

Audit Committee

Agenda
Item:

A.9

Meeting Date: 22nd July 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Progress Report 2013-14 (No. 1)
Report of: Director of Resources
Report Number: RD26/13

Purpose / Summary:

This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.

Recommendations:

Members are requested to:

- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
- Note the position of the Customer Services review, as detailed in section 3.
- Note the position on the follow up of previous audit recommendations as outlined in section 4.
- Receive the 8 completed audit reports referred to in section 5 and attached as Appendix C to J.

Tracking

Audit Committee	22 nd July 2013
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 BACKGROUND

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other risk, governance and internal controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.

2 AUDIT PERFORMANCE AGAINST THE 2013/14 AUDIT PLAN

- 2.1 The 2013-14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15th April 2013 – report RD 06/13 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed 2013/14 Audit Plan, **Appendix A** illustrates the current position of the Plan up to the end of June 2013. The position can be summarised as follows:

	Allocated Days	Actual Days (Quarter1)
High Risk	182	70
Value for Money & Efficiency	40	0
Main Financial System	148	8
ICT	25	0
Project Support	20	0
Fraud	25	7
Other	100	29
Total Audit Days 2013-14	540	114

- 2.2.1 The Plan calls for 540 direct audit days to be delivered in 2013/14 – 114 days (21%) have been delivered in the first quarter period. Time has been spent on the following areas:

- 2013/14 audit reviews have been started in the areas of Procurement, Customer Contact Centre, Fixed Assets, Organisational Development, Performance Standards and Revenues Recovery.
- Detailed follow up audits have been started on Carlisle Cycleway, Tendering and Contracting and External Funding.
- 2012/13 NFI review of data matches is ongoing.
- Time has also been spent in this first quarter period, finalising 2012/13 audit reports which were at draft stage at year end.

2.3 Members are asked to note the progress made against the agreed 2013/14 Audit Plan in quarter 1.

3 AUDIT OF CUSTOMER SERVICES

3.1 It was anticipated the review of Customer Services would be completed in the first quarter of 2013/14 and ready for report to this Committee. This has not been possible due to delays in agreeing a start date in Customer Services due to other work pressures.

3.2 This review is now in progress and it is expected to be completed and ready for report in September 2013.

4 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

4.1 A revised system for the follow up of audit recommendations is now in operation which utilises Covalent, the corporate performance management system.

4.2 It is intended that these revised arrangement places the onus back on to managers to feedback on the action which they have taken to effectively address each audit recommendation for which they are assigned responsibility to implement, within the timescales defined in the action plan.

4.3 A report on the position of all follow ups of previous audit recommendations monitored via Covalent will be prepared for the September meeting of this Committee.

- 4.4 Audit reviews which result in partial or limited assurance evaluations are followed up in detail by Internal Audit. There are 5 'partial' audit reviews from 2012/13 which have been incorporated into the 2013/14 Plan for formal follow up audits to be undertaken; 3 of these formal follow up reviews are currently being progressed and the outcome of each will be reported to a future meeting of this Committee.

5 REVIEW OF COMPLETED AUDIT WORK

- 5.1 There are 8 audit reports to be considered by Members at this time. Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix C**.
- 5.2 An abbreviated Management Summary and a copy of the Summary of Recommendations / Action Plan for each completed audit review listed below has been provided within appendices C-J.

NB. These audits refer to 2012/13 reviews which have been finalised in 2013/14.

<u>Audit of:</u>	<u>Assurance Evaluation</u>	
Council Tax and Housing Benefits	Substantial	Appendix C
Main Accounting System	Substantial	Appendix D
National Non Domestic Rates	Reasonable	Appendix E
Market Rents	Reasonable	Appendix F
IT Service Desk and Problem Management	Reasonable	Appendix G
Income Management	Reasonable	Appendix H
Debtors	Reasonable	Appendix I
Payroll	Reasonable	Appendix J

6 CONSULTATION

Not applicable

7 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 7.1 It is recommended that Members:
- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
 - Note the position of the Customer Services review, as detailed in section 3.
 - Note the position on the follow up of previous audit recommendations as outlined in section 4.

