



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 15th April 2008

Title: Audit Services Progress Report

Report of: Head of Audit Services

Report reference: CORP 1/08

Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 16th January 2008.

Recommendations:

Members are requested to receive this report.

Contact Officer: Ian Beckett, Head of Audit Services **Ext:** 7292

Audit Services Progress Report

1 Summary of Audit Work

As previously agreed by Members of this Committee, Members will be supplied, at each meeting, with the Management Summary and the Summary of Recommendations and Action Plan for each audit which has been completed since the previous meeting. The following audit reports are attached -

Bereavement Services	Appendix A
Cash Collection	Appendix B
Council Tax	Appendix C
Creditors	Appendix D
Customer Contact Centre	Appendix E
Improvement Grants	Appendix F
Main Accounting System	Appendix G
Planning Fees	Appendix H

Audit reviews have also been completed for Payroll, Treasury Management, Debtors, NNDR, Fixed Assets, Car Parking Income and Housing Benefits. Draft reports have been issued, and the final reports will be presented to Members in due course.

2 Follow-up Reviews

- 2.1 A number of follow-up reviews were undertaken during the period covered by this report. There are no outstanding issues arising from these reviews to which Members attention needs to be drawn.

3 Ongoing work

Work on a number of other reviews commenced during the year – the reports will be presented to Members in due course.

4 Annual Governance Statement

The definition and collation of evidence that will be required to support the new “Annual Governance Statement” is progressing well. The Statement will be presented to Members in due course. (This will replace the existing Statement on Internal Control and Code of Corporate Governance).

5 Issues Relevant to the Statement on Internal Control (SIC)

5.1 No issues relevant to the SIC have arisen during the period covered by this report to which I need to draw Members' attention.

6 Recommendations

6.1 Members are requested to receive this report.

I. Beckett
Head of Audit Services
April 2008

Corporate Services

Audit Services

Audit of Bereavement Services – Material Review.

Final Report

13th March 2008

Audit Contact		Extn No.	
Document Ref:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Bereavement Services Income 2007-08 Final Report.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Community Services Bereavement Services	Director of Community Services (for information) Head of Facilities (for action). Bereavement Services Manager (for action)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Bereavement Services, which is attached as Appendix A.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. Reason for the Audit

- 1.1. As part of the audit planning process, Bereavement Services Income was identified by the Audit Commission as being a material system as the income exceeded £500,000 p.a.

2. Background Information / Summary of the Audit Area

- 2.1. Carlisle City Council provides an award winning Bereavement service, twice winning the Cemetery of the Year award, firstly in 1998 and again in 2006. A commendation of which the Authority should be proud. The cemetery was the first in the world to offer woodland burials which has proved so popular that there are now over 250 sites in the UK.
- 2.2. Bereavement Services falls under the Head of Facilities within the structure. In 2007/08 they were budgeted to make a profit of £66,300.
- 2.3. This service is non-statutory. The provision of cemetery services and their management on a day to day basis is chiefly a matter for local authorities. Although not a statutory service in its strictest sense, the Authority is subject to a duty imposed by the Public Health (Control of Disease) Act 1984 whereby it has the responsibility for the disposal of the deceased when no other arrangements have been made.
- 2.4. This review concentrates solely on income derived from Bereavement Services and its associated areas, as per definition of 'material' from the Audit Commission.
- 2.5. Bereavement Services is a front facing operation where performance is judged by results. There is no scope for error, which places a huge pressure on the staff. Bereavement Services consists of a small team of 8 staff based on 2 sites. These are the office on Richardson Street and the Crematorium. The Bereavement Services Manager is situated primarily at the Richardson Street offices but has full management control of both sites.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers (updated March '07) did not identify any associated risks within these areas.
- 3.2. Other risks identified by Internal Audit as part of this audit are considered to be:
- *Inadequate IT investment.*
 - *Storage difficulties in the near future.*

Please note that on conclusion of the audit, any critical risks outline at 3.2. should be assessed by the relevant Director for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
1.	Follow up of previous review.
2.	Year End Accounting/Storage of Accounting Information.
3.	Income receipting and reconciliation.
4.	Burial and Cremation Income.
5.	Outstanding Debts.
6.	Headstone and Memorial Income.

5. Overall Conclusion of the Audit Review

- 5.1. A number of opportunities to further enhance controls have been identified. These are shown in the appendix and have been brought to the attention of the relevant Heads of Service. In summary the key issue arising from this review is relating to the benefits that could be returned if more resources were invested into the development of IT and the improvement of the current storage and retention arrangements.
- 5.2. The recommendations contained within this report should in no way detract from the current systems, their effectiveness and the staff commitment invested into ensuring that income is maximised, recovered and collected efficiently and accounted for in accordance with accounting principles.
- 5.3. From testing, it is concluded that the systems currently used, although manual and dated, are operated extremely efficiently, especially the income accounting and accounting returns and the knowledge of the staff completing these duties. The recommendations to automate these systems will most certainly require investment in staff time and/or training, and IT input, which would be very difficult if not impossible with the limited resources currently available.
- 5.4. The same difficulties could be applied to the recommendations to improve storage and retention arrangements, although losing the information held in the Cemetery offices would be extremely detrimental to the service and could never be recovered. The budgetary implication of addressing the financial and physical resources required to action the recommendations in this report should be addressed by management as part of this overall review.
- 5.5. To summarise, it can be said that the current arrangements for the income arrangements are working extremely well. Staff perform an efficient and efficient income accounting system using the limited resources available to them.

- 5.6. It is recognised that in the current environment, resources are limited in the organisation as a whole, and as this system works perfectly well, there is no immediate urgency for change. This review has concentrated on highlighting any risks to the service and to ensure that these are identified and entered on the Service Area's risk register so that they are evaluated and addressed as resources permit.

6. **Grading of Audit Recommendations.**

- 6.1. Each recommendation/agreed audit action in the appendices has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

Grade	Level of Risk
A	Lack of, or failure to comply with, a key control, leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control, leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	Action at manager's discretion.

* A *fundamental* weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).

- 6.2. There are 11 recommendations arising from this review. 7 at grade B, 2 at grade C and 2 at grade D.

7. **Statement of Assurance**

- 7.1. Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a **REASONABLE** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Directorate, Service Area

APPENDIX A

***Community Services.
Bereavement Services.***

1. Follow up of previous review.

Method of Review:

Discussion with Bereavement Services Manager.
Completion of Audit Follow up template.

Summary of Findings:

All recommendations had been implemented where practicable and there are no outstanding issues resulting from the previous review. There was an issue highlighted regarding a previous recommendation not being agreed yet being reported as such. It is unsure how this occurred but there was obviously a misunderstanding during audit follow up procedures which due to the length of time since the last audit and the turnover of staff involved, this could not be identified. The recommendation has been superseded by changes to working practices, and the audit follow up procedures have been revised and improved so this problem will not reoccur. Ultimately there are no consequences to the service for this misunderstanding. Conclusion: Satisfactory.

2. Year end Accounting (incorporating Storage of accounting records).

Method of Review:

Discussion with Bereavement Services Manager.

Discussions with Financial Services staff.

Examination of user manuals/training documents (if available).

Examination of Accounting Records. March 2007 final income return was examined to ensure that all income attributable to that month was included in the return period. B/fwd and C/fwd records were also examined.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.1	<p>There were three transactions where income was receipted in Bereavement Services receipt and deposits book as being attributable to 2006/07, however they were accounted for in 2007/08. Accounting principles state that all income earned before the end of the financial year should be accounted for in that year.</p> <p>The reason for this happening was that these payments had been physically received in the Cemetery Office after Income Management's paying in deadline for year end. Because of this unavoidable deadline, this is likely to occur again sometime in the future. Accounting procedures allow for these events by using Debtors Lists to ensure that the income can be transferred and accounted for in the correct financial year.</p>	Bereavement Services Manager	If income is received after the year end paying in deadline (i.e mid-day), yet still within the same day and the total amount is over the relevant value (currently £500), then these payments should be placed on a Debtors List and submitted to Financial Services.	B	March 2008.
A.2.	Bereavement Services do not maintain an up-to-date office instruction manual. The lack of such documentation has recently been criticised by the Audit Commission. As Bereavement Services Income has recently been classified as a Material System, The Audit Commission will emphasise the importance of the service to maintain procedure manuals.	Bereavement Services Manager.	An up-to-date office instruction manual should be developed and maintained as soon as is possible.	B	August 2008.

A.3	<p>The Bereavement Services Database (BACUS) is currently not reconciled to either the general income returns submitted to Financial Services, nor the General Ledger (although the monthly income returns are reconciled to the General Ledger by Financial Services Staff). The reason for this is that at present only management statistics are being run, not the system control reports.</p> <p>If a three way reconciliation is not undertaken then the information produced from each of the systems can not be wholly relied upon.</p> <p>An issue arose during the course of the review that highlighted this fact. An outstanding invoice control report was ran which highlighted a number of invoices as unpaid when they had in fact been paid for and receipted. The system had not been updated with this information.</p> <p>The Bereavement Services Manager acknowledged this error and ensured that the database was duly corrected. Also steps have been implemented to ensure that there will be monthly checks to ensure that the database is in line with the receipt and deposit book by making use of the income control report.</p>	Bereavement Services Manager	A three way reconciliation between BACUS/Receipts and deposits and the general ledger should be undertaken quarterly.	B	March 2008.
A.4	<p>The above issue also highlighted the limited use of the available reports. The Bereavement Services Manager acknowledged that they were not run as they were unsure up to that point as to their availability and purpose but this will be looked at and developed..</p>	Bereavement Services Manager	It would be useful to inspect the available reports and to further examine the systems capabilities to use the management and control information available. IT/BACUS assistance may be necessary to explore this to its full advantage.	C	March 2008.

