2 Sampling of bills was performed with no issues noted regarding the contents and calculation of bills sampled. Internal Audit also established there were sufficient controls around the timing and content of the bills in the event of refunds and exemptions. In addition, it was ascertained that information sent to the customer per the annual billing process is sufficient and in line with the legal requirements for information the Council is under obligation to supply. No recommendations have been made as a result of our work in this area.

### **5.3 EXEMPT AND VOID PROPERTIES**

5.4 The inspection process has recently changed regarding exempt and void properties. Inspection teams are now required to take their inspections from the EDMS documentation system, and use this for timetabling and target inspection dates. Sample testing was performed on both void and exempt properties, with minimal issues identified. However, Internal Audit felt that documentation should be sufficient to allow evidence of related previous exemptions to be seen.

5.5 The exemption process was reviewed to the level of property inspection, and Internal Audit considers the recently utilised EDMS system should continue to full use. Three recommendations have been made as a result of our work in this area.

### **5.6 CREDIT BALANCES AND REFUNDS**

5.7 Walkthroughs were performed for the processes of credit balances and refunds identification, management review and physical issuance. The process was found to contain good controls and well established procedures for a current and recently agreed process. Good communication existed between the Accountancy and Council Tax teams for refunds, although Internal Audit felt that documented procedures should be updated to reflect this.

5.8 Monitoring for the amount of credit balances was also reviewed, and given the extent of monies owed to customers (£260k), Internal Audit felt that greater monitoring of credit balances should be undertaken. However, it was acknowledged that retrieval of monies from customers is a greater resource priority. One recommendation has been made as a result of our work in this area.

### **5.9 WRITE OFF PROCEDURES**

5.10 The recently agreed process surrounding write-offs was reviewed and sample testing undertaken on written off balances. It was discovered there was a good system of review and counter checking surrounding write offs on both the side of the client team and that of the Capita Council Tax team.

5.11 Amounts used as limits in the recently agreed procedures were reviewed for reasonability against appropriate financial regulations, with no issues found. No recommendations have been made as a result of our work in this area.

5.12 **ACADEMY AND GENERAL LEDGER RECONCILIATION**

5.13 Internal Audit reviewed the reconciliations performed on both the refund processes and the overall incoming Council tax payments. They appeared to have an adequate frequency and the communication involved was sufficient.

5.14 The calculation of the reconciliation was re-performed with no issues and reconciling items identified appeared to be reasonable and of an adequate materiality given the respective reconciliation being performed. No recommendations have been made as a result of our work in this area.

**OBSERVATIONS AND RECOMMENDATIONS**

**EXEMPT AND VOID PROPERTIES**

**1. Documentation of Relevant Evidence**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Documentation relating to another account is clearly cross referenced within the Academy system, especially if it refers to another piece of evidence on the EDMS system.	<p><u>Best Practice</u> That any evidence corresponding to a current Council Tax account that relates to an older or surpassed account is clearly referenced to allow easier observation upon review and a more coherent audit trail.</p> <p><u>Findings</u> Accounts identified during testing had no cross referenced justifications.</p> <p><u>Risk</u> If there is justification for an exemption or voiding of a property and no evidence can be found then it may not be possible to trace it, should the customer refer to it in future correspondence.</p>	Council Tax Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Further detail will be entered on the Academy system to provide a quicker/clearer audit trail.  Management Response: Revenue Manager (Capita)		March 2009

**2. EDMS Referencing**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Evidence contained within the EDMS	<p><u>Best Practice</u> Adequate supporting documentation</p>	Council Tax Manager

<p>system that support an exemption is noted as such within the main Academy notes.</p>	<p>exists as justification or validation of a customer's current account status, and it states clearly the premise for the void or exempt status.</p> <p><u>Findings</u> While reviewing notes of samples taken, it was difficult to ascertain whether there was evidence in the EDMS system, and if so, what part it played in the current position of a customer's account. Also, from sample testing, accounts were identified that contained no evidence in the EDMS system and insufficient explanation in the account notes to inform the user of why an account had been given its current status.</p> <p><u>Risk</u> That reviews become inefficient if the purpose of an account status is not clearly defined, or the justification of the amount of evidence is not clearly given.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> Notepads should be entered in all future cases.</p> <p>Management Response: Revenue Manager (Capita)</p>		<p>March 2009</p>

### 3. Transition of Inspection In-tray System

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The recent implementation of the EDMS system for the timetabling of inspections is continued to full utilisation.</p>	<p><u>Best Practice</u> The timetabling of inspections has recently been changed to an electronic system that automatically allocates a date to void or exempt properties when Council Tax consider an inspection is required. This should be fully utilised by staff and there should be sufficient training and assistance to allow them to use this permanently. Also, management should be aware of the ad hoc procedures being adopted.</p> <p><u>Findings</u> Process changes for the recording and timetabling of inspections of void and exempt properties was mid-implementation, and some old</p>	<p>Inspection Team &amp; Revenues Manager</p>

	<p>procedures were still being used by the inspectors, which did not fully utilise the EDMS system</p> <p><u>Risk</u> Ad hoc procedures may still exist and may result in sub-optimal efficiency surrounding the timetabling of the target dates and rolling inspections</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>This has been a recent project that was trial tested on NNDR first and is now in the process of being developed further and rolled out to include a full rolling Council Tax review (6 monthly). It will replace the need for the current manual processes in place, i.e. system reports and hand written inspection cards.</p> <p>Management Response: Revenue Manager (Capita)</p>		October 2009

## CREDIT AND REFUND BALANCES

### 4. Updating of Refund Procedures

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>Documented refund procedures should be updated to include the communication of stopped cheques to the Accountancy team.</p>	<p><u>Best Practice</u> Any current method or necessary aspect of a process should be reflected in the procedural documentation to the point that someone with no knowledge of the system should know who to go to, what to do and how often.</p> <p><u>Findings</u> The communication between the Capita and finance teams was regular and sufficient producing accurate reconciliations, but there was no evidence of this in the procedures obtained.</p> <p><u>Risk</u> Any changes in staff or staff absences may result in procedures breaking down if there was no documented procedure on what to do for potentially inexperienced officers to follow.</p>	<p>Revenues Manager and Council Tax Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>However, the overall procedure will be subject to change shortly once refunds are processed directly through</p>		May 2009

Academy. The revised procedure will include the process for 'stopped cheques'

Management Response: Revenue Manager (Capita)

## 7. GENERAL LEDGER 2008/2009

### 1. INTRODUCTION

- 1.1 Final issued 5<sup>th</sup> March 2009. The fieldwork for this audit was undertaken between October 2008 and January 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that appropriate and adequate reconciliations are undertaken of Girobank Accounts, Drawings and General Accounts;
  - To ensure that suspense account items are promptly investigated and adequately documented and controlled;
  - To ensure that journal transfers are appropriate, authorised and adequately documented and controlled;
  - To ensure that cash receipts are promptly and accurately recorded within the General Ledger;
  - To ensure that amendments to standing data are appropriately authorised and controlled;
  - To ensure that system access is appropriate and adequately controlled.

### 2. BACKGROUND

- 2.1 Capita manage the Agresso financial information system which holds transaction data. The Council has an Alliance and Leicester Girobank account, a general bank account, a drawings account for accounts payable and two drawings accounts for use within the Academy Revenues and Benefits system for Council Tax and Business Rate refunds and Housing Benefit Payments. Accountancy staff are responsible for reconciling the girobank account and the general bank account whilst the others are reconciled by Capita.
- 2.2 The Service Level Agreement states that Capita are responsible for producing reconciliations of the General Bank Account however this has recently been handed over to Accountancy.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 General Ledger was last subject to an internal audit review in March 2008 as part of the Main Accounting Audit, and five recommendations were raised and a satisfactory assurance opinion was issued.
- 3.2 Two recommendations, relating to procedures and data matching, have been partially implemented and are covered by findings within the current review. The other three recommendations related to a reconciliation report summary which is no longer in use and has been superseded by revised practices.

### 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 Seven recommendations have been raised in this review. One High risk, three Medium risk and three Low risk.

## **5. MAIN FINDINGS**

### **5.1 Bank Reconciliations**

- 5.2 Whilst a procedure is in place covering the Agresso system process to reconcile drawings and general accounts, this does not cover all requirements for reconciling and reporting such as the format and circulation for reconciliation statements. The procedure is also not authorised and fully version controlled. Responsibility for the general bank reconciliation has moved from Capita to Accountancy, although the Service Level Agreement suggests Capita is responsible for this reconciliation and procedures are needed to cover the process. Procedures are also needed to cover the reconciliation of Girobank payments. Drawings accounts have yet to be reconciled.

