

Internal Audit Monitoring Report

Audit	Report status	Assurance
Creditors (2010/11)	Final	Satisfactory

The Creditors function is one of the fundamental financial systems for the council and as such this review was completed as part of the annual audit plan 2010/11. It forms part of the Council's annual governance statement and is a factor assessed by the Council's external auditors. This year the focus of the audit was on key controls for the system and sample tested current year payments only due to the ongoing delivery of the GO Programme.

There have not been any significant changes to the system since the last review. The system is generally sound and well managed reflected by the satisfactory assurance opinion given. Testing found invoice processing was conducted in an accurate and timely basis, and payment runs were processed efficiently.

Key issues - There are no key issues that significantly impact on the overall opinion.

Other matters

- Secondment of the Payments Manager

The part time secondment of the Payments Manager to act as the Project Lead for the accounts payable module of the new ERP system has resulted in a reduction of available resources. Arrangements are in place for processing the payment run, but there is a possibility that over the longer term work loads could slip due to pressures on the service area.

- Authorised signatories list

The list of authorised signatories is not up to date. For orders processed through POM (Purchase Order Module), limits are set on the system, but where POM is not used an authorised signatories list exists to ensure only delegated staff order goods and services. On the new ERP system it is understood that authorisation limits will be assigned to post numbers so that only those authorised to commit expenditure will be able to do so. However, the new system is not due to go live until April 2012, so until then the onus is on the Payments Manager to recognise signatures and initials of authorising officers. This is not a satisfactory control as in the absence of the Payments Manager; invoices could be processed which have not been approved by an officer with delegated authority and the relevant financial approval limits. It is recommended that an up to date list is maintained and available to all staff involved in the creditor process.

- Procedure Notes

The Albac file contains some guidance on creating the payment run, but clear procedures are not available. Whilst arrangements are in place to process the payment run when the Payment Manager is absent; having a simple guidance document would aid staff who do not normally carry out the process.

Management Response

Hard copy notes of how to process a payment run and the Aptos manuals are held in the office. There are two staff who are able to process the payment run and management ensure at least one of

theses are in the office on payment days. Given this, the replacement of Aptos with the new ERP and the resources currently required for its implementation it is not proposed that further guidance notes are written at this stage.

The authorised signatory lists are currently being reviewed and updated as part of the implementation of the new ERP system. Although the new lists/procedures will not go live until 1 April 2012, given the work required it is not possible or practical to implement these on Aptos before this date.

Payroll (2010/11)	Final	Limited
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This review was undertaken as part of the annual audit plan. It is a core financial audit which must be completed each year to support the work of the external auditors and to provide the Section 151 officer with assurance that a significant financial system is being appropriately controlled.

The aim of this audit was to review key controls, follow up on recommendations from the previous audit and look at preparations for ERP implementation.

Payroll resilience issues present a significant risk; this has been raised on the Cheltenham Borough Council (CBC) Corporate Risk Register and the HR Operations team have undertaken work to manage this risk. However, some of this work has been limited by financial constraints and the impending implementation of the ERP system.

This audit was discussed at the June 2011 Audit Committee and questions were asked relating to follow-up of recommendation implementation. Progress on the recommendations has been positive with such issues as the passwords and removal of access to CHRIS 21 for generic users being addressed. Furthermore the new GO ERP system will address other recommendations made as identified through GO Programme assurance work.

Payroll will be reviewed as part of the 2011/12 & 2012/13 audit activity.

Car Parking	Final	Satisfactory
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The previous audit report on car parking was issued in November 2009. That report was issued with a 'limited assurance' having identified weaknesses in procedures which put the system's business objectives at risk. A number of these weaknesses were long standing and satisfactory progress was not being made to correct them.

Since that report was published there has been a restructure within the team and day to day management of the division is now undertaken by the Head of Integrated Transport and Sustainability, the previous Parking Manager having departed. Following this restructure management responsibility for the car parking division has also changed and now falls within the remit of the AD, Built Environment.

The sole purpose of this review, and therefore the only work undertaken, has been to review the recommendations made in the November 2009 report to establish if progress has been made in taking forward the issues identified. This has been undertaken by discussion with relevant staff and review of appropriate records.

The overall conclusion is that satisfactory progress has been made and that the Head of Integrated Transport and Sustainability has ensured good progress has been commenced to tackle the issues previously identified. A detailed position statement on these issues is contained within the main body of this report. Continued progress is still needed on some of the recommendations previously made for compliance with Financial Rules.

As a consequence of the continuing progress made and identified during this review, the assurance level attached to car park management has been upgraded from limited to satisfactory assurance.

Management Response

As identified in the Executive Summary satisfactory progress has been made since the last internal audit report of November 2009.

Upon undertaking responsibility for parking services, an internal audit review was undertaken which identified that in systems management and control, a number of areas needed significant improvement.

This resulted in the establishment of a pilot structure being created to enable a review of the function.

The review concluded that the management of the on-street and off-street parking services had become somewhat clouded with most of the resource allocation being directed at on-street parking services.

Significant progress has now been made in realigning the management of off-street parking service which is also reflected in appropriate budgetary control now being in place for both the off-street and on-street parking functions.

Although now in hand, further work is still required with particular reference to the previous recommendations made for compliance with Financial Rules.

Both the Parking Administration Manager and Head of Integrated Transport & Sustainability are in the process of establishing a management framework that will ensure an acceptable balance exists between the management of the off-street and on-street parking functions and that further efficiency gains are achieved.

Performance Management	Final	Satisfactory
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This review established that there was clear and appropriate ownership of each of the Corporate Strategy Performance Indicators.

