Audit and Governance Committee

13 January 2009

Internal Audit Activity Report Quarter 3 2009/2010

Recommendations

That members note the content of the report

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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: 6
Limited Assurance: 5
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. Rent Accounting	27	Satisfactory	12	0	N/A	4	4	8	8
2. Partnership Performance Monitoring	38	Satisfactory	7	0	N/A	4	4	3	2
3. Bank Reconciliation Process	45	Satisfactory	6	0	N/A	2	2	4	4
4. Value For Money in Procurement	51	Limited	18	1	1	10	5.5	7	7
5. Facilities Management	68	Full	0	0	N/A	0	N/A	0	N/A
6. Corporate Administration	70	Satisfactory	6	0	N/A	3	3	3	3
7. General Ledger	75	Satisfactory	6	0	N/A	3	3	3	3
8. Housing and Council Tax Benefits	81	Sat/Limited	10	1	1	4	4	5	5

Follow Up Reviews

	Page Ref	Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
9. Performance Management	92	Satisfactory	9	7	0	0	2
10. Risk Management	101	Limited	12	11	1	0	0
11. Human Resources	113	Satisfactory	7	5	1	0	1
12. Internal Recharges	120	Satisfactory	8	6	0	2	0

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. RENT ACCOUNTING 2009/2010

1. INTRODUCTION

1.1   Final issued 11 September 2009. The fieldwork for this audit was undertaken in July and August 2009.

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

- To ensure that all Rent Accounting functions are being undertaken effectively and efficiently;
- To ensure income is regularly reconciled between Abritas and Agresso and any discrepancies are promptly identified and resolved;
- To ensure rent arrears are accurately identified, promptly pursued and recovered where appropriate according to the agreed recovery process;
- To ensure that write-offs are only undertaken where the recovery process has been exhausted and that the write-offs are approved by an appropriate officer;
- To ensure that the reporting arrangement regarding the Abritas rent accounting is adequate.

2. BACKGROUND

2.1   Under Part 6 of the Housing Act 1985, the Council has a duty of care to provide temporary accommodation to people who are vulnerable and/or homeless and seek to provide accommodation from housing stock organised through the Council's bed and breakfast partnership arrangements. The Council manages two hostels, Tiverton House which provides 8 units of accommodation and Elmside which provides 10 units of accommodation and also works in partnership with Oxford Social Housing Lettings to provide long term accommodation with private landlords.

2.2   The Abritas system is the software package used by Housing Services to record tenants rent accounts including homelessness and temporary accommodation. The section comprises one full time temporary accommodation officer supported by administrative support and both are managed by the Team Leader (Housing Operations).

3. PREVIOUS AUDIT REPORTS

3.1   Rent Accounting was last subject to an internal audit review in August/September 2008 and ten recommendations were raised and a Limited opinion was issued.

3.2   Of the ten recommendations made, six recommendations had been fully implemented, two recommendations had been partially implemented and two recommendations have been registered with an ongoing status. The two recommendations noted as partially implemented and the two recommendations noted as ongoing will be further commented on as part of this audit.

4. 2009/2010 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   Twelve recommendations have been raised in this review. Four Medium risk and Eight Low risk.

5. MAIN FINDINGS

5.1   **Effectiveness and Efficiency of the Housing Team**

5.2   Internal Audit has noted that since the last audit took place, considerable effort and resources have been channelled into monitoring rent accounts to prevent the accumulation of rent arrears. The administrative support has proved an effective mechanism for this purpose. The range of duties relating to the rent accounting functions are being undertaken effectively and efficiently. However Internal Audit has concerns regarding the withdrawal of staff resources in view of the outstanding status of recommendations arising from the 2008/2009 internal audit review, and the impact of further recommendations made as a result of this review. The review has noted that the Abritas system upgrade problem has prevented the production of system reports to facilitate a review of credit balances, which remain outstanding from the 2008/2009 review. One recommendation has been made as a result of the work undertaken in this area.

5.3   **Reconciliation of Income**

5.4   Whilst Internal Audit acknowledges that the cash reconciliation process is well established, the process could benefit from improvements to ensure the arrangements feed into the Agresso system with some transparency. Internal Audit has recognised that Abritas system reports need to be produced promptly at year end to facilitate cash income reconciliation. Discrepancies and items not matched on the two systems should be resolved with Accountancy. The Team Leader should also be provided with evidence to support the monthly reconciliation has been completed, and all transactions are cleared to inform the monthly budget monitoring meetings undertaken by the Budget Holder and Accountancy. Four recommendations have been made as a result of the work undertaken in this area.

5.5   **Rent Arrears and Recovery**

5.6   Internal Audit noted that rent arrears are clearly identified, pursued and recovered where appropriate in accordance with the Council's recovery procedures. Internal Audit has recognised a need for comparison in debt raised and income received between the Abritas and Agresso systems, which currently does not exist. Housing Services and Accountancy are currently in discussions regarding this issue. Significant historic debt and payments plans should be reviewed to establish scope for changes and/or to be written off if considered appropriate. Internal Audit noted a delay of 8 working days in the posting of a cash transactions for 21 July 2009, and considers this should

be investigated to ascertain if this situation is of concern. Three recommendations have been made as a result of the work undertaken in this area.

5.7 **Write Offs**

5.8 Internal Audit has recognised that housing debts previously registered on the Council's Sundry Debtors system have largely been written off, subject to a small amount relating to the Faringdon office which should now be resolved. The process for undertaking write offs is well established, however, Internal Audit has recommended the introduction of separate forms to distinguish between write off's and write on's. Also, Housing Services should inform Accountancy whether the write off relates to historic or current debt. In addition, the rent statements should be provided to the Revenues and Benefit Client team as evidence the write off's have been carried out on the Abritas system as required. Internal Audit also noted the issues relating to the write off's inappropriately actioned on the Abritas system are now resolved and were finalised during the course of this audit review. Four recommendations have been made as a result of the work undertaken in this area.

5.9 **Reporting Arrangements**

5.10 Internal Audit has noted that the reporting arrangements are well established with a robust chain for reporting purposes from the Temporary Accommodation Officer to the Team Leader (Housing Operations), and further to the Head of Housing and Health, Strategic Director and portfolio holder. The focus to engage with tenants to prevent arrears has proved fundamental in reducing the level of arrears. No recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

EFFECTIVE AND EFFICIENT UNDERTAKING OF FUNCTIONS

1. Credit Balances   **(Medium Risk)**

Recommendation	Rationale	Responsibility
A review of accounts with credit balances should be undertaken to ensure the balance on the account is accurate, the account has been dealt with appropriately and refunds or re-allocation of income are being actioned where appropriate.	<u>Best Practice</u> Balances of accounts should be accurate and credit balances should be investigated to ensure that the account has been dealt with correctly and refund/re-allocation of income has been actioned where appropriate. <u>Findings</u> Due to a system upgrade undertaken on 20 July 2009, a number of issues have arisen that prevent the production of system reports regarding credit balances. There remains an outstanding	Team Leader (Housing Operations), Temporary Accommodation officer

| | recommendation (7) from the 2008/2009 audit review regarding this issue.

Risk
Credit balances reduce the overall level of arrears resulting in the total figure being understated. There is potential that the claimant is entitled to a refund or the balance is awaiting to be allocated to the correct account leading to records being incorrect. | |
|---|---|---|
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed**
This is an ongoing activity and involves making detailed enquiries to determine why an account is showing a credit balance. These accounts will be analysed and adjustments made where necessary and write on authorisations requested.

Management Response: Team Leader (Housing Operations) | | Subject to administration support available completion expected by December 09 |

RECONCILIATION PROCESS

2. Abritas System Reports   **(Medium Risk)**

Recommendation	Rationale	Responsibility
As part of the year end closure of the accounts Abritas system reports should be generated as at 1st April each year to facilitate a prompt year end cash income reconciliation process and to confirm the closing position with regards to the housing rent arrears to resolve any queries that may arise.	Best Practice
System reports should be produced which enable a timely reconciliation of cash income to assist with the closure of the Council accounts.

Findings
Internal Audit noted that the annual reconciliation process had highlighted six discrepancies which have subsequently been resolved with the Housing Accountant. However, this process proved difficult to undertake as Housing Services had failed to produce a system print as at 1st April on the Abritas system to enable reconciliation to the Agresso system to commence. The discrepancies were highlighted by the Accountancy section.

Risk
If the reports are not produced in a | Policy and Enabling Officer |

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Monthly meetings scheduled to identify any discrepancies. Reporting to be investigated to improve monitoring of income due and that actually received. Management Response: Team Leader (Housing Operations)	First monthly meeting scheduled for September 2009

3. One Off Payments   (Low Risk)

Recommendation	Rationale	Responsibility
That where one off payments are recorded on the Agresso system and not matched to the Abritas system, that Housing Services should be required to retain appropriate documentation and the information be communicated to Accountancy for reconciliation purposes.	<u>Best Practice</u> System reports should be produced which enable a timely reconciliation of cash income to assist with the monthly reconciliation of income. <u>Findings</u> A cash payment of £30 recorded on the Agresso system with no corresponding entry on the Abritas system was noted. The tenancy had not been set up and therefore did not form part of the monthly reconciliation process. A subsequent entry for £20 was also not matched and these two entries were noted as part of the year end closure of the accounts. <u>Risk</u> If the reports are not produced in a timely manner, reconciliation of data may be difficult.	Team Leader (Housing Operations), Temporary Accommodation officer

Management Response	Implementation Date
Recommendation is **Agreed** Monthly liaison meetings will review reports so entries are linked to placements. Procedure to be implemented where all payments are recorded on Arbritas irrespective of whether a homeless application has been made. Management Response: Team Leader (Housing Operations)	September 2009

4. Monthly Income Reconciliation   (Low Risk)

Recommendation	Rationale	Responsibility
The Team Leader (Housing Operations)	<u>Best Practice</u> Team Leader should be provided	Principal Accountant, Policy and Enabling

as the temporary accommodation budget holder should be provided with evidence that the monthly reconciliation has occurred in a timely manner. The evidence of reconciliation between the Abritas and Agresso system should form part of the monthly budget monitoring meeting undertaken by the Budget Holder with Accountancy.	with evidence that monthly reconciliations have occurred in a timely manner. Findings The Policy, Strategy and Enabling Officer does not sign off the reconciliation process. Internal Audit noted the current process does not involve the budget holder as reconciliation is carried out between the Finance Asst (Accountancy) and the Policy Strategy and Enabling Officer. Risk Failure to note the reconciliation position could result in the team leader being unaware of the issues arising from the reconciliations.	Officer, Team Leader (Housing Operations)

Management Response	Implementation Date
Recommendation is **Agreed** Monthly meetings with Accountancy have already been agreed and will be recorded. Management Response: Team Leader (Housing Operations)	September 2009

5. Unmatched Items Arising From The Reconciliation Process   (Low Risk)

Recommendation	Rationale	Responsibility
Housing Services should be required to review the items arising from the reconciliation process that have not been matched to the Agresso system and resolve these issues with Accountancy where necessary and thereafter when they occur on a regular basis.	Best Practice Team leader should be provided with evidence that monthly reconciliations have occurred in a timely manner. Findings As a result of undertaking this review Internal Audit has noted that a number of items are not matched to the Agresso system each month, these items are currently being recorded on a spreadsheet being maintained by the Policy, Strategy and Enabling Officer and require investigation. Risk Failure to note the reconciliation position could result in the team leader being unaware of the issues arising from the reconciliations.	Principal Accountant, Policy and Enabling Officer, Team Leader (Housing Operations)

Management Response	Implementation Date
Recommendation is **Agreed** This is similar to Recommendation 3. Monthly meetings with Accountancy will take place to ensure the reconciliation process is matched. Management Response: Team Leader (Housing Operations)	September 2009

RENT ACCOUNTS/ARREARS

6. Agresso Data   (Medium Risk)

Recommendation	Rationale	Responsibility
Housing Services and Accountancy should establish a process for registering housing debts on the Agresso system, to enable accurate comparison between the Abritas and Agresso systems for reconciliation purposes. Monthly meetings should be introduced to discuss and address any issues which may arise from this process.	Best Practice It should always be possible to undertake an accurate comparison between the Abritas and Agresso systems for reconciliation purposes. Findings Housing Services and Accountancy have yet to establish the accounting mechanism for rent accounting. A system has been proposed whereby Housing Services are required to extract system reports each month which state the monthly housing rent debt raised and this information is communicated to Accountancy who will raise the debt on the Agresso system. Risk If an accurate comparison cannot be made between the two systems, it will not be possible to undertake effective reconciliations.	Principal Accountant, Policy and Enabling Officer, Team Leader (Housing Operations)

Management Response	Implementation Date
Recommendation is **Agreed** Monthly meetings will take place to ensure there is an accurate comparison between Agresso and Arbritas. Management Response: Team Leader (Housing Operations)	September 2009

7. High Value Arrears Cases   (Low Risk)

Recommendation	Rationale	Responsibility
That payment plans are reviewed to ascertain scope for any increase to	Best Practice Payment plans should be regularly reviewed to ascertain scope for any increase to recover the debt.	Team Leader (Housing Operations), Temporary Accommodation

		Officer, Head of Housing and Health, Legal Services
recover the debt. In addition high value arrears cases above a financial threshold of £3000 should be reviewed to ascertain the probability of recovering the entire debt or submitted for write off if considered appropriate.	<u>Findings</u> There are still a small number of high value arrears cases, for which recovery is still ongoing. An example of such a case was obtained to confirm an ongoing commitment to recover the debt. However there are also a number of cases for which it is apparent that recovery is not possible and the Team Leader (Operations) considers that the Council should now be considering these cases for write off. <u>Risk</u> If effective payment plans are not being used and reviewed the Council may loose out on income.	

Management Response		**Implementation Date**
Recommendation is **Agreed** Each case will have to be considered carefully. Management Response: Team Leader (Housing Operations)		September 2009

8. Cash Posting   **(Medium Risk)**

Recommendation	**Rationale**	**Responsibility**
Housing Services should be required to investigate the issue regarding the delayed allocation of cash to rent accounts raised by Internal Audit to ascertain if this situation is of concern.	<u>Best Practice</u> Cash posting should be promptly allocated to rent accounts and any delays investigated. <u>Findings</u> During the course of the compliance testing, Internal Audit noted Wantage cash office transactions for the 21 July were not posted to the Abritas account until 31 July 2009. A delay of 8 working days has elapsed from receipt to registration on the Abritas system. ICT confirmed that the transactions were all uploaded on the night of 21 July and therefore no delay had been recorded from the cash office perspective. <u>Risk</u> If delays are not promptly investigated, management may be unaware of potential issues within	Team Leader (Housing Operations)

the system.	
Management Response	**Implementation Date**
Recommendation is **Agreed in Principle** This is out of the remit of the Service Department. This matter will be referred to IT to ascertain whether this is recurring problem. Management Response: Team Leader (Housing Operations)	December 2009

WRITE OFFS

9. Rent Account Statements (Low Risk)

Recommendation	Rationale	Responsibility
Housing Services should be required to supply the Revenues and Benefits Client team with a rent account statement in support of write offs undertaken on the Abritas system.	<u>Best Practice</u> Housing services Should provide a rent statement for each write off to confirm the write off has been actioned on the Abritas system. <u>Findings</u> Internal Audit noted that the system documentation (tenant statement) which denotes the write off transaction is complete is not always being provided to the Revenues and Benefit Client team to serve as confirmation that the write off has been actioned on the Abritas system. <u>Risk</u> If the information is not provided to the Client team they will be unaware that the write off has occurred.	Temporary Accommodation Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Procedure already is now in place. Management Response: Team Leader (Housing Operations)		Implemented

10. Write Off Form (Low Risk)

Recommendation	Rationale	Responsibility
That two separate forms should be introduced to distinguish between write offs and write on's to ensure clarity for any subsequent	<u>Best Practice</u> There should be clarity between forms used for write off and writing on rent accounts. <u>Findings</u> There is very little to distinguish the	Temporary Accommodation Officer

Agresso transactions undertaken by Accountancy.	forms used for write off's and write on's and this has resulted in errors on the Agresso system, errors which have subsequently been corrected by Accountancy. Risk The inability to distinguish the form used for write off and write on's may result in errors on the Agresso system.	
Management Response		**Implementation Date**
Recommendation is **Agreed** A separate form has been designed. Management Response: Team Leader (Housing Operations)		Implemented

11. Write Off Documentation   (Low Risk)

Recommendation	Rationale	Responsibility
Housing Services should inform Accountancy when they submit the write off documentation whether the debts referred to, relates to current or historic debt.	Best Practice Housing Services should state whether debts are current or historic when submitting for write off. Findings Accountancy stated that Housing Services are required to state when submitting a write off whether the write off refers to current or historic debt and currently they are not compliant with this request. This information serves denote how the write off is treated on the Agresso system. Risk If Accountancy is unaware of whether the debt relates to current or historic debt, errors may be made within Agresso.	Temporary Accommodation Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Form used has been revised to make this clear. Management Response: Team Leader (Housing Operations)		Implemented

12. Sundry Debtors Write Offs   (Low Risk)

Recommendation	Rationale	Responsibility

The Team Leader (Housing Operations) should review the historic debts relating to the Faringdon office to ascertain whether the debts should be pursued or written off.	**Best Practice** All decisions relating to the recovery of outstanding debt should be made promptly. **Findings** It was confirmed that write offs have been actioned on Agresso in relation to Housing Debts for the value of £4837.82. However Internal Audit noted a balance of £492.77 which relates to temporary accommodation (Faringdon office) which has yet to be resolved. The team leader is aware of this situation. **Risk** If decisions relating to the outstanding debt are not taken promptly the Council may loose out on potential income.	Temporary Accommodation Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** This has occurred as a result of the Farringdon LSP closing and arrangements for making payments by tenants lacked detail. Attempts will be made to resolve this issue. Management Response: Team Leader (Housing Operations)		October 2009

2. PARTNERSHIP PERFORMANCE MONITORING 2009/2010

1. INTRODUCTION

1.1   Final issued 21 September 2009. The fieldwork for this audit was undertaken in July and August 2009.

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

- How partnerships are identified and recorded;
- Evaluation of resources input into partnerships;
- How partnerships are delivered and run;
- Evaluation of what the partnership is achieving for the Council;
- Evaluation of whether the partnership is in line with Council priorities;
- Evaluation of how partnerships and their outcomes are monitored;
- Identification of areas of good practice; and
- Accountability for partnerships.