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

### **5.4 Suspense**

- 5.5 Whilst transactions are monitored regularly, volumes are low and journals are supported by documentation, there is no procedure which states who is responsible for reconciling the various suspense accounts and the requirements, such as timescales, for that role. Any amounts written off should be appropriately authorised and countersigned as opposed to referring to a conversation. Items which are believed to be brown bin payments would be better located where the payment queries originate, within debtors, provided Capita can give assurance that adequate documentation is maintained to support allocated transactions.

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

### **5.7 Journal Transfers**

- 5.8 Journal entries are supported by either journal input sheets (of which there are two versions in use only one of which includes space to explain the reason) or prints of the actual journal. Whilst paper copies are used in support of journal entries it would be good practice if they are all of the same format and all have appropriate details completed.

Whilst there is little segregation of duties and independent checks an audit trail is available within the finance system.

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

### **5.10 Cash In General Ledger**

- 5.11 As far as the miscellaneous cash is concerned, there is manual intervention to use macro's to create posting files and transactions are posted on a weekly basis. Cash files are available daily but the process to get files posted on a daily basis would be too cumbersome. Internal audit are informed that the

cash office system is due to be replaced and the Reconciliation Assistant is involved in discussions of the requirements for the new system, which will include adequate electronic interfaces into Agresso.

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

5.13 **Standing Data**

5.14 Amendments to codes were found to be appropriately documented and authorised from the testing undertaken. The ability to access and amend standing data is controlled and limited to Capita's system administrators. An agreed chart of accounts was established when Agresso was implemented but this is no longer maintained so there is no master listing of what should be created within Agresso. At the request of the Strategic Director a comparison was made of Vale of White Horse District Council and South Oxfordshire District Council's chart of accounts. This was reported on separately for consideration.

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

5.16 **System Access**

5.17 Lists of users and access rights are maintained by both Capita's system administrators and by the section 151 officer. Although only 3 small differences between the two lists were identified a regular comparison would be of benefit. Users have a status of current, parked or closed but Capita and Council employees who had left were included within the list of current users.

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

**OBSERVATIONS AND RECOMMENDATIONS**

**BANK RECONCILIATIONS**

**1. Procedures**

**(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>The process of bank account reconciliations for drawings, general accounts, girobank accounts and suspense accounts is covered by adequate, authorised and up to date procedures.</p>	<p><u>Best Practice</u> Adequate authorised procedures are in place to cover all aspects of the bank reconciliation process.</p> <p><u>Findings</u> Capita have produced a Bank Reconciliation procedure document which covers the process within Agresso, but not how reconciliations are to be reported and who to. The version control table of this document does not appear to reflect the most recent changes. A documented procedure covering the Girobank reconciliation process and responsibility for reconciling the suspense accounts</p>	<p>Chief Accountant / Capita</p>

	including appropriate timescales is not in place.  <u>Risk</u> If procedures are not agreed and up to date then inappropriate actions may occur and cover in the absence of key staff may not be sufficient.	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Both the Accountancy team and Capita have been introducing new systems for bank reconciliations. The General bank account is reconciled in Accountancy and the general payments and benefits payments accounts are reconciled by Capita. Both parties are now using Agresso to carry out the regular bank recs and the Chief Accountant will set out a timetable for reporting the reconciliations to the Chief Financial Officer. Girobank forms a part of the General bank account and will not be considered separately. The clearance of suspense codes on the balance sheet happens monthly and can be reviewed through a copy of the trial balance to the Chief Financial Officer.</p> <p>Management Response: Chief Accountant / Capita</p>		April 2009

## 2. Account Reconciliations

(High Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Reconciliations are regular and up to date in accordance with required service levels.	<p><u>Best Practice</u> Reconciliations are carried out on a regular basis and are up to date according to stated service level requirements.</p> <p><u>Findings</u> At the time of the review, the payments no1 &amp; no2 (drawings) accounts had not been reconciled.</p> <p><u>Risk</u> If regular and prompt reconciliations are not undertaken then errors may go undetected and repeated</p>	Chief Accountant
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Payments No's 1 &amp; 2 accounts are now reconciled using the Agresso data matching process by Capita staff. Accountancy staff need to help them to resolve the variances. The implementation of this new system has taken time given all the conflicting demands on staff time but is now being brought up-to-date in time for the final accounts. Reconciliations will be requested monthly from now.</p> <p>Management Response: Chief Accountant</p>		March 2009

## SUSPENSE

### 3. Write Offs Authorised

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Evidence of authorisation of amounts written off should always be evident.</p>	<p><u>Best Practice</u> Adjustments such as write-offs are appropriately authorised and evidence supporting the decision is available.</p> <p><u>Findings</u> Documentation in support of a write off of £8,579.09 did not include a signature of the authorising officer.</p> <p><u>Risk</u> If clear documentation does not support actions taken then it is difficult to prove that the transactions are appropriate and authorised.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b> Write offs and write ons should always have proper authorisation. This is written into the procedure notes and should be followed on all occasions. I understand that the above example was at closedown last year. A write off was required of an historic amount between an old system dating back some years and a new system to bring the information up-to-date to allow clear reconciliations. This should have followed the normal procedures and staff will be reminded of the process to follow. Management Response: Chief Accountant</p>		<p>Immediate</p>

### 4. Move Items to Debtor's Suspense

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Payments believed to be for brown bins are moved to the Capita customer control account with a reference of 9999.</p>	<p><u>Best Practice</u> Unallocated items which appear to be in respect of brown bin payments should be located within the debtors' suspense in order to minimise time spent processing payment queries.</p> <p><u>Findings</u> Payments of £33 are held within the B9001 account rather than in a debtor's suspense.</p> <p><u>Risk</u> If items are not allocated to the most appropriate suspense account then delays may occur in processing the payments when they are identified.</p>	<p>Chief Accountant</p>

Management Response	Implementation Date
<p>Recommendation is <b>Agreed</b>            It has been agreed with Capita that they will allow the coding of the credit to Capita's Customer Control Account with the unallocated customer reference number 9999.</p> <p>Management Response: Chief Accountant</p>	<p>Immediate</p>

## JOURNAL TRANSFERS

### 5. Documentation

(Low Risk)

Recommendation	Rationale	Responsibility
<p>A standard form should be completed with explanations for all journals, which should refer to supporting documents for more detail where a large number of transactions are included.</p>	<p><u>Best Practice</u>            A standard format and process is used to record journal transactions.</p> <p><u>Findings</u>            Currently a number of different sheets are used to record details of journal entries, which document different levels of explanations. Testing showed that a journal covering sheet is not always used and notes were made on Agresso prints in three of the ten tested journals. Six of ten journals tested did not clearly explain the reason for the journal.</p> <p><u>Risk</u>            If journal transactions are not adequately documented then it may be difficult to explain the reason for transactions in the event of a problem.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed in Principle</b>            All journal transactions are printed off and placed on the file, and in the case of journals made to correct errors the journal description is adequate to describe what is happening and provide the necessary audit trail. Supporting documents are attached to the transaction printout.</p> <p>As a general rule staff have been reminded of the need to complete a covering form when doing journals. The use of a single form is to be agreed by Accountancy staff. However, it is proposed to raise with Internal Audit that when doing journal uplifts from spreadsheets the spreadsheet uplift with supporting documentation should be sufficient to meet their needs.</p> <p>Management Response: Chief Accountant</p>		<p>Immediate</p>

## STANDING DATA

### 6. Chart of Accounts

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The Chart of Accounts should be subject to annual review after the closedown process, to ensure codes no longer used are deactivated and there are no unauthorised account codes.</p>	<p><u>Best Practice</u> An agreed version of Chart of Accounts is in use.</p> <p><u>Findings</u> There is no formal review of the Chart of Accounts. Internal Audit noted that the trial balance report which is currently used to review the chart of accounts, does not include all active accounts if the balance is nil at the time the report is run.</p> <p><u>Risk</u> If unauthorised or old system codes are in use then transactions and expenditure may not be allocated correctly and illegal/non-valid transactions could occur.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed in Principle</b> A version of the Chart of Accounts as it currently exists is available by downloading the data from Agresso. The process being proposed is to check a system report against a later system report. No new accounts can be set up without consideration by both Chief Accountants at both Councils and no accounts can be deleted. All accounts are linked into the balance sheet so there is no possibility that one could be used and not picked up in the trial balance.</p> <p>Capita are the system administrator and they have been asked to provide a report from the system which shows any changes made to the accounts.</p> <p>Management Response: Chief Accountant</p>		<p>Annually after the closedown process.</p>

