

## Internal Audit Monitoring Report

Audit	Report status	Assurance
Payroll	Final	Limited
<p>The Payroll system was reviewed to seek assurance that processes and procedures are operating effectively and in accordance with council policy. Previous audit reviews have given limited assurance opinions; therefore, given that the system will be shortly replaced by a new ERP system, Agresso Business World (ABW), this review has focussed only on key controls to identify any operational improvements and update the assurance level. Initial discussions were, however, held with relevant staff in relation to how control procedures will be maintained during the GO programme implementation phase and also whether at this stage any proposed changes to key controls are known about or being considered.</p> <p>The review found compliance to external codes of practice and statutory regulations was satisfactory; however there were weaknesses in the accuracy and effectiveness of key internal controls. Most significantly:</p> <ul style="list-style-type: none"> <li>▪ A reconciliation of the payroll system to the general ledger payroll control account is not routinely carried out at month end</li> <li>▪ There is no independent review of exception reports for variable and non standard salary payments such as honorarium or maternity payments, where there is a greater risk of error or inappropriate payments.</li> <li>▪ Management review and performance management procedures are not in place to minimise the risk of non compliance with policies or recurring processing errors.</li> </ul> <p>These controls are fundamental to ensuring accurate and complete payroll transactions and financial records; therefore the assurance opinion at this stage remains 'limited'.</p> <p>Audit testing covered new starters, temporary variations, permanent variations and terminations for April to Dec 2011. Processes and procedures had not changed since the last review; however staff changes over the last 12 months (loss of payroll expertise) have impacted on service standards and the effectiveness of administrative procedures in the team.</p> <p>The ABW system is scheduled to go live In April 2012 and arrangements are currently in place for data cleansing and data migration. Additional resource (a temporary admin post) has recently been appointed, however continuing to provide day to day activities will still remain challenging as the implementation proceeds. It is vital that the development of the GO shared service for HR and payroll gives due consideration to improving the control environment, reducing the risk of payroll errors and raising performance standards.</p>		

**Management Response:**

Overall we are satisfied with the Audit and recommendations. We are pleased that the review found that compliance to external codes of practice and statutory regulations was satisfactory, but accept that at present internal controls need to be improved – and they will be with the introduction of the new ABW system, the key controls for which are not featured in this report. The Payroll service has been under pressure for some time regarding the required skills and knowledge levels, largely due to a single person dependency regarding knowledge and skills. This was temporarily resolved but returned again, then due to the maternity leave of the payroll advisor. Attempts at external recruitment through a variety of channels (including other councils, agencies, specialist agencies, websites etc) did not produce a solution. The service had hoped to build resilience through the OneHR project, which was not able to be progressed due to TBC dropping out of the Agresso Business World (GO) implementation, and subsequently the ABW and GO Shared Services implementation project. The ABW implementation for CBC is on track to deliver from April 2012. This system, combined with the GO Shared Services will provide the required service resilience (payroll knowledge, experience, and skills) and greatly improved internal controls. The ABW system is fully integrated, with the payroll functionality having many in-built features (e.g. reconciling with the general ledger, standardised month end reports and controls, set authorisation levels and processes) unlike the current separate CHRIS21 / APTOS systems.

Within the ABW integrated finance/payroll and HR system, there are automatic authorisation levels and alerts, plus month end routines, that will enable effective management review and authorisation of the BACS payment prior to running the payroll each month. This is also the case regarding the procedures relating to independent checks for when the pay run is calculated.

Frontier resource of three days has been secured for year end (end April, early May 2012) to ensure year end actions are carried out to meet HMRC requirements. An additional part time member of staff was recruited, additional hours are being worked, and some annual leave has been bought out (consistent with Council policy). £7k was secured from the capacity funding budget for this purpose, to ensure that capacity is there to support ABW implementation.

It will take some time to get the payroll and hr team fully trained and fully confident in using ABW and bedding in the new processes. Training commenced w/c 5<sup>th</sup> March 2012 for ABW payroll; training for ABW HR is completed.

We anticipate that the volume of filing will reduce over time with ABW implementation, and will ensure a protocol is set in place to ensure effective filing of source documentation.