- Receive the 8 completed audit reports referred to in section 5 and attached as **Appendix C to J.**

8 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1. To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: **Gill Martin** **Ext: 7294**
Audit Manager
(Shared Internal Audit Service)

Appendices A-J attached to report: **Appendix A – 2013/14 Quarter 1 Monitoring Update**
Appendix B - Grading of Audit Recommendations and Assurance Evaluations
Appendix C – Audit of Council Tax and Housing Benefit
Appendix D – Audit of the Main Accounting System
Appendix E – Audit of National Non Domestic Rates
Appendix F – Audit of Market Rents
Appendix G– Audit of IT Service Desk & Problem Management
Appendix H – Audit of Income Management
Appendix I – Audit of Debtors
Appendix J – Audit of Payroll

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL
AUDIT PLAN 2013/14 – Quarter 1

Directorate	Audit Area	Audit Days Allocated	Status	Assurance Evaluation
<u>High Risk Reviews</u>				
Community Engagement	Revenues Recovery (to include Housing Benefit Overpayments)	15	Ongoing	
Community Engagement	Customer Contact Centre	12	Ongoing	
Community Engagement	Leisure Services Contract	10		
Community Engagement / Economic Development	Projects and Partnerships - Stewardship arrangements	20		
Governance	Electoral Payments	10		
Local Environment	Carlisle Cycle Way	10	Draft	
Local Environment	Recycling Contracts	15		
Local Environment	'Clean up Carlisle' - Street Cleaning (education & enforcement)	15		
Resources	Procurement - Tendering and Contracting	20	Draft	
Resources	External Funding - Compliance and Monitoring Arrangements	15	Ongoing	
Corporate	Records Management Arrangements	15		
Corporate	Performance Management - Service Standards	10	Ongoing	
Corporate	Organisational Development & Corporate Training	15	Ongoing	
		182		
<u>Value for Money and Efficiency Reviews</u>				
Corporate	Improvement, Efficiency and VFM Programme	20		
Corporate	Charging and Trading - income generation	20		
		40		
<u>Main Financial System Reviews</u>				
Community Engagement	Council Tax	12		
Community Engagement	Housing and Council Tax Benefits	20		

Community Engagement	National Non Domestic Rates	12	
Resources	Main Accounting System	20	
Resources	Fixed Assets	15	Ongoing
Resources	Creditors	10	
Resources	Debtors	10	
Resources	Payroll	12	
Resources	Treasury Management	10	
Resources	Income Management	12	
Local Environment	Car Parking Income	15	
		148	
<u>ICT Reviews</u>			
Resources - ICT Connect	Project Management	10	
Resources - ICT Connect	IT Developments - use of electronic forms	15	
		25	
<u>Project Support</u>			
Community Engagement	Welfare Reform Changes	5	
Resources	Procurement - ePurchasing	15	
		20	
<u>Fraud</u>			
Corporate	National Fraud Initiative	15	Ongoing
Corporate	Counter Fraud Arrangements / Awareness	10	
		25	
<u>Other Audit Work</u>			
Audit Management, Committee, Planning & Reporting		50	
Follow Up of Previous Recommendations		10	
Contingency		40	
	Total Audit Days 2013-14	540	

APPENDIX B

Grading of Audit Recommendations and Assurance Evaluations

(1) Audit Recommendations

Each audit recommendation arising from an audit review is 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 and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

(2) Audit Assurance Evaluations

Audit assurance evaluations are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance evaluation given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc. The levels of assurance are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Housing and Council Tax Benefit.

Draft Report Issued: 28th March 2013
Second Draft Issued: 15th April 2013
Final Report Issued: 30th April 2013.

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Housing and Council Tax Benefit forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting 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 Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Paula Norris.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Community Engagement.	Report to be noted.
Director of Resources.	Report to be noted.
Shared Services Partnership Manager (Revenues & Benefits).	Report to be noted.
Community Engagement Directorate.	
Benefits Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Community Engagement Directorate.	
Performance Manager.	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Community Engagement Directorate.	
Financial Services Manager.	Report to be noted.
Resources Directorate.	

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22 nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. Carlisle City Council's Revenues and Benefits Department, within the Community Engagement Directorate, has been since October 2010 the host Authority of the shared service function with Allerdale Borough and Copeland Borough Councils.