## SYSTEM ACCESS

### 7. Regular Review

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>There should be a regular review of Agresso users by Capita / Section 151 Officer to ensure access rights to the system are relevant and up to date.</p>	<p><u>Best Practice</u> All Agresso users are reviewed to ensure only agreed and current users have access.</p> <p><u>Findings</u> The list of Agresso users held by the Section 151 Officer differed slightly from</p>	<p>Chief Accountant</p>

	<p>that set up within Agresso. Users no longer employed by the Council were still seen to be listed as current Agresso users.</p> <p><u>Risk</u> If unauthorised personnel are able to access the financial system then they may be able to corrupt the data.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> System access should be linked to specific post-holders since their posts will be evaluated with this responsibility attached. Capita currently have responsibility for the system administration and the maintenance of access to the system is an administrative role.</p> <p>Capita have been asked to provide regular system reports on Agresso users that can be checked by Heads of Service.</p> <p>Management Response: Chief Accountant</p>		April 2009

## **8. RECEIPT OF INCOME ARRANGEMENTS 2008/2009**

### **1. INTRODUCTION**

- 1.1 Final issued 9<sup>th</sup> March 2009. The fieldwork for this audit was undertaken between August 2008 and January 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that policies and procedures are in place providing guidance as to the handling and processing of income and, where applicable, in accordance with the Council's Financial Procedure Rules.
  - To ensure that all income is promptly and accurately accounted for.
  - To ensure that for all income received, a complete audit trail exists.
  - To ensure that all un-allocated income (suspense) is promptly identified and posted.
  - To ensure that income is effectively and accurately monitored within the financial information systems, particularly in relation to periodic income.
  - To ensure that all cash income is dealt with in an appropriate manner.

### **2. BACKGROUND**

- 2.1 Abingdon LSP and Car Parks were selected as the sample areas for this review. The fees charged by Car Parks are detailed in the Budget Book and also on the Council's website where they are listed by car park. Abingdon LSP deal with many different types of income for the whole of the Council including Council Tax, NNDR and Planning income.

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

- 3.1 Although both the Abingdon LSP and the Car Parks function have been reviewed during the course of previous audits, neither have been examined specifically to review the income arrangements. Therefore, Internal Audit has not taken the previous audit reports into consideration.

### **4. 2008/09 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 Three recommendations have been raised in this review. Two High risk and one Medium risk.

### **5. MAIN FINDINGS**

#### **5.1 Procedures**

#### **5.2 Car Parks**

In the area of policies and procedures, it was identified that there are no documented procedures in place relating to the processing of income for the Car Park service area.

5.3

LSP

There is a comprehensive set of procedure manuals that are up to date and concise, and these are available for all relevant staff. They were reviewed by Internal Audit, and it was noted that they cover all aspects of managing income in relation to the LSP function.

5.4

It was also noted whilst reviewing the Council's Financial Regulations in relation to income arrangements, that they are out of date and require updating. Two recommendations have been made as a result of our work in this area.

5.5

**Accounting for Income**

5.6

Car Parks

Internal Audit examined the methods by which income is recorded and the way in which the transactions are detailed, and also that sufficient and accurate records are being kept of income being received. No concerns were noted. In relation to Car Parks, reconciliations had recently been reviewed by Internal Audit and so this area was not examined further.

5.7

LSP

Internal Audit observed the income transactions being recorded through the Sanderson cash receipting system. The income is recorded, totalled up and reconciled on the bank paying in slip and balance record sheet in preparation for being collected by the Council's contractor, Securitas. No concerns were noted.

5.8

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

5.9

**Income Audit Trail**

5.10

Car Parks

Internal Audit found that for the area/type of income being reviewed, the income could be traced from inception to banking. The records were appropriately authorised and countersigned as evidence of having been checked on appropriate documentation.

5.11

LSP

Throughout this review, for all documents and processes observed, there has been adequate evidence of the relevant documents having been checked and an adequate audit trail exists.

5.12

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

5.13

**Unallocated Income**

5.14

Car Parks

The reasons for income being unallocated and the actions taken against it were examined by Internal Audit. The main reasons for errors are lack of references attached to income received and to a lesser extent, human error in relation to the posting of the income. Evidence is kept of any transfers that are required to be undertaken as a result of miscodings or income not being

able to be posted.

5.15

LSP

LSP do not specifically use suspense codes. Occasionally remittances are received where the customer has provided no reference as to what the remittance relates to. In such cases, various likely teams are approached to see if the remittance can be identified. If this fails, attempts are made to contact the person who signed the cheque and if this fails, the cheque is

5.16

returned to the bank with an explanation as to why.

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

5.17

**Monitoring of Income**

5.18

Car Parks

Within Car Parks, daily, weekly and monthly analysis is undertaken by the Car Park Manager. Additionally, monthly monitoring is undertaken by the Section Head.

5.19

Internal Audit was provided with examples of the monthly ticket statistics for customers per car park, customers for a car park during the year, customers per tariff bands, customers for all car parks, yearly totals per car parks. In addition, Internal Audit was provided with Excess Charges forecasts and variance analysis spreadsheets. These are all comprehensive, regularly

5.20

updated and are of clear use to the section.

LSP

5.21

Within LSP, no specific monitoring of income is undertaken since they do not 'own' the income – it is for other services who receive the income into their income codes to monitor.

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

5.22

**Cash Income**

5.23

Car Parks

No cash is received within Car Parks, all cash payments are dealt with by LSP.

5.24

LSP

For LSP, the cash (and other income received) is balanced at the end of the day, ready for the collection and transfer to the bank by the Council's collection contractors, Securitas. Any movements of cash are recorded on a balance record sheet and all cash is balanced to the screen prints at the end

5.25

of the day.

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

5.26

**Pro-Active Anti Fraud**

5.27

It was established that the Council has an Anti-Fraud and Corruption Policy Statement. However, this is a two page document that provides little detail or guidance to staff. There is no Anti – Fraud and Corruption Policy in place.

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

**OBSERVATIONS AND RECOMMENDATIONS**

**PROCEDURES**

**1. Written Procedures**

**(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p><b>Car Parks</b>            Procedures should be produced detailing the functions undertaken within the section. These procedures should be dated, version controlled and a named officer should be made responsible for their maintenance.</p>	<p><u>Best Practice</u>            There should be written procedures covering all aspects of the function within the team. They should be dated, version controlled and there should be a named officer responsible for ensuring they are up to date.</p> <p><u>Findings</u>            There were no procedures in existence relating to the receipt of income.</p> <p><u>Risk</u>            Without written procedures, there is the risk that staff may be unsure of a process leading to errors being made</p>	<p>Car Park Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>            Now that the new cash receipting system is in place, procedures will be written.</p> <p>Management Response: Car Park Manager</p>		<p>September 2009</p>

**2. Financial Regulations**

**(High Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p><b>Head of Finance</b>            The Council's Financial Regulations should be brought up to date to reflect the Council's income arrangements</p>	<p><u>Best Practice</u>            The Council's Financial Regulations should be up to date and reflect the Council's income arrangements.</p> <p><u>Findings</u>            The Financial Regulations are out of date and require updating.</p> <p><u>Risk</u>            If the Financial Regulations are out of date there is a risk that incorrect actions may be taken in relation to the handling of income.</p>	<p>Head of Finance</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p>		<p>June 2009</p>

Management Response: Head of Finance	
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## ANTI - FRAUD AND CORRUPTION

### 3. Anti Fraud and Corruption Policy

(High Risk)

Recommendation	Rationale	Responsibility
<p><b>Head of Finance</b> An Anti – Fraud and Corruption Policy be produced that all staff and members are aware of. This should make reference to types of fraud, the avenues for reporting suspected fraud, collaboration with external bodies and make reference to other relevant documents, such as the Council’s Whistle Blowing Policy</p>	<p><u>Best Practice</u> The Council should have an Anti – Fraud and Corruption Policy in place which all staff and members are aware of. This should be comprehensive and make reference to types of fraud, the avenues for reporting suspected fraud, collaboration with external bodies and make reference to other relevant documents, such as the Council’s Whistle Blowing Policy.</p> <p><u>Findings</u> The Council does not have an Anti – Fraud and Corruption Policy.</p> <p><u>Risk</u> Without a comprehensive Anti – Fraud and Corruption Policy, there is the risk that staff may not identify fraud and if indeed identified, take an inappropriate course of action detrimental to satisfactorily resolving the issue.</p>	<p>Head of Legal and Democratic Services</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Head of Legal and Democratic Services</p>		<p>September 2009</p>

## 9. ACADEMY 2007/2008

### 1. INTRODUCTION

- 1.1 Final issued 9<sup>th</sup> March 2009. The fieldwork for this audit was undertaken during November and December 2008.
- 1.3 The following areas have been covered during the course of this review:
- To ensure that adequate system administrator arrangements are in place to meet client need;
  - To ensure that all relevant system interfaces are operating effectively and discrepancies are identified and investigated appropriately;
  - To ensure that system reconciliations are undertaken promptly, are adequately documented and all discrepancies are investigated and resolved;
  - To ensure that adequate management reports are available from the system in a timely manner;
  - To ensure helpdesk requests are registered, tracked and dealt with promptly;
  - To ensure that adequate system back-up arrangements are in place to ensure business continuity.

