

Audit and Governance Committee



30 June 2009

Report of **Audit Manager**

Report No. 15/09

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Wards Affected
All

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Internal Audit Activity Report Quarter 1 2009/2010

Recommendations

That members note the content of the report

1. Purpose of Report

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

2. Relationship with Corporate Plan

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

3. Background

- 3.1 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.

3.2 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.

3.3 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

4. 2009/2010 Audit Reports

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

Planned Audits

Full Assurance: 1

Satisfactory Assurance: 5

Limited Assurance: 4

Nil Assurance: 0

	Page Ref	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
1. Housing and Council Tax Benefits	57	Limited	19	8	6	9	9	2	2
2. Performance Management	69	Satisfactory	9	0	N/A	2	2	7	7
3. Disaster Recovery	76	Full	2	0	N/A	0	N/A	2	2

4. Emergency Planning	79	Satisfactory	7	0	N/A	4	4	3	3
5. Internal Recharges	84	Satisfactory	8	0	N/A	2	2	6	6
6. Freedom of Information	90	Limited	12	2	2	8	7	2	2
7. Creditor Payments	99	Limited	17	0	N/A	11	11	6	6
8. Human Resources	109	Satisfactory	7	0	N/A	5	5	2	2
9. Sundry Debtors	115	Satisfactory	5	1	1	3	2	1	1
10. Payroll	119	Limited	18	2	2	10	9	6	6

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

- 4.2 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.
- 4.3 A copy of each report has been sent to the appropriate Service Manager, the relevant Strategic Director, the Section 151 Officer and the relevant Member Portfolio Holder.
- 4.4 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 PARTRIDGE
AUDIT MANAGER

1. HOUSING AND COUNCIL TAX BENEFITS 2008/2009

1. INTRODUCTION

- 1.1 Final issued 23rd March 2009. The fieldwork for this audit was undertaken during January and February 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that payments are made in accordance with regulations, standing orders and financial regulations, and supported by documentary evidence that denotes that applications are promptly processed;
 - To ensure that benefits assessments are correctly calculated, processed promptly and that adequate quality checks are in place to ensure the accuracy of the benefit award;
 - To ensure that overpayments are supported by documentary evidence, are adequately recorded, correctly calculated and valued and appropriately classified for Housing Benefits Subsidy purposes;
 - To ensure that the recovery of overpaid benefits is prompt, efficient and effective;
 - To ensure there is an adequate audit trail to substantiate the figures on the Housing Benefits Subsidy claim, the claim is properly completed and the figures included are accurate.
 - To ensure that the performance statistics of the service are recorded correctly, supported by evidence and are monitored regularly by management.

2. BACKGROUND

- 2.1 The Council delegated the service attached to Housing and Council Tax Benefits to Capita in August 2006 for both the Vale of White Horse District Council and South Oxfordshire District Council. The service is conducted in accordance with the Contracting Out (Functions of Local Authorities: Income Related Benefits) Order 2002 which states the functions that may be contracted out, checking requirements attached to the exercise of functions and an authorisation process.

3. PREVIOUS AUDIT REPORTS

- 3.1 Housing and Council Tax Benefits was last subject to an internal audit review in March 2008. Six recommendations were raised and a limited opinion was issued.
- 3.2 Internal Audit has confirmed that five of the six recommendations arising from the 2007/2008 internal audit review of housing benefits have been implemented. The remaining recommendation is ongoing as the information feeding into the current year's subsidy claim is subject to review by Capita staff before the end of the financial year. No recommendations have been made as a result of the work undertaken in this area.

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 Nineteen recommendations have been raised in this review. Eight High risk, nine Medium risk and two Low risk.

5. MAIN FINDINGS

5.1 **Payment Process**

- 5.2 Internal Audit has concluded that further procedures relating to the benefit service and linkage between service delivery and the client team should be documented. Capita should ensure that all aspects of financial reconciliation between the Academy and Agresso system are conducted and evidenced regularly to the Council. Capita should also introduce measures to improve the accuracy of the benefit assessment process. Four recommendations have been made as a result of the work undertaken in this area.

5.3 **Benefit Assessment**

5.4 The discretionary housing payment policy should be reviewed and updated. Capita should use either the Anite/Academy system to record the quality checking process to improve their checking arrangements and to enable them as the service provider to demonstrate the level of checking is adequate. The number and nature of errors should be recorded to facilitate an accurate assessment of where shortfalls in service delivery occur. Five recommendations have been made as a result of the work undertaken in this area.

5.5 **Overpayments**

5.6 Internal Audit acknowledges that adequate documentation exists to support overpayments; some issues have been raised regarding the classification of overpayment for housing benefit subsidy purposes. It was noted that documented procedures for overpayment exist which require further enhancement relating to write off and monitoring information. No recommendations have been as a result of the work undertaken in this area.

5.7 **Recovery**

5.8 The compliance testing identified a range of anomalies which suggests that recovery is not always being carried out in accordance with the stated recovery timetable. Recovery has stagnated for a number of overpayments, and historic debts have been wrongly recorded as having been referred to Legal Services when this is not the case. Internal Audit also noted that approximately £41,000 was deposited in the Overpayment suspense account, which Internal Audit would advocate is reviewed and refunded as soon as possible. Legal Services/Client Team should evaluate the merits of an alternative recovery process to facilitate a reduction in the time and costs associated with the current recovery process. Five recommendations have been made as a result of the work undertaken in this area.

5.9 **Subsidy Claim**

5.10 Internal Audit has been made aware of concerns regarding the Council subsidy claim, and welcomes Capita attempts to validate the supporting information. Internal Audit is of the opinion that Capita should produce the subsidy claim monthly to enable the Council to assess the impact of any shortfalls that may arise and respond accordingly. One recommendation has been made as a result of the work undertaken in this area.

5.11 **Performance**

5.12 Internal Audit has noted that statistical data to inform national indicator 180 and 181 is currently not being produced in a timely manner. The system fault relating to the Single Housing Benefit Extract should be investigated to enable performance statistics to be produced. Shortfalls in performance in service delivery are clearly evident from this review and as highlighted by senior management on a regular basis. Internal Audit is of the opinion that additional management resources are required to engage with the benefit service, to assist with improvements in service delivery and to minimise any financial consequence as a result of the penalties incurred from the Council's subsidy claim. Three recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

REGULATIONS

1. Procedures

(Low Risk)

Recommendation	Rationale	Responsibility
It was recommended that formal procedures relating to the benefit services and linkages between the operational service and the client team function should be clearly stated, reviewed and updated when necessary. They should be adopted across both Councils and shared	<u>Best Practice</u> Procedures should be in place to improve clarification on all aspects of service delivery and responsibilities. <u>Findings</u> Both the Client team and Capita have started to work on procedures to ensure a standardised approach to benefits across both operational sites, however the procedures agreed from the process are	Senior Benefits Officer (Capita) & Revenues & Benefits Client Officer

with the client team to improve clarification on all aspects of service delivery and responsibilities.	not documented. <u>Risk</u> If a unified approach is not fully documented, there is a risk that officers may take incorrect courses of action or alternatively undertaken no action where some is required.	
Management Response		Implementation Date
Recommendation is Agreed Procedures will be developed as part of the monthly liaison meeting attended by the Revenues and Benefits Client officer and the Senior Benefits officer (Capita). Management Response: Capita Benefit Manager		31 July 2009

2. Landlord Payments

(Low Risk)

Recommendation	Rationale	Responsibility
It is recommended that the inaccuracy found during testing regarding account 501433520 should be investigated and resolved.	<u>Best Practice</u> All payments to landlords should occur at 4 week intervals. <u>Findings</u> Internal Audit noted that payment regarding housing benefit for account 501433520 was being paid to the landlord on a fortnightly basis when payment to landlords should occur 4 weekly. <u>Risk</u> If payments are made at incorrect intervals, the Council may be criticised for acting inconsistently.	Capita Benefits Manager
Management Response		Implementation Date
Recommendation is Agreed This case has had the payee amended from claimant to landlord. Capita's CST team will investigate the possibility of providing a monthly report to identify any other potential cases. Management Response: Capita Benefit Manager		30 June 2009

3. Reconciliations

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that the Council be provided with a listing of outstanding cheques to facilitate the cancellation on the financial banking system. Furthermore the Council should be provided with information to support that housing benefit is being reconciled between the Academy and Agresso system to enable the Council to provide assurance to the Audit Commission that prudent financial management has been established between the Council and its service	<u>Best Practice</u> The client should always have available an up to date listing of out dated cheques to enable reconciliation to be undertaken. <u>Findings</u> Capita has been requested to provide a listing of outdated cheques to enable a reconciliation to be undertaken. Such listing has not been provided. Senior managers from both the Council and Capita are aware of this situation. Repeated attempts have been made to Capita to facilitate the reconciliation of the Agresso system to the Academy system to no avail. <u>Risk</u> If reconciliations are not regularly undertaken, errors may go unnoticed resulting in reports that are produced being	Capita Benefits Manager & Chief Accountant

provider.	unreliable.	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>A request has been made to produce a monthly report detailing all uncashed cheques. This will be completed by 30 March 2009. The Accountancy section will undertake reconciliations as regularly as resources allow and will ensure that they are completed in time for the external audit</p> <p>Management Response: Capita Benefit Manager/Chief Accountant</p>		30 May 2009

4. Benefit Assessment

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that Capita should introduce measures to improve the accuracy of the benefit assessment process.	<p><u>Best Practice</u></p> <p>Measures should be in place to ensure that the accuracy of the benefit assessment process is assured.</p> <p><u>Findings</u></p> <p>Internal Audit reviewed six claims which demonstrated a range of errors which the benefit assessor had failed to pick up and make the necessary amendment to benefit payment.</p> <p>They included change of circumstances resulting from a partner having moved in, and several changes arising from information provided by the Housing Benefit matching service, all claims required reassessment and whilst the information in some cases had been logged on the Anite system, the claim had not be reassessed for benefit purposes.</p> <p><u>Risk</u></p> <p>If errors that can be classified as local authority error occur, there may be an impact upon the Council's subsidy claim.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>I am very aware of the need for accuracy in benefits assessment and this subject has been raised as a concern at the RSSP Board meetings. I am therefore conducting an overall review of quality across all of my teams. There is already an internal checking procedure in place and the findings are used to inform local mentoring sessions and general training requirements. The overall areas of concern are already freely discussed at the monthly Quality Meeting but I will be ensuring that appropriate performance management is applied to any staff who are failing to achieve a suitable standard of accuracy. All staff have individual training records which are updated with all mentoring/training received, whilst these are personnel records and would not be available for Audit purposes I can confirm that I have full access to them and could provide an overall report of training received across all of my staff if it was deemed necessary.</p> <p>Management Response: Capita Contract Manager</p>		30 May 2009

BENEFIT ASSESSMENT

5. Policies and Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that the discretionary housing	<p><u>Best Practice</u></p> <p>The discretionary housing payments policy</p>	Senior Revenues & Benefits Client Officer

<p>payments policy and administration procedures are reviewed and adopted across both Councils to harmonise the arrangement regarding the discretionary housing payment. The Council should also review the appeals arrangements to ensure adequate separation of duties exist to support an independent review/appeal process across both Councils.</p>	<p>and administration procedures should be consistent across both Councils to harmonise arrangements regarding discretionary housing payment.</p> <p><u>Findings</u> Internal Audit noted that the discretionary housing payments policy has not been reviewed since the creation of the Ridgeway Shared Service Partnership. The procedures across both Councils notably with regards to the appeals process could give rise to some criticisms with regards to separation of duties for the Revenues and Benefits Client Manager.</p> <p><u>Risk</u> If policies and procedures are different across both sites that are working in conjunction and using the same system there is the likelihood that errors and inefficiencies may occur when officers work across both sites.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>VWHDC adopted SODC's procedure (apart from the appeal process) when the RSSP was created. A revised procedure to take account of the new strategic objectives of each authority has been drafted. Its implementation may require changes to the scheme of delegation</p> <p>Management Response: Senior Revenues & Benefits Client Officer</p>		<p>30 June 2009</p>

6. Checking Process

(High Risk)

Recommendation	Rationale	Responsibility
<p>It is recommended that the Anite or Academy system is used to denote the checking process undertaken by team leaders to enable them to provide assurance to the Council that the level of checking is adequate and effective.</p>	<p><u>Best Practice</u> All checking of claims undertaken by Capita should be able to be verified by the Council.</p> <p><u>Findings</u> Internal Audit acknowledges that some checking of the benefit claim is occurring however Internal Audit found it difficult to source evidence to support the checking mechanism</p> <p><u>Risk</u> Without seeing evidence, the client cannot be assured of the level or the appropriateness of the checking of claims undertaken by Capita.</p>	<p>Capita Benefits Manager</p>
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>The checking process undertaken by Capita staff should be no different to that of a client officer as we are keen to detect any potential financial and non-financial errors prior to the work being assessed. A full list of cases that have been checked will be provided to the Client on a monthly basis. Recording this information on either of the two platforms would add no value to this process and would provide the client with no further details than will be provided by the lists stated above. The percentage of work checked with overall error rates (similar to that provided to the RSSP by the Client Manager) will be provided which will show our commitment to reducing our error rate and the effectiveness of our processes will be seen by a steady reduction in errors detected.</p>		<p>31 March 2009</p>

Management Response: Capita Contract Manager	
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7. Quality Checking Analysis

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that Capita should introduce measures to report the quality checking analysis separately for both Councils.	<p><u>Best Practice</u> The quality check analysis of statistical data should be reported separately for each council to enable the client team to accurately interpret the information to develop improvements in the arrangements regarding benefit assessments.</p> <p><u>Findings</u> Internal Audit also noted that the information regarding the levels of quality checks are reported jointly to the client team for both Councils meaning issues specific to the Councils are not always easy to isolate.</p> <p><u>Risk</u> If the quality checking analysis is reported jointly, issues or trends may be masked or diluted.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Separate reporting is now available for both Councils and the details as stated under recommendation 6 will be provided on a monthly basis.</p> <p>Management Response: Capita Contract Manager</p>		31 March 2009

8. Quality Check Analysis

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that Capita should investigate any variances with regards to completed cases between the Anite and Academy system that is greater than 10% prior to the release of the information to the Client team for checking purposes.	<p><u>Best Practice</u> The information provided by Capita should be consistent with the information relating to Quality Check Analysis produced by the Client team.</p> <p><u>Findings</u> Internal Audit has been advised by a member of the Client team that Capita has adopted an approach to suppress certain claim cases.</p> <p><u>Risk</u> If some claim cases are suppressed, there will be an impact upon the statistical information generated by the Academy and Anite systems.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation Agreed in Principle</p> <p>I am unaware of the issue regarding suppression of cases and am unclear what is meant by that, I will however discuss this with the client team to clarify and will naturally take any remedial action if something is being handled incorrectly. The Academy and Anite systems do not have any useable interface for these purposes and I would seek clarification of the Audit findings regarding the volumes of mismatch which has been detected. Once I see the data which has generated this area of concern I will be able to try and identify if a system report is available to highlight the 'mismatch' items.</p>		30 May 2009

Management Response: Contract Manager	
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9. 10% Checking

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that the Client team should be required to select their 10% sample for checking from the system that registered the most claims.	<p><u>Best Practice</u> The Client team should always select their 10% sample for checking from the system that registered the most claims.</p> <p><u>Findings</u> Because of differences between systems, the client team is not sure that it is always undertaking the required 10% check.</p> <p><u>Risk</u> If the Council does not check 10% of cases for sample checking of registered claims, it will not be complying with legislation.</p>	N/A
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The Client Team is already using the Anite system as recommended by Capita following its review of the Anite system and processes.</p> <p>Management Response: Senior Revenues and Benefits Client Officer</p>		Implemented

10. Quality Checking

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that Capita should review the components of the Quality Check Analysis report to ensure the information states the number and nature of errors to assist the client team to improve and develop the benefit assessment process.	<p><u>Best Practice</u> The management information provided by Capita should be adequate for management purposes and state the number and nature of errors to assist the client team.</p> <p><u>Findings</u> The quality of the management information and the level of errors identified as a result of the checking process have raised concerns. This has resulted in the Revenues and Benefits Client Manager making attempts to request improvements in the information provided regarding error rates to facilitate changes and improvements.</p> <p><u>Risk</u> If the Quality Check analysis does not state in detail the number and nature of errors, the council will not be able to facilitate effective changes and improvements.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Not Agreed</p> <p>As stated in my response to recommendation 6, data will be provided on all cases checked by Capita and open discussions are already held regarding the areas we have detected. The findings of our internal checking are not to assist the client in developing the assessment process but they are used by Capita to improve and develop the assessment process which we are being contracted to deliver. Likewise the errors detected by the Client team as part of the 10% check are also used by Capita to identify weaknesses in our processes and to develop staff accuracy.</p> <p>Management Response: Capita Contract Manager</p>		31 March 2009

RECOVERY OF OVERPAID BENEFIT

11. Ceased Recovery

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that account number 50141726x and 50032882 for which recovery has ceased are investigated and resolved.	<p><u>Best Practice</u> Under normal circumstances, recovery should continue until no further action can be taken and where it has to be put on hold, the reasons are clearly documented.</p> <p><u>Findings</u> Two accounts were identified where recovery had ceased and no indication as to why could be identified.</p> <p><u>Risk</u> If accounts are put on hold without adequate explanation as to why, ultimately the debt becomes harder to recover.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A full review of all outstanding invoices is to be carried out to ensure that all debts are moving through the system in a timely fashion. A meeting is to be held on 20th March 2009 with the Legal team to ensure that workflows are agreed and timescales are understood. The above 2 cases will obviously form part of this review.</p> <p>Management Response: Capita Contract Manager</p>		31 May 2009

12. Recovery Timetable

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that all recovery actions are undertaken in accordance with the Council's stated recovery timetable and account reference 50129826 is reviewed accordingly.	<p><u>Best Practice</u> All action to recover debts should meet the Council's stated recovery timetable.</p> <p><u>Findings</u> A case was identified within the sample whose actions recorded did not adhere to the recovery timetable</p> <p><u>Risk</u> If the Council's timetable for the recovery actions is not adhered to, cases may not progress fast enough to allow repayment to be sought.</p>	Capita Benefits Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A full review of all outstanding invoices is to be carried out to ensure that all debts are moving through the system in a timely fashion. A meeting has been held on 20th March 2009 with the Legal team to ensure that workflows are agreed and timescales are understood.</p> <p>Management Response: Capita Contract Manager</p>		31 May 2009