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- 3.2. The Revenue and Benefits Department currently employs 33.8 FTE's specifically covering the Carlisle City element of the processing of Housing and Council Tax Benefits, Benefit Overpayments, Benefit fraud and the Performance and Technical functions.
- 3.3. The ATLAS (Automated Transfers to Local Authorities System) project has increased the amount of information that can be sent automatically to local authorities, in a format that allows direct loading into council systems. ATLAS phase 1 was rolled out to all authorities on 4 July 2011, providing Her Majesty's Revenue and Customs (HMRC) Tax Credits award data. Unfortunately, the quality of the data contained within the extract is of too poor quality to risk automatically loading into the Benefits systems so they are still processed on an individual basis. Phase 2 extended ATLAS to additionally deliver notifications for a range of DWP benefits in January – February 2012. These updates are looked at on a daily basis by the Assessment Team as changes to income from these benefits could influence the claim decision greatly.
- 3.4. The Welfare Reform Act was passed in the House of Lords in March 2012. The provisions of this Act when fully in situ will have a huge impact on how the benefits system is administered and how those in receipt of entitlements will be assessed and paid. Some of the main changes include:-
- **Universal Credit.** – Pilot schemes are due to start in some areas of England on April 29th. The new benefit will be rolled out nationally for some new claimants in October 2013, with existing and other new benefit claimants gradually being transferred to Universal Credit over the next few years with ultimate geographical migrations taking on the remaining working age caseload when appropriate. There is currently no clarity on how universal credit will affect persons of pension age who will continue to claim housing benefit until a new Housing Credit is introduced. Universal Credit is a new single benefit for working-age people. It will gradually replace most means-tested benefits such as income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Tax Credits and Housing Benefit.
 - **Benefit Cap.** – Due to be rolled out between 15th July and late September 2013. This is the introduction of a cap on cumulative benefits of an annual total of £26,000 (£500 per week) per household for couples and lone parents and £18,000 (£350 per week) for single adult claimants.
 - **Social Sector Under Occupancy Size Related Criteria Changes.** – Due to be introduced in April 2013. This is a reduction to Housing Benefit if the claimant lives in social housing such as Council or Housing Association accommodation. This only applies if the claimant is of working age, has more bedrooms than allowed under the new rules and their circumstances do not cause them to be exempted from the restriction.
 - **Council Tax Reduction Scheme (formerly known as Localised Support for Council Tax).** – Due to be implemented April 2013. This is the abolition of Council Tax Benefit which will be replaced by new schemes run by the Council called Council Tax reduction. The provisions of the schemes are decided locally.
 - **Personal Independence Payment (PIP).** – Pilot schemes are due to start in some areas of Northern England. This will gradually replace Disability Living Allowance (DLA), which is currently paid to people under 64 who have daily care needs or difficulty getting about. Not all recipients of DLA will qualify for PIP.
- 3.5. It is noted the forthcoming introduction of the elements of the Welfare Reform Act from 2013 onwards will have enormous implications, not only on claimants but also on internal systems, controls and procedures, staff – including training, job security and morale and these risks must be internally managed and mitigating actions developed. There has been a number of experienced staff transferring out of the Benefits Section and have not been replaced which has

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meant that a backlog was starting to accrue and there was no spare capacity within the shared service. As a short term measure and until the true position is clarified regarding the future of the service, Management have bought in the services of Capita processing centre services to assist on a short term basis.

4. SCOPE

- 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 are:

Section	Area Examined
1.	Benefits Administration.
2.	Post Opening.
3.	Assessment.
4.	Payments & Reconciliations.
5.	Overpayments.
6.	System Security.

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Housing and Council Tax Benefits and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Operational Risk Register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Housing and Council Tax Benefit was previously carried out in March 2012. This review awarded a *reasonable* Assurance level and resulted in 12 recommendations. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. It is concluded that sufficient action has been taken to effectively implement all the previously agreed audit recommendations.

No further action is required.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have 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 as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system

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	weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

6.2. There are 2 recommendations arising from this review :

- 1 at grade B
- 1 at grade C

7. STATEMENT OF ASSURANCE

7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Housing and Council Tax Benefits provide **substantial** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

8.1. The substantial assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.

8.2. Areas of good practice noted:

- well established staff knowledge base.
- department well versed in the preparations for the Welfare Reforms.