A.5	<p>The finding highlighted another issue regarding the retention of documentation and the computerisation of existing systems. The database acts as an effective diary system and also a basic database where the information such as deceased, date of death, funeral time and date, funeral details and special arrangements and requirements etc.</p> <p>Not all available data is input onto the database due to system capability restrictions therefore it is not as complete as it could be.</p> <p>Although the manual system in place is well thought out and works extremely well it has huge potential for improvement given sufficient input of time and monetary resources.</p> <p>As the current system is not completely computerised it has a number of disadvantages. Namely:</p> <ul style="list-style-type: none"> a) The information produced electronically is not complete, b) As highlighted in the previous testing, input and transfer of a large volume of data from and to a number of the sources is naturally open to error due to the number of manual and non manual processes involved. This could be prevented or at least improved by the introduction of Document Image Processing (DIP). c) Due to the physical size of the offices, and the implications of general disposal guidelines of death-related information, it is envisaged that problems will occur in a relatively short space of time as the area is almost at capacity. Currently due to cost, only the burial and daybooks are scanned to disk with a secure copy stored at the Civic Centre. Although this reduces the risk of <u>all</u> essential information being lost, it does not really go far enough to assure efficient business continuity arrangements are in place. 	Bereavement Services Manager	<p>The current system of information retention is not just a storage and health and safety issue but also a potential fire risk. It would not be critical to the public-facing side of the service if this information was lost as the operational side could still function.</p> <p>The information held in the offices, however, is irreplaceable. It is not prudent to assume that disaster could not occur. It is recommended that either more storage space is provided or paper documents that do not by law have to be retained on the property in paper format, should be scanned and indexed.</p> <p>Solutions have been costed previously and deemed too expensive, however, the issue should not be forgotten and consideration should given to re-prioritising the importance of addressing this when resources are available.</p>	B	December 2008
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A.6	<p>The Bereavement Services Manager has identified a number of income generating opportunities, including public access to records and searches over the web. Currently with the manual systems, provision of both of these services can be resource intensive for little income generation but a necessary (although non-statutory) service nonetheless. Scanning and indexing this information and making it available to the public for a cost could be an income generator that will take minimal maintenance from the Bereavement Services staff and free up resources (of course, this will have IT resource implications that will have to be identified).</p>	<p>Bereavement Services Manager</p>	<p>One of the Council's performance indicators is to ensure that all services are as 'e-friendly' as possible.</p> <p>The idea of web basing all search information would not only secure the documents which are at risk as currently they are the only existing information and could be lost but it would save on staff resources performing the searches. In addition, income generation could be increased if this service was available on line for a charge as public interest and usage in this service would increase if it were available at home.</p> <p>It is recommended that this idea be pursued when resources are available.</p>	D	December 2008.

3. Income and Deposits Reconciliation.

Method of Review:

All Receipts April 2007 – Jan 2008 were checked to ensure that they had been issued sequentially, all receipted income had been accounted for correctly and that any cancelled receipts had been retained and suitable explanation given.

The paying in book numbers were reconciled with the record maintained by Income Management.

The 1st quarter of 2007/08 financial years receipts issued were reconciled to the receipts and deposit book to ensure that the relevant income had been accounted for in the correct financial period and for the correct amount.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.7	<p>There was a time delay of 17 days where no income had been paid into cashiers at financial year-end. Normal practice is that income is paid in at least weekly except under exceptional circumstances. The Bereavement Services Manager explained that this was due to a system problem where it invoiced at 2006/07 prices. It was considered the best option not to continue invoicing until this problem was resolved by BACUS. As soon as the problem was resolved the invoices were produced and income receipted.</p> <p>As it is unsure exactly why this problem arose, and there is the potential that it could happen again this year. Extra vigilance should be taken to ensure that the system is costing correctly at the 1st April 2007 and if not, IT assistance requested as soon as possible and Financial Services staff made aware of the problem.</p>	Bereavement Services Manager	Staff should be aware of the possibility of the BACUS system not charging at the revised 2008/09 prices at the 1 st of April. A testing exercise should be undertaken first thing in the morning to ensure that the system is working correctly.	B	March/April 2008

A.8	<p>Income and deposits are recorded manually in a ledger style paying in book by income type (i.e. internment fee, coffins etc). These are all added up at month end and transferred onto the income return to Financial Services.</p> <p>Transferring this information onto a spreadsheet could improve on this. For example there were hundreds of receipts from the same funeral directors, instead of continuously writing the names in, a spreadsheet remembers text that starts with the same few letters if contained in a related cell and automatically 'suggests' this name, therefore there is no need to type the name again. Also the facility to cut and paste, calculate rows of figures, sort by name, date, payee funeral director etc.. would significantly reduce the time taken to search for a missing payment and also to reconcile with the BACUS system (see point 2.1b) and the General Ledger. Another benefit would be that if the ledger were to go missing, the information would be lost. The information would certainly be held more securely on a spreadsheet.</p>	Bereavement Services Manager	<p>Resources allowing, consideration should be given to transferring the manual receipt and deposit system to an excel spreadsheet. This would ultimately save time with the input, improve consistency and be more secure it would also assist in the overall ledger/BACUS/income reconciliation.</p>	C	December 2008.

5. Outstanding Debts.

Method of Review:

A report was run off the BACUS system to identify outstanding debts.
Discussions with Bereavement Services Manager to establish current practice.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.9	The standard report that was run did not provide accurate information, reiterating the requirement for IT/BACUS input into ensuring that the management reports are accurate and available.	Bereavement Services Manager	The accuracy of the standard reports should be examined and corrected before the information is used for management reporting.	B	April 2008
A.10	There is a current outstanding debt dating back to Jan 2004 for £31.00. That can be presumed unrecoverable. This debt should be approved for write off.	Bereavement Services Manager	The outstanding aged debt of £31.00 should be written off the system via appropriate accountancy procedure.	B	Feb 2008

6. Headstone & Memorial Income.

Method of Review:

A report was run off the BACUS system to identify outstanding debts.
Discussions with Bereavement Services Manager to establish current practice.

Summary of Findings:

A sample of 30, (15 headstones and 15 memorials) were examined to ensure that:-

- That the stonemason is on the approved list.
- That the necessary permit has been issued.
- The customers/mason has been invoiced correctly and within an acceptable timescales.
- That income has been banked according to procedures.

A reverse test was undertaken whereby 20 headstones and memorials were identified and traced back to ensure that the necessary permits had been issued

and that all fees had been charged.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.11	The systems in place are working effectively. There is always a risk that unauthorised memorials could be erected without consent. (Although there was no proof of this found through audit testing). This is of course unless a designated member of staff patrols the cemetery at all times which is neither possible nor practical.	Bereavement Services Manager	It could be suggested that a memorial inventory could be undertaken as part of the ongoing health and safety assessment. Additional resources would probably be required for this therefore it is a management decision.	D	December 2008.

Corporate Services

Audit Services

Audit of Cash Collection & Income Management 2007/08

Final Report

20th February 2008

Audit Contact		Ext. No.	
Document Ref.:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Cash Collection Final Report.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services – Revenues & Benefits Services	Head of Revenues & Benefits Income Management Team Leader	There are matters arising / recommendations relating to your service area which require further action. Please refer to the Action Plan at Appendix A.
Community Services – Customer Services	Head of Community & Culture Customer Services Supervisor	There are no matters arising / recommendations relating to your service area which require further action. The attached report is for information only

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. **Reason for the Audit**

- 1.1. The audit of Cash Collection & Income Management forms part of the programme of annual material reviews. Material reviews cover the fundamental systems of the Authority. These have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the work undertaken by Audit Services, as part of their work on the annual statement of accounts.

2. **Background Information / Summary of the Audit Area**

- 2.1. Cash Collection and Income Management are split between front office functions carried out by the Customer Contact Centre and the back office functions carried out by the Income Management Team. The Income Management Team is part of the Corporate Services Directorate and the Customer Contact Centre is part of the Community Services Directorate.
- 2.2. Both areas use the ICON cash receipting system to record income received by the Council. The Cashiers in the Customer Contact centre primarily deal with the receipt of income on a face to face basis with the customer. The Income Management Team deals with income collected from postal remittances, telephones and internet payments and the recording and banking of other income collected elsewhere in the Council.

3. **Associated Risks of Providing this Service/Function**

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description	Type of Risk (strategic / operational)	Risk Score H/M/L
<u>Miscellaneous Income Administration</u> <i>- Rigorous use of test systems. Detailed manuals exist. Qualified management and robust training in place to reduce risk. Rigorous audit of all admin processes. Secure environment for cash payments</i>	Operational	M
<u>Failure to have robust Business Continuity Planning arrangements that could lead to a severe impact on business/provision of services, financial impact, an impact on reputation and a legal liability.</u> <i>- Business Continuity Plan tested fully by 2005 floods. - This has been reviewed and updated and feedback received from the review of Council's actions (from Management Briefing Seminar). - An internal audit is carried out annually. An action plan for implementing recommendations is being developed.</i>	Strategic	M

4. **Scope of the Audit**

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
1.	Policies & Procedures
2.	Transactions
3.	Postal Remittances
4.	Income Reconciliation
5.	Security & Banking
6.	Security of Data

5. **Overall Conclusion of the Audit Review**

- 5.1. Overall the procedures and controls in place for Cash Collection and Income Management are working well.
- 5.2. Staff involved in the collection of income are aware of the Financial Procedure Rules and relevant legislation regarding the security of data, for example, the Data Protection Act.
- 5.3. There are comprehensive operational procedures in place, however, an upgrade to the system is due to be implemented and there are changes proposed to allow the use of "Chip & Pin" that will need to be incorporated into the procedures. Once the system upgrade has been completed it is also proposed to review the procedure for the retention of records.

6. **Statement of Assurance**

- 6.1. Based on the audit approach to and the findings arising from this review, it is considered that a **Substantial** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Corporate Services (Directorate), Revenues & Benefits Services
Community Services (Directorate), Customer Services

APPENDIX A

1. Policies & Procedures

Method of Review:

- To confirm that the organisation has written Cash & Banking procedures and an Office Procedure Manual.
- To confirm that the Financial Procedure Rules cover cash/income receipt and banking responsibilities.

Summary of Findings:

There are comprehensive current operational procedures in place for both the front office functions carried out by the Customer Contact Centre and the back office functions carried out by the Income Management Team.

An upgrade to the ICON system is due to be implemented that will allow the system to utilise Chip & Pin technology. Procedures will need to be reviewed in line with this upgrade.