### 2. BACKGROUND

- 2.1 As part of the joint working initiative to use a single contractor to provide Revenue and Financial services, VWHDC and SODC agreed with Capita (contractor) to undertake a joint implementation of the Academy Revenues system across both Councils.
- 2.2 The Academy system went live on the 15<sup>th</sup> January 2007 at VWHDC and the 24<sup>th</sup> October 2007 at SODC.
- 2.3 Part of the Revenues service remains based at VWHDC and SODC sites with relevant staff transferring to Capita under TUPE. System administration services are provided from Capita's office in Bromley and the Call Centre is based in Coventry.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 A previous internal audit review of Academy was undertaken in September 2008 and a satisfactory opinion provided.

### 4. 2008/09 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 Seven recommendations have been raised in this review. Five Medium risk and two Low risk.

## 5. MAIN FINDINGS

### 5.1 **System Administrator Arrangements**

5.2 Internal Audit examined the reporting arrangements used by Capita for requests which are not made via the helpdesk. It was identified that there were no documented reporting arrangements in place.

5.3 Internal Audit review of processes around the setting up and approval of system parameters, identified there were inconsistencies with regards to the checking process for entering this information. Some parameter documentation was appropriately checked and signed, others were not. It was also identified that some signatures had been cut and pasted from a word document therefore reliance cannot be placed on the signatures validity.

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

### 5.5 **System Interfaces**

5.6 Internal Audit performed walk through testing of 15 cases on the Academy system to review the flow of information and interfaces with other systems. From the sample selected, all interfaces appeared to be operating effectively.

5.7 No recommendations have been made as part of our sample testing in this area.

### 5.8 **System Reconciliations**

5.9 Although daily reconciliations were undertaken, Internal Audit identified that there were no means to confirm the cumulative system balance to the daily reconciliations as both reconciliations were undertaken in isolation.

5.10 Quality checks for Housing Benefit processing errors were reviewed, but inconsistencies were identified by Internal Audit regarding the percentage of checks undertaken. Housing Benefits undertook 10% checks and we were informed that no quality checks were carried out for Council Tax.

5.11 Internal Audit reviewed the process for making refunds and it was identified that signatures are being cut and pasted by different officers to those of the signature holder in order to authorise refunds.

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

5.12

### 5.13 **Management Reports**

5.14 Internal Audit reviewed the integrity of the data from the information pack provided by Capita, as it was highlighted by the Revenues and Benefits Client Manager that some of the data appeared to be incorrect. The review confirmed that the information on the Academy system was correct, however this information is then manually entered on to the information pack and it was through this processes that errors had occurred. It was also not possible to evidence any accuracy checks being undertaken by management.

5.15

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

**5.16 Helpdesk Requests**

5.17 Internal Audit reviewed a sample of requests made via the helpdesk system. It was confirmed that all requests tested were correctly logged on to the Capita LGS system and were resolved within the targets set out in the SLA Agreement.

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

**5.19 Back-Up Arrangements**

5.20 A change control form is used to record the reasons why any system changes are required. Approval is given by a Line Manager and screen shots are included to show prior, during and post views of the system. Although there is a section within the change control form for post reviews to be undertaken, Internal Audit was not able to evidence that they were being carried out.

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

**OBSERVATIONS AND RECOMMENDATIONS**

**SYSTEM ADMINISTRATOR ARRANGEMENTS**

**1. Reporting Governance Arrangements**

**(Medium Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
A procedure for reporting outside of the scope of the helpdesk arrangements should be documented, and management provided with regular updates on progress of such items.	<p><u>Best Practice</u> Management requests are formally logged and regular updates are provided.</p> <p><u>Findings</u> Internal Audit have not been able to evidence whether Capita have any documented procedures in place in order to deal effectively with management requests which are made outside of the helpdesk reporting arrangements.</p> <p><u>Risk</u> Management requests are not dealt with efficiently.</p>	CST Management Team
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> It is vital all staff, including Managers, use the CST Helpdesk for logging <u>all</u> requests. Urgent management requests can be prioritised accordingly using this logging procedure. However, should there become a need for any requests to be made outside of the Helpdesk, due to delays or problems being experienced, then these issues will be raised and then managed		March 2009

through the monthly site review meetings and must be documented within the minutes / Issues Registers and circulated to all concerned following each meeting.	
Management Response: Capita	

**2. Changes to the Parameter Data**

**(Medium Risk)**

Recommendation	Rationale	Responsibility
<p>All system parameter changes need to be fully checked and appropriately authorised with written signatures.</p>	<p><u>Best Practice</u> System parameters are checked and authorised before activation.</p> <p><u>Findings</u> It was identified that the checking process was inconsistent. Although some of the parameter documentation was appropriately checked and signed, others from the sample reviewed were not. It was also identified that some signatures had been cut and pasted from a word document therefore reliance cannot be placed on the validity.</p> <p><u>Risk</u> System parameter changes may be made that have not been approved.</p>	<p>CST &amp; Capita site Management</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Any system parameters that are changed by CST are documented, printed and forwarded to the site for sign off before they are implemented.</p> <p>Annual Billing HB and CTB Parameter changes are screen printed and sent to Site to check and sign off prior to proceeding with the Annual Billing process. The process is for site to sign each screen printed document, confirming parameters have been checked. These documents will then be faxed back to our office, for our records. As the signature on the faxed documents was unreadable, we were unable to confirm sign off. Auto signatures on word documents were accepted in replace of signed document, at the point of Annual Billing Process.</p> <p>However, as issues were raised, regarding this procedure, it has now been agreed, as an interim measure, that an Auto Signature will be accepted for our records, as long as it accompanied by an email from the signatory, confirming they have checked and signed the documents.</p> <p>Site will provide signed, paper copies of the parameters checks when we are next on site. These copies will be filed along side interim sign off documents in the Annual Billing Pack.</p>		<p>March 2009</p>

Management Response: Capita	
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**SYSTEM RECONCILIATIONS**

**3. Reconciliations**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Daily reconciliations should be subtalled in order to confirm that the cumulative system balances are accurate.	<p><u>Best Practice</u> All reconciliations produced from the system should be undertaken in conjunction with each other to provide a full audit trail from the cumulative system balances to the daily balances.</p> <p><u>Findings</u> There is no means to confirm the cumulative system balance to the daily reconciliations. Both reconciliations were undertaken in isolation.</p> <p><u>Risk</u> There is a risk that daily reconciliations do not tally to the fully cumulative system balance.</p>	Capita Management & Vale Finance Team
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> The Stats Team within CST completes full balancing and reconciliations of all systems that are within CST's responsibility. These records are kept within CST and are updated on a daily basis. Both CTAX and Debtors cash reconciliations are carried out against the cumulative Academy system totals. These spreadsheets are sent to Vale Finance Team on a monthly basis for the preceding month.</p> <p>However, although Academy is accurately balanced on a daily basis it may not necessarily always balance to the daily totals through ICON. This is because at times not all transactions (transfers and journals) go through ICON. This is a much wider issue/project, affecting all service arrears, including Agresso, which is currently being addressed and closely looked at by Capita and the Council's accountants.</p> <p>Management Response: Capita</p>		Ongoing

