

## Internal Audit Monitoring Report

Audit	Report status	Assurance
Play Area Enhancements	Final	High

### Overview and Key Findings

This review on Play Areas was conducted in accordance with the 2013/14 Audit Plan, as approved by the Audit Committee in March 2013. The focus of the audit was on:

- The effectiveness of the maintenance and upgrade programmes.
- Related health and safety operations.
- Appropriateness of related capital and revenue expenditure.

The Green Space Strategy was approved in July 2009. 'Natural play' areas, as part of the Strategy have been introduced and play value is actively considered to ensure enhancements provide facilities that can be enjoyed by all.

The Council has a duty of care to ensure the safety of children using play areas. Our review found operational inspections are completed in accordance with relevant guidance from the European Standards.

Audit testing and observation can confirm that processes and procedures associated with the maintenance and upgrade programme of the 52 play areas are sound and working effectively. We also analysed revenue expenditure over the last three years which showed budgets had been managed appropriately.

However, there are areas, which would benefit from further development:

- Accurate financial management information - during 2012/13 the new Agresso Business World (ABW) financial system had been implemented and as a result processes were not clearly defined in the service area.
- Section 106 Administration - administrative support changes impacted on monitoring capital expenditure.
- Performance Management – we identified performance data relating to the service area was not being reported corporately.
- Specific risk assessments – we found that some risk assessments would benefit from an update.

Overall, we found the inspections control regime was very good, ensuring the health and safety of users is at the forefront of all operations and delivery of an effective maintenance and upgrade programme.

### Management Response

I have been fully involved and informed of the audit as it has progressed, and my team are pleased with the outcome. The audit was thorough, but reassured us that the systems in place to manage play areas are sound and effective, and that the council is adequately protected from risk.

We agree with the findings and recommendations which reflect the situation as it is. Work has already commenced on aspects of the action plan.

<b>Budgetary Control and Capital Expenditure</b>	<b>Final</b>	<b>Satisfactory</b>
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## Overview and Key Findings

In March 2013 we began a review of the budgetary control and capital accounting arrangements for GO Shared Services (GOSS). The audit objectives required us to review:

1. The standard controls in the new budgetary control and capital accounting systems as operated for all the client bodies.
2. To ensure processes were compliant with Financial Rules and other relevant Client based policies and standards, as governed through the SLA.
3. To ensure processes were meeting external codes of practice, best practice and statutory regulations.

Our review has identified that 2012/13 budgets had been set and approved at the appropriate level.

Budget figures had been accurately input to ABW for 2 GOSS clients, but not accurately input for another 2 GOSS clients. There were compensating controls in place so it was felt the associated risk was low. However, it is essential that budget figures are accurately input into ABW to allow budget managers to effectively monitor and control their budgets. Ubico budget figures for 2012/13 were subject to change during the year as it was the company's first year of trading. Final reconciled budgets were not available at the time of audit; this will be followed up in a review of the Ubico budget setting process as part of 2013/14 audit plan.

Budgets for 2013/14 had been set and approved at the appropriate level. There had been a delay to CDC budget figures being input to ABW, which prevented budget managers from being able to monitor and manage their budgets for the first month of the new financial year. There was also a delay to Ubico budgets being agreed with the commissioning authorities and therefore input into the system. At the time of audit the figures had not been input into the system which prevented budget managers from being able to monitor and manage their budgets for the first two months of the new financial year. It is important that budget figures are promptly input into ABW to allow effective budget monitoring and management to take place.

Budgets were monitored and reported to the client organisations on a regular basis. Budget managers were still getting used to the new system and felt they would benefit from further training and consultation over the set up of budgets and reports.

2012/13 and 2013/14 capital strategies for CBC were set and approved at the appropriate level.

Appraisal and approval of capital spending took place within the client organisations and the control operated effectively.

Capital spending is regularly reviewed and monitored to ensure it is accounted for appropriately.

## Management Response

The transfer to a shared service has led to a number of changes in staff and procedures. The budget setting process will be reviewed and a number of the recommendations identified within this report will be addressed during the year.