<u>Ref.</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Timescale for Implementation</u>
A.1	An upgrade to the ICON system to allow "Chip & Pin" will require a revision to the Policies & Procedures.	Income Management Team Leader	That the Procedure Notes are updated, in due course, in line with the system upgrade to ensure that they are up to date.	C	6 months

Corporate Services

Audit Services

Audit of Council Tax (Material Review)

Final Report

1st April 2008

Audit Contact		Extn No.	
Document Ref:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Council Tax Audit 2007-08 - Final.doc		

Directorate / Service Area	Recipients of Report	Action Required
Corporate Services	Head of Revenues & Benefits Services (for information). Revenues Manager. (for action)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Revenues & Benefits Services, which is attached as Appendix A .

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. **Reason for the Audit**

- 1.1. The audit of Council Tax forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services, as part of their work on the annual statement of accounts.

2. **Background Information / Summary of the Audit Area.**

- 2.1. The audit process seeks to reduce risk to an acceptable level based on the efficient, economic and effective application of financial controls. Changes to controls suggested in audit recommendations are intended to achieve these benefits. This process reduces but does not wholly eliminate risk.
- 2.2. The collection of Council Tax is a statutory function delegated to the City Council by the County Council.
- 2.3. The Council Tax contributes to the cost of a number of authorities. The amount of Council Tax is established by Cumbria County Council, Carlisle City Council, the Police Authority and the Parish Councils who work out the cost of providing the services each year. Cumbria County Council sets the largest part of the bill at 75%, Carlisle City Council sets 13% of the bill and Cumbria Police set 12% of the bill. Parishes set their individual precepts on top of the basic Council Tax bill.
- 2.4. The Council Tax Section is part of Revenues & Benefits Services, which comes under the overall supervision of the Corporate Services Directorate. The section comprises 6 F.T.E. staff who deal with all the Council Tax queries, billing, adjustments and processing.

3. **Associated Risks of Providing this Service/Function**

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk <i>(strategic / operational)</i>	Risk Score <i>H/M/L</i>
<u>Failure of Council Tax Administration.</u> <i>Controls include:- Special banking contingency. Disaster Recovery Plans. Rigorous use of test systems. Detailed Manuals. Qualified Management and robust training in place. Rigorous audit of all administration processes. Manual back up in place for benefit cheques.</i>	<i>Operational</i>	<i>Medium</i>

4. Scope of the Audit

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
1.	Follow up of previous review.
2.	Valuation.
3.	Liability.
4.	Billing.
5.	Collection & Refunds.
6.	Recovery & Enforcement.

5. Overall Conclusion of the Audit Review

- 5.1. It is important to note that on this occasion the full CIPFA Control Matrix was used carry out the review. This Matrix works by highlighting areas of risk and preventative actions and also by recommending processes of good practice. It is an extremely detailed document and not all of the areas included will necessarily apply to all District's Council Tax systems.
- 5.2. There were no significant errors or weaknesses found during this course of the review.
- 5.3. There are three areas highlighted that would, however benefit from being addressed as soon as possible.
- The provision of up to date operational system documentation is a requirement of the Audit Commission. Non compliance will result in the service, and hence the Authority, being criticised. Although the task is onerous it is necessary and importance should be placed on keeping system documentation up to date, current and available at all times.
 - The disability discount review is overdue and should be undertaken to highlight any discrepancies and minimise this impact.
 - The outstanding balances in suspense should be transferred as they have been outstanding for a number of years. Including the suspense postings in the overall monthly income reconciliation would encourage regular clearance of the suspense accounts therefore it may be beneficial to include this as part of the reconciliation process from now on.

6. Grading of Audit Recommendations

- 6.1. Each recommendation/agreed audit action in the appendices has been allocated a grade in line with the perceived level of risk. The grading system is outlined overleaf:

Grade	Level of Risk
A	Lack of, or failure to comply with, a key control, leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control, leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	Action at manager's discretion.

* A *fundamental* weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).

- 6.2. There are 7 issues arising from this review. All recommendations are to address issues of a minor nature.

7. **Statement of Assurance**

- 7.1. Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a SUBSTANTIAL level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Directorate, Service Area

APPENDIX A

1. FOLLOW UP OF PREVIOUS REVIEW.

Method of Review:

A meeting was held with the Revenues Manager and the Revenues Team Leader to go through the schedule of agreed actions resulting from the previous review.

Summary of Findings:

Lack of staff resources were the only reason why actions had not been progressed within the agreed timescale. The outstanding recommendations are still being considered and will be implemented during 2008/09 when time allows. There is no need for any further Audit Action at this stage.

2. VALUATION.

Method of Review:

Discussions with management and staff were undertaken alongside detailed system testing in accordance with the CIPFA Control Matrix for Council Tax.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.1	The Revenues Officer responsible for overseeing the valuation area has developed a comprehensive list of instructions for the majority of the job. <i>These have only been developed for her own personal use</i> , although the Team Leader has been made aware of their existence and location if necessary. The overall training notes are kept centrally and Council Tax management have expressed interest in placing these on the intranet team site for overall use.	Revenues Manager/ Revenues Team Leader.	None. The Revenues Team Leader is to centralise the information on the intranet for the Revenues staff.		

A.2	The Revenues Officer reviews the control total report weekly whenever a schedule is received from the Valuation Office. If there are any discrepancies they are picked up immediately and remedial action taken. At the time of this review, the reports did not balance but the problem was in the process of being rectified.	Revenues Officer.	Revenues Management should be informed and updated on the progress of solving the valuation controls discrepancy.	C	April 2008.
A.3	The reconciliation exercise between NNDR and Council Tax is not undertaken. It has been attempted in the past but was not possible due to the enormity of the task and the relative benefits of undertaking it. Regular communication and good working practice between the two sections ensures that any oversights are kept to a minimum.	Revenues Manager/ Revenues Team Leader.	NONE – Management have decided to accept this risk.		

3. LIABILITY.

Method of Review:

Discussions with management and staff were undertaken alongside detailed system testing in accordance with the CIPFA Control Matrix for Council Tax.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.4	The CTEF (Enquiry Liability Form) used still quoted D.Thomas as being the City Treasurer. This is no longer the case and the forms should be duly amended.	Revenues Manager/ Revenues Team Leader.	The Council Tax Enquiry Form details should be updated to depict the Director of Corporate Services name and title.	D	August 2008.
A.5	It became apparent that the annual review of disability reduction entitlement had not yet been carried out for 2007. <i>The Revenues Manager confirmed that this had been actioned between the time of the draft report being issued and the final report.</i>	Revenues Manager/ Revenues Team Leader.	The annual review of disability reduction entitlement should be conducted as near to financial year end as possible.	C	March 2008. ACTIONED

5. COLLECTION & REFUNDS.

Method of Review:

Discussions with management and staff were undertaken alongside detailed system testing in accordance with the CIPFA Control Matrix for Council Tax.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for</u>
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					<u>Completion</u>
A.6	There is a balance of £9,182.31 on the suspense account dating back to 1998.	Revenues Manager/ Revenues Team Leader	<p>There is an outstanding balance of £9,182.31 in the suspense account which should be allocated to the correct accounts but as a substantial length of time has lapsed, this would be extremely difficult and time consuming. It is recommended that the previous account year's transactions be allowed to remain on the suspense account for action but account years 1998 – 2006 be 'written back on' as a total amount and the relevant detail kept in case of further query or dispute.</p> <p>It is further recommended that in future, all items in the account are investigated and cleared annually.</p>	<p>C</p> <p>C</p>	April 2008.

A.7	<p>None of the sampled credit accounts were actually 'written off' and were actually offset against revised bills or were refunded.</p> <p>The Technical Officer confirmed that Council Tax is not checked to other systems, i.e debtors/NNDR if the credit is still outstanding.</p>	Revenues Manager/ Revenues Team Leader	It is recommended that the Debtors and NNDR system be interrogated prior to any outstanding Council Tax credits being 'written off' or refunded to see if there are any other outstanding liabilities that the credits could be offset against.	C	August 2008.
A.8	<p>Transfers of balances between accounts are not generally authorised. All staff have access to action transfers, access is not restricted.</p> <p>Transfers are not regularly monitored by managers.</p> <p>The post audit discussion established that there is one officer that examines the credit report on a weekly basis. This officer however processes transfers.</p> <p>Misbalances will be picked up via a control report eventually but there is still remains a risk.</p> <p>Although all transfers can be traced to the responsible officer there is a risk that an erroneous transfer may not be identified until it is causing a problem. It would be sensible for management to do a regular 'spot-check' of transfers and check a sample over a certain amount paying special attention to credit balances that relate to the deceased, to monitor what is being transferred and if they are accurate.</p>	Revenues Manager/ Revenues Team Leader	NONE – Management have decided to accept this risk.		

6. RECOVERY & ENFORCEMENT

Method of Review:

Discussions with management and staff were undertaken alongside detailed system testing in accordance with the CIPFA Control Matrix for Council Tax.

Summary of Findings:

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.9	The Bailiffs send the Revenues Team Leader (Recovery) the recovery information electronically who then distributes it to the relevant members of staff. This information is sent to the Team Leader only. It would be prudent to ensure that more than one person has access to this information either by a) requesting that Rossendales sends this information to a relevant member of the team that would be available in the absence of the Revenues Team Leader or b) Discuss the options with IT of having a 'private' recovery mailbox (i.e address not circulated to the general public'.	Revenues Manager/ Revenues Team Leader	Provision should be made to ensure that the Rossendales bailiff data is forwarded to an e-mail address that is although secure, is accessible at all times for those who need it.	C	Completed November 2007.



Corporate Services

Audit Services

Audit of Creditors 2007/08

Final Report

12th March 2008

Audit Contact		Extn No.	
Document Ref:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Creditors Final report 07-08.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services	Head of Financial Services (for information) Development & Support Manager (for information) Finance Assistant (for information)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Corporate Services, which is attached as Appendix A.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. Reason for the Audit

- 1.1. The review of Creditors forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services, as part of their work on the annual statement of accounts.