8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.

8.4. The key issue arising from this review is:

- For long term claims, benefits may have been awarded based on out-of-date and insufficient information. This therefore represents a risk that out-of-date assessment could potentially result in benefit overpayments.

COMMUNITY ENGAGEMENT DIRECTORATE

Audit of Housing and Council Tax Benefit

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	<p>In Internal Audit's opinion 5 out of the 10 benefit claims tested highlight that there is a <i>risk</i> that benefits may have been awarded based on out-of-date and insufficient information.</p> <p>At the time of this review, it cannot be said that the assessment is inaccurate until up to date information is provided.</p>	<p>Benefit Assessment Staff when inputting a claim should always consider the elements of the claim that are likely to change in the future e.g. earnings are likely to have an annual wage increase, national minimum wage will be updated annually private pensions are likely to be uprated annually etc. Assessors should always set a diary date on the claim to review these events in the future and ensure claim details remain relevant.</p> <p>These diary dates can spark a telephone call to obtain the data or a postal review specifically relating to the event but also asking for any other changes to be reported.</p> <p>Any claims without future diary dates could be checked by Team Leaders to ensure quality of Assessment and decide if a postal review or intervention visit is appropriate.</p> <p>With regard to current caseloads, the performance Team could work with</p>	B	Agreed.	Performance Manager/ Benefits Manager	31 st August 2013.

APPENDIX B

		<p>Team Leaders to identify groups categories of claims that may need postal intervention e.g. all claims with a certain employer all claims with a private pension in payment, all claims with shares etc and the timing.</p> <p>Ultimately, they could set up a reference database of local employers and annual wage increase dates and note recurring annual changes on the control sheets. Also a guidance sheet for circumstances requiring a diary date.</p>				
R2	<p>Audit testing of the one benefit claim form, noted it had not been completed in full by the Hostel staff and the Assessment Officer had to query this information before they could proceed with assessment.</p>	<p>Council Hostel staff should be reminded to complete all of the necessary information on the Housing Benefit Claim form (subject to availability) when completing them for new claimants.</p>	C	Agreed.	Benefits Manager.	Immediate May 2013



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

Audit of Main Accounting System and Budgetary Control

Draft Report Issued: 28th March 2013
Final Report Issued: 9th July 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of the Main Accounting System and Budgetary Control forms part of the annual programme of material system reviews. External Audit place reliance on the work undertaken by Audit Services on the material reviews to support the audit of the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Pauline Connolly.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources.	Report to be noted.
Financial Services Manager Resources Directorate	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Chief Accountant Resources Directorate	Report to be noted.
Development & Support Manager Resources Directorate	Report to be noted.
Principal Finance/Systems Officer Resources Directorate	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider at its next meeting on 22nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. The Civica Financials accountancy package, which was implemented in April 2004, incorporates the main accounting system and 3 subsidiary systems - Debtors, Creditors and Purchasing. ICON Bank Reconciliation and Cash Receipting are also fundamental to the Main Accounting System and processes. The Main Accounting System is vital in the production of timely financial management information and the production of the annual financial statements.
- 3.2. The provision of this service is maintained and managed by Financial Services, which is part of the Resources Directorate.

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- The Accountancy Services team ensure that all financial information entered into the Main Accounting System on a daily basis is exact and available at year-end in order to produce the annual accounts.
- The Systems and Controls team ensure the system administration and controls are in place so that the Main Accounting System is able to produce the information required in the accounting format defined by Service Reporting Code of Practice.

4. SCOPE

- 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 are:

Section	Area Examined
1.	Policies and Procedures.
2.	Budgetary Control.
3.	Coding Structure.
4.	Feeder Systems.
5.	Journals and Internal Transfers.
6.	Suspense and Holding Accounts.
7.	Bank Reconciliation.
8.	Security of Data.

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to main accounting and budgetary control systems. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Main Accounting and Budgetary Control Systems was previously carried out in March 2012. This review awarded a Substantial Assurance level and resulted in no recommendations, therefore no follow up was required.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have 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 as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.