<b>Main Accounting and Treasury Management</b>	<b>Final</b>	<b>Satisfactory / High</b>
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## Overview and Key Findings

In January 2013 we began a review of the main accounting, bank reconciliation and treasury management arrangements for GO Shared Services (GOSS). Budgetary control and capital accounting have not been included in this review and will be reviewed and reported on separately. The audit objectives required us to review:

1. The standard controls in the new main accounting, bank reconciliation and treasury management systems as operated for all the client bodies.
2. To ensure processes were compliant with Financial Rules and other relevant Client based policies and standards, as governed through the SLA.
3. To ensure processes were meeting external codes of practice, best practice and statutory regulations.

Policies and procedures were in place in the form of Financial Rules for each client which set out the key controls. The Financial Rules pre-GOSS were broadly the same for each client, so the adoption of the GO Financial Rules had not caused significant change. The controls as defined in the Financial Rules, if complied with, were adequate and effective.

Our review has identified that the completion of bank reconciliations was sporadic during 2012/13. At the time of testing, the bank reconciliations for 2 of the 5 clients were not up to date (2 months behind). Reconciliations were not being completed on a monthly basis (i.e. one reconciliation covered several months). The reconciliation for one client had a large number of unmatched items, which had been explained by a backlog of banking input. The officers responsible for bank reconciliations were working to resolve these issues and to bring them up to date. It is important that bank reconciliations are completed on a monthly basis (as per Financial Rule H2.1 and performance indicator in the GO Service Delivery Plan) and kept up to date so that any discrepancies can be promptly identified and resolved. The reconciliations tested had not been independently reviewed and signed off. It is important that bank reconciliations are independently reviewed and authorised to provide evidence that the reconciliation is complete and that there are no outstanding matters for reporting purposes.

It is important that income systems are reconciled to the main accounting system to ensure that data held in the system is complete, accurate and up to date. At the time of audit this

control was not being consistently applied. Recommendations have been made in the relevant service area audit reports to address this risk.

Our review carried out sample testing on journals across all clients and found that the approach to processing journals was inconsistent. Hard copy journal files were still being maintained at each client office for the purpose of providing an audit trail and also to provide evidence of management review and authorisation. However, in some cases working papers had not been kept on file and the approach to review and authorisation of journals (a requirement of Financial Rule H11.3) was also inconsistent. It would be helpful if a protocol outlining a standardised approach across GOSS for processing journals could be developed. This protocol should also define the requirement for reviewing and authorising journals.

This review confirmed the key controls in operation for Treasury Management were effective. Consideration should be given to reviewing the performance reporting procedure for each client to ensure they are complying with the Financial Rules and reporting on Prudential Indicators twice a year. It might also be helpful to review the systems currently being used to record and monitor treasury management activity and ascertain whether it would be possible to achieve further efficiencies by standardising the method of recording and monitoring treasury management transactions.

Opening balances were tested against closing balances from the previous year. IA was able to fully verify opening balances for 2 of the 4 clients tested (Ubico was excluded as it was a new company formed on 01/04/2012). Opening balances for the third client were verified apart from discrepancies in the Short Term Debtors and Short Term Creditors figures, which were being investigated. A number of discrepancies were identified in the opening balances for the fourth client tested, which were also being investigated.

IA also confirmed that the General Ledger for each client nets to zero (debits were equal to credits)

## Management Response

Many of the processes put in place since the implementation of GO shared Services and the staff restructure have been reviewed and adapted as staff have become more aware of previous custom practices at each partner site and how the new system actually works. Staff are currently developing their own skills within the system. The proposed action plan is welcomed and highlights some specific areas that are still developing and will be further improved in the medium term.

<b>NNDR</b>	<b>Final</b>	<b>Satisfactory</b>
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## Overview and Key Findings

This audit has been completed as part of the annual review of the core financial systems which are fundamental to the financial management of the Council.

Appropriate control over the operation of this system is fundamental to the financial management element of the Council's annual governance statement.

The National Non Domestic Rates (NNDR) processes and procedures are a core financial system and as such are audited each year; the fundamental control testing is a requirement

of Grant Thornton the external auditor and is included in the Internal Auditing testing.