2. Background Information / Summary of the Audit Area

- 2.1. The Creditors function is part of the Systems and Controls section located within the Corporate Services Directorate.

The system currently used within Financial Services is Civica Financials Package.

The Finance Assistant is responsible for the daily procedures and weekly payments in the Creditors section.

Testing was restricted to the period between April 2007 and December 2007 as the review started in December 2007.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<i>Prompt and accurate payment of certified suppliers' invoices.</i>	<i>Operational</i>	<i>M</i>

4. Scope of the Audit

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
-	Follow Up to 2006/07 Review
1.	General
2.	Ordering
3.	Receipt of Goods/Services
4.	Invoice Checks
5.	Payments
6.	Reconciliation

5. **Overall Conclusion of the Audit Review**

- 5.1. The overall conclusion is that the Creditors function remains extremely well managed. Staff commitment to payments being made on time and the daily running of the Creditors section remains high.
- 5.2. The two recommendations made are effectively reminders to be forwarded to Directorates regarding the procedures within Financial Services payments section.

6. **Grading of Audit Recommendations**

- 6.1. Each recommendation/agreed audit action in the appendices has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

Grade	Level of Risk
A	Lack of, or failure to comply with, a key control, leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control, leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	Action at manager's discretion.

* A *fundamental* weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).

- 6.2. There are 2 grade 'D' recommendations arising from this review, which have now been actioned.

7. **Statement of Assurance**

- 7.1. Based on the audit approach, issues and the grading of the recommendation arising from this review, it is considered that a **substantial** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Financial Services, Corporate Services

APPENDIX A

1. GENERAL

Method of Review:

1. Discussions with relevant staff.
2. Confirm that all Creditor procedure documentation are complete and up to date.
3. Confirm that staff adhere to the Authority's procurement policy and procedures when ordering or receiving goods/services.
4. Review copy of the staff Authorisation Signatory List to ensure that limits have not been exceeded and certification of all invoices are correct. A sample of 30 invoices was tested. (Please refer to section 4 – Invoice checks).
5. Confirm that authorised staff carries out all amendments to the Creditors System.
6. Oversee invoice preparation and checks undertaken by the Finance Assistant prior to processing and releasing invoices for payment.

Summary of Findings:

2. The procedures are kept on the Financial Services T:\drive. A hard copy is kept on the Finance Assistant's desk for use when staff are covering the post due to holidays or sickness. The procedures cover all controls and duties undertaken by the Finance Assistant.

At present the procedures are basis 'step by step' procedures to guide other staff members through the Creditor payment role. Procedures are being updated as and when time allows due to workload commitments.
3. Assurance was given that staff adhere to the Authority's procurement policy and procedures. An electronic copy is available on the Financial Services CARL62 drive and also on the Intranet. Each Directorate has their own procedure for dealing with ordering and receipt of goods/services.
4. The Authorised Signatory List was found to be sufficient. The Finance Assistant is not officially informed of any changed but due to common knowledge of when Senior Officers are starting or leaving the Authority amendments are made when required.

The spreadsheet is currently being updated and revamped due to a couple of Directorates forwarding revised listings. The list at present is in the old format of Business Units and requires amalgamation into Directorates.

Thought should be given to an e-mail or memorandum being drafted to request that Directorates inform the Development & Support Manager or the Finance Assistant in writing of any changes that are required to the Authorised Signatory Lists. ***Please refer to recommendation A.1.***

5. Authorised staff within Financial Services carries out the amendments relating to Creditors.

Users levels of access is administered in the 'Admin' system and not in the Creditors system. This system is part of the Civica Financials package and is linked to all the ledgers (General Ledger, Creditors and Debtors). There is no audit trail, most areas cannot output as an export or a report at present. Various reports are being developed by Civica but more urgent changes take precedence.

When amendments are made to supplier details i.e. name, bank details etc, there is a notebook attached to each creditor. The Finance Assistant notes all amended details and the source that it originated from. Other paperwork specifically informing the Authority of changes are actioned then filed in a lockable place.

6. Each Directorate enters their invoices onto the Creditors system. Invoices are forwarded to Financial Services, routine checks are undertaken before being released for payment.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.1	Changes to the Authorised Signatory List are not informed officially to the Finance Assistant or Development & Support Manager.	Development & Support Manager	Thought should be given to an e-mail or memorandum being drafted and sent out to each Directorate requesting that all changes to the Authorised Signatory List be placed in writing, signed by a Director and forwarded to the Development & Support Manager or the Creditors Finance Assistant. Note: This recommendation was completed in February 2008. Head of Services within each Directorate will now inform Financial Services of any amendments.	D	ASAP Complete – February 2008

4. INVOICE CHECKS

Method of Review:

1. Obtain documentation to clarify checks:

- Electronic copy of the Authorised Signatory Limits for Creditor Invoices.
- Hard copy of Authorised Signatory Limits for Creditor Invoices.
- 30 creditor invoices.
- Copy of Internal Memorandum for Creditor Payments that require further action.

A random sample of 30 creditor invoices were checked and verified for the following:

- Supplier name.
- Supplier number.
- Date on invoice.
- Purchase order number stated on invoice or attached.
- Creditor voucher number.
- Total amount.
- VAT amount.
- Net amount.
- VAT number on invoice.
- Invoice ledger code.
- Checked and certified by appropriate staff.
- Authorised Signature on Authorised Signatory Limits Listing.
- Signatory Limit was not exceeded.

A detailed spreadsheet was devised and completed listing all 30 invoices. Please refer to working paper 4/6.

Summary of Findings:

1. From the testing undertaken, It was noted from the testing that only 13 out of 30 invoice had the purchase order attached to the original invoice.

An e-mail to all users is sent out annually reminding them of the financial procedures. ***Please refer to recommendation B.1.***

Please refer to e-mail in working papers for full explanation.

From the testing undertaken, voucher number LDS063468 did not have a ledger code number entered onto the invoice certification slip. The issue was raised with the Finance Assistant to ascertain an explanation. It was explained that this is an electronic purchasing invoice which means that the cost code is selected and entered into the purchasing system at ordering stage. The question was raised whether they should be entering the cost code onto the invoice when received into Finance but replied that they have never entered the cost code onto the invoice certification slip as this is duplicating work.

Invoices interfaced directly from Contractor Plus at Bousteads Grassing and in Purchasing do not have the codes wrote on the invoice certification slip as they are shown on an output report.

When the electronic invoices are input directly into the system at the ordering stage, they are automatically allocated against the cost centre. If there are insufficient funds with the cost centre the invoice will be rejected as payment is restricted to budget.

If errors are found when processing the invoice, the Finance Assistant prints off a pre-set memorandum with the error 'highlighted'. The invoice and the memorandum are then returned by internal mail to the appropriate Directorate and wait on its return. The Finance Assistant then marks on the Creditors system that the invoice is in 'dispute'. Once returned the invoice is again processed and if correct released for payment.

It was noted that all confidential documentation is kept in a secure location.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
B.1	All Directorates are aware of the financial procedures for raising invoices.	Development & Support Manager and Finance Assistant	<p>Ensure that the annual e-mail outlining the financial procedures relating to raising and processing invoices has recently been e-mailed.</p> <p>Note: This recommendation was completed in March 2008. The financial procedures have been covered in the mandatory Budget Control Training held for all budget holders. An e-mail will automatically be sent out every March to remind staff of the procedures.</p>	D	<p>Immediate</p> <p>Complete – March 2008</p>

Corporate Services

Audit Services

Audit of the Customer Contact Centre (CCC)

Final Report

23rd January 2008

Audit Contact		Extn No.	
Document Ref:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Customer Contact Centre 2007-08 Final Report.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
<u>Community Services Directorate</u>	Head of Culture & Community Services Customer Contact Centre Manager Customer Services Supervisors	There are matters / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Community Services attached as Appendix A
<u>People, Policy and Performance Directorate</u>	Head of Policy and Performance	There are matters / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Policy and Performance Services attached as Appendix B.
<u>Corporate Services Directorate</u>	Head of Financial Services Head of ICT Services	There are matters / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Financial Services attached as Appendix C.

Please note:

The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee will receive a copy of the Management Summary.

1. Reason for the Audit

- 1.1. As part of the audit planning process, the Customer Contact Centre (CCC) was identified as a high risk service area and has therefore been selected for review as part of the agreed Audit Plan for 2007/08.

2. Background Information / Summary of the Audit Area

- 2.1. The Civic Centre's CCC is the first point of contact for residents enquiring about Carlisle City Council's services, either face to face, by telephone or via e-mail.
- 2.2. The CCC first opened to the public in November 2004. The Centre includes 8 counter points, 3 of which are part of Revenue Services and are managed and manned by Revenues and Benefits staff. The other 5 are for general enquiries. There is an automated queuing system 'Q-Matic' which is used to monitor customer waiting times.
- 2.3. The cashiering function has been excluded from this review, as it is examined as part of the annual Cash Collection and Income Management Audit.
- 2.4. Security
- 2.4.1. The CCC has enhanced security, which includes CCTV, panic alarms and meet and greet staff. Furthermore, to support the zero tolerance to violence culture adopted by the Council, revised violence and aggression reporting procedures have also been introduced.
- 2.5. Developing the CCC
- 2.5.1. The business plan for creating the CCC was initially split into two (loosely) defined phases and the total agreed funding was £940,000. Phase 1 of the project was to establish the outline of a CCC, acting as a basic interface between back office functions and members of the Public, both face to face and via the telephone. This element of the project is now complete. Although not yet fully defined, it is envisaged that Phase 2 of the project will see further development of the CCC to integrate all applicable council services. The depth of knowledge of service areas by CCC staff will also be widened. IT Services will continue to develop and facilitate the Centre's technology, which will, in part, make Council services more accessible to the public both out of office hours and without them having to physically visit the Centre in person.
- 2.6. Customer Relationship Management (CRM) System
- 2.6.1. When fully implemented, the CRM system, should be able to capture details of all contacts received by the Council from all access channels; face-to-face, telephone, fax, e-mail, white mail and from the Internet. It will also play a major part in allowing the Authority to deliver its e-government objectives and the delivery of shared services, if the Council chooses to take the CCC down this route.
- 2.6.2. The CRM system was operational for only one month prior to the January 2005 Flood. The delayed reinstatement of the CRM system in November 2006 was hindered by the

departure of the Development Officer in May 2006, by the CCC not having a new telephone system until July 2006 and by initial operating problems.