13. Old Debts

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that historic debt / overpayments are reviewed as a matter of urgency with a view to	<p><u>Best Practice</u> All old and historic debts should be rigorously pursued.</p> <p><u>Findings</u></p>	Capita Benefits Manager

taking action to recover the debt or submitting the debt for write off if considered appropriate.	Internal Audit obtained a system print detailing some 299 cases with a value of £160,409.44 which were noted as "referred to legal" but for which no recovery action appeared to have taken place. <u>Risk</u> If older debts are not rigorously pursued, .it may not be possible to recover the debt due to the person moving or becoming age barred.	
Management Response		Implementation Date
Recommendation is Agreed A full review of all outstanding invoices is to be carried out to ensure that all debts are moving through the system in a timely fashion. A meeting is to be held on 20 th March 2009 with the Legal team to ensure that workflows are agreed and timescales are understood. Management Response: Capita Contract Manager		31 May 2009

14. Overpayment Suspense

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that the Overpayment suspense account should be cleared and refunds executed as a matter of urgency. Furthermore management should be advised periodically of the value of items in the Overpayment suspense account.	<u>Best Practice</u> The overpayment suspense account should be reviewed, cleared and funds allocated as quickly as possible and information relating to this should be provided regularly to the client team. <u>Findings</u> During the course of this review Internal Audit were informed that approximately £41,000 has been placed in the Overpayment suspense/unallocated account. These items arise when the claimant has paid an invoice alongside having the overpayment recovered from ongoing housing benefit payment. Internal Audit was given a listing of 172 items that appear in the unallocated suspense account <u>Risk</u> If suspense accounts are not regularly reviewed and cleared, debts may be wrongly pursued resulting in embarrassment to the Council.	Capita Benefits Manager
Management Response		Implementation Date
Recommendation is Agreed This account will be reviewed in line with the full review of outstanding debts already stated in the previous 3 recommendations. Management Response: Capita Contract Manager		31st May 2009

15. Registering a Debt

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that Legal Services should explore the merits of adopting the practice of on-line recovery for housing benefit recovery cases to ascertain if the	<u>Best Practice</u> The Council should always strive to ensure that costs relating to a case are kept to a minimum and that the same applies to the time spent pursuing the debt. <u>Findings</u>	Legal Assistant

system could be of benefit to the Council.	Internal Audit was informed by the Client Team that debt recovery does differ across SODC and VWHDC. SODC adopt a practice which is known as "Registering the Debt", this process incur less court fees than incurred as present for both the Council and claimant and less time in pursuing the debt. <u>Risk</u> Without adopting the most effective approach to recovery of debt, the council is being exposed to increased direct and indirect costs.	
Management Response		Implementation Date
Recommendation is Agreed in Principle Legal services will explore the possibility of adopting on-line recovery. There will be logistical matters to consider carefully before this recommendation can be committed to. Management Response: Legal Assistant		31 May 2009

HOUSING BENEFIT SUBSIDY CLAIM

16. Subsidy Claim Reporting

(High Risk)

Recommendation	Rationale	Responsibility
It is recommended that the subsidy claim should be formulated and reviewed on a monthly basis to assist with the Council's budget monitoring requirements in identifying significant variances in the calculation of the subsidy claim which may require officers to intervene.	<u>Best Practice</u> The subsidy claim should be formulated and reviewed on a monthly basis to assist with the Council's budget monitoring requirements in identifying significant variances in the calculation of the subsidy claim which may require officers to intervene. <u>Findings</u> The subsidy claim reports denote the predicted outturn for the subsidy claim to allow the Council to make a judgement on whether they need to intervene. Internal Audit was also advised that only two such reports have been forthcoming in 2008/09. <u>Risk</u> If the subsidy claim reports are produced intermittently, there is a risk that problems may be caused in forecasting predicted out turns.	Capita Benefits Manager
Management Response		Implementation Date
Recommendation is Agreed The subsidy claim form has been run on request. However, this will be completed monthly from April 2009. Management Response: Capita Benefit Manager		1 April 2009

PERFORMANCE STATISTICS

17. Performance Monitoring

(Medium Risk)

Recommendation	Rationale	Responsibility
It is recommended that Capita be reminded that performance statistics for national indicator 180 and	<u>Best Practice</u> Performance statistics for national indicators 180 and 181 should be produced and relayed to the Client team in a timely	Capita Benefits Manager

<p>181 should be produced and relayed to the Client team in a timely manner.</p>	<p>manner.</p> <p><u>Findings</u> Internal Audit noted the Revenues and Benefit Client manager has made repeated attempts to obtain performance figures from Capita with little success and therefore he has stated that Capita is unable to provide the appropriate performance figures for the national indicator 180 and 181 for qtr 3 in his corporate governance report for qtr 3 (2008/09).</p> <p><u>Risk</u> If the statistics for national indicators 180 and 181 are not available, the council is liable to be subject to criticism and could lose out on additional administration grant as reported in DWP circulars.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This information is now being provided to the Councils on a monthly basis.</p> <p>Management Response: Capita Contract Manager</p>		<p>31 March 2009</p>

18. Single Housing Benefit Extract

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>It is recommended that Capita should investigate the issue relating to extracting performance figures from the Single Housing benefit extract within the Academy system and resolve this issue as a matter of urgency.</p>	<p><u>Best Practice</u> All reports required by the client team should be readily available and where system issues occur, these should be resolved as a matter of urgency.</p> <p><u>Findings</u> As part of Capita monthly performance reporting, the Council was informed in Oct 2008 that Capita were unable to report any year to date performance figures for SODC/VWHDC that required the use of the single housing benefit extract due to a system script fault within Academy. The problem was to be investigated at that time, however Internal Audit has noted that the problem has remained unresolved as at 30 January 2009 and was unable to ascertain the timetable for addressing this issue.</p> <p><u>Risk</u> Without performance figures, it is not possible for the client team to accurately assess the performance of the contractor and the effectiveness of the processes currently being undertaken.</p>	<p>Benefits Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>This is not a Capita problem rather it is a national issue with the data extracted by the DWP for the SHBE upload. However, we can provide all required statistics from the Academy reporting suite. There are ongoing tests across all authorities to try and validate the SHBE data for Oct 08 and Nov 08 and once everyone has reported their findings we may be nearer to a national resolution of this problem.</p> <p>Management Response: Capita Contract Manager</p>		<p>31 May 2009</p>

19. Management Time

(High Risk)

Recommendation	Rationale	Responsibility
<p>It is recommended that Capita should increase the management time dedicated to housing benefit to assist with improvements in the delivery of the housing benefit service.</p>	<p><u>Best Practice</u> The management time provided by Capita dedicated to Housing Benefit should be sufficient to address the improvements required within the Housing Benefit service.</p> <p><u>Findings</u> Internal Audit was advised that the benefits manager is only on site one day a week at the Vale and one day a week at SODC. A significant number of concerns have been made as a result of the work undertaken in this area and subsequent recommendations regarding improvement to the service currently in operation.</p> <p><u>Risk</u> If there is not adequate management time available, the service may under perform and targets may slip.</p>	<p>Contract Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>I have been appointed as the new Capita Contract Manager and am dedicating myself as the full time Benefits Manager until all performance issues have been resolved to my satisfaction. I have 24 years experience in Benefits and have managed large London authorities as well as smaller rural authorities, with great success at each. Whilst I cannot provide an overnight fix to the service, all of my efforts will be channelled towards turning my service into one that my clients, my customers and myself will be very happy with.</p> <p>Management Response: Contract Manager</p>		<p>31 March 2009</p>

2. PERFORMANCE MANAGEMENT 2008/2009

1. INTRODUCTION

- 1.1 Final issued 23rd March 2009. The fieldwork for this audit was undertaken during February and March 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that the Council has an up to date Corporate Plan that clearly defines its performance management arrangements;
 - To ensure that an up to date Performance Management strategy/framework exists and is being adhered to;
 - To ensure that within the strategy targets are clearly defined and indicators clearly set;
 - To ensure adequate monitoring exists to assess and identify performance against said targets and indicators;
 - To ensure there exists a reporting mechanism allowing sufficient information to be provided to management in a timely manner;
 - To ensure an escalation process exists where shortfalls in performance are identified and acted upon if required.

2. BACKGROUND

- 2.1 Individual service areas will collate, retain and report their performance statistics monthly to their respective Heads of Service before providing the performance data to the Principal Performance Management Officer on a quarterly basis. The Council has developed a word document for the purpose of reporting performance management information. The Corporate Governance Report includes a cross section of performance reports for the Council's national indicators, local performance targets, service projects, statistical data for sickness and staff turnover, financial commentary, budget monitoring information and progress on a number of areas that the Council has chosen for business improvement reviews. The Council's Strategic Directors have stated that the report content contained within the Corporate Governance Report is to be used across both sites.
- 2.2 At the time of the audit, Internal Audit noted that significant changes to the Performance Management arrangements were underway and the only dedicated resource attributable to the Performance Management arrangements is the Principal Performance Management Officer.

3. PREVIOUS AUDIT REPORTS

- 3.1 Performance Management has not been subject to an internal audit review in recent years.

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. Two Medium risk and seven Low risk.

5. MAIN FINDINGS

5.1 **Corporate Plan**

- 5.2 Internal Audit recognises that the Corporate Plan has been compiled following consultation with residents of the district and extensive consultation with the Council's management team and members. It was noted that whilst the corporate plan objectives and priorities have been assigned to Strategic Directors and Heads of Service, the information contained within the Corporate Plan is to be communicated to all staff through workshops undertaken before the end of the financial year. Internal Audit would like to ensure that an annual review process is established for the Corporate Plan and that the Council's strategic objectives and corporate priorities to be communicated and understood by all officers. Two recommendations have

been made as a result of the work undertaken in this area.

5.3 Performance Management Framework

5.4 Internal Audit acknowledges that the Corporate Plan has served to inform changes in the Performance Management arrangements with the introduction of a new Performance Management system to record Performance Management data, a performance management handbook to inform users of the process for which they are responsible, a review of designated staff to support the performance management arrangements and further training workshops to develop staff responsibilities with regards to performance management. Three recommendations have been made as a result of the work undertaken in this area, as Internal Audit acknowledges that significant changes to the Performance Management framework are already in progress.

5.5 Strategy Targets

5.6 Internal Audit has noted that a significant amount of work is in progress to ensure the service planning arrangements reflect the newly created management arrangements and common areas for reporting purposes across both Councils. Internal Audit was unable to conclude that targets are defined as service plans are in the process of being drafted. Responsibilities have been allocated at Strategic Director and Heads of Service level which will assist in allocating responsibilities for indicators and targets further below. Internal Audit would advocate that Heads of Service ensure consistency in the calculation of national indicators across both sites, and that visibility of performance information is increased to raise awareness amongst staff of issues relating to the Council's performance against its stated objectives. Three recommendations have been made as a result of the review undertaken in this area.

5.7 Monitoring Arrangements

5.8 Both Councils are in a current state of flux and new monitoring arrangements arising from the introduction of the new Performance Management system have yet to be fully embedded in the culture at VWHDC. The current corporate governance exception report and the corporate governance report will be modified in due course. Internal Audit did confirm that there is a management review process in place which will continue to operate with some minor adjustments. No recommendations have been made as a result of the work undertaken in this area in view of the impending changes to the performance management arrangements.

5.9 Reporting Arrangements

5.10 Both Councils are in discussions regarding changes to the reporting arrangements arising from the organisation of the new service areas. This was taken into consideration during the course of this audit review. Internal Audit is in agreement with the proposed changes to the reporting timetable and has made one recommendation as a result of the work undertaken in this area. At the time of the follow up it is anticipated that the process agreed at this stage will have been fully embedded into the organisation.

5.11 Escalation Process

5.12 Internal Audit noted an escalation process exists where shortfalls in performance are identified, and relevant officers are fully conversant with this arrangement. A number of areas of poor performance were noted by Internal Audit, namely Capita and the Waste Services Contract, but both areas have been reviewed by their immediate management team and reported appropriately though the senior management team to members. Performance continues to be monitored and reported accordingly. Internal Audit noted that significant performance issues are clearly reviewed by management and acted on when necessary. No recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

CORPORATE PLAN

1. Corporate Plan

(Low Risk)

Recommendation	Rationale	Responsibility
The Corporate Plan should be subject to an annual review process to	Best Practice Staff are continually kept informed of significant changes to the Council's	Principal Performance Management Officer

<p>ensure changes to national indicators, local performance targets and relevant projects are recorded as and when they arise in the corporate plan development programme.</p>	<p>corporate plan to ensure clarity in terms of their contribution to the Council objectives and priorities.</p> <p><u>Findings:</u> The Principal Performance Management Officer stated that there will be a need to review the corporate plan for 2009-2012 following endorsement by full Council in light of future changes which may arise as a result of developments in the shared management arrangements. Internal Audit would like to ensure that a review mechanism is established.</p> <p><u>Risk</u> Failing to ensure a review process occurs and amendments arising from that review are communicated to staff could result in staff not being aware of their respective performance targets and measurements against those targets.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The Corporate Plan 2009-12 agreed by Council in February 2009 contains a statement that an annual update will be produced.</p> <p>Management Response: Principal Performance Management Officer</p>		<p>31 March 2010</p>

2. Awareness of Corporate Priorities

(Low Risk)

Recommendation	Rationale	Responsibility
<p>A poster is produced which denotes the Council's strategic objectives and corporate priorities for distribution to staff and displayed on notice boards to build awareness of the Council priorities.</p>	<p><u>Best Practice</u> Staff should have easy access to the Council objectives and priorities and be well versed in the priorities and their contribution to those priorities.</p> <p><u>Findings</u> Whilst Internal Audit has noted that there is a programme for the information contained within the corporate plan to be communicated to staff in training sessions, this process has not taken place as yet.</p> <p>However Internal Audit has observed that SODC has a poster which denotes the key objectives of the Corporate Plan and these posters were found on notice boards and desk spaces throughout the building, thus ensuring that officers had a checklist to which they could refer to familiarise themselves with the Council's strategic objectives and corporate priorities.</p> <p><u>Risk</u> Failure to ensure the Council's strategic objectives and priorities are communicated to staff could result in officer's lack of understanding of their contribution to the plan and failing in their responsibilities.</p>	<p>Principal Performance Management Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This has already been produced. In addition, copies will be distributed at the staff briefings. This is one element of a wider communications plan</p>		<p>15 April 2009</p>

for the Corporate Plan 2009-12.	
Management Response: Principal Performance Management Officer	

PERFORMANCE MANAGEMENT FRAMEWORK

3. Performance Management Handbook

(Low Risk)

Recommendation	Rationale	Responsibility
The SODC Performance Management handbook should be adopted subject to review. Officers should undertake training to assist with adopting a harmonised approach to Performance Management and to ensure they are aware of their responsibilities with regards to the Performance Management system.	<p><u>Best Practice</u> That a performance management handbook is available to all staff to serve as a reference tool for performance management purposes.</p> <p><u>Findings</u> Internal Audit has concluded that a defined performance management framework is not currently evident from the review of the performance management arrangements due to impending changes. Internal Audit noted that SODC has a Performance Management handbook which it is anticipated will be adopted subject to review by this Council.</p> <p><u>Risk</u> If a clearly defined performance management framework is not documented and communicated to staff, staff could be delivering a service which is not in accordance with the Council's stated policies.</p>	Principal Performance Management Officer
Management Response		Implementation Date
Recommendation is Agreed		By the end of the first quarter 2009, 30 June 2009
Management Response: Principal Performance Management Officer		

4. Designated Officers

(Low Risk)

Recommendation	Rationale	Responsibility
That the designated officers for national indicators and local performance targets are reviewed in light of the changes to the Council's management structure. All officers with responsibility for the collection and input of performance data should be given training on the new Performance Management system.	<p><u>Best Practice</u> A robust performance management system is adopted and staff receive adequate training in its use to assist in providing an effective management tool for reporting performance management issues.</p> <p><u>Findings</u> In view of the changes to the management structure Internal Audit considers that all national indicators and local performance targets should be reviewed to confirm or otherwise a designated officer who will be charged with responsibility for the capture and calculation of the indicators. The designated officer should be given training in the use of the new Performance Management system</p> <p><u>Risk</u> Failure to ensure an effective performance management system is in place which is adhered to could result in management not being alerted to service areas that are not performing up to a required standard causing embarrassment and adverse</p>	Principal Performance Management Officer

	criticism to the Council.	
Management Response		Implementation Date
Recommendation is Agreed		By the end of the first quarter 2009, 30 June 2009
Management Response: Principal Performance Management Officer		

5. Performance Management System

(Low Risk)

Recommendation	Rationale	Responsibility
The Principal Performance Management Officer should adopt the standard reporting arrangements with regards to the Performance Management system in use at SODC across the two Councils, subject to the approval of the Council's members.	<p><u>Best Practice</u> A robust performance management system is adopted which serves as an effective management tool for reporting performance management issues.</p> <p><u>Findings</u> The current system for the recording of performance management information has been that of a word document, the measurement of performance is to be developed and elaborated and the current word document is not considered to be adequate to accommodate the Council's performance information in the future.</p> <p><u>Risk</u> Failure to ensure an effective performance management system is in place which is adhered to could result in management not being alerted to service areas that are not performing up to a required standard causing embarrassment and adverse criticism to the Council.</p>	Principal Performance Management Officer
Management Response		Implementation Date
Recommendation is Agreed		By the end of the first quarter 2009, 30 June 2009
Management Response: Principal Performance Management Officer		

STRATEGY TARGETS

6. Service Plans

(Medium Risk)