**4. Quality Checks**

**(Low Risk)**

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
There should be consistent guidance regarding the percentage of quality checks on Academy	<p><u>Best Practice</u> Uniformed working practices are in place to ensure quality checks are undertaken in a consistent manner.</p>	N/A

and how these should be recorded.	<p><u>Findings</u> Quality checks for Housing Benefit processing errors were reviewed, but there were inconsistencies regarding the percentage of checks undertaken. Internal Audit was informed that no quality checks were carried out by Council Tax Managers.</p> <p><u>Risk</u> Due to inconsistent working practices, errors and training issues may not be identified and resolved.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Not Agreed</b> It is accepted that currently Benefits and Council Tax do not conduct the same degree of quality checking. There are clear valid reasons for this.</p> <p>Within Capita, Benefits carry out a 10% check on the majority of their work and the Council Client team also conducts a 10% quality check. However, within Council Tax, the level and degree of quality checking does vary. For example, regarding council tax recovery runs, a 10% check is carried out on all reminder notices, 20% check for all final notices and a full 100% quality check is required for summonses, liability orders and selected bailiff cases. Also, a complete 100% check is carried out by senior offices for all refund validations. This is considered to be more than adequate to identify any trend with errors being made, from telephone calls, correspondence, emails and all other standard forms (discounts/exemptions). It also captures any training issues that may arise. The Council Client team is updated on a regular basis of any issues/errors/problems that arise within Council Tax and regular Client meetings are held to discuss performance etc. The Client Team also has full access to the Academy database to conduct their own system checks should they wish.</p> <p>Management Response: Capita</p>		N/A

## 5. Refunds

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Managers should check and sign refunds. Signatures should not be cut and pasted.	<p><u>Best Practice</u> Refunds are signed and authorised prior to payment being made.</p> <p><u>Findings</u> It was identified that signatures are being cut and pasted by different officers to the signature holder in order to authorise refunds.</p>	Revenues & Benefits Client Manager

	<u>Risk</u> Refunds are inappropriately authorised.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		1 April 2009
Management Response: Revenues & Benefits Client Manager		

## MANAGEMENT REPORTS

### 6. Management Reports

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Management should request to have the electronically produced reports emailed across to them, as reliance cannot be placed on the integrity of the information entered into the manually produced reports.	<p><u>Best Practice</u> Reports are produced from the Academy system. The information is entered into a report format and is checked before being sent to clients.</p> <p><u>Findings</u> Internal Audit have reviewed the integrity of the data from the information pack provided by Capita, as it was highlighted by the Revenues and Benefits Client Manager that some of the data appeared to be incorrect.</p> <p>The information was checked by the Technical Manager and confirmed to be incorrect. The information on the Academy system was correct, but the information had been manually entered into the report leading to error.</p> <p>There was no evidence that accuracy checks are carried out as the reports are not signed by the preparer and approver.</p> <p>The manually entered information is used to provide data for KPI progress, reconciliations and NNDR2 returns.</p> <p>An electronic report can be produced, which automatically transfers the information without the need to manually enter data for a one off cost of £450.</p> <p><u>Risk</u> Management information is incorrectly reported.</p>	CST & Capita site Management

Management Response	Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Monthly MI packs collate information from several different sources (various Academy reports plus bespoke reports) to provide a comprehensive overview of system totals at month-end. Any critical information supplied, such as the CTAX collection statement, is balanced to the relevant Academy report totals to ensure the accuracy of the data provided. No single Academy report currently has the scope to pull together all of the information required</p> <p>However, CST will now also email over the various source reports to Managers in addition to the current MI pack.</p> <p>Management Response: Capita</p>	<p>March 2009</p>

## BACK-UP ARRANGEMENTS

### 7. Changes to the Operating System

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A post review should be carried out confirming that system changes have been correctly implemented.</p> <p>The post change review section in the change control form should be signed as confirmation.</p>	<p><u>Best Practice</u> Any system changes are approved by a line manager and then signed off as complete following a post review.</p> <p><u>Findings</u> A change control form is used to record the reasons why system changes are required. Approval is given by a Line Manager and screen shots are included to show prior, during and post views of the system.</p> <p>Internal Audit has not however, been able to evidence that post reviews have been undertaken.</p> <p><u>Risk</u> Changes to the operating system maybe incorrect.</p>	<p>CST Control Team</p>
Management Response	Implementation Date	
<p>Recommendation is <b>Agreed</b></p> <p>Although at the time of the Audit a number of change control forms were provided that did not have the post review section completed, each change request will also have an associated call on the CST Helpdesk and post reviews are carried out in the form of daily Problem &amp; Change meetings within CST. These meetings review whether the change has been implemented at the correct time, whether the change has been successful and whether any further changes are required. These details are then updated on the CST Helpdesk call. In addition to the daily</p>	<p>March 2009</p>	

P&C meetings, there are weekly minuted meetings including an issues register within CST at which all change controls are discussed.

As a result of this Audit recommendation CST will ensure that the updates that are placed on the CST call are also completed in the post review section of the change control form.

Management Response: Capita

## 10. BENEFIT COUNTER FRAUD FOLLOW-UP 2007/2008

### 1. INTRODUCTION

- 1.1 Final issued 3<sup>rd</sup> March 2009. The fieldwork for this follow-up was undertaken during February 2009.

### 2. INITIAL AUDIT FINDINGS

- 2.1 The final report made four recommendations and four were agreed. A Satisfactory opinion was issued.
- 2.2 At the first follow-up it was noted that one recommendation had been implemented.

### 3. FOLLOW UP MAIN FINDINGS

- 3.1 The review found that one recommendation out of the remaining three recommendations has now been successfully implemented, with two recommendations not implemented and to be incorporated into work plans for 2009/2010.
- 3.2 The Senior Investigation Officer confirmed that there is no longer a backlog of cases for checking and evidence was provided to substantiate this information. However the review of policies relating to fraud investigations remains outstanding due to other priorities within the service area, but it is anticipated that this work will be incorporated into the work plan for 2009/2010.
- 3.3 Internal Audit will continue to monitor the management responses to the outstanding recommendations and will review the implementation of outstanding recommendations as part of the next audit review.

## FOLLOW-UP OBSERVATIONS

### POLICIES AND PROCEDURES

#### 1. Review of Policies

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
That the Fraud Corruption Strategies and Policies are reviewed to ensure they are consistent with legislation and reflect the shared service arrangements.	<u>Best Practice</u> Policies and Procedures should exist and comply with Legislation to provide clarity to staff in undertaking their duties with regard fraud investigations.  <u>Findings</u> Whilst Internal Audit consider that staff are aware of the fraud corruption policies and strategies, in view of the introduction of a shared services arrangements for Counter Fraud, the policies and strategies	Senior Fraud Investigator  Revenues & Benefits Client Manager

	<p>could benefit from review to ensure that both Council's procedures are consistent and being carried out in accordance with legislation.</p> <p><u>Risk</u> Officers require clarity in performing their duties, which is supported by sound policies and procedures which comply with legislation to prevent cases being prejudiced as they are not conducted in accordance with legislation.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>This is already in the Finance service plan for 07/08 and will be carried forward and completed during 08/09.</p>		2008/2009
<b>Follow-Up Observations</b>		
<p><u>First Follow Up Observation</u> The Senior Investigations Officer stated that the Lone Working Arrangements are currently under review, and is due for completion by the end of quarter 2 (Copy will be given to IA on completion). The Fraud Business plan, Fraud Corruption Strategy and Code of Conduct will all be reviewed and revised by the end of quarter 4.</p> <p><u>February 2009 Follow Up</u> None of the policies referred to above have been reviewed, however Internal Audit noted that policies will be reviewed as part of 2009/10 work plans.</p>		<p><b>Not Implemented</b></p> <p><b>Revised Implementation Date: 31 March 2010</b></p>

## INTERVIEWS UNDER CAUTION

### 2. Interview Under Caution

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>That the code of conduct is reviewed and amended where appropriate. Furthermore guidance is required to ensure investigator's safety and investigators undertaking visits on their own should be required to phone in on an agreed basis to confirm their position and whereabouts.</p>	<p><u>Best Practice</u> Procedures should be established to protect staff.</p> <p><u>Findings</u> Internal Audit was informed that changes to the visiting arrangements have been proposed which would result in investigators undertaking visits on their own. In such cases Internal Audit considered that arrangements should be in place which requires the investigators to phone in on an agreed basis to confirm their position and whereabouts.</p>	<p>Senior Fraud Investigator</p> <p>Revenues &amp; Benefits Client Manager</p>

	<u>Risk</u> Failure to document adequate procedures for investigators could result in senior officers being unaware that an officer has been placed in a difficult position.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> We have been working to SODC lone worker policy but needs harmonising for Vale purposes. As mentioned in 1. above, harmonisation of procedures is already in the Finance service plan for 07/08 and will be carried forward and completed during 08/09.		2008/2009
<b>Follow-Up Observations</b>		
<u>First Follow Up Observation</u> The Senior Investigations Officer stated that the Lone Working Arrangements are currently under review, and is due for completion by the end of quarter 2 (Copy will be given to IA on completion). The Fraud Business plan, Fraud Corruption Strategy and Code of Conduct will all be reviewed and revised by the end of quarter 4.		<b>Not Implemented</b>  <b>Revised Implementation Date: 31 March 2010</b>
<u>February 2009 Observation</u> None of the policies referred to above have been reviewed, however Internal Audit noted that policies will be reviewed as part of 2009/10 work plan.		