The main objectives of the review have been to test the adequacy, efficiency and effectiveness of internal controls in place; to ensure that current processes are meeting the requirements of internal policy, procedural standards and targets for each system reviewed; and to ensure the processes are meeting external codes of practice, and, as appropriate, statutory regulations.

The work undertaken during the review has been sufficient to address these objectives and gain an opinion on the level of assurance that can be placed on the system of controls operating within the Council.

Our work focused the following areas: Review of NNDR policies and legislation, Implementation of new legislation and planning for future change, Annual Billing process , Property valuations , Assessment of reliefs, discounts and refunds, NNDR Civica reconciliations procedures, recovery enforcement (including writeoffs).

We have also followed up recommendations agreed with management from our prior year audit.

Changes to the rate payer customer records within the Civica system should be supported by valid and certified instructions; however in one case we were unable to validate the record change to official supporting records

Our review of the NNDR reconciliations procedures between Civica (IBS) to the Cashbook within Agresso highlighted that unexplained transaction differences were not being investigated. We also noted that a number of reconciliations were not completed on standardised excel spreadsheets

Our follow up reviews on mandatory Charity reliefs, highlighted proposed charity "status" checking procedures have been implemented, however only limited checks have been performed by Revenue officers to confirm that ratepayers currently receiving the charity relief still hold bona fide Charity Commission status.

## **Management Response**

Office procedures require that all changes made to the business rates system should be supported by documentation or where information is taken over the phone, a dairy note explaining the reason for the change. Where documentation covers more than once record a copy should be saved on each record. Staff have been reminded of this requirement

The system speed issues have had a significant impact on the service during 2012/2013. It has not been possible to run many system processes or complete scheduled tasks. Prioritisation has minimised the effect on customers but it was not possible to complete the review of charity relief cases.

Following the implementation of the new finance system Income reconciliation was not kept up to date due to the high volume of discrepancies. A complete match of items between systems was undertaken which identified reporting problems. These have now been resolved and a new process and reconciliation spreadsheet has been set up. A full year end reconciliation has been completed and regular reconciliations are now being undertaken. Any discrepancies are being reported to finance

RIPA	Final	N/A
<p>A governance compliance health check of Regulation of Investigatory Powers Act (RIPA) policies was undertaken as part of the Governance Review.</p> <p>The objective of the review was to compare and contrast the policies and processes in place with those of other Councils. The review also compared the policies with best practice and the advice provided by the Office of Surveillance Commissioners and ensured that the Council adhered to legislation.</p> <p>The approach taken with this audit was through meetings and conversations with Officers who might invoke RIPA surveillance during the course of their investigations and ensure:</p> <ul style="list-style-type: none"> <li>• They are aware of the current guidance</li> <li>• They understand their obligations under RIPA</li> <li>• Any RIPA training is satisfactory and up to date</li> <li>• The recording of surveillance is complete and accurate</li> <li>• They adhere to the authorising process for requests; both within the Council and by the magistrate.</li> </ul> <p>The officers were from the Housing Benefit, Environmental Health and Licensing services. The officers with specific RIPA responsibilities i.e. The Senior Responsible Officer, an Authorising Officer and the RIPA coordinator.</p> <p>There was a planned review of the Councils arrangements for RIPA by the Office of Surveillance Commissioners, Assistant Surveillance Commissioner on the 26th July, who was made aware of this Health Check and the outcome.</p> <p>This review has concluded that the obligations under RIPA are well understood, based on interviews audit obtained appropriate levels of confidence that the requirements would be adhered to by officers of the Council. No use of RIPA surveillance has been undertaken by the Council; and there have been no instances in the last four years; confirmed by our testing. Due to the stringent requirements under the new legislation of the Protection of Freedoms Act 2012; the resources required undertaking such surveillance, and the changing nature of the offences the Council may investigate, it appears unlikely that surveillance activity will increase. However, the actions the Council have taken over the last 6 months demonstrate a clear intent to ensure officers meet their RIPA responsibilities.</p> <p>The findings from this review have been agreed with the RIPA Co-ordinating officer. Audit will also monitor any outcomes from the OSC visit and update the Corporate Governance Group within the next three months.</p> <p><b><i>For information – this report is referenced in the OSC report.</i></b></p>		