2. BACKGROUND

2.1   Partnership working has become a key assessment criteria as part of the new Organisational Assessments and Comprehensive Area Assessment (CAA) undertaken by the Audit Commission.   The Organisational Assessment will look at the outcomes achieved through partnerships in relation to resources, budgeting and performance. Therefore ensuring the right processes are in place will assist the Council in evidencing the outcomes of their partnership working. The Comprehensive Area Assessment will focus on how the various bodies in the County are working together to achieve the priorities outlined in the County Local Area Agreement (LAA). In order for Council's to score well under this new assessment, outcomes and governance of partnerships need to be adequately evidenced.

2.2   Since September 2008, VWHDC and SODC have moved to a Shared Management Team. As part of this a joint Head of Service for Corporate Strategy has been appointed and responsible for oversight of both Council's arrangements for partnerships.

3. PREVIOUS AUDIT REPORTS

3.1   Partnership performance monitoring arrangements has not previously been subject to a specific audit, however elements of specific partnerships have been considered as part of other internal audits within the Audit Plan, i.e. Procurement.   The results of these reviews have been reported separately.

4. 2009/2010 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   **Identification and Recording of Partnerships**

5.2   Internal Audit examined the arrangements for the decision making process for entering into partnerships. It was identified that there was no documented partnership protocol in place.

5.3   Internal Audit reviewed the arrangements for reporting partnerships at a corporate level. There was a central register of partnerships held by Finance, however this was not comprehensive and was out of date. Two recommendations have been made as a result of our work in this area.

5.4   **Evaluation of Resources**

5.5   Internal Audit examined the arrangements for corporately reporting and monitoring the resource requirements of partnerships. There is no central partnership register which details the resource requirements of partnerships.

5.6   Internal Audit performed walkthrough testing for 3 significant partnerships to evaluate whether the resource requirements had been examined and recorded. There were budgets in place for the partnerships tested and performance against budget was monitored. However, where it involved officer time, the cash effect of this was not recorded or monitored. One recommendation has been made as part of our sample testing in this area.

5.7   **Delivery and Management of Partnerships**

5.8   The partnerships sampled as part of this review demonstrated effective delivery and management. There were clear action plans in place to achieve the partnership objectives and monitoring mechanisms. The sample of minutes obtained for each partnership showed effective discussion of progress and relevant issues. No recommendations have been made as a result of our work in this area.

5.9   **Evaluation of What the Partnership is Achieving for the Council**

5.10   The partnerships sampled as part of this review had evidence of outcomes contributing to the achievement of Council priorities. However, these outcomes were not explicitly detailed or evidenced. One recommendation has been made as a result of our work in this area.

5.11   **Evaluation of whether partnerships are in line with Council priorities**

5.12   There is no partnership protocol in place which the Council could use to assess existing partnerships to ensure they are in-line with council priorities or use as a guide for decision making when assessing whether to enter into a partnership or not. However, the partnerships sampled as part of this review were in line with Council priorities.

5.13   One recommendation has been made as a result of our work in this area. As this recommendation is linked with the recommendation related to the

identification of partnerships in 5.1 above, it has been combined and included there.

5.14 **Evaluation of how Partnerships and their Outcomes are Monitored**

5.15 The sample testing of individual partnerships showed that they were adequately monitored and showed evidence of outcomes. Internal Audit examined the arrangements for corporate monitoring of partnerships and their outcomes. There is currently no centralised monitoring of partnerships and their outcomes. One recommendation has been made as a result of our work in this area.

5.16 **Identification of Areas of Good Practice**

5.17 The sample testing of individual partnerships showed that they identified areas of good practice across partner organisations. Internal Audit examined the arrangements for the sharing of best practice across partnerships. The lead officer for partnerships has been in contact with other councils in the area to obtain examples of good practice. This information has not yet been shared with partnership lead officers. One recommendation has been made as a result of our work in this area.

5.18 **Accountability of Partnerships**

5.19 Internal Audit identified that there were terms of reference in place detailing the responsibilities of all relevant parties. However, the terms of reference were not finalised and did not contain all expected information such as date of approval.

5.20 Internal Audit examined the arrangements for collating all the terms of reference for all partnerships to ensure they are fit for purpose. There are no such arrangements in place. One recommendation has been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

IDENTIFICATION AND RECORDING OF PARTNERSHIPS

1. Identification of Partnerships   **(Medium Risk)**

Recommendation	Rationale	Responsibility
The Council should establish a partnership protocol to evaluate partnerships and assist staff in the decision making process for entering into partnerships. If partnerships are identified that are not	<u>Best Practice</u> A uniform rational is in place for identifying and evaluating partnerships to ensure they are in-line with Council priorities and have adequate resources. <u>Findings</u> There is no partnership protocol in place which would ensure that a partnership is only entered into if it is line with Council priorities.	Community Strategy Manager

	Risk Staff enter into partnerships that are not in line with Council priorities.	
in-line with Council objectives, further investigation should be undertaken to evaluate whether or not the partnerships should be discontinued.		

Management Response	Implementation Date
Recommendation is **Agreed** A partnership evaluation toolkit is already available at VWHDC. This needs to be adapted to take account of corporate priorities and differences between new and existing partnerships and can be used by both VWHDC and SODC. Relevant officers need to be briefed and monitored on use of toolkit. Management Response: Community Strategy Manager	December 2009

2. Recording of Partnerships   (Medium Risk)

Recommendation	Rationale	Responsibility
A formal register of all strategic partnerships that VWHDC is involved should be produced. The following details should be included: • Link to council priority • Lead Officer • Number of meetings per year • Resource requirements • Key Objectives	<u>Best Practice</u> The Council can adequately monitor all partnerships. <u>Findings</u> It was identified that the partnership register detailing all the partnerships in which the Council is involved could be developed to include the information suggested in the recommendation. <u>Risk</u> There is a risk that monitoring of partnerships may be ineffective due to lack of an overarching document that summarises key partnerships being unavailable to external scrutiny.	Community Strategy Manager

Management Response	Implementation Date
Recommendation is **Agreed** There is already a VWHDC register which can be reviewed and improved in the light of comments in this audit report. Management Response: Community Strategy Manager	December 2009

EVALUATION OF RESOURCES

3. Officer Time   (Low Risk)

Recommendation	Rationale	Responsibility
Officer time should be	<u>Best Practice</u>	Community

reported in cash terms and performance monitored against budget.	Partnership resources can be adequately monitored. Findings Officer time allocated to partnerships is not monitored or reported in cash terms. Risk There is a risk that partnership resources are not adequately monitored.	Strategy Manager
Management Response		**Implementation Date**
Recommendation is **Not Agreed** This is not appropriate or proportionate; VWHDC does not have an activity based costing system. Partnership evaluation should determine if officer time should be allocated and if so to what extent (joint with SODC). Management Response: Community Strategy Manager		N/A

EVALUATION OF WHAT THE PARTNERSHIP IS ACHIEVING FOR THE COUNCIL

4. Evidencing Outcomes   (Low Risk)

Recommendation	Rationale	Responsibility
The Council should provide training to partnership lead officers on what constitutes a strategic outcome so that they can be identified and evidenced in individual partnerships.	Best Practice Partnerships which have clear outcomes will assist the Council in their Use of Resources assessment. Findings There were outcomes included in the individual partnership monitoring reports. These were not however, explicit or evidenced. Risk The Council may not identify all outcomes from partnerships, affecting their Use of Resources assessment.	Community Strategy Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** All officers should understand not only the importance of outcomes but what added value is achieved by working in partnership (joint with SODC). Management Response: Community Strategy Manager		June 2010

EVALUATION OF HOW PARTNERSHIPS AND THEIR OUTCOMES ARE MONITORED

5. Centralised Monitoring of Partnerships   (Medium Risk)

Recommendation	Rationale	Responsibility
The monitoring of key partnerships, their performance against budget, compatibility with council priorities and delivery of outcomes should be completed at least annually.	<u>Best Practice</u> Annual monitoring should facilitate the Council in ensuring partnerships are achieving outcomes and are in line with Council priorities. <u>Findings</u> It was identified that there is no central monitoring of partnerships. <u>Risk</u> Partnerships that are not achieving their desired outcomes may continue without any corrective action.	Community Strategy Manager

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Oxfordshire County Council is primarily responsible for monitoring county wide thematic partnerships. VWHDC already undertake some monitoring of the outcomes achieved for the benefit of the district and this could be improved with an annual report on added value. Management Response: Community Strategy Manager	June 2011

IDENTIFICATION OF AREAS OF GOOD PRACTICE

6. Internal Sharing of Good Practice   (Medium Risk)

Recommendation	Rationale	Responsibility
The Council should seek to ensure a more co-ordinated approach to partnerships across VWHDC and SODC. One means of doing so may be to establish a joint partnership working group.	<u>Best Practice</u> A more co-ordinated approach across the Council's would assist the Council in identifying and sharing areas of good practice across all partnerships. Working with SODC would enable the Council to avoid duplicating effort by reducing the number of meetings attended, producing joint protocols and having common management arrangements. <u>Findings</u> There are no internal Council arrangements for identifying and sharing good practice. <u>Risk</u> The arrangements for improving	Community Strategy Manager

Management Response	Implementation Date
partnership working are not taken forward as there is no driving force.	

Management Response	Implementation Date
Recommendation is **Agreed in Principle** The VWHDC and SODC lead officers on partnership working will develop joint documentation (as set out above on evaluating partnerships) and share the annual report information pre-publication. We would not seek to set up a formal working group but will ensure the links are in place and good practice is shared. Management Response: Community Strategy Manager	December 2009 (for joint evaluation paperwork) April 2011 for annual report information sharing

ACCOUNTABILITY OF PARTNERSHIPS

7. Terms of Reference   (Low Risk)

Recommendation	Rationale	Responsibility
The terms of reference for all partnerships should be collated and reviewed by the legal department.	<u>Best Practice</u> The legal department can use their expertise to ensure that the terms of reference for the partnerships are fit for purpose. <u>Findings</u> Terms of reference are not held centrally and reviewed by the legal department to ensure they are fit for purpose. <u>Risk</u> There is a risk that partnerships may be operating without any clear link to district council objectives. The partnership may lack direction and accountability.	Community Strategy Manager
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** For Oxfordshire level strategic partnerships, Oxfordshire County Council is the accountable body so would ensure terms of reference are fit for purpose. The responsible officer will provide the legal services team with copies of the local strategic partnership and community safety partnership terms of reference and seek their views on the need for a review. Management Response: Community Strategy Manager		December 2009

3. BANK RECONCILIATION PROCESS 2009/2010

1. INTRODUCTION

1.1   Final issued 3 November 2009. The fieldwork for this audit was undertaken in September 2009.

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

- Document the process undertaken for Bank Reconciliation purposes;
- To ensure that the bank reconciliation process is effective and efficient;
- To ascertain if any changes are required to the bank reconciliation process to improve the function;
- To ensure that the bank reconciliation process is undertaken on a regular basis within a prescribed timetable;
- To ensure that bank reconciliations carried out by Capita are monitored and carried out as required.

2. BACKGROUND

2.1   Two members of the Accountancy section have been tasked with responsibility for bank reconciliation. The Reconciliation Assistant is responsible for bank reconciliation on the Council's general account, and bank reconciliation on payment accounts 1, 2 and 3 are carried out by Capita employees and monitored by the Principal Accountant and Finance Assistant.

3. PREVIOUS AUDIT REPORTS

3.1   Bank Reconciliation was last subject to a specific internal audit review in March 2001. Internal Audit has not reviewed any recommendations arising as they are considered no longer relevant to the current bank reconciliation process.

4. 2009/2010 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   Six recommendations have been raised in this review. Two Medium risk and Four Low risk.

5. MAIN FINDINGS

5.1   **Bank Reconciliation Procedures**

5.2   Internal Audit has concluded the process relating to Bank Reconciliation is extensively documented, with the exception of the monitoring tasks relating to the reconciliations undertaken by Capita. A comment regarding this has been made under paragraph 5.10 below. The reconciliation processes have been assigned to named individuals, with a clearly stated completion timetable for the bank reconciliations. Internal Audit has made no

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

5.3 **Effectiveness and Efficiency of the Bank Reconciliation Process**

5.4 Significant improvements to the bank reconciliation process have been achieved over the last year. The current process was found to be effective and efficient in terms of the General Account and Payment Account 1, both of which operate an automated bank reconciliation process. Manual intervention for the other reconciliations does require officer input and therefore could result in the risk of error. Internal Audit has noted that Capita have recently completed reconciliations in a more timely manner, however they should be reminded that completion is required within the stated ten day timetable and that the Council should be advised of all payment runs promptly. Internal Audit would also advocate a review process for the bank reconciliation process, whereby the Section 151 Officer or designated officer is required to review and sign off the monthly bank reconciliations. Four recommendations have been made as a result of the work undertaken in this area.

5.5 **Improvements to the Bank Reconciliation Process**

5.6 Internal Audit considers that the current automated bank reconciliation function on the General Account and Payment Account 1, provide the Council with a speedy and accurate reconciliation process without significant manual intervention. Internal Audit has recommended the introduction of an interface to facilitate an automated bank reconciliation process for the remaining two payment accounts, to prevent the risk of error. One recommendation has been made as a result of the work undertaken in this area.

5.7 **Bank Reconciliation Timetable**

5.8 Internal Audit has confirmed that the General Account bank reconciliation is consistently undertaken within the prescribed timetable. Whilst historically Internal Audit has recognised that Payment Accounts 1, 2 and 3 have not been completed on time, it is anticipated with the impending movement of the bank reconciliation function to the Shepton Shared Service Centre, this situation should improve over the coming months. A recommendation under objective 2 has already been made to address this issue.