Recommendation	Rationale	Responsibility
That service planning is developed in line with that adopted at SODC to reflect a rationalised approach to the service planning arrangements. This should reflect the shared management arrangements, incorporate some common service measures, risk management and areas considered relevant by the management team for inclusion into the service planning template.	<p><u>Best Practice</u> Service plans reflect the shared management arrangements, incorporate common service measures, risk management and areas considered relevant by the management team to offer clarity to all staff with regards to achieving the Council priorities.</p> <p><u>Findings</u> Internal Audit noted that there is currently no harmonised approach to the service planning arrangements. A significant amount of work is being undertaken by the Business Improvement Manager (SODC) to agree some common measures and incorporate risk management into the process in consultation with the newly appointed Heads of Service in preparation of the 2009-10 service plans.</p> <p><u>Risk</u> If the service planning arrangements are inconsistent across both Councils, this</p>	Principal Performance Management Officer

	could lead to the inefficient management and delivery of services.	
Management Response		Implementation Date
Recommendation is Agreed		15 April 2009
Management Response: Principal Performance Management Officer		

7. Calculation of National Indicators

(Medium Risk)

Recommendation	Rationale	Responsibility
The Heads of Service should ensure consistency in the calculation for the Council's national indicators across both sites and periodic checks should be undertaken when significant changes arise to maintain the accuracy of the indicators.	<p><u>Best Practice</u> The calculation of national indicators are carried out in accordance with published guidance and this process is consistent across both Councils.</p> <p><u>Findings</u> Internal Audit has been informed that Councils can differ in their interpretation of the basis of calculation for national indicators and would advocate that Heads of Service ensure consistency in the calculation of the Council's national indicators across both sites.</p> <p><u>Risk</u> Failure to ensure the calculation of national indicators are calculated in accordance with the appropriate guidance could cause adverse criticism from the Audit Commission.</p>	Principal Performance Management Officer
Management Response		Implementation Date
Recommendation is Agreed		30 September 2009
Management Response: Principal Performance Management Officer		

8. Visibility of Performance Information

(Low Risk)

Recommendation	Rationale	Responsibility
Visibility of performance management information regarding the main aims of the Council is displayed on notice boards and made available to staff through all possible means to raise awareness of the Council's performance measures.	<p><u>Best Practice</u> The visibility of performance information builds awareness amongst officers of performance issues and their role and responsibility with regards to these issues.</p> <p><u>Findings</u> Performance information is not clearly visible to staff throughout the building however Internal Audit did note that Information regarding performance is also contained within the Council's corporate governance reports which can be found on the Council website.</p> <p><u>Risk</u> If staff are not kept informed of achievement against stated targets, their underachievement may remain undetected resulting in a sustained period of poor performance against the Council stated priorities.</p>	Principal Performance Management Officer
Management Response		Implementation Date
Recommendation is Agreed		30 September 2009
Management Response: Principal Performance Management Officer		

REPORTING ARRANGEMENTS

9. Reporting Timetable

(Low Risk)

Recommendation	Rationale	Responsibility
<p>That the revised timetable for Performance Management reporting purposes is communicated to all relevant staff to facilitate a quicker turnaround of performance data for management purposes. The Principal Performance Management Officer should ensure that officers are compliant with these arrangements.</p>	<p><u>Best Practice</u> Reporting of performance data is undertaken swiftly to facilitate the management reporting requirements.</p> <p><u>Findings</u> The Principal Performance Management Officer stated that he has experienced difficulties in getting performance data within the stated deadline in the past. To facilitate changes to the reporting arrangements staff will need to be well versed in the timetable for the production of reports and maintain strict adherence to such timetables.</p> <p><u>Risk</u> Without an adequate reporting mechanism/timetable which is undertaken in a timely manner, management are more likely to be unaware of issues affecting performance meaning that corrective action is not taken when necessary.</p>	<p>Principal Performance Management Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Where responses are not received within the required timescales, Section Heads / Management Team when appropriate to do so.</p> <p>Management Response: Principal Performance Management Officer</p>		<p>For the first quarter 2009, by 31 July 2009</p>

3. DISASTER RECOVERY 2008/2009

1. INTRODUCTION

- 1.1 Final issued 17th April 2009. The fieldwork for this audit was undertaken during January and April 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that an adequate Disaster Recovery Plan is in place, which is current and complete and accessible to relevant officers/parties;
 - To ensure that the Disaster Recovery Plan is periodically tested for its relevance and effectiveness, and training needs/recovery weaknesses are identified and dealt with appropriately;
 - To ensure that disaster recovery contract/agreement arrangements in place are adequate and appropriately tested and monitored;
 - To ensure that adequate financial resources have been assigned to disaster recovery and sufficient financial planning has been undertaken.

2. BACKGROUND

- 2.1 As IT systems and supporting infrastructure become more and more critical to its operations, it leads to the prospect that any disruption to these systems can cause serious operational difficulties. Organisations that are reliant upon their IT systems should consider the risk of business interruption resulting from the failure of these IT systems and prepare appropriate disaster recovery plans.
- 2.2 Responsibility for disaster recovery arrangements sits within ICT. At the time of this review, there were no departmental issues.

3. PREVIOUS AUDIT REPORTS

- 3.1 Disaster Recovery has not been subject to a specific review before. Relevant issues that have been raised in previous ICT internal audit reviews have been incorporated where appropriate.

4. 2008/2009 AUDIT ASSURANCE

- 4.1 **Full Assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.
- 4.2 Two Low risk recommendations have been raised in this review.

5. MAIN FINDINGS

5.1 **Disaster Recovery Plan**

- 5.2 A documented ICT disaster recovery plan is in place, which Internal Audit considers to be comprehensive. The Head of Organisational Change is responsible for the plan and it could be evidenced that it is up to date, reviewed on a regular basis and accessible to all of the relevant officers and from remote sites. However, no evidence could be obtained that the Plan had been approved at an appropriate level. One recommendation has been made as a result of our work in this area.

5.3 **Disaster Recovery Testing**

- 5.4 The Disaster Recovery Plan is tested on an annual basis with Adam Continuity, the Council's contractors for providing disaster recovery support. Adequate briefing meetings prior to the test exercise could be evidenced, key officers and their responsibilities are identified within the briefing documents and test rehearsal reports are produced by Adam Continuity and ICT following completion of the test exercises. These reports provide an overview of the test, the results of recovery and identify issues and resolutions. No recommendations have been made as a result of our work in this area.

5.5 **Disaster Recovery Contractor**

- 5.6 Adam Continuity has been appointed as the contractors to provide disaster recovery support.

Adequate contract documentation was seen to be in place, and clear specifications had been documented on systems which they had responsibility to recover. Adequate performance monitoring arrangements were in place, and good communication between the Council and Adam Continuity could be evidence prior, during and after each test exercise. However, it was noted that Adam Continuity had not been asked to provide assurance on their own disaster recovery arrangements. One recommendation has been made as a result of our work in this area.

5.7 **Financial Resources**

5.8 Adequate financial resources for disaster recovery arrangements were seen to be in place. Annual payments to Adam Continuity were reviewed on Agresso, and it could be confirmed that they were accurate and in accordance with the contract. Insurance arrangements for ICT equipment were reviewed, and no concerns were noted. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

DISASTER RECOVERY PLAN

1. Approval of Disaster Recovery Plan

(Low Risk)

Recommendation	Rationale	Responsibility
The Disaster Recovery Plan and arrangements should be formally reviewed and approved at an appropriate level.	<p><u>Best Practice</u> Disaster recovery arrangements should be subject to review and approval at an appropriate management level.</p> <p><u>Findings</u> Internal Audit could not find any evidence that the Disaster Recovery Plan had been subject to formal review and approval by the Management Team. However, Internal Audit acknowledges confirmation from the Head of Organisational Change that the Plan has been reviewed by management.</p> <p><u>Risk</u> Without an adequate plan, there is a risk that restoration of IT infrastructure following an incident may fail or be significantly delayed. The consequent impact of this on mission critical activities may be significant. In addition, inadequate senior management support could result in disaster recovery not being taken as a serious issue, and the required resources to implement the plan are not made available.</p>	Head of Organisational Change
Management Response		Implementation Date
Recommendation is Agreed Management Response: Head of Organisational Change		Submission by 1 June 2009. Approval by 1 September 2009.

DISASTER RECOVERY CONTRACTOR

2. Contractor Risk Assessment

(Low Risk)

Recommendation	Rationale	Responsibility
On an annual basis, the Council's contractors for disaster recovery (currently Adam Continuity), should be asked to provide a risk assessment on their own disaster recovery	<p><u>Best Practice</u> Risk assessments should be completed for disaster recovery arrangements, and where responsibility is transferred to a third party they should be asked to complete and submit their own risk assessments.</p>	Head of Organisational Change

arrangements.	<p><u>Findings</u> The Head of Organisational Change confirmed that Adam Continuity have not been asked to submit a risk assessment of their own disaster recovery arrangements.</p> <p><u>Risk</u> Inadequate or inappropriate resources could mean that recovery methods are not attainable in the required timescales.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>A DR recovery provider is to be sought for both VWHDC and SODC to commence services in April 2010. The need for a risk assessment will be incorporated into the contract.</p> <p>Management Response: Head of Organisational Change</p>		2010/2011

4. EMERGENCY PLANNING 2008/2009

1. INTRODUCTION

- 1.1 Final issued 20th April 2009. The fieldwork for this audit was undertaken during January and March 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that key strategies, policies and plans relating to emergency planning are in existence, and that the arrangements are sufficient.
 - To ensure that adequate consultation in putting together the emergency planning arrangements has taken place.
 - To ensure that testing arrangements are in place for the emergency plans.
 - To ensure that an adequate training programme is in place for all responsible officers within the emergency plans.
 - To ensure that a formal monitoring and review process is in place for emergency planning.

2. BACKGROUND

- 2.1 In a local or national emergency, the Council has a vital part to play in civil protection and responding to its community and the public. The Civil Contingencies Act 2004 is the primary legislation, which classifies the Council as a Category 1 Responder. The primary role as a Category 1 Responder is to deal with problems emanating from incidents within the District. The Council has a role to assist emergency services when the scale increases requiring additional resources such as manpower, equipment, temporary accommodation, feeding, specialist services and technical advice.
- 2.2 The overall aim of emergency planning is to achieve an effective response to an incident regardless of its cause. Plans should be realistic, robust and sufficiently flexible to deal with a range of situations that are likely to increase in significance, duration and complexity and which may affect more than one commissioning authority, provider or service.

3. PREVIOUS AUDIT REPORTS

- 3.1 This is the first time that this area has been specifically reviewed.

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. Four Medium risk and three Low risk.

5. MAIN FINDINGS

5.1 **Strategies, Policies and Plans**

- 5.2 A comprehensive Emergency Response and Recovery Plan is in place, which is supported by an Emergency Battlebox that includes an Information Pack and Guidance Notes. Minor areas were identified for strengthening within the plan, but it was noted that a capacity analysis has not been undertaken for the proposed rest centres and there is not clear ownership to ensure that the volunteers contact list remains up to date. An emergency database has been designed to record details of calls taken from the public and the Council's response to that call, and some areas have been identified by Internal Audit to increase the flexibility of the database. Six recommendations have been made as a result of our work in this area.

5.3 **Consultation**

- 5.4 Adequate consultation was held with officers and the senior management team in drafting the Emergency Response and Recovery Plan, and copies of the plan were distributed to external agencies and neighbouring local authorities for information/comment. No recommendations have been made as a result of our work in this area.

5.5 **Test Exercises**

5.6 The Emergency Response and Recovery Plan was approved by Executive in June 2008, and has not yet been subject to a test exercise. An exercise was planned for December 2008, but this was postponed due to the management restructuring. One recommendation has been made as a result of our work in this area.

5.7 **Training**

5.8 Internal Audit could evidence that key officers had received training from Oxfordshire County Council. However, it is Internal Audit's opinion that training needs should be identified on an ongoing basis, but formally from the test exercises. A related recommendation has been made within objective for Test Exercises.

5.9 **Monitoring and Review Process**

5.10 The Emergency Response and Recovery Plan is updated on an ongoing basis as and when updates are received from Oxfordshire County Council and the Oxfordshire Resilience Group. However, Internal Audit confirmed that an annual formal review process is also in place. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

STRATEGIES, POLICIES AND PLANS

1. Emergency Response & Recovery Plan

(Low Risk)

Recommendation	Rationale	Responsibility
The Council's Emergency Response & Recovery Plan should document an assessment of local hazards and the level of risk exposure that those hazards pose.	<p><u>Best Practice</u> In addition to defining a major incident or emergency situation, Emergency Plans should identify local hazards for which the plan is most likely to be invoked for, and the level of risk exposure.</p> <p><u>Findings</u> Internal Audit could not find any evidence within the Council's Emergency Response and Recovery Plan that an assessment had been completed of local hazards.</p> <p><u>Risk</u> Failure to identify local hazards and the level of risk exposure, could result in an inappropriate or ineffective Emergency Plan being drafted which would not meet expectations/requirements in dealing with an emergency situation.</p>	Head of Commercial Services
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The timetable for implementing agreed changes throughout this report is influenced by changes of staffing, service review of emergency planning which may result in the implementation of joint arrangements with SODC and the OCC review which may impact on the Councils roles and responsibilities.</p> <p>Management Response: Head of Commercial Services</p>		30 September 2009

2. Rest Centre Capacity Analysis

(Medium Risk)

Recommendation	Rationale	Responsibility
A capacity analysis should be undertaken at the four rest centre premises identified within	<p><u>Best Practice</u> Capacity limits of rest centres should be known, to ensure that limitations are incorporated within the Emergency Plan.</p>	Head of Commercial Services

the Emergency Response and Recovery Plan, to ensure that rest centres can respond effectively in an emergency situation within their limitations.	<p><u>Findings</u> The Leisure Facilities Manager confirmed that whilst the rest centres were aware that they were a designated building for temporary shelter and care and/or a possible alternative emergency centre, a capacity analysis had not been undertaken at each centre.</p> <p><u>Risk</u> If capacity limits are not identified and documented and contingency arrangements built into the emergency plan, there is a risk that the Council will not be able to respond effectively to demand in an emergency situation.</p>	
Management Response		Implementation Date
Recommendation is Agreed		30 June 2009
Management Response: Head of Commercial Services		

3. Emergency Stock

(Medium Risk)

Recommendation	Rationale	Responsibility
An emergency response stock inventory should be implemented listing all stock and where it is held. This should be subject to regular review to ensure it remains up to date.	<p><u>Best Practice</u> A stock list should be held of all stock which is available for use during an emergency situation.</p> <p><u>Findings</u> Internal Audit confirmed that a stock inventory is currently not maintained. i.e) blankets, mobile phones.</p> <p><u>Risk</u> If stock information, levels and whereabouts are not maintained, there is a risk the Council will not be able to respond effectively to demand in an emergency situation.</p>	Head of Commercial Services
Management Response		Implementation Date
Recommendation is Agreed		30 June 2009
Management Response: Head of Commercial Services		

4. Team Sheet Template

(Low Risk)

Recommendation	Rationale	Responsibility
A team sheet template should be developed for use in each emergency situation. This should identify and allocate which officers have been appointed to which role.	<p><u>Best Practice</u> Officers assigned to specific roles in an emergency response should be clearly identified.</p> <p><u>Findings</u> The Emergency Response and Recovery Plan has been designed on a role basis, rather than an officer basis. This makes the Plan more flexible and allows any officers available in an emergency situation to be assigned to the roles. However, a team sheet template was not in place to be used for each emergency situation, which would clarify who had been assigned to which roles.</p> <p><u>Risk</u></p>	Head of Commercial Services

	If roles and responsibilities in an emergency are not clearly identified, there is a risk that the response will not be executed effectively.	
Management Response		Implementation Date
Recommendation is Agreed		30 September 2009
Management Response: Head of Commercial Services		

5. Emergency Volunteers Contact List

(Medium Risk)

Recommendation	Rationale	Responsibility
Responsibility for the Emergency Volunteers Contact List should be clearly assigned, and it should be reviewed, updated and circulated to all of the relevant officers.	<p><u>Best Practice</u> An up to date contact list of all officers who may be called upon to respond to an emergency situation should be in place.</p> <p><u>Findings</u> Internal Audit ascertained that responsibility for the Emergency Volunteers Contact List had not been clearly assigned, and the current contact list was not up to date.</p> <p><u>Risk</u> If effective alerting arrangements are not in place, an inadequate or unnecessary response may be implemented.</p>	Head of Commercial Services
Management Response		Implementation Date
Recommendation is Agreed		30 September 2009
Management Response: Head of Commercial Services		

6. Emergency Database

(Low Risk)

Recommendation	Rationale	Responsibility
The emergency database should be reviewed for flexibility of use during an emergency situation (with reference to Internal Audit's findings), and responsibility for updating the call once action has been taken should be clearly assigned.	<p><u>Best Practice</u> An efficient and effective method of recording and disseminating information in an emergency situation should be in place.</p> <p><u>Findings</u> Internal Audit reviewed the emergency database and it was noted that:</p> <ul style="list-style-type: none"> • It was not possible to type over the drop down fields, and it may be necessary for operators to record a different detail. • It was not possible to record more than one action, and it may be that an operator refers the call to another agency but also sends sandbags. • Responsibility for updating the call once any action had been taken had not been clearly clarified. • Ability to enter a new contact telephone number was restricted, and it may be that an operator obtains a contact which would be useful for all operators. • Reports were not available listing all calls by 'request' or by 'action', which could be used to allocate resources and monitor performance. <p><u>Risk</u> If effective alerting arrangements are not in</p>	Head of Organisational Change

	place, an inadequate or unnecessary response may be implemented.	
Management Response		Implementation Date
Recommendation is Agreed		Implemented
Management Response: Head of Organisational Change		

TEST EXERCISE

7. Test Exercise

(Medium Risk)

Recommendation	Rationale	Responsibility
The emergency planning arrangements should be tested on an annual basis. Training needs should be identified, and lessons learnt should be incorporated into a revised plan.	<p><u>Best Practice</u> Regular testing of emergency planning arrangements should be undertaken to ensure that they are fit for purpose.</p> <p><u>Findings</u> No testing has been undertaken of the Emergency Response and Recovery Plan.</p> <p><u>Risk</u> If adequate testing of the emergency planning arrangements are not in place there is a risk that:</p> <ul style="list-style-type: none"> • an inappropriate plan will be relied upon and the Council will not fulfil its duties. • under-resourced elements are not identified and the plan may fail. • training needs are not identified and officers do not perform effectively in a live response. • duplicated efforts with external agencies are not identified and removed, gaps in provision are not identified and corrected and communication weaknesses are not resolved. 	Head of Commercial Services
Management Response		Implementation Date
Recommendation is Agreed		30 November 2009
Exercise supported by OCC timetabled.		
Management Response: Head of Commercial Services		

5. INTERNAL RECHARGES 2008/2009

1. INTRODUCTION

- 1.1 Final issued 29th April 2009. The fieldwork for this audit was undertaken during March 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that internal recharges are accurately calculated.
 - To ensure that there is adequate supporting documentation for all internal recharges.
 - To ensure that internal recharges are apportioned correctly.
 - To ensure that internal recharges are appropriately processed and recorded on Agresso.
 - To ensure that where appropriate, sundry debtor invoices have been promptly raised for internal recharges in relation to Contractors and the invoices have been actively pursued and paid.