Council Tax & NNDR	Final	High
<p>Council Tax and NNDR processes and procedures are a core financial system of the Council and appropriate control over their operation is fundamental to the financial management element of the Council's statement of internal control.</p> <p>The main objectives of the review have been to test the adequacy and effectiveness of internal controls; to ensure that current processes are meeting the requirements of internal policy, procedural standards and targets; and to ensure the processes are meeting external codes of practice, good practice and, as appropriate, statutory regulations.</p> <p>Areas of work covered during the review have included property valuations (RV and banding); liability; billing; collection and refunds; recovery and enforcement. Results of all testing indicate a high level of compliance with required processes and procedures and no issues arose from the testing undertaken. Procedures remain well managed with experienced officers fully aware of their roles and responsibilities.</p> <p>One area of concern that was raised last year related to staffing levels and resilience and consequences of any long term absences. Unfortunately this has come about with one member of the Council Tax team having been off sick since last October and there is no immediate prospect of their return. Whilst the team is coping this is putting a strain on the rest of the staff who are having to pick up the work. Any further absences of staff would have consequences. The Revenues Manager continues to manage this situation.</p> <p>A number of minor points arose from the testing undertaken and these are referred to in the body of the report. None are significant enough to affect the audit opinion given.</p> <p><b>Management Response:</b></p> <p>Long term absence and some staff changes during the past year have had an impact on the Revenues Team. It has been necessary to constantly prioritise processes and reallocate tasks. The team has been extremely supportive and flexible during this period which has meant the affect on service delivery and the customer has been minimal</p>		

Housing Benefits	Final	Satisfactory
<p>The review of the Housing Benefit system has considered the effectiveness of key controls and a general overview of the system. Testing was limited, but was sufficient to support the work of the External Auditor and comprised of walk through tests of new claims, changes to circumstances, overpayments and a review of a fraud case.</p> <p>Processes and procedures for the administration of the Housing Benefit system were found to be working in accordance with internal policy, statutory regulations and professional good practice. Recommendations from the last review have been implemented, but the mid year reconciliation of the Housing Benefit system to the general ledger was not completed due to outstanding system faults; however the six month subsidy claim reconciliation back to payments was successfully completed. We did note that reliance is placed on the Benefits Manager to complete the subsidy claim. Discussions revealed support would be available from CIVICA (outsourced arrangement) and potentially from other Housing Benefit managers within the county. The whole benefits system is subject to significant uncertainty at the moment and any additional resilience from a shared working arrangement would not be a solution in the short term. To manage current service continuity risks the ongoing staffing and structure review could establish specific support for the Benefits Manager in completing the subsidy claim and other reconciliation procedures.</p> <p>During the review there were several occasions where the Housing Benefit system was unavailable resulting in a period of downtime for benefit processing staff. We understand there are concerns with the system's server and that ICT are addressing these concerns. The ICT 'platform' that supports the Housing Benefit system must be reliable to assure service continuity and data security.</p> <p>The service currently manages its operational risks effectively, however, the uncertainty about the significant changes to the Benefits system combined with the service running at full capacity (with resilience issues), could cause additional pressures on service delivery. Therefore, systems need to be robust to respond to the pace of change with minimum service interruption.</p> <p>In addition, the bad debt provision must be kept in view to respond to changes in legislation and to ensure the Council's finances are not adversely affected.</p> <p><b>Management Response:</b></p> <p>The Benefit service is going through rapid change at the moment including the housing benefit work eventually transferring to Universal credit in 2017 and the council tax benefit work being replaced with a simpler council tax support scheme in April 2013.</p> <p>In 2013 we have four additional projects to complete in addition to the normal day job. These are the overall benefit cap, under occupation restrictions in social housing, the Social fund becoming localised for housing expenses/short term need and the implementation of the council tax benefit replacement scheme.</p> <p>Funding is being provided by DWP for these extra projects and fixed term staff will be employed if necessary throughout 2012 and 2013.</p> <p>In April 2015 the DWP may also be offering the front of house contract for Universal credit to local authorities and pilot sites are currently reviewing all the options on service delivery.</p> <p>New claims for universal credit will start to be made in October 2013 for working age customers and in April 2014 for Pension credit customers with Housing benefit work starting to slowly decrease in April 2014 over the following three years. The Fraud investigation staff</p>		

will transfer over to DWP in April 2015.

The structure in place from April 2012 will have at least two officers trained in all key tasks of the benefit service with segregation of duties controlled by software parameters to make sure no one officer does a financial task from start to finish and this will continue to be monitored as staff leave.