Testing confirmed that there was sufficient evidence to support the accuracy of performance data with 3 (minor) exceptions. Data for indicator WC02 (overall footfall at Leisure@) may not have presented a complete picture of footfall at Leisure@ because it did not include large groups, such as school groups. Consideration should be given to either changing the way data is collected to include groups, or amending the title of the indicator to provide a more accurate description of the data presented. Data for NI008 (Adult participation in sport) could not be verified as the original source data had been withdrawn by Sport England and replaced by an amalgamated figure. HR05 (Number of FTE days absence per employee) could not be tested as the HR Operations team were not able to run the necessary reports due to a lack of experienced staff. A note has been put on file to suggest this indicator is tested in the next audit of Performance Indicators.

Both performance indicators and the delivery of performance outcomes were reported via the online performance management tool (TEN), however some returns were either late or incomplete. Consideration should be given to drawing up a timetable for performance data returns and issuing it to all owners of performance indicators. Regular reminders could also be issued in the run up to submission dates, and any late or incomplete returns should be promptly followed up.

It was difficult to assess the effectiveness of performance reporting. There was evidence of performance indicators with a 'red' status being discussed at SLT, and some actions were recorded in the minutes, but there was no record of these actions being followed up at the next meeting. It would be useful to keep a record of actions identified at SLT (an action plan with timescales?) to allow progress to be followed up and monitored. Service areas reported that they had not received any feedback from SLT or the Economy and Business Improvement Overview and Scrutiny Committee. Feedback should be encouraged, including positive comments.

Recommendations from the previous audit were followed up and most had either been implemented, or were not longer applicable following the demise of National Indicators on 31st March 2011. One exception was the provision of guidance for the collation and calculation of Local Indicators. Collation of data for performance indicators in most cases relied upon one person and it would help resilience to have easily accessible guidance available so that, in the event of absence, anyone would be able to assume responsibility for performance reporting.

Management Response

I welcome the findings and recommendations in the report. Maintaining an effective performance management regime is critical in this time of great change; members and officers need to know how the organisation is delivering against the commitments set out in the corporate strategy, where the stress points are and how best we can collectively tackle under-performance. The recommendations set out in the report will help take forward this commitment.

However, this time of great change will see the organisation gradually begin to disaggregate with a wide-range of operation models coming to fruition. This will force us to reflect on our approach to PM, as the current system may not give members and officers the reassurances they need to effectively monitor the performance of service deliverers.

Annual Governance Statement Review	Final	N/A
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Ongoing issues with Payroll resilience and capacity are known and have been raised on the Corporate Risk Register. The annual audit of Payroll in 2010/11 resulted in a 'Limited Assurance'. Action is being taken to manage the risk; this will be monitored via the Corporate Risk Register and by the Corporate Governance Group through the Significant Issues Action Plan.

Business Continuity Plan (BCP) – BCPs are in place but as yet no system recovery testing has been completed based on worst case scenario involving reinstatement at standby Depot site. A project is underway to resolve the issue of testing the BCP. Progress on this issue will be monitored via the Corporate Risk Register and by the Corporate Governance Group through the Significant Issues Action Plan.

Financial Controls – audit work carried out during 2010/11 identified issues relating to the effective completion of reconciliations. These are key controls that must be completed monthly (Financial Rule 8.7). This has been discussed with the Section 151 Officer and it has been suggested that Financial Services will take an overview of service based reconciliations across CBC with the aim of confirming that reconciliations are regularly and effectively completed, and offer help and guidance where necessary. However, responsibility for ensuring reconciliations are completed still lies within the relevant service areas and Directors.

Risk Management – divisional risk registers and minutes from divisional team meetings were requested to provide evidence to support responses relating to Risk Management. Areas tested: Resources, Built Environment and People Organisational Development & Change. All service areas supplied the information requested, this indicates that divisional risk registers are maintained and Risk is a standing item on agendas for divisional team meetings.

Performance Management – agendas and minutes from divisional team meetings were requested to ascertain how performance was monitored and managed. Areas tested: People OD & Change and Built Environment. Service areas supplied the information requested; this indicates that performance is monitored regularly in divisional team meetings.

Data Quality – Service Managers returns in the area of 'Commissioning' stated that data is checked for reasonableness. Data is drawn from corporate systems so reliability is placed on controls in place within those systems. There is no formal departmental checking and therefore nothing to specifically

substantiate.

'Partial' or 'Not met' responses to be challenged/followed-up – Business Continuity Plans (BCP) (see above, project already underway), Equality, Staffing (safeguarding children and vulnerable adults), and Information Management (compliance with information security policy). BCP Equality and safeguarding will be monitored through the Significant Issues Action Plan Follow-up action could include: checking that service delivery plans include actions to improve performance in these areas, monitoring progress at SLT and/or CGG.

AGS Process

There are 3 internal control checklists: Service Managers, Directors, and Strategic Directors. The Directors and Strategic Directors checklists also double as Certificates of Assurance, and these are completed and returned (signed hard copy) to be used in compiling the Council's Annual Governance Statement. The certificates have been adjusted and questions tailored according to the level they are aimed at (e.g. service level, strategic level). Service Managers returns are not mandatory but may be useful for Directors when completing their own return.

Directors' responses were entered onto a spreadsheet by the Policy Officer, the results were analysed and reported with comment to SLT.

The current process for producing the AGS is satisfactory and is in line with current guidance from CIPFA's Better Governance Group and Grant Thornton.

Licensing	Draft	
Risk Management	Ongoing	
Governance Compliance	Ongoing	
Information Technology	Ongoing	