5.9 **Capita Bank Reconciliations**

5.10 Internal Audit confirmed that bank reconciliations undertaken by Capita are monitored by the Finance Assistant (Accountancy). She has experienced delays in the supply of the supporting documentation for the bank reconciliation process for bank accounts 1, 2 and 3 during April to June, however July was completed by 12 August 2009 and it is anticipated this will further improve in the coming months. Internal Audit also recognised the need for documentation to support the range of duties and tasks attached to the monitoring of the reconciliation process undertaken by Capita. One recommendation has been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

BANK RECONCILITION PROCESS EFFECTIVENESS AND EFFICIENCY

1. Bank Reconciliation Timetable   (Medium Risk)

Recommendation	Rationale	Responsibility
Capita officers with the responsibility for the completion of the bank reconciliations on Payments accounts 1, 2 and 3, should be reminded that reconciliations should be completed within 10 working days following the end of the month for which they refer.	Best Practice Evidence that reconciliation are completed within 10 days should be provided to confirm that reconciliations are taking place in a timely manner. Findings The Finance Assistant stated that Capita is not compliant with the 10 day timetable for the completion of the bank reconciliation process on payment accounts 1, 2 and 3. Risk Failure to note the reconciliation position could result in Accountancy not being aware of the issues arising from the reconciliations.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed** Capita staff have been asked to complete the bank reconciliation on payment accounts 1, 2 and 3 within 10 days following the end of the month. The monthly review process will identify when this has not been possible to achieve. Management Response: Chief Accountant		30 October 2009

2. Payment Runs   (Low Risk)

Recommendation	Rationale	Responsibility
Capita staff should be requested to provide a listing of all payment runs undertaken during the course of the month, which Accountancy can use to verify that the Council has been advised of all payment runs.	Best Practice Accountancy should be informed of all cheque and BACS transaction to facilitate robust housekeeping arrangements for the control of the Council bank accounts. Findings The Finance Assistant supplied a listing of cheque and bacs payments which she had not been advised of. Internal Audit noted that Accountancy had not been informed of the following: 2008/09 24 cheque runs and 3 BACS transmissions, 2009/10 4 cheque runs and 3 BACS transmissions.	Chief Accountant

	Risk Failure to inform Accountancy of all payment transactions could result in the Council's bank accounts going into overdraft and potentially incurring bank charges.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The Finance Assistant will check the system daily to identify cheques & BACS runs to ensure that sufficient funds are transferred. Management Response: Chief Accountant		30 November 2009

3. Payroll Payment Runs   (Low Risk)

Recommendation	Rationale	Responsibility
Payroll should be reminded to provide advance warning to the Finance Assistant (Accountancy) of all payments made each month pertaining to salaries and redundancy, to prevent the Council's bank account going into overdraft and incurring charges.	Best Practice Accountancy should be informed of all cheque and BACS transactions relating to payroll to facilitate robust housekeeping arrangements for the control of the Council bank accounts. Findings Although Exchequer Services are responsible for cheques, Internal Audit noted that Payroll had not advised Accountancy of payroll payments made through Exchequer Services. Details of two redundancy payments were provided to Internal Audit. Risk Failure to inform Accountancy of all payment transactions could result in the Council's bank accounts going into overdraft and potentially incurring bank charges.	Chief Accountant
Management Response		**Implementation Date**
Recommendation is **Agreed** The above process in recommendation 2 will prevent any payments being over looked. Management Response: Chief Accountant		30 November 2009

4. Bank Reconciliation Review Process   (Medium Risk)

Recommendation	Rationale	Responsibility
Accountancy should	Best Practice	Chief Accountant

| introduce a review process for the bank reconciliation process, which requires a second named officer to review and sign off that bank reconciliations are accurate, timely and carried out to the satisfaction of the Section 151 Officer. | A review/signing off process is introduced to provide assurance to the Section 151 Officer that reconciliations are accurate, and timely. Furthermore senior officers are made aware of any issues arising from the bank reconciliation process.

Findings
Internal Audit confirmed there is currently no process in place to sign off the bank reconciliation process on the general account or payment accounts. The Strategic Director has proposed a signing off process for the payment accounts, but this has yet to be implemented.

Risk
Failure to note the reconciliation position could result in the Chief Accountant/Section 151 Officer being unaware of issues arising from the reconciliations. | |

Management Response		**Implementation Date**
Recommendation is **Agreed** The monthly review process is now in place. Management Response: Chief Accountant		31 October 2009

IMPROVEMENTS TO THE BANK RECONCILITION PROCESS

5. Academy and Agresso Interface   (Low Risk)

Recommendation	**Rationale**	**Responsibility**
Consideration is given to the introduction of an interface between the Academy and Agresso system to facilitate an automated bank reconciliation process for payment accounts 2 and 3.	Best Practice An automated bank reconciliation process provides speed and accuracy to the bank reconciliation process with a minimal amount of manual intervention. Findings Internal Audit has noted there is currently no interface between the Academy system and Agresso system which would provide an integrated bank reconciliation process with an automated matching facility. Risk	Business Accountant, Capita / Section 151 Officer

	Failure to adopt a robust reconciliation process and /or manual intervention in the reconciliation process may result in a greater likelihood of errors.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The implementation of this recommendation is subject to discussions between the Contract Manager and the Section 151 officer. Developments with regards to the above are being discussed as part of the Agresso Development Plan. Management Response: Business Accountant, Capita		31 March 2010

CAPITA BANK RECONCILIATION

6. Checking Procedures   (Low Risk)

Recommendation	Rationale	Responsibility
The duties/tasks relating to the Council's checking of the reconciliation process undertaken by Capita should be documented.	Best Practice Procedures should exist that denote the full range of duties relating to the bank reconciliation process. Findings Internal Audit has noted as part of this review that the area of work relating to the Council's checking of the reconciliation process undertaken by Capita is not currently documented. Risk Failure to ensure procedures exist may result in officers being unaware of the appropriate actions to undertake resulting in errors being made.	Finance Assistant
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Finance Officer		31 March 2010

4. VALUE FOR MONEY IN PROCUREMENT 2009/2010

1. INTRODUCTION

1.1   Final issued 16 November 2009. The fieldwork for this audit was undertaken in September 2009.

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

- To ensure that an up to date strategy is in place, supported by comprehensive procedures which are being adhered to.
- To ensure that an appropriate level of eCommerce is in place.
- To ensure that an appropriate procurement risk management process is in place.
- To ensure that development of contract strategies and management of supplier relationships is in place.
- To ensure effective usage of partnering and long term collaboration of suppliers.
- To ensure that procurement projects are managed appropriately.
- To ensure there is reliable procurement financial and management information.
- To ensure that procurement performance is measured and evaluated.

2. BACKGROUND

2.1   The EU Procurement Directives set out the legal framework for public procurement. The National Procurement Strategy sets out how central and local government, working together with partners from the public, private and voluntary sectors, intend to set about improving local government procurement. Adherence to National legislation, such as the UK Local Government Acts and also contract standing order rules, which are part of the Council's Constitution.

3. PREVIOUS AUDIT REPORTS

3.1   VFM Procurement has not previously been audited for Vale of White Horse District Council.

4. 2009/2010 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. One High risk, ten Medium risk and seven Low risk.

5. MAIN FINDINGS

5.1   **Strategy and Procedures**

5.2   In the area of strategy and procedures, it was identified that although a procurement strategy is in place the strategy has not been updated since

2007. With the exception of the contract standing order rules within the constitution and the project management system, no further guidance was available to assist officers in the procurement process. It was noted that the intention is to harmonise the strategy and procedural guidelines with SODC. Work on the harmonisation activities were found upon review of the draft tender evaluation policy. A secure etendering solution is not yet in place however, a degree of work was undertaken during the waste contract for evaluation of software. Five recommendations have been made as a result of our work in this area.

5.3   **eCommerce**

5.4   Although a number of electronic commerce measures are in place like Agresso and the publication of tender opportunities, there is still work to be done in the areas of supplier and framework information and guidance, performance information sharing, etendering and tender marketing. The Council does not appear to be utilising the Intranet and Internet sufficiently to facilitate information sharing and monitoring of supplier performance. Two recommendations have been made as a result of our work in this area.

5.5   **Risk Management**

5.6   The waste management project provided a good documented level of risk management, KPI usage and performance payment deductions. However, minimal or no documentary evidence of risk management, KPI usage and performance payment deductions was in place for either the Telephone, Cash Receipting or Lean procurement projects. Internal Audit noted that although the intention was to sign up to the Small Business Friendly Concordat Good Practice Guidance, it was not clear whether the relevant required actions had been implemented. Four recommendations have been made as a result of our work in this area.

5.7   **Contract and Supplier Management**

5.8   The mechanisms for supplier reviews are clear with the information published and available though the documents section of the intranet. The contracts reviewed by Internal Audit were either still in the tender stage or recently started contracts. Of the recently started contracts, the contracts were either unobtainable or still with the service provider for signing. The minimum review schedules for major contracts were found to be on an annual basis. Suitable change procedures were built into all of the contracts tested. Internal Audit did however note that that the Council has not yet adopted a contract strategy. Two recommendations have been made as a result of our work in this area.

5.9   **Procurement Project Management**

5.10   A project management system is in place for officers to use with clear phases and review phases. In general a good level of adherence to the project management system was found. Internal Audit noted that not all documentation was freely available through the projects team, and felt that all relevant project documentation should be stored within the project file for future reference. The usage of the project initiation document, although

stated in the project management system as a required document, appeared to be down to the discretion of the project manager as to whether it was used or merged into the business case. One recommendation has been made as a result of our work in this area.

5.11 **Partnering**

5.12 This area was covered as part of the Mazars internal audit during July 2009.

5.13 **Financial and Management Information**

5.14 Data was available from Agresso to show procurement spend against suppliers. For detailed performance information and in particular in relation to the joint usage of Agresso, it was noted that a previous SODC audit agreed with Capita procurement measurements and splitting of creditor payments. These were both not in place in either Agresso configuration. The system for capturing supplier performance lies with the owning officer, with reports being presented to the Executive or Scrutiny on an annual basis. Internal Audit could not find any evidence of a centralised database or intranet site for capturing performance data. Tender opening ceremony documents were in place, however, there was not a consistent approach to the form or standard content. It was also noted that cost evaluations were not in place on two tender evaluation spreadsheets. A register of member interests was in place, however, there was still outstanding work in implementing a staff code of conduct. Three recommendations have been made as a result of our work in this area.

5.15 **Procurement Performance**

5.16 Post implementation reviews (PIR) of procurement projects is a requirement within the project management system, however, none of the audited procurement projects were at or beyond the required stage for a PIR. The contracts audited in the main contained limited requirement for review schedules, targets and quality standards. Internal Audit could not find any evidence within the Procurement Strategy that information on the past performance of suppliers is taken into account in making procurement decisions and in particular, no tender evaluation guidance document was available to assist officers in the evaluation of tenders against predefined generic criteria. Costing is not currently included in the tender evaluation scoring matrix, however, a harmonised tender evaluation policy was being worked on with the cost element of the evaluation being proposed as 60%. Two recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY AND PROCEDURES

1. Strategy   **(Medium Risk)**

Recommendation	Rationale	Responsibility
a) To review and update the procurement	Best Practice To ensure that the published procurement strategy accurately	Head of Commercial Services

| strategy to the latest government procurement requirement and Council requirements.

b) To update the procurement spend information within the strategy. | reflects the current government guidelines and the Council's requirements in the areas of procurement.

Findings
The spend analysis within the procurement strategy is dated 2006/07 and the procurement strategy itself has not been updated since 2007. With the National Procurement Strategy now over its three year life span, Internal Audit was not clear on the government requirements going forward and how this affects the current strategy and procedures in place. The Head of Commercial Services stated that the procurement processes will be harmonised along with taking on many of the SODC processes, documents and guidance.

Risk
Strategy, procedures and working practices move away from current government requirements leading to unsatisfactory delivery performance with possible reputational damage to the Council. | |
|---|---|---|
| **Management Response** | | **Implementation Date** |
| Recommendation is **Agreed in Principle**
Head of Commercial Services is currently the responsible officer for the Vale's procurement strategy.

Management Response: Organisational Change Group Manager | | 1 April 2010 |

2. Strategy Actions   (Low Risk)

Recommendation	Rationale	Responsibility
To review whether implementing an etendering solution is still a requirement for the Council.	Best Practice
To provide clear information to the general public on how to conduct business with the Council.

Findings
Internal Audit noted that in the procurement strategy it is mentioned that a etendering solution will be adopted. Internal Audit could not find any evidence of an etendering solution in place at | Head of Commercial Services |

	the Council.	
	Risk Without clear guidance and information in place for suppliers to use, the Council could restrict certain suppliers from the procurement activity and lose value for money.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The reference to etendering in the procurement strategy is currently the responsibility of the Head of Commercial Services. Management Response: Organisational Change Group Manager		31 March 2010

3. Procedures and Guidelines   (Medium Risk)

Recommendation	Rationale	Responsibility
To include in the Council's intranet site a robust set of procedures and process guidelines for the whole procurement process on purchasing specific goods or services and where to look for existing contracts and framework agreements.	Best Practice To provide officers with a robust set of procedures and process guidelines for the whole procurement process with guidance on purchasing specific goods or services, where to look for existing contracts and the decisions to be made prior to entering a new tender exercise. Findings Other than the procurement strategy, procurement procedural rules stated in the constitution and the generic project management methodology, no formal procurement procedures or guidance were found to be in place. Risk Without detailed guidance and procedures in place for the procurement process, inappropriate processes are used in procurement projects, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.	Shared Performance Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Organisational Change Group		30 September 2010

Manager	

4. e-Marketplace   **(Low Risk)**

Recommendation	Rationale	Responsibility
To include the Council's tender opportunities within the South East Business Portal.	**Best Practice** To publish contract opportunities to a wide audience to attract a good range of potential suppliers with increased chances of value for money. **Findings** Although the Council uploads tender information to the website, OJEU and Mytenders, it was noted that the Council does not upload tender information to the linked South East Business Portal which is a portal designed to allow the sharing of information about existing contracts (Contract Store) and forthcoming tendering opportunities (Opportunities) across the 74 councils. Also in line with the SODC tender publication scheme. **Risk** Tenders do not reach the wider supply chain community therefore chances of achieving better value for money are limited.	Current Project Managers, and if 3 above is implemented, other officers that are carrying out procurement procedures, will adopt this forthwith. Shared Performance Manager to oversee.

Management Response	Implementation Date
Recommendation is **Agreed** The current Project Managers, and if 3 above is implemented, other officers that are carrying out procurement procedures, will adopt this forthwith. Management Response: Organisational Change Group Manager	Immediate

5. Framework Agreements   **(Low Risk)**

Recommendation	Rationale	Responsibility
To publish listings of framework agreements and contracts on the Council's intranet site.	**Best Practice** To ensure that easily assessable information is available to officers on contracts and framework agreements. **Findings** Internal Audit could not locate any listings of framework agreements in place to assist officers in	Head of Legal & Democratic Services in conjunction with Shared Performance Manager

	understanding what the Council buys and which suppliers to use for certain commodities. Risk Without clear information available, officers are unaware of the existing supplier agreements in place for specific goods or services, leading to wasted resource levels in identifying or sourcing from other providers.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Management Response: Organisational Change Group Manager		30 June 2010

ECOMMERCE

6. Performance Information / Database   **(Low Risk)**

Recommendation	Rationale	Responsibility
To include in the Council's intranet site a section on supplier performance showing current and past performance of suppliers with linked documentation for Executive or Scrutiny reports and minutes.	Best Practice To store supplier performance information in a centralised system or location to allow for appropriate monitoring and analysis to take place and to ensure information is freely available to officers. Findings The system for capturing performance lies with the owning officer for the procurement project, with reports being presented to the Executive or Scrutiny on an annual basis. Internal Audit could not find any evidence of a centralised spreadsheet, database or intranet site to monitor performance of suppliers and to show year on year trends. Risk Without easily assessable and reliable performance information available to monitor performance of the contractor, opportunities to increase value for money and to manage performance issues and actions will not be taken in a timely manner to rectify any potential	Shared Performance Manager

delivery, price and quality performance issues.	

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Management Response: Organisational Change Group Manager	30 September 2010

7. Contracts Register   (Low Risk)

Recommendation	Rationale	Responsibility
To update the existing contracts register with the inclusion of contract length, start and end date, value and owning contract officer. To also publish on the Councils' intranet site.	<u>Best Practice</u> To ensure an up to date contracts register is freely available with accurate information to ensure that contract dates can be freely assessed to allow for a timely re-tendering or contract extension. <u>Findings</u> The contracts register available through legal services had not been updated since 2007. It was also not freely available to officers to review as and when required. <u>Risk</u> Failure to incorporate an up to date contracts register, leading to non compliance with the national procurement strategy and poor visibility of contract end dates.	Head of Legal & Democratic in conjunction with Shared Performance Manager

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Management Response: Organisational Change Group Manager	30 September 2010

RISK MANAGEMENT

8. Risk Analysis   (High Risk)

Recommendation	Rationale	Responsibility
To ensure that an appropriate procurement risk management process is in place and followed for all procurement projects.	<u>Best Practice</u> An appropriate procurement risk management process is in place, to identify, evaluate and apply mitigation techniques to reduce risk exposure and financial loss. <u>Findings</u> Of the procurement projects audited, one contained a thorough	Shared Performance Manager

risk analysis, the VoIP contained minimal risk analysis and for the Cash Receipting and Lean projects Internal Audit could not find any evidence of a risk management process being followed. Risk Without an appropriate procurement risk management process in place, inadequate Identification, evaluation and mitigation techniques could lead to risk exposure and financial loss.	
Management Response	**Implementation Date**
Recommendation is **Agreed** Management Response: Organisational Change Group Manager	30 June 2010

9. KPI's (Key Performance Indicators)   (Medium Risk)

Recommendation	Rationale	Responsibility
To ensure that where appropriate, supplier performance measures are agreed and included into contracts as KPI's to ensure adequate supplier performance measurement can be achieved.	Best Practice To incorporate agreed KPI's into contracts in order to ensure performance levels required by the Council are legal binding and adhered to for the duration of the contract. Findings Of the available and working contracts tested, neither the VoIP, (Telephone) or Cash Receipting contract contained contractual KPI's in order to measure supplier performance. Risk Without agreed performance measures in place to monitor performance of the contractor, actions will not be taken in a timely manner to rectify any potential delivery, price and quality performance issues.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** Already in place. Management Response: Organisational Change Group Manager		N/A

Internal Audit Comment: KPI's were not evident within the documentation provided and reviewed as part of the audit sample size.	