The only exception to this is the subsidy claim and uprating, both of which take place annually when the majority of tasks are at Benefit Manager level, but in a crisis CIVICA support could be purchased or we could call on at least three other managers in the county who are on the same software. Other officers and the manager monitor aspects of the subsidy claim during the year such as payment reconciliation, overpayment recovery and estimates.

The software problems experienced during the audit are not common and are in the main due to a recent transfer to a virtual server, which has resulted in a reduction in speed. The initial solution to the problem was to transfer back to a new physical server, but that had to be aborted and we are awaiting an upgrade to the virtual server which will mean we can then add additional memory.

The other ICT problem is not specific to the CIVICA software and this is a time out/ system crashing at around 7:30 every night resulting in timed batch programs either not starting or not completing which means they have to be run during the day. Due to 'Go' work and a shortage of staff they have been unable to investigate this further and I have escalated the problem to both Mark Sheldon and Paul Woolcock.

Green Waste Accounting	Follow-up	
<p>This note provides an update on the current position of the issues raised in the report submitted to Committee on the 21<sup>st</sup> March 2012 as part of the internal audit monitoring report (Agenda item 11). A limited assurance opinion was given to the report.</p> <p>Audit has maintained a watching brief over developments since the original report was issued and it is intended that a detailed follow up review will be undertaken during this summer to confirm appropriate action is being taken on the issues highlighted and that adequate systems controls are in place.</p> <p>The current position is as follows:-</p> <ul style="list-style-type: none"><li>• The database of bins issued was cleansed prior to handover to customer services and is now considered to be accurate and work satisfactorily by the Customer and Support Services Manager. Management reports available now provide appropriate information for maintaining an accurate record of renewals and new issues along with recovery of bins no longer required. As a consequence consideration of any new systems with Cotswold and Tewkesbury District Councils can proceed without undue pressure from failures in current arrangements.</li><li>• The Customer Services and Support Services Manager has taken on responsibility for income monitoring and control.</li><li>• Responsibility for stock control of the large number of bins held at the depot is being taken on by the Environmental Manager's team and work has already</li></ul>		

been done to secure the stock of new bins in a locked compound at the depot. Appropriate stock control records are being developed and audit will have some input into developing these. (1,000 bins from stock have been sold to Tewkesbury).

- It was agreed that a check of bins being emptied against the database of those paid for by the green waste collection team would be undertaken to ensure only those bins paid for were being emptied (and to return any others to stock). The Managing Director, Ubico has delayed this check whilst the new arrangements have bedded themselves in but has stated that he intends to pick this up starting in June.
- Physical issue of new bins and recovery of those no longer required or paid for is the responsibility of Ubico (based on information provided via the database and customer services). Further work on this will be undertaken as part of the review during the summer.
- Garden bags have been introduced for some roads where appropriate. The Customer and Support Services Manager is maintaining a spreadsheet of issues and also monitoring income against this. The need for stock control records will be considered during the review.

#### **Follow-up of audit recommendations:**

The audits followed up and reported below were completed between June and Dec 2011

#### **Cash Receipting**

This was a satisfactory assurance audit opinion. Guidance for service areas who apply credit card charges is being considered as part of the next review of the Fees & Charges Policy in 2012-13.

Our recommendations concerning the petty cash and subsistence allowances have been implemented and staff have been made aware of improvements in controls. Reconciliation procedure notes have been written for the revenues section and will be updated shortly to include ABW routines.

#### **Licensing**

This was a satisfactory assurance audit opinion. The position has regressed in respect of completion of regular income reconciliations, as a result of the new ABW general ledger system not being fully functional. We will continue to monitor this position. Other recommendations have been implemented and a new organisational structure agreed and in place, which should bring additional benefits, including resilience.

#### **Development Control (Planning Applications)**

This was a satisfactory assurance opinion report. All recommendations have been implemented and the control objectives have been delivered. The completion of regular income reconciliations between the planning system and the general ledger was implemented as agreed. However, currently there are delays as the phased

rollout of ABW; the new general ledger system occurs. We will continue to monitor this position.

### **Green Waste Licenses**

See above

### **Environmental and Sustainability Management**

The follow up of this audit has been delayed to take account of the establishment of the Joint Waste Company (Ubico) in April 2012 and the developments in the Council's commissioning structure and methodology which will influence sustainability objectives.

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