2. BACKGROUND

- 2.1 This audit review has focussed on internal recharges that are required to be recharged on a monthly basis, such as printing, postage and telephones charges etc. as opposed to the annual recharges of services which takes place at the end of the year as part of the closure of the Council's accounts. The audit discussions have included a range of officers from the Strategic Director responsible for finance to officers within Reprographics, Communications, Administration, Organisational Change, Property Services, ICT and Accountancy.
- 2.2 At the time of the audit, the Administration Department were undergoing a staffing review which has resulted in proposed changes to the administrative function. It is anticipated that this review will provide assistance to develop the service and workflow processes.

3. PREVIOUS AUDIT REPORTS

- 3.1 Internal Recharges has not been subject to an internal audit review in recent years.

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 Eight recommendations have been raised in this review. Two Medium risk and Six Low risk.

5. MAIN FINDINGS

5.1 Accuracy of Internal Recharges

- 5.2 Internal Audit noted that service areas are fully conversant with the duties attached to the processing of internal recharges. Reprographics and Administration encounter delays in the processing of the monthly recharges, which can be dependant on the generation of supplier invoices. The records in place throughout the Council to support that internal recharges are accurately calculated are evident. Internal Audit found a robust system in place to capture and collate this information, whilst noting that the range of tasks attached to this function for Administration and Reprographics are highly labour intensive. No recommendations have been made as a result of the work undertaken in this area.

5.3 Supporting Documentation

- 5.4 Internal Audit confirmed that a range of spreadsheets and manual records exist to support all internal recharges. Supporting documentation remains within the service areas, and the information is collated monthly for Accountancy to undertake the upload to the Agresso system. Internal Audit noted a need to review the printing procedures with regards to the centralised print budget, in that service areas need to be reminded that printing expenditure should be allocated to the centralised printing budget for all printing requirements. Internal Audit also noted that some service areas have expressed concerns regarding their service area expenditure in relation to printing costs. They have not been supplied with any information regarding expenditure relevant to printing arrangements to facilitate a review process to establish if costs can be reduced further. Three recommendations have been

made as a result of the work undertaken in this area.

5.5 **Apportionment of Internal Recharges**

5.6 The arrangement to ensure that internal recharges are apportioned correctly is currently considered adequate for the purpose. Minor discrepancies were highlighted from the compliance testing, but these incidences did not identify any significant control weaknesses. The apportionment of internal recharges primarily for Administration is highly labour intensive for the value and sums involved, and Internal Audit would advocate that consideration is given to undertaking a business process review to reduce the administrative burden of internal recharges on both the Admin and Reprographics service areas. One recommendation has been made as a result of the work undertaken in this area.

5.7 **Agresso Uploads**

5.8 Some service areas are not submitting fully completed internal recharge returns on a monthly basis as required. Internal Audit recognises that this has implications for the budget monitoring process. A review of internal recharge submissions indicated that cost codes are not always stated, internal recharge submissions can relate to periods of up to four months and managers are not alerted to incidences of late submissions. Two recommendations have been made as a result of the work undertaken in this area.

5.9 **Contractor's Invoices for Internal Recharges**

5.10 Internal Audit noted the discussions between the Strategic Director and Capita regarding a range of disputed invoices, which it is anticipated will be resolved imminently. Internal Audit noted that other invoices when produced were generally being paid in a timely manner. The frequency with which invoices are raised to Capita for services provided varies considerably across service areas. Internal Audit would advocate that all services areas should combine to produce one monthly invoice to Capita for internal recharges, to enable reimbursement for expenditure incurred to occur on a timely basis. The rent for the accommodation cost should be increased by the annual retail price index and backdated to 1st April 2007. Two recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

SUPPORTING DOCUMENTATION

1. Printing Procedure

(Low Risk)

Recommendation	Rationale	Responsibility
The procedures for printing are reviewed with consideration being given to whether jobs over a certain value should be authorised by the Head of Communications who has responsibility for the centralised printing budget. Once the procedures are agreed, they should be communicated to all officers and the information published on the Council intranet for reference purposes.	<p>Best Practice All print jobs should be authorised in accordance with stated procedures.</p> <p>Findings The budget was centralised in 2007/2008 and the procedures found on the Council's intranet stated that all printing requires approval from the Head of Communications and/or Head of Service. The Head of Communications confirmed that this practice has never been adopted. No system exists for the approval of print jobs.</p> <p>Risk Failure to adhere to an approval process could result in the Council not being able to justify why actions were taken, and not being able to provide an accurate and complete audit trail in support of expenditure undertaken on behalf of the Council.</p>	Organisational Change Manager / Head of Communications
Management Response		Implementation Date
Recommendation is Agreed		30 September 2009
The Organisational Change Manager will liaise with Head of		

<p>Communications to review the way in which print jobs are requested and authorised against budget codes. By end Q2 2009-10.</p> <p>Management Response: Organisational Change Manager / Head of Communications</p>	
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2. Centralised Printing Budget

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Budget holders should be reminded that all printing expenditure should be attributed to the centralised printing budget. Those service areas identified as part of this audit review who have incurred printing cost where no budget is stated, should be requested to review the cost and allocate the expenditure to the centralised printing budget.</p>	<p><u>Best Practice</u> All print expenditure should be allocated to the centralised printing budget.</p> <p><u>Findings</u> Internal Audit noted a number of print jobs, albeit small, were registered against printing costs but had not been attributed to the centralised printing budget. For example: Building Control had expenditure of £610.15 recorded against a print code for which there was no budget. Other service areas had somewhat lesser amounts, in total £1051.30 was attributed to printing expenditure but had not been allocated to the centralised printing code.</p> <p><u>Risk</u> Failure to ensure that all print expenditure is attributed to the centralised budget could result in an overspend of the printing budget.</p>	<p>Chief Accountant</p>
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>Agreed fully that all service managers should take advantage of the advantageous rates obtained through a centralised print purchasing role. However, in the case of Building Control – they operate under a trading account and their printing costs should appear in their cost centre. It should not be necessary to allocate council budget to Building Control trading account expenditure.</p> <p>Management Response: Chief Accountant</p>	<p>31 May 2009</p>	

3. Printing Reports

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Reprographics should prepare quarterly statements for service areas, which detail the volume and expenditure relating to printing which has been attributed to the centralised printing budget. This would enable service areas to undertake a review process to facilitate reduction in printing expenditure.</p>	<p><u>Best Practice</u> Service areas should be informed of the expenditure relating to printing for their service area, to enable them to consider what reduction can be instigated to facilitate a reduction in printing costs.</p> <p><u>Findings</u> The Head of Communications has not communicated any information regarding printing expenditure to any of the service areas for information purposes, albeit she has control of the budget. The Head of Democratic Services has made significant efforts to reduce print costs attributable to her service area, in that the volume of paper has reduced over the last few years with the budget being reduced from £51K in 2002 to £35k in 2006. She considers that the expenditure attached to her services is again significantly less in 2008/2009.</p>	<p>Business Support Unit Team Leader</p>

	<p><u>Risk</u> Failure to supply services with supporting information for internal print recharges could mean that the Council cannot justify why decisions are made and/or analyse where reductions can be made to facilitate a reduction in costs.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Business Support Unit Team Leader will review the way in which recharge reports are generated and circulated, by end Q2 2009-10.</p> <p>Management Response: Organisational Change Manager</p>		30 September 2009

APPORTIONMENTS OF INTERNAL RECHARGES

4. Annual Apportionment

(Low Risk)

Recommendation	Rationale	Responsibility
<p>It is recommended that a business process review is undertaken to reduce the administrative burden of processing internal recharges.</p>	<p><u>Best Practice</u> An annual review is undertaken to facilitate a reduction in work.</p> <p><u>Findings</u> Internal Audit noted that the process of recharging for postage, photocopier paper and the franking machines is hugely labour intensive. Information is being recorded in the post room, recorded on spreadsheets, transferred to another spreadsheet once the invoice is produced which will generate the appropriate charge and finally a word document produced by the admin staff which states the breakdown of the internal recharges.</p> <p><u>Risk</u> Failure to ensure internal recharges are apportioned correctly could result in budget deficits and/or over expenditure.</p>	<p>Business Support Unit Team Leader</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Organisational Change Manager will make a recommendation for changing the recharge methodology to the Section 151 Officer, by end June 2009/2010.</p> <p>Management Response: Organisational Change Manager</p>		30 June 2009

AGRESSO UPLOADS

5. Internal Recharge Return

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Service areas that generate internal recharges should be reminded that monthly returns should be completed fully with the relevant account code, cost code and name of originator. This information should be reviewed annually to</p>	<p><u>Best Practice</u> Internal recharge returns are fully completed prior to being sent to Accountancy, to facilitate a prompt upload to the Agresso system.</p> <p><u>Findings</u> The Reconciliation Assistant stated that some service areas are not supplying the relevant cost centre codes for internal recharges on their monthly returns, and this</p>	<p>Chief Accountant</p>

ensure accuracy of the return.	causes a delay in the processing of internal charges. <u>Risk</u> Failure to ensure that internal recharges are appropriately processed could result in errors in the Council's accounts.	
Management Response		Implementation Date
Recommendation is Agreed This could be easily prevented by the officers involved being clear that they should not accept any jobs without a valid cost centre against which to charge the cost. Management Response: Chief Accountant		31 May 2009

6. Monthly Internal Recharge Submissions

(Low Risk)

Recommendation	Rationale	Responsibility
Service areas are reminded to submit internal recharges on a monthly basis within 5 working days of the end of the month, to facilitate an accurate budget monitoring function for senior managers. Accountancy should alert senior managers if service areas are consistently failing to submit monthly returns.	<u>Best Practice</u> Internal Recharges are submitted on a monthly basis to assist the budget monitoring process. <u>Findings</u> Internal Audit having reviewed the internal recharges submissions, has concluded that internal recharges are not always being submitted on a regular basis. Whilst there may be circumstances where internal recharges are awaiting an invoice to be submitted, this scenario can affect and delay the submission of other internal recharges and distort the monthly budget monitoring process. Late additions to internal recharges can be processed the following month and therefore should not affect a regular internal recharge submission. <u>Risk</u> If a process doesn't exist to ensure internal recharges are processed monthly, this could result in the Agresso financial management system not supporting an adequate and accurate budget monitoring function.	Chief Accountant
Management Response		Implementation Date
Recommendation is Agreed Agreed that Accountancy will alert senior managers if monthly returns are not being provided promptly, since this has an impact on the date at which budget monitoring for the month can begin. Management Response: Chief Accountant		May 2009 and ongoing

CONTRACTOR'S INVOICES

7. Accommodation Rent

(Medium Risk)

Recommendation	Rationale	Responsibility
The accommodation rent is inflated on 1 st April each year by the retail price index rate, this increase should be applied from 1 st April 2007	<u>Best Practice</u> That the rent is increased annually in line with the retail price index in accordance with the terms of the Council's licence with Capita.	Estates Management Officer

in accordance with the terms of their licence.	<p><u>Findings</u> The rent has recently been reviewed and amended which is reflected in the recent invoice issued. Internal Audit obtained copies of documentation which supports the rent review process and the copy of the licence which has reference to an annual increase in rent in accordance with RPI. Internal Audit has been informed by Property Services that the rent has not been increased in accordance with the RPI.</p> <p><u>Risk</u> Failure to ensure invoices are raised in relation to Contractors could result in loss of income to the Council.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Strategic Director (Section 151 Officer) has agreed this will be reflected in the invoices for 2009/2010.</p> <p>Management Response: Estates Management Officer</p>		31 May 2009

8. Internal Recharges for Capita

(Medium Risk)

Recommendation	Rationale	Responsibility
All service areas should combine to produce a monthly invoice to Capita to recover all recharges for the previous month/quarter.	<p><u>Best Practice</u> That invoices are raised on a regular basis to reimburse the Council for expenditure incurred on behalf of external contractors.</p> <p><u>Findings</u> Internal Audit has concluded that invoices are not being produced promptly and certainly not within the financial year to which the expenditure relates. Whilst Internal Audit appreciates that overall the amount for the internal recharges is relatively small, Internal Audit is of the opinion that internal recharges should be invoiced within the financial year to which they refer.</p> <p><u>Risk</u> Failure to ensure invoices are raised in relation to Contractors could result in loss of income to the Council.</p>	Organisational Change Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The Business Support Unit will work with other relevant service areas to produce a single invoice to Capita that covers charges relating to administration, telephones etc. and for that invoice to be promptly produced on a monthly basis.</p> <p>Management Response: Organisational Change Manager</p>		30 September 2009

6. FREEDOM OF INFORMATION 2008/2009

1. INTRODUCTION

- 1.1 Final issued 29th April 2009. The fieldwork for this audit was undertaken during January 2009.
- 1.2 The following areas have been covered during the course of this review:
- Establish the process/procedure for Freedom of Information requests and assess whether it is efficient and being adhered to.
 - Through testing ensure that all Freedom of Information requests are being processed in a timely manner and within a system that allows an effective management of requests.
 - Through testing, establish the reasonability behind refusals, treatments of complaints received and appeal outcomes.
 - Ensure there is sufficient co-operation between departments when dealing with requests.
 - Ensure that any time spent dealing with Freedom of Information requests is being properly allocated and treated correctly.
 - Establish the extent of monitoring of Freedom of Information requests and whether it properly reflects the nature and volume of requests.

2. BACKGROUND

- 2.1 The original Freedom of Information Act was brought in during 2000. Since then there have been several alterations to the Act, however the core obligations upon local authorities still exist. Primarily, these relate to the time taken for the public organisation to obtain the information requested (20 working days) and the ability of the Council to charge for the request, should it be estimated to cost the local authority more than £450 to process. Under the Act it is also stipulated that an individual does not need to explicitly state the request for information.
- 2.2 Internal Audit was notified that there was no FOI Officer at the time of audit. No other departmental issues were noted.

3. PREVIOUS AUDIT REPORTS

- 3.1 There has never been a specific audit in this area before.

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 12 recommendations have been raised in this review. Two High risk, eight Medium risk and two Low risk.

5. MAIN FINDINGS

5.1 POLICIES AND PROCEDURES

- 5.2 Internal Audit reviewed the current FOI work instructions, and has made recommendations to assist the Administration Assistant and increase the clarity of instructions to subsequent officers. It was noted the Publication Scheme of the Council was easily accessible and comprehensive. However, Internal Audit felt that responsibility for the maintenance and review of the publication scheme should be clearly allocated.
- 5.3 It was established that the Head of Legal Services has been planning FOI training for staff, and this had been detailed as action required in the minutes of the last Information Governance Group. Internal Audit feel this training is vital for staff to understand the Council's obligation under the Freedom of Information Act, and that it should be organised as soon as possible. Internal Audit acknowledge the Head of Legal Services was aware of the importance of this, and to facilitate the understanding and to provide a point of reference to staff in the meantime guidance should be placed on the intranet. Four recommendations have been made as a result of our work in this area.

5.4 TESTING OF REQUESTS

5.5 From sample testing of 10 requests, 70% of requests had been documented as responded to within the 20 day timescale outlined by the Act. Reasons for other requests being outside the required timescale were mainly workload and staff illness. During analysis of the reasons for these late replies, the need for a dedicated FOI officer was identified.

5.6 Instances were also identified for late replies, when the customer had not been kept informed of the progress and delay of their request until the deadline had expired. It was also identified that officers could have been more informed of which officers were key in the process, what exactly constituted a request and the procedure involved. Internal Audit is of the opinion this should be covered in the training planned by the Head of Legal Services. Four recommendations have been made as a result of our work in this area.

5.7 REQUEST REFUSALS

5.8 From the sample of 10 requests, two were requests with responses involving necessary refusals. Internal Audit were satisfied that the information being withheld was in line with the exemption justifications of the Freedom of Information Act, and that no confidential or commercially sensitive information had been disclosed. There had been minimal appeals made.

5.9 However, during testing it was noted that some potential FOI requests received in certain departments could not be processed due to insufficient resources. Internal Audit feel this should be reviewed in order to ensure the Council is fulfilling its legal obligations to the best of its ability, and that staff understand their obligations. Internal Audit has made one recommendation as a result of our work in this area.

5.10 INTER-DEPARTMENTAL CO-OPERATION

5.11 It was established that through the Information Governance Group, there were good channels of communication for FOI issues to departments. However, this had not convened for 7 months at the time of the review and Internal Audit felt another meeting was necessary to follow up on the actions of the previous meeting.

5.12 For the selection of requests sampled, there was limited need for communication between departments, although it was noted that sufficient and timely communication did take place when required. Internal Audit has made one recommendation as a result of our work in this area.

5.13 CORRECT RECORDING OF TIME

5.14 It was determined there is no policy for the recording of time spent on FOI requests. Internal Audit has made one recommendation as a result of our work in this area.