10. Contractual Payment Deductions   (Medium Risk)

Recommendation	Rationale	Responsibility
Include in future contracts, appropriate payment deductions for poor delivery against KPI's or general service delivery.	<u>Best Practice</u> Suitable payment deductions against KPI's or general service delivery are built into the contract to mitigate the risk of poor service delivery by the contractor. <u>Findings</u> Of the available and working contracts tested, neither the VoIP, (Telephone) or Cash Receipting contract contained contractual payment deductions for poor performance of the supplier. <u>Risk</u> Without suitable contractual payment deductions in place for poor supplier performance, a lack of controls could lead to unsatisfactory delivery performance and resulting reputational and financial damage to the Council.	N/A

Management Response	Implementation Date
Recommendation is **Not Agreed** All contracts let by the Projects Office are subject to a payment schedule that clearly states the terms under which payment will be made i.e. only when specific deliverables have been met and agreed as satisfactory by the council. Management Response: Organisational Change Group Manager **Internal Audit Comment:** The sample payment schedule provided to Internal Audit after issuing the draft audit report was a draft version, and related to delivery and installation and not specifically KPI's.	N/A

11. Small Supplier Equal Opportunities   (Medium Risk)

Recommendation	Rationale	Responsibility
To review whether the small business concordat has been adopted in entirety and address any outstanding items as	<u>Best Practice</u> That all suppliers are treated equally and are provided the necessary information on what to expect when dealing with local government.	Head of Commercial Services in conjunction with Shared Performance Manager

	Findings	
required.	Internal Audit noted that the Council intended to sign up to the small business friendly concordat by the end of March 2008. It was not clear to Internal Audit whether the Council has yet signed up to this good practice guidance.	
	Risk	
	Without appropriate thought and information in place, small and medium sized businesses could form the opinion that the Council is allowing larger businesses to gain competitive advantage in the tendering process.	

Management Response	**Implementation Date**
Recommendation is **Agreed in Principle** Management Response: Organisational Change Group Manager	30 September 2010

CONTRACT STRATEGIES

12. Contract Strategy   (Low Risk)

Recommendation	**Rationale**	**Responsibility**
To include in the procurement strategy a reference or references to the different contract options available to the Council.	Best Practice To implement a contract strategy and/or assess the procurement strategy to ensure the Council is providing direction on contracts types that deliver best value for money. Findings The Council has not adopted a contract strategy. Risk An inappropriate contract strategy and/or management process is used, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.	Head of Commercial Services

Management Response	**Implementation Date**
Recommendation is **Agreed in Principle** The Vale procurement strategy is currently the responsibility of the Head of Commercial Services. Management Response: Organisational Change Group	30 September 2010

Manager	

13. Contract Management   (Medium Risk)

Recommendation	Rationale	Responsibility
a) To adopt a process to ensure signed contracts are either in place prior to commencement of any works. Where this cannot be achieved, outstanding actions are recorded, managed and completed within a reasonable timescale. b) To ensure a control mechanism is in place to provide traceability on contract files.	<u>Best Practice</u> Agreed procurement processes and rules are adhered to at all times. <u>Findings</u> Of the available and working contracts tested the VoIP (Telephone) was not yet signed and the allegedly signed Cash Receipting contract could not be found. <u>Risk</u> Without a legally binding agreement, termination or change of services could lead to insufficient insurance cover in place for the Council.	b) Head of Legal & Democratic Services
Management Response		**Implementation Date**
a) Recommendation is **Not Agreed** b) Recommendation is **Agreed in Principle** a) Final contract T&Cs are emailed to the company for approval prior to the contract being bound for signing etc. Once the company has agreed the T&Cs a 'contract' is in place. The signing of the documents is the formal completion. It would be impractical to insist on signed contracts being in place prior to commencement in all cases. However, wherever possible this should be the case. Management Response: Organisational Change Group Manager		b) 30 September 2010

PROCUREMENT PROJECTS

14. Documentation   (Medium Risk)

Recommendation	Rationale	Responsibility
a) To ensure that project initiation documents are defined and managed appropriately in accordance with the project management system. b) That the lean	<u>Best Practice</u> Agreed procurement processes and rules are adhered to at all times. Storage of documentation is centralized to allow for knowledge capture. <u>Findings</u> Telephones: Project Initiation Document was not evidenced as a	a) Shared Performance Manager c) Shared Performance Manager

	standalone document. The Organisation Change Group Manager stated that this was part of the Business Case.	
procurement project has in place an approved Business Case and defined Project Initiation Document (PID). c) That project documentation is stored in a centralized location. d) That a cost benefit analysis forms a required component of the project management system.	Cash receipting: PID was not evidenced as a standalone document. The Organisation Change Group Manager stated that this was part of the Business Case. Minimal Cost Benefit Analysis (CBA) evidenced. Lean: Business Case not available through the projects team. PID not in place. A Cost Benefit Analysis (CBA) was not available through projects team. Not all documentation was freely available through the OC team. The usage of the PID, although a required document, the usage appeared to be down to the discretion of the project manager. Risk With an inappropriate management process is use, lack of control in procurement projects could lead to unsatisfactory delivery performance and resulting reputational damage to the Council.	
Management Response		**Implementation Date**
a) & c) Recommendations are **Agreed in Principle** b) & d) Recommendations are **Not Agreed** b) The Lean project already has a PID in place (attached). d) The CBA should form part of the Business Case put together by the Project Sponsor in support for the bid for funding. The Council's Project Management Methodology states: "The Project Sponsor is the person or body that authorises the production of a Business Case. The Business Case identifies the objectives and benefits expected of the project, which may be Financial, Strategic or Legislative. The Project Sponsor is responsible for the production of the Business Case and gaining the Authorities approval and funding for the project.		a) & c) 30 September 2010

Management Response: Organisational Change Group Manager	
Internal Audit Comment: The Lean PID provided to Internal Audit after issuing the draft audit report was not a signed copy.	

FINANCIAL AND MANAGEMENT INFORMATION

15. Financial Systems   (Low Risk)

Recommendation	Rationale	Responsibility
To jointly review with SODC a previous SODC audit surrounding procurement Local Performance Indicators and splitting of creditor payments with a view to implementing within Agresso.	<u>Best Practice</u> That the Financial and Management Information System is able to provide sufficiently focused data on procurement spend with key suppliers, by contract, product or service, in a reasonable timescale to enable the Council to meet its policy commitments, and to facilitate best practice procurement. <u>Findings</u> Internal Audit could not find any evidence of standard Agresso measurements and corresponding reports surrounding procurement spend. The SODC procurement audit from 06/07 identified eight Local Performance Indicators with Capita agreeing to implement. An additional item from the 06/07 audit included splitting of creditor payments to facilitate reporting and data analysis. Upon discussion with the Senior Revenues & Benefits Client Officer, it was apparent that this is not in place and questionable as to whether any of the indicators were actually agreed with Capita. <u>Risk</u> Without reliable procurement financial and management information, opportunities to increase value for money and to manage expenditure will not be possible with potential loss of income and fraud or malpractice going unnoticed.	Shared Performance Manager
Management Response		**Implementation Date**
Recommendation is **Agreed**		30 June 2010

Management Response: Organisational Change Group Manager	

16. Tender Process   **(Medium Risk)**

Recommendation	Rationale	Responsibility
a) To define a standard form for documenting the tender opening process. To ensure the inclusion of signature, name, position and date. Also to define a centralized storage location for the signed copies. b) To include the costing element of the tender evaluation into the scoring matrix with an agreed weighting. c) Project board confirmation of supplier documents should be signed and dated. d) That the Project Board confirmation of supplier document for the Cash receipting project is evidenced and filed accordingly.	<u>Best Practice</u> Tender openings are fully documented with clear information on tenders and officers present. Tender evaluations should be consistent in the method of obtaining value for money. <u>Findings</u> Telephones: No cost evaluation was evident with the tender evaluation spreadsheet. Project Board performed confirmation of supplier but no signatures in place on the document. Cash receipting: Tender evaluation document was signed but the officer's name and position were not stated on the tender opening document. Project board confirmation of supplier was performed by email with no signed documentation in place. Lean: No signatures were in place on the tender opening document/record. No cost evaluation was evident with the tender evaluation spreadsheet. The costing element of the tender evaluation was not included in any of the tender evaluation scoring matrices with an agreed appropriate weighting. <u>Risk</u> The Council could receive complaints of anti-competitive procedures and patronage if it enters into contracts that have not been the subject of fair and consistent procurement arrangements.	a) Democratic Services Manager

Management Response	Implementation Date
Recommendation is a) **Agreed in Principle** b) – d) **Not Agreed** b) The criteria for selection is clearly defined in the new Tender Evaluation Policy, which states that the lowest price that meets the essential criteria will be selected. Hence, the evaluation is run against the requirement table to confirm which companies meet the essential criteria. The cost of each of the compliant companies is then checked to identify the lowest price. c) This is not necessary. Electronic documentary evidence (email) is available and can be stored with the electronic documents. d) See c) above Management Response: Organisational Change Group Manager **Internal Audit Comment:** b) The Tender Evaluation Policy appears to have conflicting requirements on evaluation of price, with both a weighting system and a blanket lowest price acceptance method. c) and d) Email exchanges not provided to Internal Audit.	a) 30 April 2010

17. Register of Interests (Medium Risk)

Recommendation	Rationale	Responsibility
To perform a review of part 5 of the constitution on Staff Code Of Conduct to ensure outstanding issues surrounding the Staff Code Of Conduct are addressed in a timely manner.	<u>Best Practice</u> To ensure that inclusions in the constitution are complete and performed in a timely manner. <u>Findings</u> Internal Audit noted that within part 5 of the constitution (Staff Code Of Conduct -, staff must comply with any requirement of the Council to register or declare any interest. Upon discussion with the Democratic Services Manager, although this is stated in the constitution it became apparent that this area is still work in progress. Internal Audit felt that as the staff code of conduct was introduced in 2007 that an excessive time delay has occurred without appropriate action and clarification. <u>Risk</u> Officers are unaware or unsure on their responsibilities surrounding	Democratic Services Manager

	code of conduct exposing the Council to allegations of Code breach leading to potential fraud and corruption and/or inappropriate behaviour.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Management Response: Organisational Change Group Manager		30 April 2010

PERFORMANCE

18. Contractual Quality Standards   **(Medium Risk)**

Recommendation	**Rationale**	**Responsibility**
To ensure that an appropriate section on Quality Assurance is built into all new contracts.	<u>Best Practice</u> Suppliers should be able to demonstrate the adoption and adherence to an appropriate quality management system to ensure their services and/or products meet a defined standard. <u>Findings</u> There was no mention of quality standards/systems requirement within either the Telephones (VoIP) or Cash Receipting contracts. <u>Risk</u> Without contractual adherence to any quality management system, services and/or products provided could fall below an industry standard, leading to unsatisfactory delivery performance and resulting reputational damage to the Council.	N/A
Management Response		**Implementation Date**
Recommendation is **Not Agreed** Clarification is required on what this means in the context of the VoIP and Cash Receipting contracts. The OGC procurement guidance does not recommend the inclusion of quality standards per se in contracts, only in those contracts where there is a legal requirement to adhere to a particular standard. Even then, in most cases this is covered by the caveat 'or equivalent'. This is to ensure that there is no discrimination. Management Response: Organisational Change Group Manager		N/A

5. FACILITIES MANAGEMENT 2009/2010

1. INTRODUCTION

1.1   Final issued 23 November 2009. The fieldwork for this audit was undertaken in October and November 2009.

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

- To ensure that procedures are in place to allocate and schedule work, and monitoring processes are in place to measure performance.
- To ensure that effective budget monitoring arrangements are in place, discrepancies are identified and variances are reported appropriately.
- To ensure that all contractor/partner contracts, agreements, correspondence and financial informatio0n is held and maintained securely by Facilities.
- To ensure that a scale of costs and charges applicable to rental occupants is in place and the relevant invoices have been raised and paid in accordance with the terms of the agreement.
- To ensure that all purchases are ordered, received and paid for in an appropriately and timely manner.

2. BACKGROUND

2.1   The Facilities Management manages several functions within the Council, including the office cleaning, maintenance and general ad-hoc work.

3. PREVIOUS AUDIT REPORTS

3.1   Facilities Management has not been subject to an Internal Audit review since 2004. Due to the time period, the previous report findings have not been followed up during this review as they are considered obsolete.

4. 2009/2010 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   No recommendations have been made.

5. MAIN FINDINGS

5.1   **Procedures and Monitoring**

5.2   Internal Audit reviewed the scheduling and allocation procedures, and maintenance monitoring schedules and documents used in the Facilities Team and found them to be satisfactory. No recommendations have been made as a result of our work in this area.

5.3   **Budget Monitoring**

5.4   Internal Audit reviewed the budget monitoring information used by the Property Services Manager. It was noticed that any variances occurring were

accompanied by adequate explanations. As the budget holder can access the live budgets for the relevant cost centres from Agresso, a much greater level of monitoring of the budget system is now available. No recommendations have been made as a result of our work in this area.

5.5 **Contracts**

5.6 This objective was recently addressed by Objective 6 of the 2008/2009 Contract Monitoring audit and a full assurance rating was given. Internal Audit was informed that nothing has changed in this area since the audit and therefore no further testing has been undertaken.

5.7 **Rental Occupants**

5.8 The Vale of White Horse District Council has only one rental occupant, Capita. Calculations for the rent are undertaken by the Estates Management Officer in accordance with the lease and based upon the floor area occupied by Capita. Non payments of invoices are pursued through the Council's sundry debtor system, but no concerns were noted. No recommendations have been made as a result of our work in this area.

5.9 **Payments**

5.10 Facilities process approximately two to three invoices per week. These include the monthly contractor's invoices and they also include the energy suppliers and any miscellaneous invoices. In relation to commitments, the position is reviewed by the Property Surveyor and discussed with the Property Services Manager. A list of outstanding commitments is produced for this purpose. No recommendations have been made as a result of our work in this area.

6. CORPORATE ADMINISTRATION 2009/2010

1. INTRODUCTION

1.1   Final issued 9 December 2009. The fieldwork for this audit was undertaken in October and November 2009.

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

- To ensure that processes and procedures relating to stationary and printing are adequate,
- To review the functions of the Business Support Unit to ensure that all tasks undertaken by the team are understood and documented,
- To ensure that the plans in place to complete proposed changes to the Business Support Unit are adequate and satisfactory.

2. BACKGROUND

2.1   Internal Audit examined the current position of the Business Service Unit and the future plans for the service. All stationary will be purchased on line from Lyreco, for which an agreement has been produced. The reprographics service will be partly outsourced to Oxford City Council, and this will be covered by a service level agreement. There have been a number of redundancies, which it is anticipated will result in salary savings of approximately £210,099. This figure is based upon the 2008/2009 salary costs. One-off redundancy and associated costs amount to £74,261.

3. PREVIOUS AUDIT REPORTS

3.1   Corporate Administration has not previously been subject to an overall review of this nature.

4. 2009/2010 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   Six recommendations have been raised in this review. Three Medium risk and three Low risk.