2.6.3. At the time of the last audit (January 2007), the CRM system was live using telephones and recycling.

2.6.4. The Capita Knowledge module of the CRM system was abandoned following the User Acceptance Testing as it was found that the original knowledge tool, 'Achieve Information' held the same information. It was also preferential to continue with the existing system rather than migrate to a completely new system, which may not have met the needs of the Centre longer term. It is likely that the Intranet will eventually replace Achieve Information, as the breadth and detail of information on this system develops.

2.7. Telephones

2.7.1. The previous system 'VIP' was lost in the 2005 Flood, the new system 'IPCC Express' went live in July 2006. This new system is used through PCs making it necessary for each advisor to log on in order to be able to take a call.

3. Associated Risks of Providing this Service/Function

3.1. Examination of the corporate and operational risk registers noted the following risks:

Risk Description and Current Action Status / Control Strategy	Type of Risk	Risk Score H/M/L
<u>Risk Description:</u> Failure to adopt consistent and effective Project Management procedure leading to financial impact of failure (direct and indirect); damage to Council's reputation; principles not applied universally <u>Current Action Control Strategy:</u> Introduction and Implementation of Business Case philosophy for all significant projects and schemes to ensure executive and corporate monitoring at SMT and Capital Programme Board Introduction of Prince 2 project management and commencement of corporate awareness training Establishment of dedicated Project Manager post within new structure More staff are now qualified PRINCE2 practitioners. Project management training has been recommended for inclusion in the management training programme. Consistent project management approach has been established within the Authority.	<i>Strategic</i>	6 (medium)
<u>Risk Description:</u> Impact of Organisational Change on Customer Services.	<i>Operational (IT)</i>	9 (high)

<u>Current Action Control Strategy:</u> Contingency Plan/cost effective action. Control of Customer Services will change after Phase 1 delivered. Detailed planning to take place to ensure successful hand-overs.		
<u>Risk Description:</u> Completion Phase 1 CCC Project. <u>Current Action Control Strategy:</u> Contingency Plan/cost effective action. Project mechanisms will ensure project moves forward albeit on a changed timescale.	<i>Operational (IT)</i>	6 (medium)

4. **Scope of the Audit**

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Areas Examined:
1.	Customer Satisfaction, Safety and CCC Performance Levels
2.	Project Management and the CRM System
3.	Telephones

5. **Overall Conclusion of the Audit Review**

5.1. Follow-up of 2006-07 Recommendations

- 5.1.1. There are several outstanding audit recommendations, which originally arose from the 2006/07 audit review of the CCC. Whilst insufficient progress has been made in the areas, it is accepted that many of these recommendations are reliant on the development of the Centre via Phase 2 of the project which is still to be progressed. These recommendations have therefore been reiterated in this report where appropriate.

5.2. Customer Satisfaction, Safety and CCC Performance Levels

- 5.2.1. There is a high regard for customer satisfaction and safety within the CCC.
- 5.2.2. Noted progress has been made towards establishing local performance indicators to monitor the Centre's operations. The Customer Services Manager has attended a Customer Services Management Group (CSMG) which is committed to benchmarking customer care through a set of PIs agreed with other local authorities. This has been backed by the Cumbrian Local Authorities Strategic Board (CLASB). Achieving Excellence in Cumbria (ACE) are also prepared to provide funding for 'mystery shopping' to measure customer satisfaction in the County. It is expected that a set of local performance indicators should be established and agreed upon by the new financial year.

5.3. Project Management and the CRM System

- 5.3.1. Implications arising from the 2005 Varney Report, which considers the opportunities for transforming the delivery of public services to make them more efficient and responsive to the end user, will have a significant impact on CCC operations and how this is developed in the future.
- 5.3.2. In general, the CCC is operating well and the major technological installations achieved through Phase 1 (i.e. the CRM and Telephony) have been established without any major problems. Phase 1 of the project has now concluded.
- 5.3.3. Phase 2 is yet to be defined, partly due to the uncertainties surrounding unitary status, the workload created by the changes in waste and recycling operations, the lack of a Project Manager and the lack of a project plan to utilise the £150,000 set-aside. As a result there are preliminary plans for improvements and advancements that are being left uncoordinated.
- 5.3.4. There have been some understandable delays associated with advancing service delivery and the roll out of the CRM system. However, taking into account the importance of this service and the time and money invested to date, it is essential that this project moves on and resources are identified and committed to delivering more results. No detailed commitments have been made to plan/deliver Phase 2. Following recent developments, there are plans to second a CCC Supervisor to progress/project manage Phase 2, although methodology to progress is still to be agreed and a project plan is still to be drafted for approval.
- 5.3.5. Once fully implemented and integrated with back office functions, the CCC will be a specialist corporate resource for all aspects of customer care and customer contact management. It will define customer contact and define customer care policies and practices in place across the Council. Future developments may also see CCC operations integrating with other neighbouring authorities under the shared services agenda.
- 5.3.6. The initial 3-year contract tie in period, which is in place with Capita for the CRM system, has now expired. A rolling agreement with the provision to end this providing 6 months written notice is given, is now in place. No review dates are built into this contract, which means that changes in the system to aid future developments of the CCC will not be provided for unless the terms (and cost) of the contract agreement are renegotiated.

5.4. Telephones

- 5.4.1. The telephone system is still working well and the associated performance monitoring reports give the management team much more information so that they are able to manage their performance and team much more effectively.
- 5.4.2. Due to a lack of direction, the £90,000 ear-marked for integrating the new telephone system with the CRM system has been released back into Council Reserves for an alternative use.

6. Statement of Assurance

- 6.1. Based on the audit approach to and the findings arising from this review, it is considered that a restricted level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Community Services Directorate, Culture and Community Services**APPENDIX A****1. CUSTOMER SATISFACTION, SAFETY AND CCC PERFORMANCE LEVELS****Method of Review:**

- Establish what procedures are available to enable internal services/staff/customers to make recommendations for improvement.
- Review of key aims within the service plan / Look at any PIs / LPIs introduced.
- Report on the results of any new satisfaction surveys.
- Review on general systems access following previous recommendations including any new systems access.
- Establish if there have been any issues regarding the computers made available in the 2 interview rooms or the self-service PC.
- Review of security procedures.

Summary of Findings:

Performance indicators specific to CCC operations are still to be progressed. This matter is being pursued through the Customer Services Management Group (CSMG) and is supported by the Cumbrian Local Authorities Strategic Board (CLASB). Excellence in Cumbria (ACE) has also had some involvement and are prepared to provide funding for 'mystery shopping' to measure customer satisfaction throughout the county. Therefore, whilst it is acknowledged that some advancements in the development of performance indicators have been made, this is an areas of importance and should be pursued / concluded at the earliest possible convenience.

There is a high regard for customer safety and satisfaction within the CCC.

The self-service PC has now been installed and advancements and usage levels are being monitored. Advancements have also been made to enable customers to make comments via e-mail regarding planning applications. This new facility will help Planning and Housing Services reach its e-government objectives.

Ref	Issue	Responsible Officer	Recommendation	Grade
A.1	There are no formal measures in place to enable members of the public to make recommendations for improvement.	Head of Culture & Community Services	Consideration should be given to introducing some way of extending ways of receiving suggestions from members of the public.	D

A.2	There are no specific National Performance Indicators relating to CCC operations although Cumbria-wide service standards are being pursued. Whilst there are a number of service indicators reported through the service plan, there are only a few Local Performance Indicators which is formally reported and published. Without clear, reliable (i.e. SMART) indicators it is difficult to measure and judge the effectiveness and efficiency of service operations and improvements.	Head of Culture & Community Services	In line with the objectives outlined in the 2007/08 Service Plan (of which, the Customer Services element is yet to be approved), performance indicators should be established as soon as possible after the meeting with the Cumbria Customer Services Management Group.	B
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2. PROJECT MANAGEMENT AND THE CRM SYSTEM

Method of Review:

Project Management

- Establish whether Phase 1 has formally concluded.
- Establish progress of Phase 2.
- Review reporting to the Senior Management Team and the Capital Projects Board on both phases.
- Review budget for project.
- Report on any significant issues, achievements, problems, changes etc.

CRM System:

- Reporting on which services have been included or are due to be included since the last audit including position regarding PC Windows XP upgrading.
- Further review on the possibility of receiving e-mails via the CRM.
- Further review on the possibility of integrating Mando forms with the CRM.
- Review the progression with E-citizen.
- Review the progression with using Capita Knowledge and the utilisation of Achieve Information.
- Review of the progression of using Hummingbird to enable production of management reports from the CRM.

Summary of Findings:

The majority of initial operating/reporting issues associated with Phase 1 of the CRM roll-out have now been resolved. Further enhancements to processes include:

- The Customer Services Supervisor has been attending user groups to assess CRM capability. A new systems release in May 2007 has resulted in a quicker system and the Customer Service Advisors are currently receiving updated training.
- Various mando forms have now been fully integrated with the CRM and are working correctly. The Customer Services Supervisor monitors these forms to ensure that they have been actioned appropriately.

- The plans to launch E-Citizen were temporarily delayed so that it could be launched alongside Government Connect. The launch of both initiatives are now imminent
- Hummingbird, the reporting suite attached to the CRM system, is operating correctly and the Customer Services Supervisor has arranged training sessions with the Applications and Information Manager to establish management/performance reports and training requirements.

Since the last audit review in January 2007, there has, however, been little further development with integrating services into the CRM system roll-out. Taking into account the importance of this service area and the time and money invested in the system to date, it is essential that the roll out (i.e. phase 2) is progressed without further delay and resources are identified and committed to delivering more results. The overall importance and size of this task and the areas to be progressed would benefit from Prince 2 project management methodology.

It is also noted that the Capital Project Board is not aware of immediate plans for the funds set aside for Phase 2 and this will obviously have an impact on the Capital Programme for 07 - 09 and the potential carry forwards.