5.15 ANALYSIS OF REQUESTS

5.16 It was determined there is currently no analysis performed on FOI requests or the responses given. Internal Audit has made one recommendation as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Administration Assistant Response Copying

(Low Risk)

Recommendation	Rationale	Responsibility
The covering instructions sent out by the Administration Assistant should advise officers to copy the Administration Assistant into any replies only. Furthermore, the sheet should explicitly state the need to keep the Administration Assistant	<u>Best Practice</u> Any replies to FOI requests should pass through a central location or person so they can be logged as soon as the reply is made and the nature of the reply recorded. The relevant officer charged with dealing with the requests should also be kept informed of the progress, should it move between departments or be delegated.	Head of Legal Services

informed.	<p><u>Findings</u> It was noted that the covering memo sent by the Administration Assistant detailing the deadlines and actions required by the officers, did not state the Administration Assistant had to be notified of a reply. Additionally, there was no explicit mention of the need to keep the Administration Assistant informed, should the request move between departments or officers.</p> <p><u>Risk</u> If replies are not all logged through a central location, there will be duplicated effort in chasing up responses and obtaining information. This could lead to requests taking longer to process than normal and ultimately delays in replies. If the central officer overlooking the process and the customer is not informed of who the request currently lies with, delays may be incurred.</p>	
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>The words 'replies only' were suggested because there is a misconception that the Administration Assistant is responsible for more than logging requests and responses and progress chasing. This recommendation is accepted provided it is made clear to officers dealing with requests that the Administration Assistant is responsible only for logging requests and responses and progress chasing, and it would be unfair to expect him advise on substantive Fol issues. In due course it may be possible to give the post holder training and support to improve his knowledge of Fol and allow him to take responsibility.</p> <p>Management Response: Head of Legal Services</p>	30 June 2009	

2. Training

(High Risk)

Recommendation	Rationale	Responsibility
<p>The Head of Legal Services should continue with the plan to provide compulsory FOI training to relevant officers. Also, any explanation of procedures should be posted onto the intranet for future reference.</p>	<p><u>Best Practice</u> All officers expected to deal with FOI queries should have the same level of basic knowledge of what is expected. Given FOI requests impose a legal obligation on the Council and require action, training should minimise the risk of the Council not fulfilling its legal obligation and to make officers potentially dealing with requests, aware of parameters and deadlines with which they are expected to comply.</p> <p><u>Findings</u> Upon induction staff are required to go through compulsory Data Protection training (consisting of a short presentation by the Head of Legal Services), but there is no such training or presentation for FOI. Internal Audit found the Head of Legal Services was planning training, but no specific dates had been set at the time of the audit.</p> <p><u>Risk</u> If no training is given then staff will have no knowledge of what is expected from them</p>	Head of Legal Services

	in terms of both legal obligation and work capacity. Also, staff would not be aware of available assistance and lines of enquiry that may be available to them. This could lead to FOI requests not being replied to in the time required and ultimately embarrassment to the Council.	
Management Response		Implementation Date
Recommendation is Agreed		31 October 2009
Management Response: Head of Legal Services		

3. Publication Scheme Responsibility

(Low Risk)

Recommendation	Rationale	Responsibility
An appropriate officer should be allocated responsibility of maintaining the Publication Scheme on a regular basis.	<p><u>Best Practice</u> The publication scheme is updated regularly and staff are aware of the person responsible for the scheme and for the need to keep that officer informed.</p> <p><u>Findings</u> The publication scheme on the internet had been recently updated and was easy to use and informative. However, Internal Audit had been informed by the Head of Legal Services that there was no allocated person responsible for updating it, despite the web links on the Scheme going through to annual documents.</p> <p><u>Risk</u> If there is a document available to the public and there is no officer allocated to maintain it, customers could be requesting incorrect information or could be directed to information that is old or out of date. This could lead to an increase in complaints and the Council receiving more FOI or Environmental Information Regulation (EIR) requests and ultimately not fulfilling their statutory obligations as a public body.</p>	Head of Communications
Management Response		Implementation Date
Recommendation is Agreed		Immediate
Management Response: Head of Legal Services and Head of Communications		

4. Freedom of Information Guidance on Intranet

(Medium Risk)

Recommendation	Rationale	Responsibility
Guidance beneficial to the understanding of FOI is published on the intranet.	<p><u>Best Practice</u> Officers should be able to easily locate and use guidance on the intranet when required. This should be up to date and to a sufficient level of generality to assist officers in all departments.</p> <p><u>Findings</u> When 'Freedom of Information' was typed into the search engine of the Council's intranet, there was no guidance, process notes or related documents. Additionally, the Head of Legal Services had guidance he believed would be helpful in officers understanding of FOI, however this was not on the intranet.</p>	Head of Legal Services

	<p><u>Risk</u> With no guidance or process notes available, someone required to process a FOI request may disclose incorrect information or not be fully aware of the deadlines involved, potentially leading to embarrassment for the Council.</p>	
Management Response		Implementation Date
Recommendation is Agreed		31 May 2009
Management Response: Head of Legal Services		

TESTING OF REQUESTS

5. Freedom of Information Officer

(Medium Risk)

Recommendation	Rationale	Responsibility
Management consider the possibilities for having a dedicated FOI Officer.	<p><u>Best Practice</u> The appointed FOI Officer should have sufficient understanding to carry out the necessary tasks associated with FOI requests.</p> <p><u>Findings</u> As there is no FOI Officer, the Head of Legal Services is currently acting as the main contact for any FOI queries. However, Legal Services have stated they do not have the time to be a fully dedicated FOI Officer and some requests dealt with by them have had to be replied to outside the 20 deadline as a result of this.</p> <p><u>Risk</u> If the FOI Officer is unable to turn around requests being referred, this may cause embarrassment to the Council if they are not dealt with within the applicable deadline.</p>	Head of Legal and Democratic Services
Management Response		Implementation Date
Recommendation is Agreed In Principle		31 December 2009
Future responsibilities for Freedom of Information and the level of resources to be applied to it will be considered and agreed as part of the review of service structures to be carried out by all heads of service during 2009.		
Management Response : Head of Legal and Democratic Services		

6. Training: Freedom of Information Request Definition

(Medium Risk)

Recommendation	Rationale	Responsibility
Through training currently being considered by the Head of Legal Services, the definition of what should be treated as either a FOI or an EIR request should be clearly stated.	<p><u>Best Practice</u> Staff should have sufficient guidance to determine what needs to be treated as a request under the Freedom of Information or Environmental Information Regulation Acts, as well as what form they are likely have to be received.</p> <p><u>Findings</u> Currently there is no policy or guidance available to staff that states what should and should not be treated as a FOI or EIR request.</p>	Head of Legal Services

	<p><u>Risk</u> If officers have an insufficient understanding about which requests received from the public should be logged in order to have the FOI criteria applied to them, they may be seen as casual requests resulting in them being treated incorrectly and the Council not fulfilling its legal obligations. This potentially leads to embarrassment to the Council and unnecessary legal costs.</p>	
Management Response		Implementation Date
Recommendation is Agreed		31 October 2009
Management Response : Head of Legal Services		

7. Training: Freedom of Information Procedure

(Medium Risk)

Recommendation	Rationale	Responsibility
Through training currently being considered by the Head of Legal Services, the ideal procedure for FOI requests should be explained to officers including the role of people involved and under what circumstances they should be contacted.	<p><u>Best Practice</u> Once an FOI request has been dealt with by an officer, they should know who to pass it to and under which circumstances they should need to contact the FOI Officer. Furthermore, they should know the correct lines of issuance and who to contact if they want the request sent on their behalf.</p> <p><u>Findings</u> During sampling, it was identified that officers were not sure of when to include the Head of Legal Services and when to just pass the information onto the Administration Assistant for logging and issuance.</p> <p><u>Risk</u> If officers do not know the correct procedure for incoming or outgoing FOI requests, it may cause delays in responding. This would potentially cause the Council embarrassment if the eventual reply is outside the 20 day limit.</p>	Head of Legal Services
Management Response		Implementation Date
Recommendation is Agreed		31 October 2009
This will be covered both at the training and in the Information Governance Group.		
Management Response : Head of Legal Services		

8. Training: Notification to Customer

(High Risk)

Recommendation	Rationale	Responsibility
In training currently being planned by the Head of Legal Services, there should be guidance to staff that in the extreme event of them being unable to comply with a request timescale, they should communicate this appropriately to the customer. However, this should be used sparingly	<p><u>Best Practice</u> The person requesting the information should be kept informed of its progress whenever the information is not going to arrive in line with the expected timescale. This shows that the Council has at least considered their request and is putting together a reply.</p> <p><u>Findings</u> During sampling, instances were identified of replies outside the deadline due to</p>	Head of Legal Services

<p>with any course of action applied on a case by case basis.</p>	<p>efforts being made to ensure the information being sent was accurate. However, the person waiting on the information was not informed of this until the deadline had expired, in one case; this was a Member of European Parliament.</p> <p><u>Risk</u> If the request of information is made by a sufficiently high profile individual or organisation, the Council may be open to national embarrassment should it not reply within the time frame of legal obligation and had not sought a legal obligation. Additionally, if a high profile organisation is requesting the information, the request would probably go to other Districts, meaning the performance of the Council could be easily compared by the speed of the response.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This is sensible but advice will be that it should be done sparingly and not be used as a reason for flouting the statutory deadline.</p> <p>Management Response : Head of Legal Services</p>		<p>31 October 2009</p>

REQUEST REFUSALS

9. Freedom of Information Requests From Planning

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Head of Planning should review the treatment of requests for information from residents, to ensure they are being treated in line with FOI criteria when appropriate.</p>	<p><u>Best Practice</u> Due to FOI requests not needing to be labelled explicitly, requests for information should always be treated as an FOI request if not on the Council's publication scheme.</p> <p><u>Findings</u> At the time of the audit, residents who did not request information explicitly under the Act, would not have their request dealt with under FOI criteria. Internal Audit had discussions with the Deputy Director for Planning (subsequently retired) who explained that complying with all requests for information was not viable.</p> <p><u>Risk</u> If there are requests for information that are consistently not being treated correctly in line with legislation, then the Council may be open to legal action if they fail to reply. This would lead to serious embarrassment for the Council and potentially significant legal costs.</p>	<p>Technical Support Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>To be picked up as part of the Fit for the Future review of Planning.</p> <p>Management Response: Head of Planning</p>		<p>1 July 2009</p>

INTER-DEPARTMENTAL CO-OPERATION

10. Information Governance Group Meeting

(Medium Risk)

Recommendation	Rationale	Responsibility
The next meeting should be arranged for the Information Governance Group.	<p>Best Practice Meetings relating to FOI or Data Protection should take place regularly.</p> <p>Findings There has been an 'Information Governance Group' set up by the Head of Legal Services which allows all of the managers to discuss issues on Data Protection and FOI. However there has so far only been one meeting and this was 7 months previous to the audit.</p> <p>Risk If contact is not maintained with relevant managers and officers, the overall procedure for issues relating to FOI may become ineffective. Also any actions that may have been agreed upon in the latest meeting may not be actioned if they are not followed up.</p>	Head of Legal Services
Management Response		Implementation Date
Recommendation is Agreed		30 June 2009
Management Response : Head of Legal Services		

CORRECT RECORDING OF TIME

11. Measuring Time

(Medium Risk)

Recommendation	Rationale	Responsibility
Management consider the possibility of officers recording the time spent on FOI Requests with a view to calculating the total amount of time spent for comparison between requests.	<p>Best Practice Any time spent on FOI is recorded for future analysis, and to allow the Council to determine if the time spent on the request is more than 18 hours and justify their costs if a charge subsequently needs to be made.</p> <p>Findings Internal Audit found that the Head of Legal Services did not expect people working on FOI to record their time and no officers interviewed during the course of the sample testing did so.</p> <p>Risk If time is not recorded then there may be substantial levels of efforts being made to comply with FOI requests that go unseen. Additionally, assessments for a change in policy may not be possible if no record has been maintained of time spent. This may result in lost income for the Council and potential embarrassment if charging for FOI requests becomes a policy for adjoining Councils.</p>	N/A
Management Response		Implementation Date
Recommendation is Not Agreed		31 October 2009 to consider.
The Head of Legal Services is to look at the possibility of charging for FOI and EIR requests and this will be considered as part of that		

exercise.	
Management Response: Head of Legal Services	

ANALYSIS OF REQUESTS

12. Request Analysis

(Medium Risk)

Recommendation	Rationale	Responsibility
Analysis is performed on FOI requests to establish if responses are sent out in a timely manner, the areas in which delays are occurring and reasons behind those delays.	<p><u>Best Practice</u> Analysis of FOI requests should be performed at the very least to identify areas where replies are not being sent in a timely manner. Further analysis could be performed to identify service areas who received a lot of FOI requests so management know if extra resources may be required.</p> <p><u>Findings</u> No analysis of the requests received or the response times was performed by either the Head of Legal Services or the Administration Assistant.</p> <p><u>Risk</u> If no analysis of requests is performed, there may be no way of knowing how effectively the current process is working or quantifying the response times to get a general idea of how the Council as a whole is performing and how quickly officers are taking to prioritise FOI requests over their other duties.</p>	Head of Legal Services
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>To be done by Administration Assistant and Head of Legal Services at six monthly intervals.</p> <p>Management Response : Head of Legal Services</p>		31 October 2009

7. CREDITOR PAYMENTS 2008/2009

1. INTRODUCTION

- 1.1 Final issued 30th April 2009. The fieldwork for this audit was undertaken
- 1.2 The following areas have been covered during the course of this review:
- To ensure that access levels and rights on Agresso have been appropriately attributed.
 - To ensure that any user set-up change requests are correctly performed and adequately managed by an appropriate officer.
 - To ensure that invoices are promptly processed through Agresso.
 - To ensure that there is documentation to support all payments made.
 - To ensure that manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised and paid correctly.
 - To ensure records are protected against loss and unauthorised access.

2. BACKGROUND

- 2.1 Within Agresso, the financial management system, there is a Creditors Module through which orders are made, invoices are processed and payments are made.

3. PREVIOUS AUDIT REPORTS

- 3.1 Creditor Payments was last subject to an internal audit review in November and December 2007. Eighteen recommendations were raised and a limited assurance opinion was issued.
- 3.2 Of the eighteen recommendations made, seventeen were agreed by management. It was highlighted during this review that four of the agreed recommendations had not been implemented. The issues have been addressed within the 2008/2009 audit fieldwork and recommendations have been made accordingly.

4. 2008/2009 AUDIT ASSURANCE

- 4.1 **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Seventeen recommendations have been raised in this review. Eleven Medium risk and six Low risk.

5. MAIN FINDINGS

5.1 Access Levels and Rights

- 5.2 It was noted that there are general housekeeping issues relating to the access of officers to the Supplier Masterfile. Two recommendations have been made as a result of our work in this area.

5.3 Change Requests

- 5.4 Whilst the Council maintains a spreadsheet to log any change requests received, it was noted that evidence to support the requests are not retained. Of the sample of 20 supplier accounts, 13 amendments had been made by Capita without an appropriate and authorised form being submitted.

- 5.5 It was also noted that the audit log facility within Agresso does not record the actual changes made to a supplier account, only the access date and user ID details are available through the log. Three recommendations have been made as a result of our work in this area.

5.6 Prompt Processing of Invoices

- 5.7 Appropriate controls need to be introduced to prevent duplicate accounts being set up, and a review exercise of the supplier masterfile should be regularly undertaken to identify any duplicate accounts. In addition, a regular review of payments and credit balances should also be undertaken.

- 5.8 The performance of the Creditor Payment function remains within the bottom quartile nationally, and additional efforts should be made in order to improve the current performance levels. To assist in the measurement of performance, consideration should be given to the introduction of a 'Disputed Invoice Flag' which will eliminate those invoices which should not be included in the performance calculation. Six recommendations have been made as a result of our work in this area.
- 5.9 **Payment Documentation**
- 5.10 It is considered that the Purchase Ordering Module within Agresso is not being fully utilised by officers in relation to creditor purchases. One recommendation has been made as a result of our work in this area.
- 5.11 **Payments Made**
- 5.12 Manual cheques (generated outside the usual weekly payment run) should only be raised upon receipt of appropriate and authorised documentation. Consideration should be given to the appropriateness of the circumstances in which manual cheques are raised, and evidence to support any manual payments that require counter signing should be maintained.
- 5.13 It was noted that petty cash reimbursements had been made to employees responsible for the float through the Creditors system. Also, Internal Audit considers that a procedure for the set up of direct debits should be introduced by the Council. Five recommendations have been made as a result of our work in this area.
- 5.14 **Protection of Records**
- 5.15 A full review of the security and back up arrangements within the Agresso system is being undertaken as a separate audit later in this financial year. This area will be reviewed as part of that audit.