5. MAIN FINDINGS

5.1   **Processes and Procedures**

5.2   Internal Audit examined the current and anticipated position of the Business Service Unit. It was noted that training has been supplied to service areas on the use of on-line ordering of stationary using the Lyreco website. Procedure notes have been drafted, but these are pending final review. In addition, at the time of the audit the service level agreement with Oxford City Council for the reprographics service was in draft and under review. Internal Audit is of the opinion that the market should be tested for the reprographics service,

before committing to Oxford City Council's service. Overall, Internal Audit would recommend that as new processes are agreed, supporting procedure notes should be updated and distributed to the relevant officers to ensure a smooth transition. Monitoring arrangements should also be implemented to ensure new processes are providing value for money and operating as expected. Five recommendations have been made as a result of our work in this area.

5.3   **Business Support Unit Functions**

5.4   Internal Audit reviewed the functions undertaken by the Business Support Unit, to ensure that all duties and processes were documented and understood. At this time of this audit the team was undertaking a Fit for the Future review, and as a result of this an analysis had been undertaken of the functions of the team and the resources required. Adequate work instructions were seen to be in place, but will need to be reviewed and updated as new working practices are adopted by the team. A relevant recommendation has been made in the objective area – Processes and Procedures.

5.5   **Plans for Proposed Changes to the Business Support Unit**

5.6   The plans for the proposed changes to the Business Support Unit regarding stationary and the reprographics service appear satisfactory, however several areas were identified as requiring further consideration. These included the exact monitoring that would occur against the Lyreco contract, and the detail within the reprographics service level agreement with Oxford City Council. One recommendation has been made as a result of our work in this area. Please also see a relevant recommendation in the objective area – Processes and Procedures.

OBSERVATIONS AND RECOMMENDATIONS

PROCESSES AND PROCEDURES

1. Cost of Reprographics Service   **(Medium Risk)**

Recommendation	Rationale	Responsibility
The market should be tested prior to the reprographics work being outsourced to Oxford City Council, to ensure that the most cost effective service is secured.	Best Practice Prior to entering into an agreement for the provision of a reprographics service with an organisation, the market should be tested to ensure that charges being quoted are competitive. Findings There is no documentation to indicate that the market has been tested for the provision of a reprographics service. Risk If the market is not tested for prices,	Organisational Change Manager

	the Council may not be achieving best value for money for the service.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Competitive quotes are always sought where appropriate to the scale of EACH job. There is no commitment to using Oxford City as the only supplier or as a 'preferred supplier' for individual jobs or for an overall reprographics service. Management Response: Organisational Change Manager		Ongoing

2. Stationary Order Guide   (Low Risk)

Recommendation	Rationale	Responsibility
The draft stationary order guide should be tested and then authorised for distribution. Consideration should be given to drafting a shorter quick reference guide.	<u>Best Practice</u> Guidance documents should be in place to support all processes. <u>Findings</u> Draft stationary order guidance notes are currently being drafted. Internal Audit is of the view that a simpler guide could be produced for quick reference. <u>Risk</u> If easy to use guidance notes are not in place, incorrect orders could be placed or delays could result in deliveries.	PA to Management Team
Management Response		**Implementation Date**
Recommendation is **Agreed** In progress. Management Response: PA to Management Team		31 March 2010

3. BSU Working Procedures   (Medium Risk)

Recommendation	Rationale	Responsibility
The Team Leader (Business Support Unit) should ensure that upon any new working practice commencing, the existing procedures be updated to reflect the new arrangements as soon as possible.	<u>Best Practice</u> Procedures should be complete, up to date and freely available to relevant staff. <u>Findings</u> Many new working practices are currently being considered by the Business Support Unit, and these need to be supported by up to date procedures. <u>Risk</u>	Team Leader (BSU)

	If documented procedures are out of date, there is a risk that officers may take incorrect actions resulting in lost time and cost to the Council.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The BSU maintains a file of work instructions and updates these when necessary. All staff are aware of these. In addition, a 'training grid' for the various items of reprographics machinery has been created and the training status of BSU staff will be tracked on this to ensure that only properly trained staff use particular pieces of equipment. Management Response: Organisational Change Manager		Ongoing

4. Annual Analysis   (Low Risk)

Recommendation	Rationale	Responsibility
The annual printing/reprographic information showing the values of work undertaken against each service area, be utilised in the new working arrangements.	<u>Best Practice</u> Records should be maintained of output to ensure a function is still providing value for money. <u>Findings</u> Currently, the printing/reprographics work is analysed with work and income shown broken down by month and also by service area. Internal Audit considers this a useful monitoring tool and would encourage its continued use when the new arrangements are in place. <u>Risk</u> If work volumes and income/expenditure is not actively monitored, there is a risk that the Council is provided with an uncompetitive service.	Team Leader (BSU)
Management Response		**Implementation Date**
Recommendation is **Agreed** The BSU continues to monitor numbers, types and values of jobs undertaken on behalf of the organisation and periodically reviews the value it provides in doing so. Management Response: Organisational Change Manager		Ongoing

5. Monitoring Arrangements   (Medium Risk)

Recommendation	Rationale	Responsibility
A central log of all printing and stationary requests	<u>Best Practice</u> Effective monitoring arrangements should be in place and documented.	Team Leader (BSU)

after the implementation of the new processes should be maintained to ensure effective monitoring.	<u>Findings</u> There are currently no plans to undertake a comparison of the effectiveness of the old and new processes, and arrangements have not been established for monitoring to be documented. <u>Risk</u> If effective monitoring arrangements are not in place, there is a risk that it will not be possible to demonstrate that outsourcing provides greater effectiveness and efficiencies and adequate action will not be taken against poor performance.	
Management Response		**Implementation Date**
Recommendation is **Agreed** All stationary and reprographics requests always have been and will continue to be logged centrally by the BSU until directly told otherwise. Management Response: Organisational Change Manager		Ongoing

FUTURE PLANS

6. Lyreco Agreement   (Low Risk)

Recommendation	**Rationale**	**Responsibility**
A copy of the Lyreco service standards document should be held by the Team Leader (Business Support Unit)	<u>Best Practice</u> Expected service standards should be documented for monitoring reference. <u>Findings</u> At the time of the audit, the service standards could not be located and provided as evidence. <u>Risk</u> If service standards are not clearly documented, there is a risk that disputes on expected service delivery cannot be settled swiftly.	Head of Commercial Services
Management Response		**Implementation Date**
Recommendation is **Agreed** The Lyreco contract has not yet gone live, but I will ensure that the relevant info is provided to the BSU Team Leader before start date. Management Response: Head of Commercial Services		31 March 2010

7. GENERAL LEDGER 2009/2010

1. INTRODUCTION

1.1   Final issued 18 December 2009. The fieldwork for this audit was undertaken in November 2009.

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

- To ensure that appropriate policies and procedures exist with regards to the General Ledger function;
- To ensure that journal transfers are appropriate, authorised and adequately documented and controlled;
- To ensure that amendments to standing data are appropriately authorised and controlled;
- To ensure that system access is appropriately and adequately controlled;
- To ensure that suspense accounts items are promptly investigated and adequately documented and controlled.

2. BACKGROUND

2.1   Capita manage the Agresso financial management information system which holds transaction data. The Council has an Alliance and Leicester account, a general bank account, a drawings account for accounts payable and two drawings accounts for use within the Academy Revenues and Benefits systems for Council Tax and Business Rates refunds and Housing Benefit payments.

2.2   The Service Level Agreement states that Capita are responsible for producing reconciliations for Payment Accounts 1, 2 and 3, whilst Accountancy is responsible for reconciliation of the general bank account. The reconciliations undertaken by Capita are monitored by the Finance Assistant based in Accountancy.

3. PREVIOUS AUDIT REPORTS

3.1   General Ledger was last subject to an internal audit review in March 2009 and seven recommendations were raised and a satisfactory assurance opinion was issued.

3.2   Internal Audit has noted that five of the seven recommendations have been fully implemented with the remaining two recommendations which relate to a review of the Chart of Accounts and a review of Agresso users being restated as part of this Internal Audit review. Internal Audit has concluded there is still a requirement to implement the outstanding recommendations to demonstrate robust housekeeping arrangements with regards to the General Ledger function.

4. 2009/2010 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   Six recommendations have been raised in this review. Three Medium risk and Three Low risk.

5. MAIN FINDINGS

5.1   **Policies and Procedures**

5.2   Democratic Services are tracking the ongoing commitment to review the Financial Regulations and Contract Standing Orders, and it is anticipated that progress regarding these two areas of work will be realised shortly. Procedures and work instructions relevant to the General Ledger function have been enhanced since the last audit review took place. Internal Audit also noted that documentation relating to the General ledger function have been modified to reflect a harmonised process. No recommendations have been made as a result of the work undertaken in this area.

5.3   **Journal Transfers**

5.4   Internal Audit noted the process for dealing with journal transactions is well established. Standard documentation is available to staff which denotes the reason for the journal and sufficient information to update the Agresso system. The compliance testing highlighted that the journal form is not always completed, the VAT information is not being shown on the form in all cases and there was a lack of documentation to support the journal transaction in some cases. Whilst there is little segregation of duties and independent checks, an audit trail is available within the Agresso finance system. Two recommendations have been made as a result of the work undertaken in this area.

5.5   **Standing Data**

5.6   Internal Audit noted that arrangements regarding the documentation and authorisation of coding amendments to be adequate, with the ability to access and amend standing data being limited to Capita's system administrator. A recommendation regarding a review of the chart of accounts remains outstanding from the 2008/2009 internal audit review of the general ledger function and, this has been restated under the review of the previous audit recommendations. No further recommendations have been made as a result of the work undertaken in this area.

5.7   **System Access**

5.8   Internal Audit noted the list of users and access rights maintained by both the Capita's system administrator and Council's administrator requires review, and a recommendation has already been restated regarding this following the review of the previous audit recommendations. To enhance the access arrangements with regarding to deletion/closure of access, Internal Audit has recommended that Human Resources are required to circulate the Advice of Termination of Staff – Form B to the Council's Agresso system administrator to facilitate the closure of user from the Agresso system. In addition Internal

Audit would advocate that access rights are suspended for officers on maternity/ sabbatical leave to maintain the integrity of the Agresso system. Two recommendations have been made as a result of the work undertaken in this area.

5.9   **Suspense Accounts**

5.10   Internal Audit reviewed the arrangements with regards to monitoring the Council's suspense accounts and considers them to be adequate for the purpose. Internal Audit acknowledges there are robust procedures and sound contingency arrangements in place to review and resolve matters arising from the Council suspense accounts. Issues relating to the Sundry Debtors suspense account were raised as a result of this audit review and these will be discussed as part of the review of the Sundry Debtors audit which is due to commence in December 2009.

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS AUDIT RECOMMENDATIONS

1. Chart of Accounts   (Low Risk)

Recommendation	Rationale	Responsibility
The Chart of Accounts should be subject to annual review after the closedown process, to ensure codes no longer used are de-activated and there are no unauthorised account codes.	Best Practice An agreed version of the Chart of Accounts is in use and subject to periodic reviews to ensure the information is valid. Findings There is no formal review of the Chart of Accounts. Risk If unauthorised or old system codes are in use then transactions and expenditure may not be allocated correctly and illegal/non-valid transactions could occur.	Chief Accountants at Vale and South
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** There is constant review of the account codes being used in the Council through budget monitoring, systems reconciliations and through the closedown process. Capita have been instructed not to set up new account codes without the express permission of the Chief Accountants at both Vale and South. However, there is agreement in principle to carrying out a review between Vale and South when and if workload permits.		August/September 2010

Management Response: Chief Accountant	

2. System Access Review   (Medium Risk)

Recommendation	Rationale	Responsibility
There should be a regular review of Agresso users by Capita/Council system administrator to ensure access rights to the system are relevant and up to date.	Best Practice All Agresso users are reviewed to ensure only agreed and current users have access. Findings The list of Agresso users held by the Council system administrator differed from the information obtained from Capita. Risk If unauthorised personnel are able to access the financial system then they may be able to corrupt the data.	PA to Strategic Director

Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Chief Accountant	Immediate

JOURNAL TRANSFERS

3. VAT – Journal Documentation   (Low Risk)

Recommendation	Rationale	Responsibility
That VAT is clearly stated on all journal forms to provide a complete view of the entire journal transaction.	Best Practice Accurate documentation should be available in support of all journal transactions undertaken on the Agresso system. Findings The testing identified one case in which the appropriate dr/cr split was not fully shown, vat was not included on the journal documentation albeit the entry on Agresso was found to be correct. Risk If documentation is not accurate then data cannot be easily linked with the relevant Agresso entry.	All Accountancy team

Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Chief Accountant	Immediate

4. Journal Documentation (Low Risk)

Recommendation	Rationale	Responsibility
That the standard journal form is always present and completed, in addition relevant supporting documentation is attached to provide transparency.	Best Practice Journal forms and the relevant supporting documentation should be available for inspection for all transactions undertaken on the Agresso system. Findings Internal Audit noted a system download had been used instead of a journal form with no supporting documentation. Risk If journals are not adequately documented then it may be difficult to explain the reason for the transaction in the event of a problem.	All Accountancy team

Management Response	Implementation Date
Recommendation is **Agreed** Agreement had been reached with Internal Audit to use system downloads where the journal is long, since it would be wasteful of staff resource to complete a form which then needs to be re-typed into another system. However, supporting documentation should be attached at all times and this message has been reinforced again. Management Response: Chief Accountant	Immediate

SYSTEM ACCESS

5. Termination of Staff (Medium Risk)

Recommendation	Rationale	Responsibility
That Human Resources should be required to circulate the Advice of Termination of Staff – Form B to the Council Agresso system administrator to facilitate the deletion and or closure of the user from the Agresso system.	Best Practice The Council's system administrator/Capita system administrator should be kept informed of all starters and leavers with regards to the Agresso system to maintain the integrity of the system. Findings There is currently no formal system in place to capture information regarding employees who leave the employment of the Council.	PA to Strategic Director

	Risk If unauthorised personnel are able to access the financial system then they may be able to corrupt the data.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Chief Accountant		Immediate

6. Temporary Suspensions   (Medium Risk)

Recommendation	Rationale	Responsibility
That employees on maternity leave/sabbaticals should in addition to requesting an Agresso substitute to cover their absence should request that the Capita system administrator close their account until their return to work.	Best Practice Closure and substitutions should be applied to all Agresso account users on maternity leave and/or sabbatical where appropriate. Findings Two employees were also noted as being on maternity leave and their access rights had not been suspended. The system administrator confirmed that substitutes had been requested whilst this enable Agresso duties to be performed by someone else, their logon details would remained live unless a request to temporarily park them to the system administrator had been made. Risk If access rights are inappropriate than unauthorised edits/amendments may result in system controls being weak and ineffective.	PA to Strategic Director
Management Response		**Implementation Date**
Recommendation is **Agreed** HR to be asked to send details to Nicky Davis, PA to Strategic Director. Management Response: Chief Accountant		Immediate

8. HOUSING AND COUNCIL TAX BENEFITS 2009/2010

1. INTRODUCTION

1.1   Final issued 24 December 2009. The fieldwork for this audit was undertaken in October and November 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 (Function of Local Authorities: Income Related Benefits) Order 2002 which states the functions that may be contracted out, checking requirements are attached to the exercise of this function together with an authorisation process.

3. PREVIOUS AUDIT REPORTS

3.1   Housing and Council Tax Benefit was last subject to an internal audit review in March 2009 and Nineteen Recommendations were raised and a Limited opinion was issued.

3.2   Internal Audit has noted that ten of nineteen recommendations have been fully implemented with a further three recommendations relating to benefit recovery registering an ongoing status. The remaining recommendations have been further reviewed as part of this audit and subsequent recommendations made. In conclusion, Internal Audit has noted there is still a need for procedures relating to the benefit service and linkage between service delivery and the client team to be documented. Once the recovery processes become embedded, Legal Services should also attempt to standardise the recovery process across both Councils. Two

recommendations have been restated as a result of reviewing the previous audit recommendations.

4. 2009/2010 AUDIT ASSURANCE

4.1   In the areas of payment process, benefit assessments, subsidy claim and performance:

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   In the areas of overpayment and recovery:

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.

No significant improvements have been made in these two areas since the last audit review. Internal Audit will undertake a review of these two areas in 6 months to ensure that progress has been made.

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

5. MAIN FINDINGS

5.1   **Payment Process**

5.2   Internal Audit recognises the significant effort of the RSSP Operations Board and Capita to improve the accuracy of the benefit assessment process but would advocate that further improvements are required. Capita anticipates that this can be achieved in part by the movement of the benefit assessment process to Havant. No errors were detected from the compliance testing undertaken. Internal Audit also noted significant evidence to support that benefit assessment change of circumstances cases are not being processed promptly, which can have repercussions for the generation of overpayments and /or subsidy claim. Internal Audit has confidence in the process relating to the generation of the benefit payment itself, which is clearly assigned, authorised by the appropriate personnel and generated from Capita's Bromley offices. One recommendation has been made as a result of the work undertaken in this area.