Ref	Issue	Responsible Officer	Recommendation	Grade
A.3	<p>Phase 1 has now concluded. The Project Manager who co-ordinated Phase 1 (i.e. post-flood building works dealing with the Capita CRM contract) no longer has any direct involvement with CCC.</p> <p>In line with the recommendation made in the previous CCC review, the Director of People, Policy and Performance sent a report to the Capital Projects Board on 09/01/07. The report, which outlined the position regarding Phase 1 (with particular regards to the CRM and associated financial obligations) was not placed on the agenda.</p>	Head of Culture & Community Services	The Capital Projects Board need to be formally updated on the status of this project (phase 2), and associated £159K funding implications.	B
A.4	<p>Since the last review no additional "back office" service developments which should link to the CRM. In particularly:</p> <ul style="list-style-type: none"> • Through the utilisation of the new telephone system at Bousteads Grassing, which routes calls through the CCC, service delivery concerning Environmental Services and Facilities need to be progressed and integrated into the CRM system. 	Head of Community & Culture Services	Resources need to be committed to moving this project onwards. Prince 2 project management methodology should be used, which would require the assignment of a dedicated project manager, established, test, and deliver defined stages of the roll out in a controlled manner with risks and progress / highlight reports presented to senior managers during the course of the project.	B

	<ul style="list-style-type: none"> An interface with the Contractor Plus system has now been established on the test system but there are operating problems, which are delaying the interface with the live system. The Applications Specialist and the Applications and Information Manager are currently looking to rectify these problems. It is not possible (at present) to receive customer services e-mails into the CRM system as end-recipients would require access to the CRM system to receive the 'forwarded on' e-mails. 			
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3. TELEPHONES

Method of Review:

- Review the progression made with updating the Tiger (call logging/performance reporting) system to monitor the main telephone system.
- Establishing the current position regarding the funding earmarked for telephone/CRM integration.
- Reviewing the possibility of merging the switchboard/telephony section with the Call Centre, which would result in having one contact telephone number for the Council.

Summary of Findings:

The new telephone system has been live for over one year now and is operating well, although there were some operating capacity issues which were experienced in the period leading up to and just after the implementation of the Alternative Weekly Refuse / Recycling Collections. This situation has been carefully monitored and the CCC responded by taking on extra (agency) resources and adjusting staffing hours to accommodate call volumes at peak periods.

Associated call monitoring reports provides the management team with the necessary information to allow them to manage team performance much more effectively.

It is expected that the replacement of the switchboard telephone number to the Call Centre number will be naturally progressed during Phase 2, as the delivery of front line services are integrated into the CCC.

Bousteads Grassing has received a new telephone system and calls are to be routed through the Call Centre, the resultant enquiries for these back-office functions are to be handled by the call centre in the imminent future. It is highly likely that these services will be integrated into the CRM. This is to be incorporated into Phase 2 of the project, a plan of which is still to be determine and agreed.

People, Policy and Performance Directorate, Policy and Performance Services**APPENDIX B****2. PROJECT MANAGEMENT AND THE CRM SYSTEM****Method of Review:**

Review the progression with using Capita Knowledge and the utilisation of Achieve Information.

Summary of Findings:

Achieve Information is now the only current knowledge database available to the Customer Services Advisors. Knowledge Champions need to ensure that information contained within the database relating to their service is up-to-date. This will ensure that CSA on the front line to work from accurate, complete and up to date information.

Ref	Issue	Responsible Officer	Recommendation	<u>Grade</u>
B.1	Issues have been raised concerning knowledge champions not updating the Achieve Information system on behalf of their Service area. It is noted that the Intranet may eventually replace Achieve Information, as the breadth and detail of information on this system is developed.	Head of Policy & Performance	A corporate standard should be established so that all Knowledge Champions are updating Achieve Information/Intranet on a regular and consistent basis.	B
B.2.	Phase 2 is yet to be defined, partly due to the uncertainties regarding unitary status and partly due to the fact that there are no immediate plans to utilise the £150,000 set-aside. As a result there are preliminary plans for improvements and advancements that are being left uncoordinated. The Capital Projects Board confirmed that they were not aware that there were no immediate plans for the funds.	Head of Policy & Performance	It is suggested that the Capital Projects Board should call in this project for review.	B

Corporate Services Directorate, Financial Services and ICT Services**APPENDIX C****1. CUSTOMER SATISFACTION, SAFETY AND CCC PERFORMANCE LEVELS****Method of Review:**

- Establish what procedures are available to enable internal services/staff/customers to make recommendations for improvement.
- Review of key aims within the Service Plan / Look at any PIs introduced.
- Report on the results of any new satisfaction surveys (if any).
- Review on general systems access following previous recommendations including any new systems access.
- Establish if there have been any issues regarding the computers made available in the 2 interview rooms or the self-service PC.
- Review of security procedures.

Summary of Findings:

Performance indicators specific to CCC operations are still to be progressed. This matter is being pursued through the Customer Services Management Group (CSMG) and is supported by the Cumbrian Local Authorities Strategic Board (CLASB). Excellence in Cumbria (ACE) has also had some involvement and are prepared to provide funding for 'mystery shopping' to measure customer satisfaction throughout the county. Therefore, whilst it is acknowledged that some advancements in the development of performance indicators have been made, this is an areas of importance and should be pursued / concluded.

There is a high regard for customer safety and satisfaction within the CCC.

The self-service PC has now been installed and advancements and usage levels are being monitored. Advancements have also been made to enable customers to make comments via e-mail regarding planning applications. This new facility will help Planning and Housing Services reach its e-government objectives.

Ref	Issue	Responsible Officer	Recommendation	Grade
C.1	There have been problems acknowledging emails received into the Customer Services generic inbox. The Infrastructure Engineer is currently working to rectify this matter.	Head of ICT Services	This problem should be rectified ASAP	B

Corporate Services

Audit Services

Audit of Improvement Grants 2007/08

Material Systems Review

Final Report

4th December 2007

Audit Contact		Ext. No.	
Document Ref.:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Improvement Grants 2007-08 - Final Report.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Development Services	<p><u>Copy of Report for Action to:</u> Head of Planning & Housing</p> <p><u>Copy of Report for Information to:</u> Housing Services & Health Partnerships Manager</p> <p>Principal Housing Officer</p> <p>Senior Housing Renewal Officer</p> <p>Senior Technical Officer</p>	<ul style="list-style-type: none"> - There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Housing Services, which is attached as Appendix A.
Corporate Services	<p><u>Copy of Report for Information to:</u> Head of Financial Services</p> <p>Group Accountant</p>	<ul style="list-style-type: none"> - There are no matters arising / recommendations relating to your service area which require further action. The attached report is for information only.

Please note: The Chief Executive, Deputy Chief Executive and the relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee will receive a copy of the Management Summary.

1. Reason for the Audit

- 1.1. The audit of Improvement Grants forms part of the programme of annual material reviews. Material reviews are considered to be the fundamental systems of the Authority, which have a high impact on the main financial system. The Audit Commission place reliance on the work undertaken by Audit Services on material systems, as part of their work on the annual statement of accounts.

2. Background Information / Summary of the Audit Area

- 2.1. Improvement Grants are administered by the Housing Section within Development Services. There are 4 main types of grants that are offered. These are Renovation Grants for Owner/Occupiers, Renovation Grants for Landlords, Disabled Facilities Grants and Minor Works Grants.
- 2.2. Renovation Grants for Owner/Occupiers are discretionary grants that are available to allow owners/occupiers to bring houses up to current housing standards. The maximum grant allowed is £20,000.
- 2.3. Renovation Grants for Landlords are essentially the same as the above grant but are available to landlords. The landlord has to contribute 75% of the total value of the works (up to a maximum of £5,000).
- 2.4. Disabled Facilities Grants are the only mandatory grant, and the maximum available is £25,000 to allow for alterations/amendments to allow the applicant to continue living in their own home. There is also a discretionary amount of £5,000 that can be granted should the works go over the maximum mandatory grant allowance.
- 2.5. Minor Works Grants are discretionary grants, which allow over 60's to undertake minor repairs to their properties. The maximum grant allowed is £4,000.
- 2.6. The Budget for the service is made up as follows:

Grant	Budget (£)
Renovation Grants	1,157,800
Disabled Facilities Grants	874,400
Minor Works Grants	24,000
Flood Recovery Grant	2,200
TOTAL	2,058,400

(The Budget for Disabled Facilities Grants is made up of a 40% allocation from the Council and a 60% contribution from Government Grants).

- 2.7. Previously all grants came under the Housing Grants, Construction and Regeneration Act 1996 but changes were made to the Council's Housing Renewal Policy in September 2003. Minor Works Grants and Renovation Grants are now governed by the Regulatory Reform (Housing Assistance) (England & Wales) Order 2002. The Policy for Disabled Facilities Grants has not changed and continues to be governed by the Housing Grants, Construction & Regeneration Act 1996.

3. Associated Risks of Providing this Service/Function

3.1. Examination of the Risk Registers noted the following risk:

Risk Description & Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<i>Provision of Grants - Controlled through the managed service and the Housing Strategy reporting process</i>	<i>Operational</i>	<i>M</i>

4. Scope of the Audit

4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Areas Examined
1.	Policies & Procedures
2.	Applications
3.	Eligibility
4.	Approvals
5.	Estimates
6.	Works
7.	Conditions
8.	Payments
9.	Repayments
10.	Government Grants
11.	Performance Monitoring
12.	Data Security

Please note that if recommendations have been made in association with these areas examined, these are detailed in Appendix A.

5. Overall Conclusion of the Audit Review

- 5.1. Overall the systems and controls for the administration of Improvement Grants are in place and are working well.
- 5.2. The office procedure manual reflects the current working practices although it had not been reviewed or updated since 2002. Procedures should be reviewed at least annually to make sure that they adequately reflect the how the job should be undertaken.
- 5.3. There is no formal Register of Employee Interests held in the section. There are informal arrangements in place should an application be received that an employee had an interest in e.g. a family member's application, but these interests were not documented or recorded. All interests should be documented to ensure that there is no

conflict of interest. This should also apply to any applications that are made from Council employees to help protect individuals from possible accusations or complaints.