## PERFORMANCE

### 3. Performance

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
That the management checking process should be reviewed in light of the backlog of cases.	<u>Best Practice</u> All cases are reviewed by management promptly.	Senior Fraud Investigator
	<u>Findings</u> Internal Audit reviewed the paper trail for the management checking file and found the last management check process recorded related to Jan-Mar 07. Internal Audit noted some 119 cases awaiting management review which date back to April 2007, the investigation had continued without the necessary management checks taking place at the appropriate time.	Revenues & Benefits Client Manager
	<u>Risk</u> Failure to undertake adequate management checks could result in poor or under performance not being identified or addressed.	

<b>Management Response</b>	<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>All sanction and prosecution cases are subject to rigorous management checks and this is not reflected in the audit commentary. Closed cases, IUC and ongoing case checks are not conducted regularly due to resource issues. The SIO is only 3/5 fte) and there are greater priorities at the current time. However the DWP has recently published best practice guidance on management checking (Circular F2/2007). This guidance introduces a comprehensive and systematic management checking framework which is actually less than what the SIO currently should do and will be implemented immediately.</p>	<p>1 December 2007</p>
<b>Follow-Up Observations</b>	
<p><u>First Follow Up Observations</u></p> <p>The Senior Investigation Officer stated that there is still a backlog of cases to be reviewed, which she will tackle over the coming months. Internal Audit obtained a listing of outstanding cases as at 7<sup>th</sup> August and will verify the level of progress against clearing the backlog at the next review on 31 Dec 2008.</p> <p><u>February 2009 Follow Up</u></p> <p>Internal Audit obtained information to support that there is no longer a backlog for management checking.</p>	<p><b>Implemented</b></p>

## 11. WHITE HORSE TENNIS AND LEISURE CENTRE FOLLOW-UP 2007/2008

### 1. INTRODUCTION

- 1.1 Final issued 5<sup>th</sup> March 2009. The fieldwork for this follow-up was undertaken in February 2009.

### 2. INITIAL AUDIT FINDINGS

- 2.1 The final report made four recommendations, two recommendations were initially agreed and a further two were agreed following the meeting of the Audit Investigation Advisory group on 24 October 2008. A limited opinion was issued.
- 2.2 Of the four recommendations made, two have been implemented, one is ongoing and one has not been implemented and a revised implementation date has been given.

### 3. BACKGROUND

- 3.1 An Audit Advisory Group was formulated on 22 September 2008 to investigate the outcome of the Internal Audit review of the White Horse Tennis and Leisure Centre. They noted that two of the four recommendations had not met with the agreement of the Deputy Director (Contracts and Procurement) and the Leisure Facilities Manager. Both recommendations were subsequently agreed.

## FOLLOW-UP OBSERVATIONS

### COMMENTS AND COMPLAINTS

#### 1. Comments and Complaints Register

(Low Risk)

Recommendation	Rationale	Responsibility
That the Contractor should be requested to supply a copy of the Register for Comments and Complaints, the monthly Customer Comments summary sheet and statistical analysis of the comments and complaints register to the Leisure Facilities Manager at the Management Meetings to assist in formulating management information regarding comments and	<p><u>Best Practice</u> The Comments and Complaints Register should be supplied to inform the Council of all types of comments and complaints to assist with future service delivery initiatives.</p> <p><u>Findings</u> Internal Audit confirmed that the Register is not currently been supplied or reviewed by the Leisure Facilities Manager.</p> <p><u>Risk</u> Failure to provide the Comments/Compliant Register would result in the Council being unaware of any major or recurring issues regarding the centre and its</p>	N/A

complaints.	operations, furthermore these issues could affect its image and reputation.	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Not Agreed</b></p> <p>Managers feel that the current monitoring arrangements provide satisfactory information on customer complaints and that access to the complaints register is unrestricted and has been monitored by the client officer as necessary. The monthly client meetings have a standing agenda item on customer complaints when officers are briefed by the centre managers and are able to investigate at greater depth if required on all complaints made in the preceding month.</p> <p>The existing systems have allowed officers to identify issues and agree resolutions with the contractor in a timely and effective manner. The centre management team adhere to the complaints procedure identified in the contract document. If additional or more in depth monitoring is required then additional resources will be required to undertake this work.</p>		N/A
<b>Follow-Up Observations</b>		
<p>This recommendation was subsequently agreed with the Audit Advisory group on 24 October 2008.</p> <p>The number of comments and complaints are very low, however members obtained agreement that service managers would obtain documentary evidence from the contractors that they are carrying out their responsibilities in recording comments and complaints. The Leisure Facilities Manager has confirmed that this information is now being provided.</p>		<b>Implemented</b>

## MANAGEMENT INFORMATION

### 2. Assurance Framework

(Medium Risk)

Recommendation	Rationale	Responsibility
That a formal assurance framework is devised whereby the WHTLC is required to produce an annual self assessment statement providing evidence of compliance with the terms of the contract. This should be reviewed, evaluated and commented on by the Council's client	<p>Best Practice: Formal documentary evidence is provided to support an assurance framework regarding the key aspects of the service delivery.</p> <p>Findings: There is limited documentation in place to evidence that DC Leisure Management Ltd are operating White Horse Leisure and Tennis Centre in accordance within the terms of the contract. Both the Deputy Director and Leisure Facilities Manager view is that the</p>	N/A

<p>officers as part of a formal report to be presented to Members and officers with responsibilities for the delivery of Council services.</p>	<p>service is operating well, however Internal Audit would like to suggest some improvements to formally acquire assurance that the service is being delivered in accordance with the terms of the contract.</p> <p>Risk: The Council is unable to assess the Contractors performance and will be unaware of whether it is performing satisfactorily and in accordance with the Council objectives.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Not Agreed</b></p> <p>There are robust monitoring processes in place to ensure performance is maintained including the delivery of an annual business plan, benchmarking against Sport England criteria, other county wide leisure facilities. In addition there are periodic strategic reviews and monthly review meetings on a wide range of service issues. Ultimately the regular monthly monitoring and reporting on the service introduced in December 2007 provides real time performance measurement covering the key service sectors.</p>		N/A
<b>Follow-Up Observations</b>		
<p>The Deputy Director (Contracts and Procurement) stated that he would report to the Executive in Feb 2009 on the introduction of a formal assurance framework with the process being introduced from April 2009. The report to the Executive has not occurred as planned due to the senior management restructuring exercise and it is unlikely that this will occur before April. There is a new Head of Service and it is anticipated that he will review the monitoring process and the resources available and is aiming to make some recommendations by 31 October 2009.</p>		<p><b>Not Implemented</b></p> <p><b>Revised Implementation Date: 31 October 2009</b></p>

### 3. Management Reporting

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>That the representatives of the WHTLC management are requested to attend a meeting with the Council's Executive as determined by the Council's authorised officer to report on and answer questions on the delivery of service under the contract.</p>	<p><u>Best Practice</u> Council Members are kept informed to establish public opinion on the Leisure centre activities and the service provided by the Contractor.</p> <p><u>Findings</u> This does not take place at present, albeit it is a requirement of the Contract that the contractor should be required to attend meetings of the Executive members to report upon and answer questions on the</p>	<p>Leisure Facilities Manager</p>

	<p>delivery of the service under the contract.</p> <p><u>Risk</u> The Council would not be fulfilling the conditions within the contract, furthermore they would not be kept informed of, or raise with the contractor issues, problems or successes.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principal</b> Management are happy to ask the portfolio holder and/or the Executive members if they require such a meeting and this will be raised at the next portfolio meeting.</p>		<p>Portfolio holder will be asked on 18<sup>th</sup> April 2008. If accepted timetable will be agreed to commence in 2008.</p>
<b>Follow-Up Observations</b>		
<p>The Deputy Leader confirmed that he engages in regular meetings and tours of the White Horse Tennis and Leisure Centre, the next such meeting is 6 March 2009.</p>		<b>Implemented</b>