5.3   **Benefit Assessment**

5.4   Internal Audit has concluded that the discretionary housing payment policy and procedures should be reviewed in light of recent changes agreed with the Council's Strategic Director. To ensure reliance upon the adequacy of the level of quality checking undertaken, Internal Audit would advocate that Capita be required to periodically provide their quality checking records to the client team. Internal Audit has already commented on the issue relating to the prompt review of change of circumstances claims, but would advocate that

the quality checking process could be utilised to improve the accuracy of the benefit assessment process. Capita should also be reminded that accounts placed on hold should be reviewed in a timely manner and especially those on hold in excess of 100 days. Three 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. The overpayment guide is in need of review to reflect the recently agreed changes to the timescale and threshold for recovery action. In light of the current issues relating to the classification of errors for benefit subsidy purposes, Internal Audit suggests that Capita periodically undertake sample testing of current overpayments to ensure the categorisation of errors for benefits subsidy purposes is accurate to minimise the potential for penalties. Two recommendations have been made as a result of the work undertaken in this area.

5.7 **Recovery**

5.8 The Contract Manager (Capita) stated that the overall position on Housing Benefit overpayments for both Authorities had not changed since the last audit took place. Therefore Internal Audit has not undertaken any compliance testing on overpayments. Internal Audit fully supports Capita's recent cleansing exercise to establish the status for the recovery of Housing Benefit overpayments, with a view to instigating recovery of historic debt as a matter of urgency. Internal Audit would also advocate that consideration is given to the allocation of extra staff resources to facilitate the recovery of overpayment and assist Capita to meet the proposed incentives as detailed in the Council's payment and performance mechanism for Housing Benefits. Internal Audit would like to undertake a review of Housing Benefits overpayments and recovery within six months to allow Capita to provide evidence of continuous improvements to the reduction of overpayments and improvements in recovery. Two recommendations have been made as a result of the work undertaken in this area.

5.9 **Subsidy Claim**

5.10 Internal Audit has noted the ongoing issues relating to the qualification of the 2007/2008 housing benefit subsidy claim. Internal Audit advocates that Capita undertake sample checking of errors to verify the accuracy of the data for subsidy purposes. The reconciliation process for Academy and the Council's Agresso system are now established and deliver a good control environment. No recommendations have been made as a result of the work undertaken in this area.

5.11 **Performance**

5.12 Internal Audit has noted the focus of the RSSP Operations Board over the last year has realised some improvements in service delivery and performance for housing benefits. The performance statistics and reporting arrangements are robust and the introduction of the Payment and Performance mechanism for both Councils should assist in delivering further

improvements over the current financial year. Internal Audit has already commented on the accuracy of the assessment process, overpayments and the Local Authority subsidy claim, all of which require further attention. No recommendations have been made as a result of the work undertaken in this area.

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS AUDIT RECOMMENDATIONS

1. Procedures (Low Risk)

Recommendation	Rationale	Responsibility
That formal procedures relating to the benefits services and linkages between the operational service and the client team function should be clearly stated, reviewed and updated and adopted across both Councils.	<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 remain undocumented since the last audit took place. <u>Risk</u> If a unified approach is not fully documented, there is a risk that officers may take incorrect courses of action where some is required.	Senior Benefits Officer (Capita) & Revenues & Benefits Client Officer

Management Response	Implementation Date
Recommendation is **Agreed** This should be part of our ongoing process review which will be carried out by James Connolly, Revenues & Benefits Client Officer and Peter Bradburn, Senior Benefits Officer (Capita) to take account of all recent system reviews and process changes. Management Response: Darren Keen, Capita Contract Manager	31 May 2010

2. Registering a Debt (Low Risk)

Recommendation	Rationale	Responsibility
That Legal service should explore the merits of adopting the	<u>Best Practice</u> The Council should always strive to ensure that costs relating to a case	Legal Officer

practice of on-line recovery for housing benefit recovery cases to ascertain if the system could be of benefit to the Council.	are kept to a minimum and that the same applies to the time spent pursuing the debt.

Findings
Internal Audit was informed by Legal Services that debt recovery differs across SODC and VWHDC. SODC adopt a practice which is known as "Registering the Debt", this practice incurs less court fees than incurred at present for both the Council and claimant and less time in pursuing the debt. However it was noted that no recovery was undertaken on line.

Risk
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**
1) At present the registering of debts by SODC is only used in cases of Administration Penalties.

2) The legislation would seem to indicate that the process could be used for the recovery of overpayments, however Legal would need to be assured that the overpayment determination letter exists (in the format that is sent to the debtor) and adheres in all aspects to the legislative requirements. Legal would contend that the normal recovery process of a Particulars of Claim and Claim Form adequately deal with the requirements of recovery. It also gives an opportunity for legal to raise any questions that may be evident on the supporting papers.

3) With regard to the use of Money Claims Online (MCOL) we would comment, a) the drop in fees is minimal on average it is £5 per claim, b) problems have been highlighted regarding the entry of judgment after 6 months, in that the claim is struck out and c) the payment of fees has to be made by credit or debit card - this element would need to be explored and a system put in place to allow officers to make payments. Ongoing research into these problems continues.

Management Response: Suzanne Green, Legal Officer | | Cases will be assessed on their individual merits forthwith. |

PAYMENT PROCESS

3. Benefit Assessment   **(Medium Risk)**

Recommendation	Rationale	Responsibility
That Capita should introduce measures to improve the accuracy of the benefit assessment process. In particular change of circumstances should be processed promptly and be subject to additional checking until such time as the Council can gain assurance that benefit change of circumstance request are being processed correctly.	<u>Best Practice</u> Measures should be in place to ensure that the accuracy of the benefit assessment process is assured. <u>Findings</u> The Revenue and Benefits Client Team and the Benefit Fraud team have alerted Internal Audit to the range of errors arising from the assessment process undertaken by Capita. Internal Audit reviewed seven cases and noted that 4 of the cases had generated overpayments from £4728.45, £641.64, £2295.00 and £239.76 respectively. Many cases reflected significant delays in dealing with change of circumstances issues and Internal Audit noted four of the seven cases would also be classified as Local Authority error for subsidy purposes. <u>Risk</u> If errors can be classified as local authority error, there may be an impact upon the Council's subsidy claim.	Capita Benefits Manager

Management Response		Implementation Date
Recommendation is **Agreed** There was a backlog of changes in circumstance which was caused as a result of bringing all of the new claim work up to date. Changes are now being dealt with in a satisfactory timescale so the delay issue should now have been addressed. With regard to accuracy, a general review of this is currently being undertaken to establish trends and solutions to improve the overall figures. I feel confident that once this analysis is done that there will be a positive improvement. Management Response: Darren Keen, Capita Contract Manager		Implemented

BENEFIT ASSESSMENT

4. Discretionary Housing Benefit Payments   (Low Risk)

Recommendation	Rationale	Responsibility
That the discretionary housing payments	<u>Best Practice</u> The discretionary housing payments	Revenues and Benefits Client

| policy and administration procedure should be reviewed and updated to reflect the recently adopted process for discretionary payment as agreed with the Council's Strategic Director. | policy and administration procedures should be consistent across both Councils to harmonise arrangements regarding discretionary housing payments.

Findings
The Revenue and Benefits Client Manager advised Internal Audit that approval to operate the new process for discretionary housing payments had been agreed by the Council's Strategic Director for Finance. This should now be reflected in a revised procedure for discretionary housing payments.

Risk
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. | Manager. |

Management Response	Implementation Date
Recommendation is **Agreed in Principle** The policy has been reviewed and is in operation following delegated authority being granted. The only delay in finalising the written procedures was due to a pending FFTF decision to harmonise the appeals process between the two authorities. This has now been received and the final part of the process will be ratified in the written procedure notes. Unfortunately the appeals process will continue to be different between the two authorities. Paul Howden, Revenues and Benefits Client Manager	1 February 2010

5. Off Site Checking Reports   **(Low Risk)**

Recommendation	Rationale	Responsibility
That Capita should provide the Revenue and Benefits Client team with the monthly offsite quality checking record to provide assurance on the checking process being undertaken by Capita and to prevent duplication in the checking of claims.	Best Practice The provision of the monthly off site checking report would serve to provide assurance that the level of checking undertaken by Capita is adequate. Findings The Senior Revenue and Benefits Client Officer stated that the Off Site Checking Reports had not been provided to the client team and he	Capita Benefits Manager

	considers it would be useful to provide assurance on the levels of checking being undertaken by Capita. This could prevent duplication in terms of the checking of claims.

Risk
Failure to provide reports that denote the level of checking undertaken by Capita could result in increases in error in the benefit assessment process which the Council would not be alerted to. | |

Management Response	**Implementation Date**
Recommendation is **Agreed**
This will commence immediately.

Management Response: Darren Keen, Capita Contract Manager | Forthwith |

6. Claims Suspended   (Medium Risk)

Recommendation	**Rationale**	**Responsibility**
That Capita should be reminded to review all accounts placed in suspense within the 28 days timetable. Furthermore accounts on hold in excess of 100 days as detailed in the claims suspended report produced on 21 Sept 2009 should be reviewed as a matter of urgency with a view to removing the suspension if it is considered no longer appropriate.	Best Practice
Housing Benefit accounts placed on hold should be reviewed every 28 days to ensure the appropriate action is taken in a timely manner.

Findings
The report stated some 243 accounts were placed on hold as at 21/9/09. Internal Audit noted that the number of days that the accounts had been placed on hold ranged from a few days up to 375 days. Internal Audit noted some 25 accounts had been on hold for over 100 days.

Risk
Failure to review accounts in a timely manner could result in accounts not being pursued in accordance with Council policy and failing to take appropriate action when necessary. | Capita Benefits Manager |

Management Response	**Implementation Date**
Recommendation is **Agreed**
The review of cases which have been suspended for more than 28 days does need to be undertaken, however this work is effectively monitored by the general work process	31 March 2010

whereby set time periods are used within the EDMS system which prompt users to review claims on a regular basis. It is not unusual for cases to be suspended for long periods of time due to the complexity of the claims but I will ensure that the older cases are reviewed and the necessary system work is carried out where appropriate.

Management Response: Darren Keen, Capita Contract Manager

OVERPAYMENTS

7. Overpayments Guide   (Low Risk)

Recommendation	Rationale	Responsibility
The Overpayments Guide is reviewed and updated to reflect changes to the timescale for the recovery of overpayments and threshold for which cases are referred to Legal Services.	<u>Best Practice</u> An up to date Overpayments Guide should be in place to improve clarification on all aspects of recovery and responsibilities. <u>Findings</u> The Contract Manager stated that the overpayment guide is to be reviewed and updated due to changes made to the recovery timetable and threshold of cases to be referred to Legal Services. Internal Audit noted a number of inaccuracies in the guide relating to overpayments. <u>Risk</u> If a unified approach to Overpayments is not fully documented, there is a risk that officers may take incorrect courses of action.	Capita Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** Already done. Management Response: Darren Keen, Capita Contract Manager		Implemented

8. Overpayment Testing   (Medium Risk)

Recommendation	Rationale	Responsibility
Capita should undertake sample testing of current overpayments to ensure the categorisation of	<u>Best Practice</u> Regular sample checking of overpayments would minimise and help reduce the risk of inaccuracies with regards to the Subsidy claim and subsequent penalties.	Capita Benefits Manager

	errors for benefits subsidy purposes is accurate to minimise the potential for penalties.	Findings The Contracts Manager stated that there is no checking of overpayments undertaken by Capita staff, however overpayments could be picked up as part of the 10% checking process undertaken by the Revenue and Benefits Client team. Risk Failure to review the categorisation of errors for benefit subsidy could result in high level of errors for the subsidy claim and invoke penalties which could be avoided.	

Management Response	Implementation Date
Recommendation is **Agreed** Overpayment subsidy information is now being provided regularly and reviews are already being carried out. Management Response: Darren Keen, Capita Contract Manager	Implemented

RECOVERY

9. Old Debts   **(High Risk)**

Recommendation	Rationale	Responsibility
That historic debt/overpayments are reviewed as a matter of urgency with a view to taking action to recover the debt or submitting the debt for write off if considered appropriate.	Best Practice All old and historic debts should be rigorously pursued. Findings The Senior Benefits Officer has identified from the Overpayment Analysis report that the recovery status on a large percentage of historical debts denotes that the items have been referred to legal Services, when this is not the case. Risk If older debts are not rigorously pursued, it may not be possible to recover the debt due to the person moving or the debt become age barred.	Capita Benefits Manager

Management Response	Implementation Date
Recommendation is **Agreed** To assist in meeting the Legal Department's corporate objectives all debts older than 4 years have been reviewed and appropriate letters have been issued to the customers.	31 March 2010

A more automated, timely and robust process has now been adopted which will mean that all overpaid debts are created and pursued in an effective end to end process for all years, including new debts.

Management Response: Darren Keen, Capita Contract Manager

10. Staff Resources   (Medium Risk)

Recommendation	Rationale	Responsibility
That consideration is given to the allocation of additional staff resources to assist with the reduction of housing benefit overpayments and meet the incentive as proposed in the payment and performance mechanisms for housing benefits.	Best Practice That staff resources dedicated to overpayments is sufficient to address improvements in the recovery of overpayments. Findings Historically pursuing overpayments has always been an issue for the Council, and they are still not being pursued vigorously since the commencement of the Capita contract and therefore the value of overpayments remain considerable. Risk If there are not adequate staff resources available, the recovery of overpayments will fail to meet the Council's incentives as stated in Payment and Performance mechanism.	Capita Benefits Manager
Management Response		**Implementation Date**
Recommendation is **Agreed** I am happy that the level of resource allocated to debt recovery is perfectly adequate for the ongoing process, due to the automation of much of the recovery cycle. I will however be utilising extra staff in the short term to ensure that a full review of existing debt is carried out before the end of the financial year. Management Response: Darren Keen, Capita Contract Manager		31 March 2010

9. PERFORMANCE MANAGEMENT FOLLOW-UP 2008/2009

1. INTRODUCTION

1.1   Fieldwork undertaken in September and final issued 29 September 2009.

2. INITIAL AUDIT FINDINGS

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

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that seven recommendations had been fully implemented with the remaining two recommendations registering an ongoing status which is linked to their implementation dates.

3.2   Internal Audit noted that an extensive amount of work had been directed to building staff awareness of the corporate plan, introduction of joint service plans and adopting a harmonised approach to performance management across both Councils. Designated officers have been given training on the performance management system and revised reporting arrangements have been adopted. Internal Audit has already commenced an audit to verify the Council's national indicators to ensure consistency across both Councils, and has noted that officers are working together to ensure performance management information is visual to all staff to raise awareness of the Council performance measures.

3.3   Internal Audit is satisfied that the recommendations in time will all be fully implemented.

FOLLOW-UP OBSERVATIONS

CORPORATE PLAN

1. Corporate Plan   **(Low Risk)**

Recommendation	Rationale	Responsibility
The Corporate Plan should be subject to an annual review process to ensure changes to national indicators, local performance targets and relevant projects are recorded as and when they arise in the corporate plan development programme.	Best Practice Staff are continually kept informed of significant changes to the Council's corporate plan to ensure clarity in terms of their contribution to the Council objectives and priorities. Findings: 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	Principal Performance Management Officer

	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.	
	Risk 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.	

Management Response	**Implementation Date**
Recommendation is **Agreed** The Corporate Plan 2009-12 agreed by Council in February 2009 contains a statement that an annual update will be produced. Management Response: Principal Performance Management Officer	31 March 2010

Follow-Up Observations	
The Principle Performance Management Officer stated that this has been incorporated into the 2009/10 service plan and will be delivered in qtr 4 (2009/10).	**Ongoing**

2. Awareness of Corporate Priorities   (Low Risk)

Recommendation	**Rationale**	**Responsibility**
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.	Best Practice Staff should have easy access to the Council objectives and priorities and be well versed in the priorities and their contribution to those priorities. Findings 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. 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	Principal Performance Management Officer

officers had a checklist to which they could refer to familiarise themselves with the Council's strategic objectives and corporate priorities.

Risk
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.