- 5.4. It was found that grants information is generally well publicised on the Council's web site. There is however, no information regarding Disabled Facilities Grants on the web site.
- 5.5. Applications examined were found to be in order. All had been received and processed in the proper manner and on the official Council application form.
- 5.6. When a grant is awarded, there are certain conditions associated with it that could lead to the repayment of all or part of the grant. The most common circumstance that leads to the repayment of a grant is when the property is to be sold within 5-years of the grant being awarded. The testing undertaken found that although these repayment calculations were correct, the calculations for the amount of grant that would be repayable was not always clear and was not always checked for accuracy by a second employee.

6. Summary of Gradings & Recommendations

- 6.1 Each recommendation/agreed audit action has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

Grade	Level of Risk
A	Lack of, or failure to comply with, a key control, leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control, leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	Action at manager's discretion.
* A <i>fundamental</i> weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).	

- 6.2 The audit has raised 4 recommendations for implementation. 2 at Grade B, and 2 at Grade C.

7. Statement of Assurance

- 7.1. Based on the audit approach to and the findings arising and the gradings of the recommendations arising from this review, it is considered that a **Reasonable** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.

3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Development Services - Housing & Planning Services

APPENDIX A

1. Policies & Procedures

Method of Review:

- Assurance that the Authority has an established and up to date a Private Sector Housing Renewal Policy, Enforcement Policies and Procedures and office procedure manual.
- Assurance that a copy of the current Disabled Facilities Grants legislation is maintained in the Grants section.
- Confirmation that staff are required to declare any interests should they arise.

Summary of Findings:

There are good controls in place surrounding the policies and procedures regarding Improvement Grants. All staff are aware of their duties and are aware of the relevant legislation regarding all grants. Although the procedures are in place and they are still relevant to the way the section works, they have not been formally reviewed for 5 years. It is best practice that all procedures should be reviewed on an annual basis.

There is no register of Employee Interests in place in the section. If an application were to be submitted for which an employee had an interest it would be passed on to another employee. Similarly, there is no procedure to record Council employees who are also applicants. A register of interests should exist to help protect individuals against accusations and formal complaints.

Finally, details of Renovation Grants and Minor Works Grants are available on the Council's website but there are no details of Disabled Facilities Grants. These should be added to give complete information of all grants that are available.

<u>Ref.</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A.1	<p>The information on the website does not include the full application forms, it only includes a Grant Enquiry Form. However, the Grant Enquiry Form asks for all the relevant information that will enable the Officers to advise the applicant if they are eligible for a grant. If they are eligible, then a full application pack is sent to the applicant asking for all relevant supporting information.</p> <p>The website gives details of the basic eligibility criteria that apply to Renovation Grants and Minor Works Grants, however, there is no information regarding the Disabled Facilities Grants on the website.</p>	Head of Planning & Housing	That information regarding Disabled Facilities Grants be updated to the Council's website	C	Completed – New Council website now includes details of Disabled Facilities Grants.
A.2	Although there is a comprehensive procedure manual in the office it has not been updated since August 2002. It has been confirmed with the staff in the department that the procedures have not changed since then. However, a review of the procedure manual should take place regularly.	Head of Planning & Housing	That the office procedure manual be reviewed and updated as necessary. The procedure should document processing of applications from friends/families and Council employees. (See Recommendation A.3)	B	3 months
A.3	There is no formal Register of Employee Interests held in the section although applicants are required to declare any family connections on the application form. Staff should be made aware of their obligation in this area and if there were such an interest another officer would deal with that particular application.	Head of Planning & Housing	That a formal register of Employee Interests is held in the department that details the application and the reason for the interest. This register should also include details of any applicants who are Council employees.	B	3 months

9. Repayments

Method of Review:

- Controls ensure that assistance is repaid where required under the conditions of the assistance and that interest and capital repayment charges are calculated correctly.
- Confirmation that debt recovery procedures are instigated where payments are not received by the due date.

Summary of Findings:

Sample testing of grant repayments raised no concerns, however, it was found that repayment calculations were not formally recorded not checked by a second officer.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.4	Although all repayments tested were correctly calculated, there is not always a formal document showing the calculation attached to the paperwork and there is no check that the amount has been correctly calculated by a second officer.	Head of Planning & Housing	It is recommended that a pro-forma is set up which can be used to calculate the amount of grant to be repaid and which is verified by a second officer.	C	3 months

Corporate Services

Audit Services

Audit of Main Accounting System & Budgetary
Control 2007/08

Final Report

14th March 2008

Audit Contact	I	Ext. No.	
Document Ref.:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\MAS Budget Control Final Report 2007-08.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services – Financial Services	Head of Financial Services (for action) Chief Accountant (for information) Principal Finance/Systems Officer (for information)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Financial Services, which is attached as Appendix A.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. Reason for the Audit

- 1.1. The audit of Main Accounting System & Budgetary Control forms part of the programme of annual material reviews. Material reviews cover the fundamental systems of the Authority. These have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the work undertaken by Audit Services, as part of their work on the annual statement of accounts.

2. Background Information / Summary of the Audit Area

- 2.1 The Financials accountancy package incorporates the General Ledger and 3 subsidiary systems - Debtors, Creditors and Purchasing. ICON Bank Reconciliation and Cash Receipting are also fundamental to the main accounting system and processes.
- 2.2 The Main Accounting System is maintained by Financial Services with the system administration and controls being administered by the Systems and Controls team. The Accountancy team uses the system on a day-to-day basis in order to prepare and monitor the Council's financial position.
- 2.3 The Accountancy team are responsible for co-ordinating the Council's budget and presenting it to the Council for approval. They are also responsible for working with management to monitor and control the budget throughout the year, although individual managers are ultimately responsible for their own budgets.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted the following risks:

Strategic Risks

Risk Description	Type of Risk	Risk Score H/M/L
<u>Financial Reporting</u> Following comments of the Audit Commission on standard of financial reporting- Failure will lead to <ul style="list-style-type: none"> -reputation damage -have an impact on overall CPA assessment -poor relationship with Audit Commission 	Strategic	M
<u>Medium Term financial planning and maintaining asset values; failure leading to:-</u> <ul style="list-style-type: none"> - risk of systems and procedures failing to address MTFP objectives 	Strategic	M

<ul style="list-style-type: none"> - risk that expenditure not linked to key objectives and priorities - fails to be forward looking and programmed - lack of corporate ownership - failure to achieve balanced budget through the budgetary process - failure to match future commitments and aspirations compared to funding available - maintaining asset values 		
<u>Financial Management</u> Information provided must be accurate, robust & timely to enable Budget Holders to manage, failure leading to:- <ul style="list-style-type: none"> - poor management decisions - loss of credibility in information provided -Service Heads fail to focus on key objectives - Not linked to performance management - failure to adopt best practice and achieve value for money - specific risks identified associated with Contractor Plus system 	Strategic	M

Operational Risks

Risk Description	Type of Risk	Risk Score H/M/L
Financial Management information provided must be accurate, robust and future-proof for Heads of Service to manage effectively.	Operational	M
Qualified opinion on Annual Financial Accounts.	Operational	M
Reporting of Financial Implications.	Operational	L
Provision of advice and information	Operational	L
Financial Information Systems.	Operational	L
Service re-charging methodology	Operational	L
Meeting requirements of existing and new legislation	Operational	L

4. Scope of the Audit

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Areas Examined:
	<u>MAIN ACCOUNTING SYSTEM</u>
1.	Policies & Procedures
2.	Financial Information Systems and Security of Data
3.	Coding Structure
4.	Feeder Systems
5.	Journals & Internal Transactions
6.	Suspense & Holding Accounts
7.	Bank Reconciliation
	<u>BUDGETARY CONTROL</u>
8.	Annual Budget Cycle
9.	Alterations to Budget
10.	Financial Information System
11.	Responsibilities
12.	Reserves

5. **Overall Conclusion of the Audit Review**

- 5.1. Overall there are good controls in place for the Main Accounting System and Budgetary Control.
- 5.2. Although there are procedures in place, the Financial Guide requires updating and this document should be made accessible via the Intranet to all staff.
- 5.3. This audit review, and a number of recent Freedom of Information requests, have highlighted problems with items of expenditure being coded incorrectly in the Financial Information System. This can lead to difficulties when analysing expenditure and could distort the accuracy of any information extracted from the system. Managers were reminded, at the February 2008 management briefing, of the need to code items of income and expenditure accurately. Mandatory training sessions are to be provided, to all budget holders, on financial management issues.

6. **Follow-up of Recommendations from previous report.**

- 6.1. All of the recommendations arising from the 2006/07 review were followed up and there are no further points arising therefrom.
- 6.2. The recommendations relating to the IT Security policy have been dealt with separately as part of an IT review, and have been reported separately to the Audit Committee.

7. **Statement of Assurance**

- 7.1. Based on the audit approach to and the findings arising from this review, it is considered that a **Substantial** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Corporate Services (Directorate), Financial Services

APPENDIX A

1. Policies & Procedures

Method of Review:

- To confirm that the Authority's Financial Procedure Rules detail the accounting procedures to be followed.
- To confirm that procedures ensure that:
 - Statutory requirements and relevant accounting practices are complied with;
 - The required accounting records are maintained.
- To confirm that there is a statement detailing the Authority's accounting policies published with the final accounts.

Summary of Findings:

The Financial Procedure Rules were last updated in January 2008 and were found to be comprehensive.

The Financial Guide was has not been updated recently and was not available on the Intranet for staff to access.

<u>Ref.</u>	<u>Issue</u>	<u>Person Responsible</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Implementation</u>
A.1	The Financial Guide requires updating to take account of new procedures.	Head of Financial Services	That the Financial Guide be updated and placed on the intranet so that all staff can access it.	C	An overhaul and review was undertaken during Summer 2007. Further continuous updating and training will be carried out as and when required. The document will be placed on the intranet by the 31 st March when the latest adjustments have been approved.

11. Responsibilities

Method of Review:

- To confirm that responsibilities for budgetary control have been clearly defined.