OBSERVATIONS AND RECOMMENDATIONS

ACCESS LEVELS AND RIGHTS

1. Redundant Users

(Low Risk)

Recommendation	Rationale	Responsibility
An exercise should be undertaken to remove any redundant users from the Creditors module of Agresso.	<p><u>Best Practice</u> Access to the system should only be granted for existing and appropriate employees.</p> <p><u>Findings</u> Testing identified a number of users that remain on the system but are no longer employed by the Council. Their access levels remain active.</p> <p><u>Risk</u> Inappropriate access to the system leading to an increased risk of fraud or malicious damage.</p>	Capita Contract Manager/Chief Accountant
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Capita and Council to agree a procedure to notify Capita monthly of users that have left, as Capita has no way of finding out this information unless notified.</p> <p>Capita to be asked to provide a list of Agresso users and their access on a monthly basis which can be circulated to Heads of Service and updated.</p> <p>Management Response: Capita Contract Manager/Chief Accountant</p>	29 May 2009	

2. Additional User ID's**(Medium Risk)**

Recommendation	Rationale	Responsibility
Consideration should be given to the provision of an additional user ID being given to Capita employees who are listed within the 'System' user group on Agresso.	<p><u>Best Practice</u> There should be an appropriate audit trail to evidence the work undertaken by a particular user.</p> <p><u>Findings</u> Capita employees listed within the 'System' user group do not have an additional user ID for their usual day to day work. Testing identified that Capita employees are using their system user ID to log onto Agresso on a frequent basis.</p> <p><u>Risk</u> Without having additional id's in place for system users, there is no audit trail to evidence their usual day to day roles which could lead to inappropriate changes being made to the system. There is potential for users to amend data easily without normally having appropriate access to do so.</p>	Capita Contract Manager
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Following this audit the users with system user access were reduced from 4 to 3.</p> <p>Management Response: Capita Contract Manager</p>		Implemented

CHANGE REQUESTS**3. Supporting Documentation****(Low Risk)**

Recommendation	Rationale	Responsibility
Supporting documentation should be retained in relation to the Change Request spreadsheet maintained by the Chief Finance Officer.	<p><u>Best Practice</u> Documentation to support any change requests should be retained.</p> <p><u>Findings</u> Spreadsheets are maintained by the Chief Finance Officer in relation to change requests. The spreadsheets are then forwarded to Capita for the changes to be undertaken. Internal Audit could not undertake any testing on the spreadsheets as documentation to support the request had not been retained.</p> <p><u>Risk</u> Without supporting documentation, the spreadsheets may be updated incorrectly by the Finance Officer leading to inappropriate changes being made by Capita.</p>	Strategic Director (Section 151 Officer)
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Strategic Director (Section 151 Officer)</p>		Implemented

4. Change Request Forms**(Low Risk)**

Recommendation	Rationale	Responsibility
Consideration should be	<u>Best Practice</u>	Strategic Director (Section

given to amending the change request forms to provide for authorisation from line managers.	<p>Any change requests should be approved by the appropriate line manager.</p> <p><u>Findings</u> There is no facility on the change request forms for authorisation from line managers. Internal Audit was informed that change requests are sent through by line managers, however there is no audit trail to evidence this.</p> <p><u>Risk</u> Change requests may be submitted by unauthorised officers leading to changes being actioned inappropriately.</p>	151 Officer)
Management Response		Implementation Date
Recommendation is Agreed		Implemented
Management Response: Strategic Director (Section 151 Officer)		

5. New / Change Supplier Request Forms

(Medium Risk)

Recommendation	Rationale	Responsibility
New supplier accounts and amendments to supplier records are only actioned upon the receipt of the appropriate form.	<p><u>Best Practice</u> Amendments to the system should only be made upon receipt of an appropriate form.</p> <p><u>Findings</u> Testing highlighted that from a sample of 20 cases, there were 13 accounts that had been amended without an appropriate form being submitted.</p> <p><u>Risk</u> Amendments can be made inappropriately leading to the increased risk of fraud, loss or malicious damage.</p>	Capita Contract Manager
Management Response		Implementation Date
Recommendation is Agreed		Implemented
<p>All new suppliers are set up on either payment forms or new supplier forms received from the Council. Currently the Council will forward a payment voucher for new suppliers and the supplier is set up by the AR clerk. Need to verify with the Council if they require us to request new supplier forms for every payment voucher supplied without a supplier id.</p> <p>Management Response: Capita Contract Manager</p>		

6. New / Change Supplier Request Forms

(Medium Risk)

Recommendation	Rationale	Responsibility
An investigation is undertaken to ascertain if there is a field within Agresso that allows the changes made to supplier records to be displayed within the audit log.	<p><u>Best Practice</u> Any changes made to a system should be evidenced by an audit log.</p> <p><u>Findings</u> Only the date and the user who did the amendment show on the supplier account following any changes being made. It was not possible to ascertain what changes had been made.</p> <p><u>Risk</u> Amendments can be made inappropriately leading to the increased risk of fraud, loss or malicious damage.</p>	Capita Contract Manager

Management Response	Implementation Date
Recommendation is Agreed Management Response: Capita Contract Manager	30 June 2009

PROMPT PROCESSING OF INVOICES

7. Duplicate Accounts

(Medium Risk)

Recommendation	Rationale	Responsibility
Appropriate controls should be introduced to prevent duplicate accounts being set up.	<p><u>Best Practice</u> There should be one account for each supplier within the masterfile.</p> <p><u>Findings</u> Testing identified a number of duplicate accounts.</p> <p><u>Risk</u> If there is more than one account for a supplier, there is a risk that an invoice may be processed twice leading to duplicate payments being made.</p>	Capita Contract Manager
Management Response		Implementation Date
Recommendation is Agreed Capita Exchequer Services Manager now reviews the supplier accounts on a monthly basis to verify and close any duplicate suppliers. Management Response: Capita Contract Manager		Implemented

8. Duplicate Accounts

(Medium Risk)

Recommendation	Rationale	Responsibility
An exercise is regularly undertaken to review the supplier accounts within the Creditors masterfile to detect any duplicate accounts. In addition, a review of payments should be made to detect any duplicate payments made.	<p><u>Best Practice</u> The Creditors Supplier Masterfile should be robust and only contain up to date and accurate information.</p> <p><u>Findings</u> It was recommended following the 2007/2008 internal audit review that the masterfile should be periodically reviewed. From the testing undertaken, there remains a number of duplicate accounts within the masterfile and there is no evidence to suggest that periodic reviews are undertaken.</p> <p><u>Risk</u> If there is more than one account for a supplier, there is a risk that an invoice may be processed twice leading to duplicate payments being made.</p>	Capita Contract Manager
Management Response		Implementation Date
Recommendation is Agreed Capita Exchequer Services Manager now reviews the duplicate payments and chases payments for any duplicate payments. Management Response: Capita Contract Manager		Implemented and Ongoing

9. Credit Balances

(Low Risk)

Recommendation	Rationale	Responsibility
The credit balances highlighted during testing	<p><u>Best Practice</u> Balances on supplier accounts should be</p>	Capita Contract Manager

<p>should be reviewed by Capita and appropriate action taken where necessary. In addition, the 'Supplier Aged debt' report should be regularly produced to ascertain the credit balances outstanding.</p>	<p>accurate and any credit notes that have been outstanding for a period of time should be 'cashed in' with the supplier.</p> <p><u>Findings</u> Whilst reviewing the 'Supplier Aged Debt' report it was noted that there are a number of credit balances on supplier accounts. Of the 15 credit balances reviewed, only 3 related to credit notes that have not yet been taken. In the remaining cases it was not clear as to why a credit balance was on the account.</p> <p><u>Risk</u> There is potential that credit balances have been caused by an accounting error which may lead to inaccurate payments being made.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Capita now reviews the credit balances on a monthly basis and chases suppliers for payment. Capita is currently reviewing and chasing outstanding balances.</p> <p>Management Response: Capita Contract Manager</p>		Implemented and Ongoing

10. Creditor Performance

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Additional efforts should be made to improve the performance of the Council in relation to the processing and payment of invoices.</p>	<p><u>Best Practice</u> Invoices should be processed promptly and paid within 30 days of being received.</p> <p><u>Findings</u> Performance was previously recorded against BVPI 8, despite no longer being a national target, the Council has chosen to retain it to measure performance. The performance for the month of August was at 88.39% which places the Council within the bottom quartile nationally.</p> <p><u>Risk</u> There is potential embarrassment for the Council if the performance of the Creditors function remains within the bottom quartile nationally.</p>	<p>Revenues and Benefits Client Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Heads of Service continue to be named and shamed. Performance is scrutinised through the RSSP governance processes and pressure is being put on service teams to raise their respective games. Since December 2008 Cabinet members have been sent details of late payments in order for them to discuss cases with Heads of Service</p> <p>Management Response: Revenues and Benefits Client Manager</p>		Implemented and Ongoing

11. Disputed Invoice Flag

(Low Risk)

Recommendation	Rationale	Responsibility
<p>A 'Disputed Invoice Flag' should be introduced to creditors to allow officers to identify all invoices that</p>	<p><u>Best Practice</u> The performance calculation excludes any invoices in dispute and should therefore be readily identifiable.</p>	<p>Revenues and Benefits Client Manager</p>

are currently in query.	<p><u>Findings</u> In order to calculate the performance of Creditors, an officer has to manually check for invoices in dispute.</p> <p><u>Risk</u> Performance of Creditors may be understated due to disputed invoices being included in the calculation leading to inaccurate calculations being undertaken.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Capita has been asked (a) to confirm that a flag does exist (it did in version 5.4) and (b) request a flag is introduced if one does not exist. Capita's response is awaited.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		Ongoing

PAYMENT DOCUMENTATION

12. Raising of Orders

(Medium Risk)

Recommendation	Rationale	Responsibility
The Purchase Ordering Module within Agresso should be utilised wherever possible.	<p><u>Best Practice</u> Purchases should be supported by an order and the Purchase Ordering Module within Agresso should be used for this process.</p> <p><u>Findings</u> Of a sample of 30 payments (10 BACS and 30 cheques), there were 14 instances where a purchase order had not been raised. Internal Audit considers that in each of the instances, it would have been appropriate to raise a purchase order.</p> <p><u>Risk</u> Goods may be obtained without being ordered through Agresso leading to the Council being charged for inappropriate goods or services.</p>	Chief Accountant
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Management Response: Chief Accountant</p>		29 May 2009

PAYMENTS MADE

13. Urgent Cheques

(Medium Risk)

Recommendation	Rationale	Responsibility
Urgent cheques are only raised upon completing of an appropriate payment form.	<p><u>Best Practice</u> Payment Voucher forms should be completed before an urgent payment is generated by Capita.</p> <p><u>Findings</u> Of the sample of 20 manual cheque payments, two had been raised without a payment voucher form being completed, a none standard payment form had been used in one instance and in two cases there was no documentation linked to the payment.</p>	Chief Accountant

	<p><u>Risk</u> Unauthorised requests for payment could be processed leading to an increased possibility of fraudulent payments being made.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The Chief Accountant to confirm with Capita staff that only urgent payment requests made on the appropriate form will be accepted from now on.</p> <p>Management Response: Chief Accountant</p>		<p>Immediate</p>

14. Urgent Cheques

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>The issues relating to the appropriate use of urgent payments should be reviewed and action taken where necessary.</p>	<p><u>Best Practice</u> The urgent payment process should only be used in appropriate circumstances.</p> <p><u>Findings</u> Internal Audit found that within the sample of 20 urgent payments, there appeared to be excessive use of account 99999 (sundry supplier). Another payment was made through the manual cheque process that would appear to have been more appropriate to have gone through the Payroll system. In another instance, due to fact that a payment request voucher had not been used, the invoiced amount was processed and paid despite an allowance on the invoice for part exchange reducing the overall balance.</p> <p><u>Risk</u> If the urgent payment process is used to make inappropriate payments, there is potential for the transaction being processed through different systems leading to duplicate payments being made.</p>	<p>Chief Accountant</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Chief Accountant to ensure that appropriate guidance exists on when urgent payments should be requested and when other payment mechanisms should be used. In the interim, the chief accountant will liaise with Capita managers as issues arise.</p> <p>Management Response: Chief Accountant</p>		<p>31 August 2009</p>

15. Counter Signatory Evidence

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>Evidence to support any urgent payments over £10k that require counter signing should be maintained.</p>	<p><u>Best Practice</u> Any payments made by the Council over £10k should be countersigned.</p> <p><u>Findings</u> Internal Audit spoke with Capita to ascertain the process of obtaining a counter signatory for cheques over £10k and it was ascertained that there is currently no form in place on which to record 'urgent' cheques that require</p>	<p>Capita Contract Manager</p>

	<p>counter signing. On the usual weekly payment runs a report is generated through Agresso that lists each payment over £10k however this is not the case for 'urgent' cheques. As a result, Internal Audit cannot confirm that the payments within the sample that exceeded £10k had been counter signed. The bank is responsible for not cashing any cheques which have not been countersigned.</p> <p><u>Risk</u> Urgent payments exceeding £10k may be generated leading to the payment not being appropriately authorised.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Capita provide the Principal Technical Accountant with the payment confirmation file, the authorised officer will sign all cheques over £10k and also the confirmation file produced from Agresso which will provide back up documentation that he has signed the cheques over £10k.</p> <p>Management Response: Capita Contract Manager</p>		Implemented

16. Correct Payments

(Low Risk)

Recommendation	Rationale	Responsibility
<p>Consideration should be given to the introduction of a new petty cash reimbursement process.</p>	<p><u>Best Practice</u> The Petty Cash reimbursements process should be similar to that of South Oxfordshire District Council in that reimbursements to petty cash floats should not be made to an employee.</p> <p><u>Findings</u> Petty cash reimbursements had been made to an employee responsible for the float and a supplier account had been used. It appears that a reimbursement for a petty cash float had been paid twice to an employee. In addition, a reimbursement had been made to an employee for 'staff travel expenses'.</p> <p><u>Risk</u> There is an increased possibility of reimbursements being made inappropriately.</p>	Chief Accountant
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>This will be reviewed as a part of the review of petty cash procedures on the transfer of responsibility from Internal Audit to Accountancy.</p> <p>Management response: Chief Accountant</p>		29 May 2009

17. Direct Debit Set Up

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A direct debit set up form is produced that is completed by the officer requesting the set up of the direct debit, the form must then be authorised by their deputy director.</p>	<p><u>Best Practice</u> Direct Debits should only be set up when authorised appropriately.</p> <p><u>Findings</u> There is no evidence in place for the set up of the direct debit and it was ascertained</p>	Chief Accountant

<p>The completed form should then be passed to accountancy for approval by the Chief Accountant. Only upon this authorisation should the DD then be set up. A copy of the authorised form should be retained by Accountancy.</p>	<p>that any officer of the Council can set up a direct debit.</p> <p><u>Risk</u> There is an increased possibility of direct debits being taken inappropriately if the appropriate authorisation is not sought.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in Principle</p> <p>Agree with process outlined above, although it is unclear whether the Chief Accountant can be responsible for authorising direct debits to be set up when the authorisation is given by the Head of Service.</p> <p>Management Response: Chief Accountant</p>		<p>29 May 2009</p>

8. HUMAN RESOURCES 2008/2009

1. INTRODUCTION

- 1.1 Final issued 22nd May 2009. The fieldwork for this audit was undertaken during April 2009.
- 1.2 The following areas have been covered during the course of this review:
- Review the procedures surrounding employment reference and Criminal Records Bureau checks to ensure they are being carried out in a timely manner.
 - Review the procedures surrounding appraisals and establish the efficiency and relevance of the current process.
 - Assess the arrangements surrounding staff and officer training to ensure correct training is being received, training is being authorised correctly and it is taking place in a timely manner.
 - Through testing, ensure annual leave entitlement is consistent and reconciles to employee contracts and agreements.

2. BACKGROUND

- 2.1 Internal Audit noted that various aspects of the Human Resources function such as Training and Recruitment have been subject to internal audit reviews in 2006/2007 and 2005/2006 respectively. Both these elements have been incorporated in this audit review of the Human Resources function.

3. 2008/2009 AUDIT ASSURANCE

- 3.1 **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.
- 3.2 Seven recommendations have been raised in this review. Five Medium risk and two Low risk.

4. MAIN FINDINGS

4.1 **Criminal Records Bureau/ Reference Checks**

- 4.2 Internal Audit found the arrangements regarding the capture of references and Criminal Records Bureau checks to be adequate, with the necessary supporting documentation being retained accordingly. One case was noted where confusion exists regarding the acquisition of a CRB check, and would recommend that this case is investigated and rectified as soon as possible. In addition, Internal Audit would advocate that periodic reviews are conducted for staff that are required to have CRB checks, to ensure their clearance remains current and valid. Internal Audit would also advocate that consideration is given to widening the scope of CRB checks, to include the basic level of disclosure for appropriate officers. This would assist with compliance to HMG baseline personnel security standard guidance, for pre-employment screening of government staff. Three recommendations have been made as a result of the work undertaken in this area.

4.3 **Staff Appraisals**

- 4.4 Internal Audit acknowledges that a significant amount of work is in progress regarding changes to the appraisal process across VWHDC and South Oxfordshire District Council (SODC). It is anticipated that a common scheme will be launched, and training undertaken from January 2010 onwards. However in view of the Investors in People Inspection due in November 2009, Internal Audit would propose that every effort is made to demonstrate a robust appraisal process for 2009/2010. Procedures followed should demonstrate adequate capacity to track the completion of employee personal development plans, which also incorporates a summary on the newly introduced Qualities and Behaviours competencies for each employee. Two recommendations have been made as a result of the work undertaken in this area.

4.5 **Training**

- 4.6 Internal Audit considers the arrangements surrounding staff and officer training to be adequate, with extensive information regarding the procedures being placed on the Council

intranet for all staff to access. Officers are compliant with the arrangements for requesting training; however Internal Audit is of the opinion that procedures regarding training, appraisal and other common functions should be reviewed jointly with SODC with a view to introducing a standardised approach to the administration of these functions for both Councils. Internal Audit also noted that officers are not completing the necessary training evaluation form to facilitate an assessment of the overall worth of training undertaken by officers and senior managers. Two recommendations have been made as a result of the work undertaken in this area.