Management Response	Implementation Date
Recommendation is **Agreed**	15 April 2009

Follow-Up Observations	
This has been produced. In addition, copies will be distributed at the staff briefings. This is one element of a wider communications plan for the Corporate Plan 2009-12. Laminated copies of the Corporate plan have been supplied to managers and on 26/06/09 the Principal Performance Management Officer checked the building for the presence of posters detailing the Council's strategic objectives and found all areas were adequately covered.	**Implemented**

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.	Best Practice That a performance management handbook is available to all staff to serve as a reference tool for performance management purposes. Findings 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. Risk	Principal Performance Management Officer

	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.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Principal Performance Management Officer		By the end of the first quarter 2009, 30 June 09
Follow-Up Observations		
The Principal Performance Management Officer stated that the handbook can now be found on the intranet. The Performance Officer at SODC has provided staff training to all staff who have access to the performance management system on 16 June 2009, which was supported by guidance documentation and an extensive number of emails.		**Implemented**

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.	<u>Best Practice</u> A robust performance management system is adopted and staff received adequate training in its use to assist in providing an effective management tool for reporting performance management issues. <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 <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	Principal Performance Management Officer

and adverse criticism to the Council.	
Management Response	**Implementation Date**
Recommendation is **Agreed** Management Response: Principal Performance Management Officer	By the end of the first quarter 2009, 30 June 09
Follow-Up Observations	
The Principal Performance Management Officer supplied a list of designated officers with responsibility for input to the Performance Management system. The Performance Officer, SODC has provided staff training to all staff who have access to the performance management system. Internal Audit noted that a limited number of officers based at the VWHDC have access to the system due to issues over the number of licences.	**Implemented**

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.	<u>Best Practice</u> A robust performance management system is adopted which serves as an effective management tool for reporting performance management issues. <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. <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.	Principal Performance Management Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Principal Performance		By the end of the first quarter 2009, 30 June 09

Management Officer	
Follow-Up Observations	
The Qtr 1 report for performance management is going to the Executive on 2 October 2009, the report format reflects the standard reporting arrangements.	**Implemented**

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**.**	<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. <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. <u>Risk</u> If the service planning arrangements are inconsistent across both Councils, this could lead to the inefficient management and delivery of services.	Principal Performance Management Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Principal Performance Management Officer		15 April 2009
Follow-Up Observations		
The Principal Performance Management Officer stated that an harmonised approach for service plans was adopted for 2009/10 and Internal Audit confirmed that copies of the service plans could be found on the Council's intranet to		**Implemented**

confirm this arrangement.	

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.	Best Practice The calculation of national indicators are carried out in accordance with published guidance and this process is consistent across both Councils. Findings 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. Risk Failure to ensure the calculation of national indicators are calculated in accordance with the appropriate guidance could cause adverse criticism from the Audit Commission.	Principal Performance Management Officer

Management Response	Implementation Date
Recommendation is **Agreed** Management Response: Principal Performance Management Officer	30 September 2009

Follow-Up Observations	
Internal Audit as part of the internal audit plan 2009/10 is currently undertaking verification of the 2008/09 national indicators. A standard sign off form has been introduced across both sites for this purpose.	**Implemented**

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	Best Practice The visibility of performance information builds awareness amongst officers of performance issues and their role and responsibility with regards to these issues. Findings Performance information is not	Principal Performance Management Officer

raise awareness of the Council's performance measures.	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. Risk 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.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Management Response: Principal Performance Management Officer		30 September 2009
Follow-Up Observations		
The Principal Performance Management Officer stated that this issue is to be raised with the Head of IT, HR and Customer to encourage other Heads of Service to present performance information visually to promote awareness of performance.		**Ongoing**

REPORTING ARRANGEMENTS

9. Reporting Timetable   (Low Risk)

Recommendation	Rationale	Responsibility
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.	Best Practice Reporting of performance data is undertaken swiftly to facilitate the management reporting requirements. Findings 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. Risk Without an adequate reporting mechanism/timetable which is	Principal Performance Management Officer

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.	
Management Response	**Implementation Date**
Recommendation is **Agreed** Where responses are not received within the required timescales, Section Heads / Management Team when appropriate to do so. Management Response: Principal Performance Management Officer	For the first quarter 2009, by 31 July 09
Follow-Up Observations	
The Principal Performance Management Officer stated that a joint timetable has been adopted for 2009/10, the Qtr 1 exception report went to management team on 4 August 09. A copy of which has been supplied as evidence of implementation.	**Implemented**

10. RISK MANAGEMENT FOLLOW-UP 2008/2009

1. INTRODUCTION

1.1   Fieldwork undertaken in September and final issued 13 October 2009.

2. INITIAL AUDIT FINDINGS

2.1   The final report made 13 recommendations and all were agreed. A Limited assurance opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that all 12 recommendations had been implemented, with one partly implemented. A revised implementation date has been given.

3.2   Significant work has been undertaken by the Corporate Risk Officer to revise the risk management processes, and harmonise the approach with South Oxfordshire District Council.

FOLLOW-UP OBSERVATIONS

POLICIES AND PROCEDURES

1. Review of Risk Management Policy and Methodology   (Medium Risk)

Recommendation	Rationale	Responsibility
The risk management policy and methodology should be reviewed and updated where necessary. Any amendments should be reported to the Audit and Corporate Governance Committee and then the policy and methodology should be reviewed as required.	Best Practice The risk management policy and methodology should be reviewed on a regular basis to ensure that the aims and objectives are relevant and support the corporate strategic objectives, and adequate guidance notes are in place. Findings The risk management policy and methodology were approved in 2004 and have not been subject to any review since then. Risk If the risk management policy and supporting procedures are not up to date, the Council's risk management approach may not deliver its intended outcomes which could impact on the Council's ability to meets its strategic objectives.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed**		3 months after Risk Management Officer

	commences - hopefully by 31 March 2009.
Follow Up Observations	
The original risk management policy and methodology has now been superseded due to the rationalising of the approach to risk management at both SODC and VWHDC. The new risk management strategy has been approved by ACGC (SODC), AGC (VWHDC), Cabinet (SODC) and Executive (VWHDC). Risk management procedures are in place and available via the intranet.	Implemented

2. Risk Management Resources   (High Risk)

Recommendation	Rationale	Responsibility
The resource provision for risk management should be reviewed, to ensure that adequate resources are in place for the promotion and implementation of the risk management process (i.e. designated risk management officer and a risk management group). Once responsibilities have been clarified and assigned, they should be clearly documented in the risk management policy.	Best Practice Sufficient resources should be in place for the promotion and implementation of the risk management process in accordance with the risk management policy, and they should be clearly documented. Findings Responsibility for risk management has not been clearly assigned to an officer to lead and direct the risk management process. Risk If insufficient resources are allocated to the risk management process, and roles and responsibilities are not clarified, its objectives may not be achieved.	Strategic Director with responsibility for Risk Management (likely to be Steve Bishop).
Management Response		**Implementation Date**
Recommendation is **Agreed** Recommendation to establish a risk management group is not agreed as we have insufficient capacity to divert resources from core service delivery. However, the Risk Management Officer, supported by SMT, will consult other officers as required and will be empowered to instruct managers on risk management issues. Management Response: Strategic Director (SB)		Strategic Director to ensure Risk Management Officer commences by 1 January 2009. VWHDC-SODC arrangement being led by Head of Business and Information Systems (SODC), Strategic Director to liaise.
Follow Up Observations		

The structure of the SODC Business Improvement Team was reviewed in 2008, and the full time shared post of Corporate Risk Officer was identified to provide a greater resource to the risk management process. The Corporate Risk Officer post is now responsible for risk management at SODC and VWHDC. Risk champions have been identified for each service area and the Corporate Risk Officer is now having one to one contact with the risk champions and this is proving an effective way of raising risk awareness as questions can be more specific to each service.	Implemented

3. Access to Risk Management Strategy on the Internet　　　　(Low Risk)

Recommendation	Rationale	Responsibility
The risk management policy should be made available to the public on the Council's website.	Best Practice The Council should demonstrate a clear commitment to managing risk and meeting its strategic objectives, by evidencing a clear risk management strategy. Findings The Council's risk management strategy is not available to the public on the Council's website. Risk The Council needs to establish a strong risk management culture. Without a clear commitment, risk management will not be taken seriously and the intended outcomes will not be achieved.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed**		3 months after Risk Management Officer commences - hopefully by 31 March 2009
Follow Up Observations		
The risk management strategy has been placed on the Council's website.		Implemented

RISK MANAGEMENT NETWORK

4. Audit and Corporate Governance Committee　　　　(High Risk)

Recommendation	Rationale	Responsibility
a) The Audit and Corporate Governance	Best Practice Risk management should be embedded within the Council, with	Risk Management Officer

Committee should be receiving risk management reports on a regular basis to provide them with assurance on the effectiveness of the risk management process. b) The Audit and Corporate Governance Committee should also review the strategic risk register on a six monthly basis, to satisfy themselves that those risks are being managed to an acceptable level within the agreed risk appetite of the Council.	regular reports being submitted to accountable Committees/officers to ensure that risks are being discussed and managed effectively in accordance with the risk management policy. Findings Detailed risk management reports, providing Members with both assurance on the risk management process and information on the management of strategic risks, are not being received on a regular basis by the Audit and Corporate Governance Committee. Risk If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.

Management Response	Implementation Date
Recommendation is **Agreed in Principle** The nature of the risk management reports to Audit & Corporate Governance Committee and the frequency of Audit & Corporate Governance Committee reviews of the strategic risk register should be determined by the Risk Management Officer after an initial assessment of the Council's requirements. Management Response: Strategic Director (SB)	From 1 April 2009

Follow Up Observations	
The risk management strategy states that updates will be reported to the Audit and Governance Committee on a regular basis. The risk management strategy was presented to the June 2009 meeting, and the strategic risk register along with a future reporting timetable was presented at the September 2009 meeting. The timetable includes the presenting of the strategic risk register every six months.	Implemented

5. Strategic Directors   **(High Risk)**

Recommendation	Rationale	Responsibility
The Strategic Directors and Chief Executive should be receiving risk	Best Practice Risk management should be embedded within the Council, with regular reports being submitted to	Risk Management Officer Strategic Director with

management assurance reports and reviewing the strategic and operational risk registers on a regular basis, to ensure that they are being reviewed and updated on a regular basis and satisfy themselves that risks are being managed to an acceptable level within the agreed risk appetite of the Council.	accountable Committees/officers to ensure that risks are being discussed and managed effectively in accordance with the risk management policy. Findings Risk management assurance reports and the strategic and operational risk registers are not being received and reviewed on a regular basis by the Senior Management Team. There is currently no checking process to ensure that service area (operational) risk registers are being updated as required on a six monthly basis. Risk If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The nature and frequency of reports to directors should be determined by the Risk Management Officer in consultation with directors after an initial assessment of the Council's requirements. Management Response: Strategic Director (SB)		From 1 April 2009
Follow Up Observations		
The operational risk registers are available for review by management team at any time as they are available via the intranet. At the end of each quarterly review of the operational risk registers, a short briefing note will now be sent to management team in relation to risks above tolerance and also in instances where mitigating actions have not been implemented. The Corporate Risk Officer facilitated a workshop with strategic directors and the chief executive in March 2009 to introduce them to the new strategic risk register template and to discuss potential strategic risks. An outcome of the meeting was that one strategic director took responsibility for the updating of the strategic risk register. The strategic risk register is to be included on management		Implemented and Ongoing

team agenda every quarter.

6. Deputy Directors   (High Risk)

Recommendation	Rationale	Responsibility
Deputy Directors should include risk management and a review of the service area (operational) risk register as an ongoing agenda item at team meetings, to ensure that risk management is a continuous process.	Best Practice Risk management should be embedded within the Council, with risks being managed by the service areas on a continuous basis to ensure that all strategic and operational risk registers reflect salient risk exposures and any resourcing issues within the service areas. Findings The 9 Deputy Directors/Head of Service were asked to confirm that risk management was a regular agenda item at their team meetings. Three did not respond (Contracts and Procurement, Environmental Health and Planning and Community Strategy). Of the remaining six, four could evidence that they did (Commercial Services, Finance, Housing and Community Safety, Organisational Development and Support). Risk If risk management is not embedded within the Council, ineffective risk management or changes in risk tolerance levels may not be reported appropriately and therefore the relevant action to mitigate the risk exposure may not be taken.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Risk management is one of dozens of important corporate management duties (along with Health & Safety, sickness absence, staff morale, performance mgt, etc) - there is insufficient capacity to review everything at every team meeting as part of a 'one-size-fits-all-ticklist-approach'. Instead, stand alone periodic reviews would be more effective and less time consuming e.g. when the half-year Service Area Annual Report and Service Area Annual Report are compiled. However, agree that Deputy Directors should identify risks on an ongoing and update the risk register when appropriate.		From 1 April 2009

Management Response: Strategic Director (SB)	
Follow Up Observations	
The Corporate Risk Officer confirmed that feedback received from risk champions and heads of service suggested that team meeting agendas are already too long. Therefore, the Corporate Risk Officer is now having one to one contact with the risk champions from each service area, and this is proving an effective way of raising risk awareness as questions can be more specific to each service. Risk champions area also responsible for facilitating the quarterly review of their operational risk registers, and as part of the service planning process risk registers are subject to annual review by heads of service.	Implemented and Ongoing

RISK MANAGEMENT GUIDANCE

7. Risk Management Induction and Training   **(Medium Risk)**

Recommendation	Rationale	Responsibility
Risk management should be referred to within the corporate induction programme and formal training should be incorporated into the annual corporate training programme on a six monthly basis. All members and new staff officers should be invited to attend, but all new managers, portfolio holders and members of the Audit and Corporate Governance Committee should receive risk management training.	<u>Best Practice</u> All members and officers should understand risk and risk management, and officers with management responsibilities should be competent in risk identification, management and analysis. <u>Findings</u> A formal continuous risk management training programme is not available to members and staff. The Audit and Corporate Governance Committee have not received any risk management training. <u>Risk</u> If responsible officers are not competent in risk identification, management and analysis skills, risks may not be identified and managed to a tolerable level and the Council's objectives may not be achieved.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** Risk management is primarily a management duty. Awareness of risk management among all staff would be advantageous, but is a luxury we cannot afford given capacity and frontline service pressures. So, training should		1 April 2009

| be targeted rather than universal.

Management Response: Strategic Director (SB)	
Follow Up Observations	
Risk management training has been included in the corporate induction as part of the 'importance of controls' element of the Strategic Director's (Section 151 Officer) module. The Human Resources Officer has further suggested that reference to the risk management strategy could be included within the managers checklist. This would ensure that new starters are aware of the risk management arrangements and training can then be targeted to officers who need it.

Members of the AGC have requested risk management as a possible training area in their self-assessment questionnaire. Democratic Services are organising a suitable timetable for this training.   Members of ACG reviewed and commented on the risk management strategy which included the methodology and process. | Partly Implemented

Revised Implementation Date: March 2010 |

RISK IDENTIFICATION, MANAGEMENT AND ANALYSIS

8. Service Plans   (Medium Risk)

Recommendation	Rationale	Responsibility
All service plans should require risk implications against the agreed standard, performance indicators and targets to be considered.	<u>Best Practice</u> All service plans should consider and document risk implications which may affect the achievement of the short term objectives. <u>Findings</u> A review of the service plan template and a sample of two 2008/2009 service plans, confirmed that risk implications are not considered within the service plan. <u>Risk</u> If risks are not clearly identified and managed on an on-going basis to a tolerable level, the objectives outlined within the service plans may not be achieved.	Risk Management Officer

Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task. |
Management Response		**Implementation Date**
Recommendation is **Agreed**		2009/2010 service plans
Follow Up Observations		
The service plan template has now been harmonised between SODC and VWHDC. Risk implications are referred to in the service plan narrative and the annual risk		Implemented and Ongoing

update requires that above-tolerance risk mitigation actions are included in the service plan table if judged sufficiently important.

The risk register allows for any further actions required to be recorded and also to state if the action has been included within the service plan. As part of the quarterly review, the Corporate Risk Officer will follow up any outstanding actions and report non-implementation to management team.

9. Risk Registers   (Medium Risk)

Recommendation	Rationale	Responsibility
The format of the risk registers should be updated to ensure that each risk identified is clearly linked to the objectives of the Council.	<u>Best Practice</u> Risk registers should be comprehensive to ensure that management adequately manage their risks and Members can receive assurance on the adequacy of the existing controls and levels of residual risk against the corporate objectives. <u>Findings</u> A review of the risk registers found that risks are not clearly linked to the objectives of the Council. <u>Risk</u> If adequate risk registers are not in place to be used as a management tool and to provide assurance to members, risks may not be managed effectively and the Council's objectives and risk management strategy may not be achieved.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.