Summary of Findings:

Items of expenditure were found to have been coded to incorrect detail analysis codes. During the course of this audit, a recent Freedom of Information Act enquiry also highlighted this problem. Incorrect coding means that it is difficult to analyse expenditure accurately. A reminder about coding accurately to relevant codes was given at the February Management Briefing and mandatory training sessions will be held for all budget holders.

<u>Ref.</u>	<u>Issue</u>	<u>Person Responsible</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Time-scale</u>
A.2	Items of expenditure were found to be being coded to incorrect analysis codes.	Head of Financial Services	A reminder should be given to all managers outlining their responsibilities to ensure that all items of expenditure and income are coded accurately to a relevant code.	A	As above - this action is already under-way. The Chief Accountant informed all senior managers, at the February 2008 Management Briefing Session, that training sessions relating to budgetary control will be held which will be compulsory for all relevant staff – this will include budget-holders and admin staff as appropriate.

Corporate Services

Audit Services

Audit of Planning Services Income 2007/08

Final Report

15th January 2008

Audit Contact		Ext. No.	
Document Ref.:	C:\DOCUME~1\RachelR\LOCALS~1\Temp\Planning Income 2007-08 Final Report.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Development Services / Planning & Housing Services	<p><u>Copy of report for action to:</u></p> <p>Head of Planning & Housing Services</p> <p>Building Control Manager</p> <p>Development Control Manager</p> <p>Local Plans & Conservation Manager</p>	<p>- There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan at Appendix A.</p>

Please note: The Chief Executive, Deputy Chief Executive and the relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee will receive a copy of the Management Summary.

1. Reason for the Audit

- 1.1 The audit of Planning Services Income forms part of the programme of annual material reviews. Material systems are considered to be the fundamental systems of the Authority, which have a high impact on the main financial system and therefore the Authority's accounts. The Audit Commission place reliance on the work undertaken by Audit Services on material systems, as part of their work on the annual statement of accounts.

2. Background Information / Summary of the Audit Area

- 2.1 Planning and Housing Services is within the Development Services Directorate. Essentially, there are four subsections:
- Housing.
 - Development Control.
 - Building Control.
 - Local Plans and Conservation.
- 2.2 For the purposes of this review, only Development Control, Building Control and Local Plans and Conservation were considered. Housing Services was not included as it does not collect significant income.
- 2.3 All three areas (Development Control, Building Control and Local Plans and Conservation) are administered separately (although they share the same software system – Acolaid) and each has its own operational manager.
- 2.4 Although the majority of income is processed directly by the Service (prior to being banked through the Income Management Section) a proportion of the income is processed through the Cashier's section. In addition, Debtor Services can process income for Building Control where debtor invoices have been raised for Building Inspection Fees.

Development Control

- 2.5 This area generates income in the region of £535,800 per year and processes around 1,500 applications each year. Although applications are received for agricultural determinations, demolition determinations and tree preservation orders, the majority of applications are for either outline or full planning permission.

Building Control

- 2.6 This area generates income in the region of £517,400 per year and processes around 1400 submissions each year. The Building (Local Authority Charges) Regulations enable local authorities in England and Wales to charge for carrying out their statutory building control functions relating to the Building Regulations. The three main functions relate to full planning applications, building notices and site inspections. These regulations authorise local authorities to make the following charges:

- Plan charge

- Inspection charge
- Building Notice charge
- Reversion charge
- Regularisation charge

2.7 There are two methods by which applicants can obtain Building Regulations approval:

- Deposit of detailed plans and specifications for the work known as a Full Plans Application and consisting of a Plan and Inspection charge.
- A Building Notice, which simply involves providing a site location plan and the Building Notice charge equals the Plan and Inspection charge.

2.8 The Reversion charge (although extremely rare) equals the Building Notice charge and is applicable where a private Building Inspector cannot get the contractor to correct works and it requires the Building Control Section to take over and bring it up to standard. The Regularisation charge is 20% greater than the Building Notice charge and is applicable where work has been carried out without Building Regulations approval.

Local Plans and Conservation

2.9 The authority deals with the production, review and monitoring of planning policy, especially the statutory Local Development Framework and related advice in the form of development briefs and supplementary planning documents. It also handles conservation issues including the operation of the Council's Historic Buildings Grants scheme, under which assistance with the cost of repairs is offered to owners of listed buildings.

3. Associated Risks of Providing this Service/Function

3.1 Examination of the Risk Registers (updated March '07) did not identify any associated risks within these areas.

4. Scope of the Audit

4.1 Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
1.	Scale of Charges
2.	Processing
3.	Income & Banking
4.	Accounting
5.	External Funding
6.	Policies & Procedures

Please note that if recommendations have been made in association with these areas examined, these are detailed in Appendix A.

5. Overall Conclusion of the Audit Review

- 5.1 Overall the procedures and controls in place for the collection of income in Planning Services are working well.
- 5.2 Staff involved in the collection of income in the Planning Sections are aware of the current legislation and have access to the most up to date schedule of fees and charges.
- 5.3 There are good controls in place to ensure that any income associated with an application is recorded correctly upon receipt and that all applications are dealt with promptly.
- 5.4 There are good controls in place to ensure that income received is held securely until it is banked, although there should be a review of members of staff who have access to the locked drawer in Building Control.
- 5.5 Although there are basic procedures in place they need to be reviewed and updated to ensure that they cover all the processes involved in the collection and banking of income in the section.

6. **Summary and Gradings of Recommendations**

- 6.1 Each recommendation/agreed audit action has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

Grade	Level of Risk
A	Lack of, or failure to comply with, a key control, leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control, leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	Action at manager's discretion.
* A <i>fundamental</i> weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).	

- 6.2 There are 4 recommendations arising from this review; 2 at grade B and 2 at grade C.

7. **Statement of Assurance**

- 7.1 Based on the audit approach to and the findings arising from this review, it is considered that a **Reasonable** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
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1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Development Services, Planning & Housing Services

APPENDIX A

3. Income & Banking

Method of Review:

Consideration of the various methods of payment available to customers.

To confirm that only official receipts are issued and that the receipt numbers are recorded on the application.

To confirm that there are procedures in place to ensure prompt banking of income, that cheques are individually listed on paying in slips and that the paying in slip is initialled by the person responsible for its preparation.

Summary of Findings:

Cheques and income received in both Building Control and Development Control are listed in the appropriate mail log systems upon receipt.

Development Control

Cheques received are logged on the mail log system and are banked on a daily basis. Paying in slips are referenced with the name of the cheque drawer and reconciled to a print of the mail log system. Both are then copied and filed together for reference.

All files are set up with the appropriate details of the application, and are referenced with the fee paid and the receipt numbers issued.

On occasions where an invalid fee is supplied with the application, a standard letter is produced from the Acolaid system that will request the additional fee.

From the testing undertaken, the controls in place are working well with income being held securely and logged properly before being banked promptly and allocated to the correct codes.

Building Control

Cheques are logged in the daybook held in the department and are paid into ICON on a daily basis. All fees received are recorded on Acolaid and copies of paying in slips are maintained within the department.

Where inspection fees are required, these are raised via a debtor invoice. Although the fee required is recorded on Acolaid, there is no record on the system of when the debtor invoice has been paid. This means that when a record on Acolaid is reviewed, it looks as if the inspection fee is still outstanding.

From the testing undertaken, the controls in place are working well, however, it is recommended that the inspection fees that have been paid are recorded on Acolaid to ensure completeness of the records.

<u>Ref.</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Implementation</u>
A.1	Building Control Inspection Fees are not recorded on Acolaid once they have been paid.	Building Control Manager	That Building Control Inspection Fees be recorded on Acolaid once they have been paid. Consideration should be given to obtaining a list of invoices paid from the Debtors Section.	B	3 months

4. Accounting

Method of Review:

Security of Income: To ensure that:

- Responsibility for the collection of income has been allocated to a limited number of specified employees and that deputies are appointed in the case of absence.
- That income in respect of planning fees is kept separate from other (planning) income.
- Income is held securely with access limited to authorised personnel only.

Refunds and Compensation Claims: To ensure that:

- Compensation claims are checked that they are valid before being processed.
- Where refunds are requested, they are authorised by a senior employee and checks are made to ensure that refunds are only made for legitimate reasons.
- Where monies are refunded, this is done using a standard letter stating why the cheque is enclosed and that a copy is kept on file.

Reconciliation

To confirm that:

- Planning fee income is reconciled to the applications register to ensure the correct amount is banked, that all other income is reconciled to receipt books prior to being banked and that there are procedures in place to ensure that the banking of income is promptly undertaken.
- Banking and reconciliations are checked by an independent employee to confirm that they are correct
- The FIS is updated with all income received, that reconciliation's to the FIS are undertaken by an employee independent of the banking process

and that the employee signs the reconciliation to confirm correctness.

Summary of Findings:

There are good controls in place to ensure that income received is held securely until it is banked, although there should be a review of members of staff who have access to the locked drawer in Building Control.

On the whole, refunds were all found to be in order, however, they should be recorded in the Fee History screen on Acolaid for clarity of enquiries.

<u>Ref.</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Implementation</u>
A.2	There are 8 key holders for the drawer where income is kept prior to banking in Building Control.	Building Control Manager	That they key holders who have access to the locked drawer where the cheques tin is kept are reviewed to ensure that only those people who need access have access.	C	3 months
A.3	Refunds were not recorded in the Fee History screen on Acolaid for Building Control applications.	Building Control Manager	That refunds be recorded on the Fee History Screen within Acolaid.	C	months

6. Policies & Procedures

Method of Review:

Confirmation with relevant staff that there is an up to date procedure manual and notes.

Summary of Findings:

There are procedure notes in each section that cover the responsibilities for dealing with the receipt of income. However, these procedures should be reviewed on a regular basis to ensure that they are kept up to date with current practices.

<u>Ref.</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Suggested Timescale for Implementation</u>
A.4	Procedure notes should be regularly updated to ensure that responsibilities are clearly defined and that they are up to date with current practices.	Head of Planning Services	That the procedure notes in each section are reviewed and updated to ensure that they are complete and cover all the processes involved in the collection and banking of all .	B	3 months