4.7 Annual Leave Entitlement

4.8 Internal Audit noted that annual leave arrangements and the reconciliation processes for annual leave are robust and subject to extensive checking by Human Resources, with referral to the appropriate senior managers if considered necessary. Officers are given adequate notice to utilise all annual leave before the end of the financial year, and Human Resources are effective in ensuring that carry forward leave does not exceed 5 days unless explicit approval has been granted. No recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

Employment References/ Criminal Records Bureau Checks

1. Criminal Records Bureau Checks

(Medium Risk)

Recommendation	Rationale	Responsibility
That the CRB case highlighted from the compliance testing is investigated in order to instigate the necessary CRB check.	<p><u>Best Practice</u> The Council should ensure that for all employees whose posts are deemed to warrant a CRB check, checks should be undertaken in a timely manner and preferably prior to the commencement of their employment.</p> <p><u>Findings</u> Internal Audit noted that a CRB check should have taken place for the Go Active Co-ordinator, but acknowledges that her previous employment may have warranted the necessary CRB check to have occurred. Internal Audit is of the opinion that HR should clarify whether a CRB is necessary or if a previous CRB check remain valid for this employment.</p> <p><u>Risk</u> Failure to ensure employee references and CRB checks have been obtained and verified in a timely manner, could result in the employee commencing their employment without the necessary supporting references being in place.</p>	Payroll and HR Team Leader
Management Response		Implementation Date
Recommendation is Agreed in Principle Details being checked by Team Leader (HR & Payroll) Management Response: HR Officer		31 st May 09

2. Criminal Records Bureau Checks

(Medium Risk)

Recommendation	Rationale	Responsibility
That officers who are required to be CRB checked will also be subject to periodic reviews of their CRB	<p><u>Best Practice</u> The Council should ensure that for all employees whose posts are deemed to warrant a CRB check, checks should be undertaken in a timely manner prior to the</p>	HR officer

clearance.	<p>commencement of their employment and be subject to periodic review in the event that employees remain in the employment of the Council.</p> <p><u>Findings</u> Internal Audit noted that there is no programme to revisit CRB checks after they have been initiated.</p> <p><u>Risk</u> Failure to ensure ongoing periodic CRB checks are carried out for employees in long term employment, could result in the failure to pick up changes of circumstances which has an impact on the integrity of the post held and could attract adverse criticism of the Council's recruitment process.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>All posts at the Vale will be included in the Baseline Personnel Security Standard review (HR Service Plan June 09). This review will determine the level and type of security checks for post-holders across the organisation, in the future and is expected to include a recommendation to periodically review the validity of CRB checks.</p> <p>Management Response: HR Officer</p>		June 09

3. Criminal Records Bureau Checking Scope

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>That consideration is given to widening the range of officers who are subject to the CRB checks. The scope should include the basic level of disclosure for appropriate officer working within the Council, this could also assist with compliance to HMG baseline personnel security standard.</p>	<p><u>Best Practice</u> That the Council should widen the scope of CRB disclosure to include the basic level of disclosure, alongside reviewing all posts to incorporate the good practice guide for pre-employment screening of government staff.</p> <p><u>Findings</u> Internal Audit has recognised from undertaking this review of CRB checks that the Council has chosen to only undertake CRB checks for a specified categories of employee, for example those working with children who would fall within standard disclosure. Internal Audit also noted that HR does not conduct any vetting of staff involved with handling cash through the cash office.</p> <p><u>Risk</u> Failure to ensure that officers follow procedures relating to employment references and CRB checks, could result in employees being recruited for positions for which they are not suitable/ qualified and lead to adverse criticism of the Council recruitment process.</p>	HR Officer
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>See response to (2) above</p> <p>Management Response: HR Officer</p>		June 09

Staff Appraisals

4. Annual Staff Appraisals

(Low Risk)

Recommendation	Rationale	Responsibility
That a designated person is appointed to liaise with all service areas in order to track the completion of staff annual appraisals, to demonstrate as part of the Investors in People assessment that the Council has a robust process in place for staff appraisals.	<p><u>Best Practice</u> The Council should have established processes to monitor appraisals to ensure all officers are subject to appraisals which provide them with clarity in terms of their role and responsibilities.</p> <p><u>Findings</u> Internal Audit noted that there is no current employee allocated with the responsibility for reviewing and tracking that staff appraisals have been completed within the timescale specified, due to the changes imposed by the senior management restructuring process.</p> <p><u>Risk</u> Failure to ensure that the appraisals process is relevant and timely could lead to officers failing to contribute fully to the delivery of their service plan and the Council's corporate plan objectives.</p>	HR Officer
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>HR Officer will be responsible for reviewing & tracking completion of staff appraisals</p> <p>Management Response: HR Officer</p>	July 09	

5. Qualities and Behaviours Framework

(Medium Risk)

Recommendation	Rationale	Responsibility
That Human Resources should track the quality and behaviour framework responses as part of the completion of the PDP process. Heads of Service should be informed of service areas and officers who fail to supply completed PDP and the Qualities and Behaviour summaries as requested.	<p><u>Best Practice</u> Both the PDP and Qualities and Behaviour competencies should be documented as part of a completed staff appraisal process.</p> <p><u>Findings</u> The current PDP documentation doesn't include the qualities and behaviour framework. Internal Audit would advocate that a written summary which supplies practical examples/evidence that staff have achieved the required level of qualities and behaviour within their roles should be attached to PDP documentation.</p> <p><u>Risk</u> Failure to ensure that procedures exist to inform the appraisal process could lead to lack of clarity for officers in terms of their roles and responsibilities.</p>	HR Officer
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>See response to (4) above – staff appraisal documentation has now been amended to include Q&B examples / evidence.</p> <p>Management Response: HR Officer</p>	July 09	

Training Arrangements

6. Training Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>That the procedures regarding training, appraisal and other common functions should be reviewed jointly with SODC with a view to introducing a standardised approach to the administration of these functions for both Councils.</p>	<p><u>Best Practice</u> A review of all common HR procedures is undertaken with a view to the introduction of standardised approach to the administration of these functions for both Councils.</p> <p><u>Findings</u> Internal Audit reviewed the documentation regarding training, and noted the information was comprehensive, reasonably up to date and reflected the processes that were currently in place. However, due to the recent introduction of the shared management team across SODC and VWHDC, the Human Resources Service area are looking to review their arrangements regarding training to ensure that the process adopted for training is the same across both sites.</p> <p><u>Risk</u> Failure to ensure a consistent approach is adopted across both Councils could lead to inefficiencies in management time in dealing with officer training and appraisals.</p>	<p>HR Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Joint procedures with SODC will be developed in 2009/10 in accordance with the service plan (Flexible learning options, performance review processes and harmonised training procedures)</p> <p>Management Response: HR Manager</p>		<p>31 March 2010</p>

7. Training Evaluation Forms

(Low Risk)

Recommendation	Rationale	Responsibility
<p>That officers who submit requests for training should be reminded that on completion of the course, a training evaluation form should be completed to provide an overall assessment of the worth of the course for themselves and their senior managers.</p>	<p><u>Best Practice</u> Training evaluation forms should be completed after all training to enable management to assess the effectiveness and worth of delivered training.</p> <p><u>Findings</u> The completion of training evaluation forms were noted for two of the ten cases and the Training and Development Co-ordinator stated that officers are not good at completing such evaluation forms.</p> <p><u>Risk</u> Failure to assess whether staff training is relevant and effective could result in the Council incurring expenditure for training which is not helpful or of use to the officers undertaking the training.</p>	<p>HR Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Training co-ordinator will remind training deliverers to 'chase' the return of evaluation forms from trainees.</p>		<p>Ongoing</p>

Management Response: HR Officer	
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9. SUNDRY DEBTORS 2008/2009

1. INTRODUCTION

- 1.1 Final issued 2nd June. The fieldwork for this audit was undertaken between January and March 2009.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that access levels and rights on Agresso have been appropriately attributed and authorised by an appropriate officer.
 - To ensure that Sundry Debtor invoices are promptly raised and adequately authorised through Agresso.
 - To ensure there is adequate documentation to support the invoices raised.
 - To ensure that Sundry Debtor invoices are actively pursued.
 - To ensure that the recovery process is effective and aged debt is kept to a minimum.

2. BACKGROUND

- 2.1 The Sundry Debtors function is undertaken by Capita and the financial management system in use is Agresso. The approach to the management of Sundry Debts at South Oxfordshire District Council and the Vale of the White Horse District Council is fundamentally the same with a number of functions having been harmonised.

3. PREVIOUS AUDIT REPORTS

- 3.1 Sundry Debtors was last subject to an internal audit review in December 2007 and January 2008 and five recommendations were raised and a limited opinion was issued.
- 3.2 Of the five recommendations made, two remained outstanding at the time of this review and have been incorporated into this report. They relate to the recovery process.

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

5. MAIN FINDINGS

5.1 Previous Recommendations

- 5.2 Internal Audit reviewed the five recommendations made following the 2007/2008 audit review of sundry debtors. It was found that four related to the recovery process and have been reviewed separately within the recovery process objective. The remaining recommendation had been implemented. No recommendations have been made as a result of our work in this area.

5.3 Access Levels

- 5.4 A review of the different levels of access to Agresso highlighted that there were two officers who had full system access despite being users of Agresso as part of their day to day roles. There were also instances where access was still in place for officers who no longer work for either Capita or the Council. It was noted that access for one officer was not appropriate to their role now that they have changed employment. Two recommendations have been made as a result of our work in this area.

5.5 Sundry Debtor Invoices

- 5.6 There are procedures in place in relation to the raising and authorising of invoices by Council employees. Internal Audit testing did not highlight any issues relating to the prompt raising and adequate authorising of Sundry Debtor invoices. No recommendations have been made as a result of our work in this area.

5.7 Adequate Documentation

5.8 Sales orders are raised by officers of the Council and are authorised by the appropriate line manager. Sales orders are then converted in sales invoices by Capita following the appropriate approval. Based upon this process and the testing undertaken, Internal Audit has no concerns in this area and no recommendations have been made

5.9 Pursuit of Invoices

5.10 Sundry Debtor invoices should be pursued in accordance with the Sundry Debts Recovery Procedures. Testing identified that reminders are generated automatically. No recommendations have been made as a result of our work in this area.

5.11 Recovery Process

5.12 A number of recommendations made following the 2007/2008 audit review of Sundry Debtors were relevant to this objective and as a result, Internal Audit incorporated the issues into the 2008/2009 audit testing. Testing highlighted that of the three 2007/2008 recommendations, one had been implemented. The two remaining recommendations are re-iterated later in this report.

5.13 Whilst it is acknowledged that efforts have been made in relation to the recovery of sundry debts, Internal Audit considers that debts should be pursued in accordance with the Corporate Debt Strategy (draft) and the Sundry Debts Recovery Procedures.

5.14 Testing highlighted that there remains over £15k of cash awaiting allocation to the sundry debts system and Capita are attempting to clear this total. Internal Audit considers that this should be completed as soon as possible. Three recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

ACCESS LEVELS

1. System Access

(Medium Risk)

Recommendation	Rationale	Responsibility
Consideration should be given to the provision of an additional user ID being given to Capita employees who are listed within the 'System' user group on Agresso.	<p><u>Best Practice</u> There should be an appropriate audit trail to evidence the work undertaken by a particular user.</p> <p><u>Findings</u> Capita employees listed within the 'System' user group do not have an additional user ID for their usual day to day work. Testing identified that Capita employees are using their system user ID to log onto Agresso on a frequent basis.</p> <p><u>Risk</u> Without having additional id's in place for system users, there is no audit trail to evidence their usual day to day roles which could lead to inappropriate changes being made to the system. There is potential for users to amend data easily without normally having appropriate access to do so.</p>	Capita Exchequer Services Manager
Management Response		Implementation Date
Recommendation is Not Agreed		N/A
Upon completion of the AP Creditors Audit the only users with system admin access are the system admin team who do not undertake any normal AR or AP work.		
Management Response: Capita Exchequer Services Manager		

2. System Access

(Medium Risk)

Recommendation	Rationale	Responsibility
An exercise be undertaken to ensure that the list of current users is up to date and any officers who have left the employment of either the Council or Capita are immediately removed.	<p><u>Best Practice</u> All users active in the system should be genuine current users of the system.</p> <p><u>Findings</u> An instance was identified of a user who had left the employment of Capita still being on the system.</p> <p><u>Risk</u> Leaving redundant users on the system increases the risk of inappropriate access.</p>	Capita Exchequer Services Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Both councils now provide the system admin team with a User Authoriser list providing any user changes required on Agresso and this includes any user no longer working for the Council.</p> <p>Management Response: Capita Exchequer Services Manager</p>		Implemented

RECOVERY PROCESS

3. Adherence to Recovery Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
All debts should be pursued in accordance with the Corporate Debt Strategy and the Sundry Debts Recovery Procedures. The Revenues and Benefits Client Manager should be satisfied that are being pursued in a satisfactory manner.	<p><u>Best Practice</u> Debts should be pursued in accordance with the Corporate Debt Strategy and the Sundry Debts Recovery Procedures.</p> <p><u>Findings</u> Testing identified that recent debts were not being pursued in accordance with the Recovery Procedures.</p> <p><u>Risk</u> If the recovery procedures are not adhered to, debts may not be pursued affectively, resulting in financial loss to the council.</p>	Revenues and Benefits Client Manager
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Debts should be pursued in accordance with the Corporate Debt Recovery Strategy, which is currently being re-drafted. To evidence this, Capita currently provides the Council with a monthly aged debt report detailing all the outstanding invoices by department and a monthly Legal List of all invoices which have already received two notices but remain unpaid. This is further ensuring that proactive recovery is pursued.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		Ongoing

4. Unallocated Cash

(High Risk)

Recommendation	Rationale	Responsibility
That the £15,511.35 of unallocated cash in the Age Debt report be investigated by Capita and correctly allocated as a matter of urgency.	<p><u>Best Practice</u> Unallocated cash should be immediately investigated and allocated to the correct account.</p> <p><u>Findings</u> It was noted during the review of the Age</p>	Capita Exchequer Services Manager

	<p>Debt report that there was approximately £15K of unallocated cash.</p> <p><u>Risk</u> If the cash remains unallocated, there is a risk that debtors who have paid may be pursued resulting in embarrassment to the council.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Capita has investigated the unallocated cash receipts and identified and allocated the majority of the unallocated balances. Capita is currently investigating into the remaining unallocated cash.</p> <p>Management Response: Capita Exchequer Services Manager</p>		Ongoing

5. Write off Authorisation Limits

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The authorisation limits for write-offs should be harmonised across both Councils to assist with a consistent approach to write offs.</p>	<p><u>Best Practice</u> To provide a consistent approach across both Councils involved in a joint service, the authorisation limits for write offs should be the same.</p> <p><u>Findings</u> The authorisation limits for write offs at VWHDC and SODC are different.</p> <p><u>Risk</u> Inconsistent approaches to write off may lead to confusion resulting in debts being inappropriately written off.</p>	<p>Revenues and Benefits Client Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This will be addressed in the summer when the Head of Legal and Democratic Services will be conducting a wider (harmonisation) review of the Vale and South Constitutions.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		December 2009

10. PAYROLL 2008/2009

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to Payroll. The audit has been undertaken in accordance with the 2008/2009 Audit Plan agreed with the Audit and Governance Committee of the Vale of White Horse District Council. The audit approach is provided in the audit framework in Appendix 1.

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

- To ensure that payroll records are secure, accurate and up to date;
- To ensure that amendments to payroll details are appropriately authorised and documented;
- To ensure that payroll records are reconciled with the Council's establishment list and general ledger;
- To ensure that starters and leavers have appropriate additions and deductions to pay;
- To ensure that adequate management information is provided.

2. BACKGROUND

2.1 Responsibility for both Vale of White Horse District Council (VWHDC) and South Oxfordshire District Council (SODC) payroll service has been provided by SODC since the 1st February 2008. The current payroll system known as Ingenuity@Work (I@W) was implemented in January 2007 and is managed by Capita.

2.2 During the audit review and following the management restructure, the payroll team transferred from Human Resources (HR) into the Finance Team structure.

3. PREVIOUS AUDIT REPORTS

3.1 Payroll was last subject to an internal audit review in February 2008 and ten recommendations were raised. A Limited assurance opinion was issued.

3.2 The recommendation regarding a review of all leavers who had received training was not agreed and had not been implemented. No issues arose regarding this from the current review, so this has not been pursued. Eight of the nine agreed recommendations were seen to have been implemented. One recommendation regarding recovery of an overpayment from an officer who had left was not seen to have been implemented and has been queried with Human Resources.

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 Eighteen recommendations have been raised in this review. Two High risk, ten Medium risk and six Low risk.

5. MAIN FINDINGS

5.1 **Secure and Accurate Records**

5.2 The payroll system is managed by Capita who carry out the system administration functions, and manage system access. Current users included five officers with update access who ceased to require access during 2008/2009, and three users with update access who should have enquiry only. An audit trail identifying changes made within the payroll system is available in the form of audit logs, but access to these logs is restricted to Capita users only. Payroll staff are unable to view this data on the payroll system, so rely on the stamped grid of payroll actions being completed on the documentation as the audit trail for actions taken. Input by one payroll officer is checked within the payroll system by another payroll officer. Four recommendations have been made as a result of our work in this area.

5.3 **Amendments**

- 5.4 From the sample of 20 tested, the documentation of changes to payroll details appears to be adequate and there are independent checks of changes input to the payroll system. Queries were raised regarding the calculation of some elements of pay such as standby allowances, but amounts paid supported the published amounts. Some very minor inaccuracies were observed in the calculation of timesheet amounts by the claimant and authoriser. Details of maternity pay are calculated by payroll staff using the SODC HR calculation process. Sickness pay is recorded via HR's self service system and details are passed to payroll monthly.
- 5.5 The I@W system set-up does not currently allow the amendment of key data, such as the department a post relates to. In addition, when changes are made to deductions due for Council Tax, it would be helpful if an amended spreadsheet was provided as changes are notified to payroll as this may help reduce any discrepancies between what Council Tax expect to be deducted and what is deducted. Five recommendations have been made as a result of our work in this area.
- 5.6 **Reconciliations**
- 5.7 A reconciliation of the establishment list with the payroll system had only recently been carried out, and identified discrepancies which are being investigated. This supports the need for a regular reconciliation to be implemented, and it is intended that this will take place after each incremental uprating and after each pay award is implemented. The reconciliation summary does not detail what action has been taken to correct discrepancies or to recover overpayments resulting from the changes.
- 5.8 The reconciliation of the general ledger transactions with payroll listings was found to be up to date and accurate, as far as amounts paid over to third parties. However, a complete reconciliation of all elements should be introduced. Two recommendations have been made as a result of our work in this area.
- 5.9 **Starters and Leavers**
- 5.10 Procedures are in place covering starters and leavers as far as processing within the payroll system. However, there is no comprehensive procedure covering roles and responsibilities and what authorisation and supporting documentation is required. Notification sheets of new appointees and leavers are passed from HR to Payroll for action. A stamped grid records payroll actions when amendments are input and checked, but this was not fully completed in one of twenty starters sampled and one of twenty leavers.
- 5.11 P45 part2 forms for new starters are required to be kept for three years after the tax year it relates to, but were evident for only seven of the twenty starters sampled with no documented explanation where a copy was not available. It was also noted that the hourly rate used for calculation within the payroll system, does not match that stated on the published pay scales. The calculation of a days pay when leave is due or to be recovered from leavers does not match the advice given under Working Time Regulations. Four recommendations have been made as a result of our work in this area.
- 5.12 **Management Information**
- 5.13 Reports are produced monthly as part of the payroll process of running a dummy run for checking prior to the main payroll run. There is a reconciliation of the dummy run to the main run, and supporting documentation is retained as electronic copies and in hard copy annotated with checks made. Two specific reports are matched on each pay run and differences are accounted for. However, the element reported when listed in full on another report can give a different figure where prior period payments are made. Checks made to ensure accuracy rely on a comparison of the current to previous months' net pay. Reports of elements such as overtime and mileage paid are not matched back to the supporting documentation to ensure no omissions occur.
- 5.14 A monthly checklist is used as an evolving ongoing document, and enhancements such as including a check of BACS submission details are recommended. Three recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