Management Response	Implementation Date
Recommendation is **Agreed in Principle** The risks may not easily or helpfully map onto the Council's broadly described corporate priorities and objectives. But willing to make an initial attempt to assess whether this recommendation would add value. Management Response: Strategic Director (SB)	1 April 2009

Follow Up Observations	
The risk register now requires all risks to be linked to strategic objectives.	Implemented

10. Approval of Risk Registers   (Medium Risk)

Recommendation	Rationale	Responsibility
The strategic risk	<u>Best Practice</u>	Risk Management

register should be formally approved by the Audit and Corporate Governance Committee on an annual basis, and the service area (operational) risk registers should be formally approved by the relevant portfolio holder on an annual basis.	Risk registers should be formally approved on an annual basis by members and officers, to ensure that risks are identified and being managed within the Council's agreed risk appetite. Findings The strategic and operational risk registers are not being received and reviewed on a regular basis by the Audit and Corporate Governance Committee and Senior Management Team, and the risk registers are not subject to any formal approval. Risk If risk registers are not subject to any formal approval, appropriate and salient risks not considered may not be identified and inappropriate and/or an absence of mitigating action may not be identified and dealt with.	Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed**		First Audit and Corporate Governance Committee meeting after 1 April 2009
Follow Up Observations		
The strategic risk register is reviewed by the Audit and Governance Committee on a 6 monthly basis, with the first report being presented in September 2009. A statistical report on the operational risks will be submitted on an annual basis. The management team will review the strategic and operational risk registers on a quarterly basis.		Implemented

11. Risk Action Plans   (Medium Risk)

Recommendation	Rationale	Responsibility
All required actions identified within the risk registers should have an implementation date. The relevant portfolio holder should take responsibility to ensure that all the necessary actions have been implemented.	Best Practice A documented action plan should be in place for all risks which are not being managed to a tolerable level, and there should be a clear implementation date. Findings Formal action plans are incorporated within the risk register template, but implementation dates are not recorded. In addition, there is currently no formal checking	Deputy Directors

	process to ensure that identified actions are implemented. Risk If risks are not managed to a tolerable level, the Council's objectives and risk management strategy may not be achieved.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The risk register should be referenced to the service plan (even if the register is kept confidential as it contains sensitive information); so that sufficient resources are available to complete planned register actions without compromising service delivery. Management Response: Strategic Director (SB)		2009/2010 service plans
Follow Up Observations		
The risk register allows for any further actions required to be recorded and also to state if the action has been included within the service plan. Risk champions have also been briefed to ensure the risk register is fully completed with these details. As part of the quarterly review process, the Corporate Risk Officer will follow up any outstanding actions and report non-implementation to the Management Team.		Implemented

12. Council/Committee Reports   **(Medium Risk)**

Recommendation	Rationale	Responsibility
The Council/Committee report template should be amended, to require risk implications of the report being presented to be considered.	Best Practice All Council/Committee reports presented for approval/noting, should include the risk implications of the subject matter. Findings The current Council/Committee report template does not prompt authors to consider the risk implications associated with the report's subject matter. Risk If risks are not clearly identified in a decision-making process, then decisions could be made without the level of risk exposure being taken into consideration. This could result in risks being realised and Council objectives not being achieved.	Monitoring Officer - to determine the report template changes. Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure task completed.
Management Response		**Implementation Date**

Recommendation is **Agreed**	1 January 2009
Follow Up Observations	
Council and Committee templates have now been harmonised between SODC and VWHDC. Risk implications now need to be included and a risk assessment completed for each report. The report writing guide details how risk management is incorporated into the council/committee reports.	Implemented

BEST PRACTICE

13. Measurement to Best Practice   (Low Risk)

Recommendation	Rationale	Responsibility
The Council's risk management approach and processes should be reviewed against best practice.	Best Practice The Council should assess its approach and processes against best practice on an on-going basis. Findings The Council's risk management approach has not been measured against best practice. Risk The Council's approach may not be the most effective and efficient approach to risk management in accordance with best practice.	Risk Management Officer Strategic Director with responsibility for Risk Management (likely to be Steve Bishop) - to ensure Risk Management Officer completes task.
Management Response		**Implementation Date**
Recommendation is **Agreed**		31 March 2009
Follow Up Observations		
The Corporate Risk Officer has rationalised the risk management approach across SODC and VWHDC. This process included a comparison of good practice and also consultation with West Oxfordshire District Council and Cherwell District Council.		Implemented

11. HUMAN RESOURCES FOLLOW-UP 2008/2009

1. INTRODUCTION

1.1   Fieldwork undertaken in November and final issued 13 November 2009.

2. INITIAL AUDIT FINDINGS

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

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that five recommendations had been successfully implemented, one partly implemented and one remained ongoing.

3.2   Internal Audit noted the introduction of the Baseline Personnel Security Standard for specific employees in the last six months will be followed, by a security review of all employees to support the integrity of personnel employed by the Council. Employees requiring CRB checks will also be subject to a 3 year review process following commencement of their employment. Internal Audit also noted the introduction of a review and tracking mechanism for staff appraisals and documentation relating to the qualities and behaviour framework. Further policies and procedures are currently being reviewed to reflect a harmonised process for a range of common Human Resources functions. Internal Audit is confident that progress is being made in all the areas highlighted following this internal audit review of Human Resources.

FOLLOW-UP OBSERVATIONS

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.	Best Practice 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. Findings 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	Payroll and HR Team Leader

	opinion that HR should clarify whether a CRB is necessary or if a previous CRB check remain valid for this employment. Risk 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.	

Management Response	Implementation Date
Recommendation is **Agreed in Principle** Management Response: HR Officer	31 May 09

Follow-Up Observations	
The HR Officer confirmed that the CRB check highlighted as a result of the compliance testing is now completed. Internal Audit confirmed this with the Team Leader (HR and Payroll).	**Implemented**

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 clearance.	Best Practice 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 commencement of their employment and be subject to periodic review in the event that employees remain in the employment of the Council. Findings Internal Audit noted that there is no programme to revisit CRB checks after they have been initiated. Risk 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.	HR officer

Management Response	Implementation Date
Recommendation is **Agreed** 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. Management Response: HR Officer	30 June 09

Follow-Up Observations	
The HR officer stated that HR have introduced the Baseline Personnel Security Standard for specific groups of employees and CRB checks are formulated as part of this process. All employees will be checked over a period of time to the BPSS and CRB checks will be subject to a 3 year review timetable as agreed with the HR Manager.	**Implemented and Ongoing**

3. Criminal Records Bureau Checking Scope   (Medium Risk)

Recommendation	Rationale	Responsibility
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.	<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. <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. <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.	HR Officer

Management Response	Implementation Date
Recommendation is **Agreed** See response to (2) above. Management Response: HR Officer	30 June 09
Follow-Up Observations	
The HR officer stated that the HR manager is in the process of reviewing this issue subject to the BPSS implementation. It is anticipated that HR will use CRB Scotland for this issue for officers using cash and considered to be in relevant positions.	**Partly Implemented** Revised Implementation Date: 31 March 10

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.	Best Practice 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. Findings 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. Risk 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.	HR Officer

Management Response	Implementation Date
Recommendation is **Agreed** HR Officer will be responsible for reviewing & tracking completion of staff appraisals. Management Response: HR Officer	31July 09
Follow-Up Observations	
HR officers are now reviewing and tracking receipt of staff appraisal documentation. Internal Audit noted a spreadsheet is being used for this purpose.	**Implemented**

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.	Both the PDP and Qualities and Behaviour competencies should be documented as part of a completed staff appraisal process. Findings 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. Risk 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.	HR Officer

Management Response	Implementation Date
Recommendation is **Agreed** See response to (4) above – staff appraisal documentation has now been amended to include Q&B examples / evidence. Management Response: HR Officer	31 July 09

Follow-Up Observations	
The HR officer stated that a form has been added to the appraisal process relating to the qualities and behaviour framework; however officers are not consistent in the completion of the Q&B documentation, if indeed it has been completed. There is still much work to do to reinforce this issue and HR officers will utilise the tracking spreadsheet to monitor the responses.	**Implemented and Ongoing**

6. Training Procedures (Medium Risk)

Recommendation	Rationale	Responsibility
That the procedures regarding training, appraisal and other common functions should be reviewed jointly with SODC with a view to	Best Practice 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.	HR Officer

	Findings	
introducing a standardised approach to the administration of these functions for both Councils.	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.	
	Risk 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.	

Management Response	**Implementation Date**
Recommendation is **Agreed** 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). Management Response: HR Manager	31 March 2010

Follow-Up Observations	
The HR officer stated that a range of procedures are being reviewed to reflect a harmonised approach to a number of HR functions. The Training and Development Policy is nearing completion and Internal Audit obtained a copy of the revised policy as confirmation.	**Ongoing**

7. Training Evaluation Forms   **(Low Risk)**

Recommendation	**Rationale**	**Responsibility**
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	Best Practice Training evaluation forms should be completed after all training to enable management to assess the effectiveness and worth of delivered training. Findings The completion of training evaluation forms were noted for two of the ten cases and the Training	HR Officer

for themselves and their senior managers.	and Development Co-ordinator stated that officers are not good at completing such evaluation forms. Risk 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.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Training co-ordinator will remind training deliverers to 'chase' the return of evaluation forms from trainees. Management Response: HR Officer		Ongoing
Follow-Up Observations		
Training evaluation forms are now fully embedded in the training development programme. The HR officer stated that HR are working on a harmonised process for training and evaluation linked to the HR Pro development plan with a implementation date of 30/04/2010.		**Implemented**

12. INTERNAL RECHARGES FOLLOW-UP 2008/2009

1. INTRODUCTION

1.1   Fieldwork undertaken in November and final issued 9 December 2009.

2. INITIAL AUDIT FINDINGS

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

3. FOLLOW UP MAIN FINDINGS

3.1   The review found that six of the eight recommendations had been successfully implemented and evidence was in place to support implementation.

3.2   The two remaining recommendations relate to the preparation of quarterly statements which detail the volume and expenditure relating to printing. During the course of this internal audit review, the Organisational Change Manager did propose that the current recharge report sent to the Principal Accountant will be copied to the Head of Service for information purposes. Consideration is still in progress with regards to the production of a single invoice to recover all recharges for the previous month/quarter. Revised implementation dates have been given for these recommendations, and Internal Audit will continue to monitor progress.

FOLLOW-UP OBSERVATIONS

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	Best Practice All print jobs should be authorised in accordance with stated procedures. 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. Risk Failure to adhere to an approval	Organisational Change Manager / Head of Communications

purposes.	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.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The Organisational Change Manager will liaise with Head of Communications to review the way in which print jobs are requested and authorised against budget codes. By end Q2 2009-10. Management Response: Organisational Change Manager / Head of Communications		30 September 2009
Follow-Up Observations		
Following the departure of the Head of Communications, the Organisational Change Manager stated that all printing requests from service areas are handled by the Business Support Unit and therefore must be made from the appropriate authorised officer against the appropriate codes/budgets. These jobs are recorded onto a Works Management system from which they are monitored. Therefore this recommendation has been superseded by the arrangements currently in place.		**Implemented**

2. Centralised Printing Budget   (Low Risk)

Recommendation	Rationale	Responsibility
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.	<u>Best Practice</u> All print expenditure should be allocated to the centralised printing budget. <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. <u>Risk</u> Failure to ensure that all print expenditure is attributed to the	Chief Accountant

	centralised budget could result in an overspend of the printing budget.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** 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. Management Response: Chief Accountant		31 May 2009
Follow-Up Observations		
The Chief Accountant confirmed that work has been undertaken by the Principal Accountant in conjunction with Heads of Service to ensure printing costs are attached to the centralised budget and reduced where appropriate. The Principal Accountant stated that some reduction in the anticipated overspend has been realised to achieve expenditure within budget as a result of undertaking this review. Internal Audit obtained evidence in support of this review.		**Implemented**

3. Printing Reports   (Low Risk)

Recommendation	Rationale	Responsibility
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.	<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. <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.	Business Support Unit Team Leader

	Risk Failure to supply services with supporting information for internal print recharges could means that the Council cannot justify why decisions are made and/or analyse where reductions can be made to facilitate a reduction in costs.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Business Support Unit Team Leader will review the way in which recharge reports are generated and circulated, by end Q2 2009-10. Management Response: Organisational Change Manager		30 September 2009
Follow-Up Observations		
The Organisational Change Manager stated that whilst this is not currently implemented, he proposed that the internal recharge report currently sent to the Accountant (Steve Guard) will be copied to all Heads of Service so they are made aware of printing costs attributed to their service area. Internal Audit noted the exercise undertaken by Principal Accountant with regards to the review of the printing budget as detailed in the response to recommendation 2 above.		**Not Implemented** **Revised implementation date: 28 February 2010**

APPORTIONMENTS OF INTERNAL RECHARGES

4. Annual Apportionment   **(Low Risk)**

Recommendation	Rationale	Responsibility
It is recommended that a business process review is undertaken to reduce the administrative burden of processing internal recharges.	Best Practice An annual review is undertaken to facilitate a reduction in work. Findings 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. Risk Failure to ensure internal recharges are apportioned correctly could	Business Support Unit Team Leader

	result in budget deficits and/or over expenditure.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Organisational Change Manager will make a recommendation for changing the recharge methodology to the Section 151 Officer, by end June 2009/2010. Management Response: Organisational Change Manager		30 June 2009
Follow-Up Observations		
The Organisational Change Manager reported on this issue to all Heads of Service, but the response has been negative and therefore he is unable to realise the reduction in work for the Admin section. It has been noted that there is no risk in terms of the financial controls relating to this area of work.		**Implemented**

AGRESSO UPLOADS

5. Internal Recharge Return   (Low Risk)

Recommendation	Rationale	Responsibility
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 ensure accuracy of the return.	Best Practice Internal recharge returns are fully completed prior to being sent to Accountancy, to facilitate a prompt upload to the Agresso system. Findings 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 causes a delay in the processing of internal charges. Risk Failure to ensure that internal recharges are appropriately processed could result in errors in the Council's accounts.	Chief Accountant
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
Follow-Up Observations		
The Chief Accountant stated whilst service areas have been reminded of the need to generate their internal recharges monthly and with the appropriate codes, the restructuring of		**Implemented/Ongoing**

various service areas and resultant staff changes has impacted on these arrangements and all relevant officers will continue to be reminded of the need to ensure monthly internal recharges are completed accurately and within the required timescale.

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.	Best Practice Internal Recharges are submitted on a monthly basis to assist the budget monitoring process. Findings 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. Risk 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
Follow-Up Observations		
The Chief Accountant stated whilst service areas have been reminded of the need to generate their internal recharges monthly and with the appropriate codes, the restructuring of various service areas and resultant staff changes has		**Implemented/Ongoing**

impacted on these arrangements and all relevant officers will continue to be reminded of the need to ensure monthly internal recharges are completed accurately and within the required timescale.	

CONTRACTOR'S INVOICES

7. Accommodation Rent   (Medium Risk)

Recommendation	Rationale	Responsibility
The accommodation rent is inflated on 1st April each year by the retail price index rate, this increase should be applied from 1st April 2007 in accordance with the terms of their licence	**Best Practice** 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. **Findings** 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. **Risk** Failure to ensure invoices are raised in relation to Contractors could result in loss of income to the Council.	Estates Management Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Strategic Director (Section 151 Officer) has agreed this will be reflected in the invoices for 2009/2010. Management Response: Estates Management Officer		31 May 2009
Follow-Up Observations		
The Estate Management Officer provided a copy of the invoice which reflected the RPI adjustment for the accommodation invoice sent to Capita in June 2009.		**Implemented**

8. Internal Recharges for Capita   (Medium Risk)

Recommendation	Rationale	Responsibility
All service areas should combine to produce a monthly	**Best Practice** That invoices are raised on a regular basis to reimburse the	Organisational Change Manager

invoice to Capita to recover all recharges for the previous month/quarter.	Council for expenditure incurred on behalf of external contractors. Findings 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. Risk Failure to ensure invoices are raised in relation to Contractors could result in loss of income to the Council.	
Management Response		**Implementation Date**
Recommendation is **Agreed** 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. Management Response: Organisational Change Manager		30 September 2009
Follow-Up Observations		
The Organisational Change Manager stated that he will continue to review whether consolidation of invoices apart from the accommodation rental invoice would be an improvement on the current arrangement in place.		**Not Implemented** **Revised implementation date: 28 February 2010**