## PRO-ACTIVE ANTI FRAUD & CORRUPTION MEASURES

### 4. Pro-Active Anti Fraud & Corruption Measures

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
<p>The Leisure Facilities Manager should satisfy himself that the WHTLC Contract Manager has processes in place to pro-actively identify fraud and corruption, including an adequate anti fraud and corruption policy and a risk register.</p>	<p><u>Best Practice</u> Management should have sufficient information to confirm that adequate arrangements are in place to proactively identify fraud and corruption, which include an anti fraud and corruption policy and risk register.</p> <p><u>Findings</u> The Leisure Facilities Manager was unable to comment on what measures the WHLTC have in place to proactively identify any evidence of fraud and corruption within their business area.</p> <p><u>Risk</u> Fraud and corruption is not identified leading to significant financial, operational, legal and reputational implications.</p>	<p>Leisure Facilities Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> The introduction of this aspect of audits within the Council is new to this service area and as yet the Council does not have a policy in place. This is why officers could not</p>		<p>Subject to the Council's own policy</p>

<p>comment on the CLS Measures. Officers accept that this is an area for development but in order to establish that the contractor has sufficient safeguards in place, will require the Council's own policy to be implemented so that officers have a benchmark to evaluate what they will need to consider when monitoring others. Once this policy is known resources can be assessed against the additional depth of monitoring required as it should be noted that whatever checks are undertaken will need to be applied consistently to the other leisure contract where the risk is potentially greater as we support that contract financially which is not the case with this arrangement. A copy of the Council's draft policy has been given to the Contractor.</p>	<p>being introduced and analysis of the level of monitoring, 2009/2010</p>
<p><b>Follow-Up Observations</b></p>	
<p>Internal Audit has recently completed an Anti-Fraud and Corruption Arrangements audit, and recommendations have been agreed by the Head of Legal and Democratic Services. It is anticipated that a revised Anti-Fraud and Corruption Policy will be available to officers in September 2009. A copy of the Council's policy will be given to the Contractor once agreed for reference purposes.</p>	<p><b>Ongoing</b>  <b>Implementation Date: 31 December 2009</b></p>

## 12. GIFTS AND HOSPITALITY FOLLOW-UP 2008/2009

### 1. INTRODUCTION

1.1 Final issued 11<sup>th</sup> February 2009. The fieldwork for this follow-up was undertaken during January 2009.

### 2. INITIAL AUDIT FINDINGS

2.1 The final report made 7 Recommendations and 7 were agreed. A Satisfactory opinion was issued.

### 3. FOLLOW UP MAIN FINDINGS

3.1 The review found that all of the recommendations had been fully implemented.

## FOLLOW-UP OBSERVATIONS

### GIFTS AND HOSPITALITY POLICY

#### 1. Review and Amendment

(Medium Risk)

Recommendation	Rationale	Responsibility
The Officer Code of Practice is amended to include clear contact details of all relevant officers and should be subject to regular review.	<p><u>Best Practice</u> Policy and guidance documents should be up to date and are subject to regular review.</p> <p><u>Findings</u> The Officer Code of Practice is generally up to date, however it is not clear who the Monitoring Officer is. The document should include clear contact details of all relevant officers. The document has not been reviewed since September 2006.</p> <p><u>Risk</u> Out of date information is available to Officers. Policy documents are not being appropriately reviewed.</p>	Head of Democratic Services
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 August 2008
<b>Follow-Up Observations</b>		
Clear contact details have been included and review dates agreed and scheduled.		<b>Implemented</b>

### DOCUMENTATION AVAILABILITY

#### 2. Guidance on the Provision of Hospitality

(Low Risk)

Recommendation	Rationale	Responsibility
The Guidance on the	<u>Best Practice</u>	Head of Democratic

Provision of Hospitality is reviewed to ensure it remains relevant and should remain on the Intranet.	<p>Guidance available to Officers and Members should be relevant and up to date.</p> <p><u>Findings</u> The Guidance on the Provision of Hospitality document was written by Internal Audit in 2003. It is available on the Intranet under the Gifts and Hospitality section. It should be reviewed to ensure it remains relevant and whether it should remain on the Intranet.</p> <p><u>Risk</u> Out of date and irrelevant information is available to Officers and Members.</p>	Services
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 August 2008
<b>Follow-Up Observations</b>		
Guidance was reviewed to ensure it remains relevant and is available on the intranet.		<b>Implemented</b>

## REGISTER OF GIFTS AND HOSPITALITY

### 3. Declaration Forms

(Medium Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
The Officer declaration forms are revised to include a section for the Officers Manager to counter sign. Policy and Guidance notes should be amended to reflect this requirement.	<p><u>Best Practice</u> Managers and Heads of Service should be aware of any declarations within their team and should be asked to countersign any forms passed to Democratic Services.</p> <p><u>Findings</u> It was noted during testing at South Oxfordshire District Council that all declarations made by Officers are countersigned by an appropriate Manager. This practice is not in place at the Vale of White Horse District Council.</p> <p><u>Risk</u> Managers and Heads of Service are not aware of the declarations made by Officers of their team.</p>	Head of Democratic Services
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 August 2008
<b>Follow-Up Observations</b>		
The form has been revised to include a section for managers to counter sign and the guidance notes have been amended to reflect this.		<b>Implemented</b>

#### 4. Officers Register

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A Register to record declarations of Gifts and Hospitality from Officers is introduced. The Register should then be regularly reviewed and signed by the Monitoring Officer.</p>	<p><u>Best Practice</u> There should be a Register in place to record declarations of Gifts and Hospitality made by Officers. The Monitoring Officer should regularly review and sign the register.</p> <p><u>Findings</u> All declaration forms received from Officers are held on file within Democratic Services, however there is no summary to detail the forms received. There is no audit trail to evidence that the Monitoring Officer regularly reviews the declarations.</p> <p><u>Risk</u> There would not be a Summary to record all declarations and any review by the Monitoring Officer would not be evidenced.</p>	<p>Head of Democratic Services</p>
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 August 2008
<b>Follow-Up Observations</b>		
<p>A register has been set up and backdated to the beginning of year, which was signed off by the Monitoring Officer. A report was presented to the Standards Committee in December 2008 reviewing the register.</p>		<b>Implemented</b>

#### 5. Members Register Availability

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The detail on the Council's website should be expanded to ensure members of the public are aware that the Register of Interests also includes any declarations of Gifts and Hospitality.</p>	<p><u>Best Practice</u> It should be clear to members of the public as to what documents are available via the Council's website.</p> <p><u>Findings</u> Despite declarations being included within the Register of Interests on the Council's website, the detail could be expanded to ensure members of the public are aware that the Register also includes declarations of Gifts and Hospitality.</p> <p><u>Risk</u> Members of the public would not be aware that any declarations of Gifts and Hospitality made by Members are available to view on the Council's website.</p>	<p>Head of Democratic Services</p>

<b>Management Response</b>	<b>Implementation Date</b>
Recommendation is <b>Agreed</b>	31 August 2008
<b>Follow-Up Observations</b>	
The website has been adequately expanded.	<b>Implemented</b>

## MAINTENANCE OF REGISTERS

### 6. Deputy Directors Confirmation

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Deputy Directors are regularly asked to confirm that in instances where gifts and hospitality have been offered to their team, they have been declared to Democratic Services.	<p><u>Best Practice</u> Deputy Directors should be aware of any offers of gifts and hospitality made to members of their team.</p> <p><u>Findings</u> This requirement is included at the Policy at South Oxfordshire District Council and Internal Audit considers that this is a useful tool in monitoring and confirming that all declarations have been seen/authorised by Managers.</p> <p><u>Risk</u> It would not be apparent to Managers if all offers of gifts and hospitality had not been declared.</p>	Head of Democratic Services
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 August 2008
<b>Follow-Up Observations</b>		
Deputy Directors have been reminded of their requirement to sign off declarations forms and to encourage staff to register their gifts and hospitality offers.		<b>Implemented</b>

### 7. Reminders

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
Consideration be given to sending out reminders to Officers in respect of their responsibility of declaring offers of Gifts and Hospitality on a quarterly basis.	<p><u>Best Practice</u> Officers are regularly reminded of their responsibility to declare offers of Gifts and Hospitality.</p> <p><u>Findings</u> From the action log, it appears that reminders are not sent regularly to Officers.</p> <p><u>Risk</u> Officers are not aware of their responsibility in relation to making declarations of Gifts and Hospitality.</p>	Head of Democratic Services

Management Response	Implementation Date
Recommendation is <b>Agreed</b>	31 August 2008
Follow-Up Observations	
Reminders for staff have been included in the Team Brief and will continue to be included on a quarterly basis. Reminders for members have been included in the Members' Information and Action Sheet. A reminder has also been sent to Parish Councils.	<b>Implemented</b>

## 13. BAR MANAGEMENT FOLLOW-UP 2008/2009

### 1. INTRODUCTION

- 1.1 Final issued 9<sup>th</sup> March 2009. The fieldwork for this follow-up was undertaken during February 2009.