Recommendation	Rationale	Responsibility
<p>a) Payroll users and access levels are regularly reviewed and users who no longer need access are removed.</p> <p>b) A procedure is introduced covering user access including authorising officers and the review process.</p>	<p><u>Best Practice</u> Users are regularly reviewed and access adjusted accordingly.</p> <p><u>Findings</u> Capita provides system administration for the payroll system and creates and amends users as advised by authorised payroll officers. There is no documentary evidence stating who is authorised to agree user access and levels of access.</p> <p>A list of 20 current users provided by Capita included 9 Capita System Administrators, 3 payroll officers and 8 users with update access. Of 8 update users listed, 5 should no longer have access and 3 should have enquiry only access.</p> <p>The 3 payroll users had differing levels of access and the Senior Payroll Assistant had slightly more access than the Payroll Supervisor.</p> <p>Whilst the user access is reviewed on an annual basis this is not documented and access levels are not included in the review.</p> <p><u>Risk</u> If payroll records are not protected from unauthorised access then fraudulent payments may be made.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A full review of users and access levels will be implemented and reviewed on an annual basis.</p> <p>Management Response: Payroll Supervisor</p>		30 November 2009

2. Retention Periods

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A review of documentation held should be carried out and a retention policy developed based on the requirements for retention of individual documents.</p>	<p><u>Best Practice</u> Payroll documentation is retained in accordance with the requirements for the specific documentation.</p> <p><u>Findings</u> Copies are retained of P45 Part 2 forms for new starters but these were not evident in 13 of the 20 starters tested. A P45 part 2 is required by HMRC to be held for at least three years after the end of the year it relates to.</p> <p>Discussions suggest that these documents are not necessarily retained for this period and a retention policy covering specific payroll documents is lacking.</p> <p><u>Risk</u> If the Council does not comply with all Inland Revenue regulations then it may</p>	Payroll Supervisor

	incur a fine for non compliance.	
Management Response		Implementation Date
Recommendation is Agreed A payroll document retention policy will be drawn up. Management Response: Payroll Supervisor		30 November 2009

3. Audit Trail

(Medium Risk)

Recommendation	Rationale	Responsibility
The payroll supervisor should be provided with either access to system audit trail records or these should be regularly reported by Capita.	<p><u>Best Practice</u> An audit record is visible within the system showing who updated transaction and when.</p> <p><u>Findings</u> An audit log is available within the payroll system identifying what actions were taken, by whom and when, but access is restricted to Capita staff only. There is no report produced identifying actions so original documents are marked to identify who has updated the payroll details.</p> <p><u>Risk</u> If an audit trail is not available it may be difficult check data is processed completely or identify any patterns where errors occur.</p>	Payroll Supervisor
Management Response		Implementation Date
Recommendation is Agreed in Principle Access levels will be discussed with Capita to comply with full audit trail requirements. Management Response: Payroll Supervisor		30 November 2009

4. System Changes

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) Documentation of system changes should be obtained in order to accurately test upgrades prior to their implementation in the live environment.</p> <p>b) Open communications are established regarding the appropriate timing of upgrades.</p>	<p><u>Best Practice</u> Changes to the operation of the payroll system are fully detailed and upgrades documented, timely and authorised.</p> <p><u>Findings</u> The payroll system is maintained by Capita. Upgrades are applied to test prior to them being applied in live, but documentation is not provided to the payroll officers detailing what changes have been made to the system. Discussions suggest that little notice is given and there is a lack of consultation regarding the timing of upgrades.</p> <p><u>Risk</u> If users are not informed of changes to the payroll system then they cannot be expected to operate it efficiently and be aware of its capabilities.</p>	Payroll Supervisor
Management Response		Implementation Date
Recommendation is Agreed Capita to be advised that we need at least seven days notice of any		30 November 2009

upgrades.	
Management Response: Payroll Supervisor	

AMENDMENTS

5. Council Tax Deductions

(Low Risk)

Recommendation	Rationale	Responsibility
Payroll should request that Capita provide the spreadsheet with a full listing of the expected payroll deductions when changes are made, so that the overall amount deducted can be compared.	<p><u>Best Practice</u> An updated total is provided of the full amount of Council Tax deductions expected each month.</p> <p><u>Findings</u> At the start of each financial year a spreadsheet is sent to payroll by Capita listing Council Tax deductions to be made each month. This annual listing is copied for each month but is not updated with changes. As amounts due change during the year, Capita notify the changes to payroll by email.</p> <p><u>Risk</u> Without an up to date control total for deductions it is difficult to ensure that deductions are correct without checking each entry which would may be unnecessarily time consuming.</p>	Payroll Supervisor/ Capita
Management Response	Implementation Date	
<p>Recommendation is Agreed in Principle</p> <p>A request will be made to Capita (Council Tax Dept) that when any changes are required they advise us and send a full updated spreadsheet. We can then agree totals each month. The present process is that we advise Capita (Council Tax Dept) by spreadsheet of payments made each month and they balance payments.</p> <p>Management Response: Payroll Supervisor</p>	30 December 2009	

6. Reminder of Accuracy in Timesheets

(Low Risk)

Recommendation	Rationale	Responsibility
A reminder should be circulated to all line managers who sign off time sheets to ensure they are accurate and any built in formulas are correct.	<p><u>Best Practice</u> Authorised timesheets are checked for accuracy as part of the authorisation procedure.</p> <p><u>Findings</u> The March call out duty timesheet was inspected which included 4 officers, and minor differences were identified in 3 of 4 call out duty sheets. These may be due to rounding errors within built in formulas and checks should be made to ensure their accuracy.</p> <p>DSO timesheet were also checked and 1 of 8 sheets checked did not add up as far as the rows matching the stated columns. However, it is acknowledged that the correct amount was paid as the difference was not in the element used for payroll purposes.</p> <p><u>Risk</u></p>	Payroll Supervisor

	If documents received by payroll are not accurate then over or under payments may occur.	
Management Response		Implementation Date
Recommendation is Agreed Payroll Supervisor to draft an e-mail to remind managers of responsibilities and to request VWHDC to distribute. Management Response: Payroll Supervisor		30 November 2009

7. SMP Calculation

(Medium Risk)

Recommendation	Rationale	Responsibility
Consideration should be given to harmonising the roles, responsibilities and methods used for the calculation of Statutory Maternity Pay.	<p><u>Best Practice</u> Payroll provides consistent functions regardless of which payroll service they are processing.</p> <p><u>Findings</u> Statutory Maternity Pay is calculated by payroll for the VWHDC service, but by HR for the SODC service. The VWHDC calculation is performed using the SODC model for calculation. Whilst no discrepancies were identified from the testing undertaken, the two services have different terms and conditions, such as the payment of car user allowances on maternity leave.</p> <p><u>Risk</u> If calculations are performed based on different terms and conditions then over or under payments may occur.</p>	Payroll Supervisor
Management Response		Implementation Date
Recommendation is Agreed Meeting to be arranged with Vale HR to confirm responsibilities of HR & Payroll to ensure correct payments are made. Management Response: Payroll Supervisor		30 November 2009

8. Car Loan Repayments

(Low Risk)

Recommendation	Rationale	Responsibility
The car loan repayments for the case identified are reviewed and adjustments made accordingly.	<p><u>Best Practice</u> Car loan repayments are deducted at the calculated and agreed amounts.</p> <p><u>Findings</u> The amount of car loan repayments deducted from an officer who had been on maternity leave was found to differ from that agreed by HR with the officer.</p> <p><u>Risk</u> If payments are not taken in accordance with the agreed amounts then over or underpayments may occur.</p>	Payroll Supervisor
Management Response		Implementation Date
Recommendation is Agreed Meeting to be arranged with Vale HR to confirm responsibilities of HR & Payroll to ensure correct payments are made.		30 November 2009

9. Amend Key Data

(Medium Risk)

Recommendation	Rationale	Responsibility
Capita are required to amend key data in order to keep the payroll records accurate and to provide access to key data changes to payroll staff.	<p><u>Best Practice</u> Details within the payroll system and output on payslips accurately reflect the management structure and correct post details.</p> <p><u>Findings</u> One of the twenty amendments sampled was an officer whose post had moved from Legal Services to Organisational Change. The department stated on the users payslip is still listed as Legal Services and payroll staff are unable to change this type of data due to the set up on the system.</p> <p><u>Risk</u> If payroll details do not reflect the correct structure then reconciling with the establishment list and ascertaining accuracy is more complicated than necessary.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Unable to change these details on system at present. Under review with I@W/Finance for work to be carried out later in the year.</p> <p>Management Response: Payroll Supervisor</p>		31 March 2010

RECONCILIATIONS – ESTABLISHMENT AND GENERAL LEDGER

10. Reconciling with Establishment List

(Low Risk)

Recommendation	Rationale	Responsibility
<p>a) Roles and responsibilities for reconciliations between payroll and the establishment listing are clearly defined.</p> <p>b) Procedures are in place covering the process for reconciling.</p> <p>c) Actions taken are appropriately recorded.</p> <p>d) All queries resulting from the reconciliation are reviewed to ensure all actions have been taken.</p>	<p><u>Best Practice</u> Actions taken following reconciliations are clearly documented.</p> <p><u>Findings</u> Testing suggests that comprehensive checks have been made comparing the establishment list details to payroll records on an annual basis. A listing is produced of queries identified but details of the actions taken and when are not recorded. Not all of the queries listed appeared to have been completely resolved.</p> <p><u>Risk</u> If details of the reasons for changes are not recorded it would be difficult to explain actions should they be queried.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Procedures to be written and included in annual check list.</p>		30 December 2009

Management Response: Payroll Supervisor	
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11. Reconciliation With General Ledger

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) Roles and responsibilities for reconciliations between payroll and general ledger are clearly defined.</p> <p>b) Procedures are in place covering the process for reconciling with the general ledger which should include a check that General Ledger and payroll report totals agree and a check that payover amounts balance with Capita's P32 form and General Ledger transactions.</p>	<p><u>Best Practice</u> Regular and documented reconciliations take place to balance payroll transactions with general ledger codings.</p> <p><u>Findings</u> Roles and responsibilities for reconciliation of payroll to general ledger transactions are not clearly stated and procedures were not evident. An accountant has been carrying out reconciliations with an emphasis on items to be paid over to third parties. An overall reconciliation back to payroll reports was not evident.</p> <p><u>Risk</u> If regular reconciliations do not take place then transactions may not be appropriately coded and overspending could occur on budgets which are not investigated promptly.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>This is included in the payroll action plan to address.</p> <p>Management Response: Payroll Supervisor</p>		31 July 2009

STARTERS AND LEAVERS

12. Comprehensive Procedures

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>A comprehensive set of procedures should be in place including:-</p> <p>a) clearly defined roles and responsibilities</p> <p>b) authorisations and documentation required</p> <p>c) as far as possible, procedures highlight the differences depending which council's pay is being processed.</p>	<p><u>Best Practice</u> Comprehensive procedures are in place covering all processes within payroll.</p> <p><u>Findings</u> Whilst there are individual documents covering the use of the payroll system for key functions, there is no overall procedure detailing how calculations are made and what authorisation and supporting documentation is required.</p> <p>Payroll staff work on both VWHDC and SODC transactions, and there are subtle differences between the two council's policies and procedures. For example the calculation of pay for leave unused on termination. Whilst procedures exist for the use of the payroll system there is no documentation supporting the overall process and identifying the differences required depending which payroll is being processed.</p> <p><u>Risk</u> If staff are not following clear guidelines they may be unknowingly making inappropriate calculations resulting in under and overpayments.</p>	Payroll Supervisor

Management Response	Implementation Date
<p>Recommendation is Agreed</p> <p>This is included in the payroll action plan to address. Payroll input procedures completed. SODC tested and OK, VWHDC to be tested in May/June input.</p> <p>Management Response: Payroll Supervisor</p>	30 November 2009

13. Starter, Leavers and Amendments Notification

(Low Risk)

Recommendation	Rationale	Responsibility
<p>a) All payroll actions are fully noted on the payroll action grid including the date of the action.</p> <p>b) Notifications of starters, leavers and amendments are separately listed with details such as post numbers, and appropriately authorised.</p>	<p><u>Best Practice</u> Notification forms are fully completed and actions appropriately recorded and authorised.</p> <p><u>Findings</u> A notification form is completed by an HR officer and passed to payroll for action. A 'Payroll use only' grid is stamped on the notification form and used to record payroll input and checks. Of the twenty starters and twenty leavers tested, one starter notification did not have the grid recording payroll actions fully completed. Notifications of leavers, starters and amendments are recorded on the same form in the appropriate section of that form.</p> <p><u>Risk</u> If documentation of checks made is not provided it is difficult to prove that updates have been independently checked should queries arise.</p>	Payroll Supervisor
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Management Response: Payroll Supervisor</p>	31 December 2009	

14. Pay in Lieu of Leave

(High Risk)

Recommendation	Rationale	Responsibility
<p>Clarification is sought as to the correct method of calculating amounts paid to, or recovered from, leavers in respect of annual leave and processes are reviewed accordingly.</p>	<p><u>Best Practice</u> Payments and recovery of amounts overpaid, upon leaving are accurate and in accordance with legislation and procedures.</p> <p><u>Findings</u> The staff handbook states that upon leaving, the pay for a day's leave is calculated as a week's pay divided by the normal working days in a week.</p> <p>From the testing undertaken the calculation of the number of days leave due or owed appeared correct, but not the amount paid for those days. The leavers tested had the amount due calculated as the annual salary divided by 365 days to arrive at a daily rate. One leaver was paid £37.66 using this calculation but would have been paid £52.87 if the calculation was annual salary divided by 52 and then by 5 as indicated in the staff handbook.</p>	Payroll Supervisor

	<p>The Local Government Employers website advises the calculation is based on 5 days in the working week unless a specific calculation is contained within a contract of employment.</p> <p><u>Risk</u> If payments are not made in accordance with terms and conditions then incorrect amounts may be paid or recovered from staff upon leaving.</p>	
Management Response		Implementation Date
Recommendation is Agreed		Implemented
Management Response: Payroll Supervisor		

15. Hourly Rate

(High Risk)

Recommendation	Rationale	Responsibility
<p>The hourly rate calculation is clarified and amounts paid in accordance with agreed hourly rates.</p>	<p><u>Best Practice</u> Hourly payments such as overtime are accurately calculated and paid in accordance with published rates.</p> <p><u>Findings</u> Testing of leavers and starters highlighted that the hourly rate used to make payments can be different to that stated on the listing of pay scales available on the intranet.</p> <p>The published pay rate according to the scale on the intranet for one leaver was £6.2563 per hour (pre 08/09 increase) but payment was made at £6.16 per hour. Neither of these rates is the annual salary of £11907 divided by 52 (to get a weekly rate) and then by 36.5 to give an hourly rate of £6.2734.</p> <p><u>Risk</u> If payments are not made in accordance with published rates then incorrect payments may be made.</p>	Payroll Supervisor
Management Response		Implementation Date
Recommendation is Agreed		31 July 2009
Management Response: Payroll Supervisor		

MANAGEMENT INFORMATION

16. Monthly Reconciliation Statement

(Low Risk)

Recommendation	Rationale	Responsibility
<p>The statement for the reconciliation of the dummy to main payroll runs is enhanced to include:-</p> <p>a) statement of which reports figures are obtained from</p> <p>b) addition of a row for cheques to be added in</p> <p>c) a section explaining</p>	<p><u>Best Practice</u> Reconciliation statements are clear, accurate and fully evidenced by and cross referenced with supporting documentation.</p> <p><u>Findings</u> A reconciliation is carried out to compare the dummy to main payroll run, and the differences are recorded on a reconciliation statement. Testing indicated that two different sets of reports are used to obtain figures and there may be differences between the way these reports state the individual pay elements. A check on the</p>	Payroll Supervisor

<p>differences when different reports stating the same element have variations</p> <p>d) incorporate a check on the number of employees paid</p>	<p>number of employees paid is not evident.</p> <p><u>Risk</u> If variances are not fully detailed and explained at the time of reconciliation, and clearly referenced to supporting documentation, it is difficult to explain and justify the actual payroll authorisation should queries arise.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Checks are already in place and need to be reviewed and evidenced.</p> <p>Management Response: Payroll Supervisor</p>		30 November 2009

17. Monthly Checklist

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>The monthly payroll checklist should be amended to include:-</p> <p>a) A check that the BACS submission credit value and record count is checked with the BACS authorisation details.</p> <p>b) A check that the report of missing or temporary NI numbers and of no marital status is recorded</p>	<p><u>Best Practice</u> Where a checklist exists to cover task for the monthly pay process these reflect all actions required.</p> <p><u>Findings</u> A monthly payroll checklist is used which includes a record of actions taken to reconcile the monthly pay amounts. Once payroll is processed and items submitted to BACS a submission report is sent to payroll staff. There is no evidence that this is checked back to the amounts authorised.</p> <p>Reports of employees with missing or temporary NI numbers, and of employees with no marital status are checked but this is not recorded on the monthly checklist.</p> <p><u>Risk</u> If a checklist is used to carry out key steps in the monthly payroll process, and this document does not include all the key actions, then some checks may be omitted resulting in errors remaining undetected.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>a) already in place b) To be added to monthly check list to evidence</p> <p>Management Response: Payroll Supervisor</p>		<p>a) Implemented b) 31 July 2009</p>

18. Monthly Payroll Reconciliation

(Medium Risk)

Recommendation	Rationale	Responsibility
<p>a) Reports of overtime and mileage are checked to original documents to detect any errors and omissions.</p> <p>b) Consideration is given to a more appropriate reconciliation of monthly pay such as using a spreadsheet</p>	<p><u>Best Practice</u> An appropriate starting point is used to provide an accurate baseline of pay due in order to reconcile amounts from month to month.</p> <p><u>Findings</u> Each month a report is produced during the dummy payroll run which compares and reports differences between the previous month's net pay and the current net pay. Variances in excess of £20 are</p>	Payroll Supervisor

<p>to record variances to an agreed initial start figure.</p>	<p>investigated. This does suggest that any errors in that starting point will be replicated and undetected.</p> <p>Reports are produced listing overtime paid, and reports of individual pay elements such as mileage paid. These reports are not checked back to source documents.</p> <p><u>Risk</u> If an appropriate and accurate start point is not used for the monthly payroll reconciliation the errors may remain undetected and replicated.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Not Agreed</p> <p>More discussion required of method of checking. Spreadsheets?</p> <p>Management Response: Payroll Supervisor</p>		<p>Not Agreed.</p> <p>Decision to be reviewed by 31 January 2010</p>