### 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 All six recommendations have been implemented. Internal Audit obtained evidence demonstrating that the relevant controls were in place for the Event Paying-In sheets, the Stock List, the Float sheets for the cash held, and the uniform sheets showing the issuance and collection of uniforms. For the stock sheets, Internal Audit checked that the order placed could be matched to the delivery note received from the supplier and ultimately the sales invoice detailing the delivery. Internal Audit found that the processes and controls appeared sound and well established, and staff were aware of the reasoning behind the controls and the potential risks involved.

## FOLLOW-UP OBSERVATIONS

### EXPENDITURE FOR STOCK

#### 1. Orders for Bar Stock

(Medium Risk)

Recommendation	Rationale	Responsibility
That the person responsible for placing the bar order should be required to sign and date the stock list to denote when the order has been placed and by whom, to ensure compliance with the Council's Financial Regulations.	<u>Best Practice</u> Official orders should be signed by or on behalf of the Chief Officer who shall be responsible for all orders and expenditure on behalf of the Council.  <u>Findings</u> Internal Audit noted that the stock control check list for both establishments is not signed or dated by the Temporary Vale Hall Manager/designated officer who is placing the order for stock. This document serves as the order for stock.  <u>Risk</u> Failure to control the authorisation/purchase arrangements for stock could result in fraudulent payments being made and payments being made for goods	N/A

	that are not required.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		Implemented
<b>Follow-Up Observations</b>		
Internal Audit obtained copies of the most recent stock list and noted they were signed and dated by the person responsible for the order.		<b>Implemented</b>

## CONTROL & SECURITY OF STOCK

### 2. Delivery Documentation

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
That the stock control check list is cross referenced to the delivery documentation to denote whether an order is complete and to maintain a clear audit trail from order to delivery.	<p><u>Best Practice</u> That all bar stock deliveries are checked for accuracy and cross referred to the original order to ensure a complete audit trail for Council expenditure.</p> <p><u>Findings</u> Internal Audit noted that the delivery slip is ticked to indicate goods have been received in accordance with the order; however the order (stock control check list) is not cross referenced to the delivery slip to denote that the order is complete or otherwise.</p> <p><u>Risk</u> Failing to ensure an inventory of stock relating to the Bar Arrangements is recorded and checked on delivery could result in goods being removed without detection and financial loss to the Council.</p>	N/A
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> This has already been implemented although proving time consuming.		Implemented
<b>Follow-Up Observations</b>		
Internal Audit obtained the stock control checklist, the delivery note from a recently made delivery as well as the sales invoice from the supplier, relating to that delivery. All of the material had been stored together and had sufficient signatures and dates.		<b>Implemented</b>

### 3. Uniforms

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
That the control arrangement relevant to the issue of uniforms to Guildhall staff is extended to include the issue and	<p><u>Best Practice</u> That all clothing bearing the Council Logo should be subject to control to ensure clothing is retrieve when employees leave the employment of the Council.</p>	Temporary Vale Halls Manager

retrieval of T shirts to bar staff. This would ensure a consistent approach to the issue of clothing to all staff employed.	<p><u>Findings</u> The only purchases made that relate to the Bar are T shirts for staff to wear whilst on duty. Internal Audit noted that the control arrangement relating to the uniforms issued to Council staff currently does not extend to include the T shirts issued to bar staff, albeit they carry the same logo as other Council uniforms.</p> <p><u>Risk</u> Possession and or theft of Council clothing could result in employees having left the employment of the Council continuing to claim they are employed by the Council which could result in damage to the Council reputation.</p>	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> This will be implemented.		30 June 2008
<b>Follow-Up Observations</b>		
Evidence was received that showed the logging of uniforms and the signatures of the people they were handed to.		<b>Implemented</b>

## BANKING ARRANGEMENTS

### 4. Banking Transactions

(Medium Risk)

Recommendation	Rationale	Responsibility
That any discrepancies identified arising from the float being given out and returned are recorded along with an explanation as to the possible reason for the discrepancy. Furthermore all documentation relating to the issue of the float should be appropriately signed.	<p><u>Best Practice</u> That Cash floats should be maintain in a consistent manner and officers should ensure that the documentation is signed and completed accurately.</p> <p><u>Findings</u> Internal Audit reviewed five bar float sheets and noted a discrepancy on two of the five selected for review for the Guildhall. A further five bar event float sheets were selected for Wantage Civic Hall and discrepancies were noted on three of the five selected, including documentation not being appropriately signed and differences regarding the value of the float given out to that returned.</p> <p><u>Risk</u></p>	N/A

	Failing to ensure floats are maintained and treated appropriately could give rise to a loss of income, and errors in the financial accounts.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Whilst this has been implemented as stated during exit meeting the review will be subject to understanding that the forms are completed on most occasions in the early hours of the morning at the end of a busy shift and whilst every effort is made to ensure there are no discrepancies during the evening, there will be times when mistakes are made and not noticed.		23 June 2008
<b>Follow-Up Observations</b>		
Internal Audit obtained recent float sheets detailing the returns of the float amount and discrepancies that may occur. There appeared to be adequate signatories against the reconciled float amount with dates, as well as sufficient scope for explanation for any potential discrepancies.		<b>Implemented</b>

### 5. Bar Event Paying In Sheet

(Low Risk)

<b>Recommendation</b>	<b>Rationale</b>	<b>Responsibility</b>
The Bar Event Paying In Sheet should be amended to enable the person responsible for cashing up to formally record the reason for any discrepancies. A management review process should be established to assess whether any further action may be necessary to reduce the risk of such errors.	<p><u>Best Practice</u> That staff employed under the Bar Arrangements are required to denote an explanation for any discrepancies identified after cashing up to inform management who can establish where changes in procedures may be warranted.</p> <p><u>Findings</u> Internal Audit was advised by the Temporary Vale Hall Manager that informal discussions do occur regarding anomalies in the cash income however the comments are not documented for reference purposes. Internal Audit considers that it would be helpful to make a judgement and record the reason for any discrepancies to enable management to review and assess whether any further action may be necessary to reduce the risk of such errors.</p> <p><u>Risk</u> Failing to ensure that income is adequately protected and accounted for could result in income being stolen through the banking process.</p>	N/A
<b>Management Response</b>		<b>Implementation Date</b>

Recommendation is <b>Agreed</b> Whilst this has been implemented as stated during interview the review will be subject to understanding that the forms are completed on most occasions in the early hours of the morning at the end of a busy shift and whilst every effort is made to ensure there are no discrepancies during the evening, there will be times when mistakes are made and not noticed.	24 June 2008
<b>Follow-Up Observations</b>	
Internal Audit obtained recent Event Paying-In Sheets and noted that the amounts had been reviewed by management and also that there was sufficient space for reasons to be supplied for any discrepancies.	<b>Implemented</b>

## HEALTH & SAFETY

### 6. Health & Safety Documentation

(Low Risk)

Recommendation	Rationale	Responsibility
That a consistent approach is adopted to deal with health and safety incidences and accidents across both Civic Halls. Furthermore the documentation should be reviewed by management in a timely manner to assess if any corrective action may be necessary.	<p><u>Best Practice</u> That regular health and safety assessments and recording of incidence/accidents occur to inform management whether corrective action may be necessary.</p> <p><u>Findings</u> Internal Audit was unable to establish if the investigation report arising from Wantage Civic hall had been reviewed by the appropriate manager as they were not signed or whether a copy had been given to the Council Health and Safety Adviser as stated on the documentation.</p> <p><u>Risk</u> Failure to record incidents and accidents could result in management not being aware of Health and Safety issues arising from their service areas in order to take appropriate action.</p>	Temporary Vale Halls Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Will inform team of procedure again at team meeting on 24 <sup>th</sup> June 2008.		24 June 2008
<b>Follow-Up Observations</b>		
Copies of all incident forms are taken and sent to the H&S Advisor. Original documents kept on site. Copies of the originals kept on site were obtained and the evidence that management reviews had taken place on the documentation was obtained with no issues noted.		<b>Implemented</b>