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C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

6.2. There is one recommendations arising from this review.

- 1 at grade C

7. STATEMENT OF ASSURANCE

7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Main Accounting System and Budgetary Control provide **SUBSTANTIAL** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

8.1. The **Substantial** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations and non adherence to procedures.

8.2. Areas of good practice noted:

- a team of very experienced staff; and
- clear and transparent record keeping.

8.3. There are no significant issues arising from this review.

RESOURCES DIRECTORATE

Audit of Main Accounting and Budgetary Control

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Audit testing noted that on the 6 paper journals there is no documented evidence of the approval date. After further discussions it was noted that on some instances an "old" journal template had been used that had no requirement to provide an approval date and on other instances the new journal template had been used however the approval date was not recorded.	Financial Services staff involved in approving journals should be reminded of the need to record the approval date.	C	Agreed, staff will be reminded.	Financial Services Manager	Immediate



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of National Non Domestic Rates (NNDR)

Draft Report Issued: 28th March 2013
Final Report Issued: 4th July 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of NNDR forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. External Audit place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Debbie O'Brien.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Revenues Manager (RBS Shared Service, Community Engagement)	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Director of Community Engagement.	Report to be noted.
Shared RBS Partnership Manager (RBS Shared Service, Community Engagement)	Report to be noted.
Financial Services Manager (Resources Directorate)	Report to be noted

- 2.3. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at the next meeting on 22nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. Business Rates is the commonly used name of National Non-Domestic Rates (NNDR) which is a tax on the occupation of a non-domestic property. The Local Government Act 1988 introduced business rates in England and Wales from 1990, repealing its immediate predecessor, the General Rate Act 1967. The Act also introduced business rates in Scotland, but as an amendment to the existing system which had evolved separately to the rest of that in Great Britain.
- 3.2. All non-domestic properties are 'rated' by the Valuation Office Agency (VOA), which is a UK Government Executive Agency. With the exception of exempt properties, each non-domestic property, known as a "hereditament", is given a rateable value and the tax liability is calculated by multiplying the rateable value by the 'poundage' set by Government. This usually varies annually as it increases in line with inflation.
- 3.3. A number of reliefs are available, such as those for charities and small businesses.
- 3.4. Rating lists can be altered either to reflect changes in properties, or as valuations are appealed against. New valuation lists are created every five years and a transitional relief is applied to ease any valuation change.

Section 1 – Management Summary

- 3.5. Billing and collection is the responsibility of the local collecting authorities who receive funding from the government through the national 'pool' and are then redistributed by Government according to a variety of factors including population size. The rateable value is multiplied by a centrally set fraction to produce the annual bill.
- 3.6. The NNDR function operates as part of the Shared Revenues and Benefits Service and is a component of the Community Engagement Directorate at Carlisle City Council.
- 3.7. The Local Government Finance Bill which has now received Royal Assent, became the Local Government Finance Act 2012 on 31/10/12. It made it obligatory for the Authority to formally calculate the estimated level of Business Rates (the Business Rates tax base / baseline) it anticipates collecting for 2013-2014 and pass this information to precepting authorities. As of 2013-14, local authorities are required to provide details of expected Business Rates income for the following year and this is done on the form NNDR1, business rates income will become part of the new funding system for Local Government, where councils will retain a percentage of the income and will pass the rest to Central Government into a general pool.

4. SCOPE

- 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. Detailed findings are contained within Section 2 - Matters Arising: The key areas for review are:

Section	Area Examined
9.1.	Valuation
9.2.	Liability
9.3.	Billing
9.4.	Collections
9.5.	Data Security

- 4.2. Note that Recovery has not been examined in detail as part of this review. There are two outstanding recommendations which refer to recovery processes which have not been fully implemented date. These have been incorporated into Appendix B – Summary of recommendations and Action Plan.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to NNDR. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any key risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk registers should be made. If risks are of a strategic nature, these should be review by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of NNDR was previously carried out in 2011/12. Appendix A lists the 8 recommendations arising from this previous audit review and the actions which have been taken to address these.

Section 1 – Management Summary

- 5.2. Sufficient action has been taken to effectively implement most of the previous audit recommendations made; the two outstanding issues have been re-instated in the 2012-2013 action plan.

6. RECOMMENDATIONS

- 6.1. Each recommendation 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	For consideration only - action at manager's discretion.

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

- 6.2. There are 3 recommendations arising from this review :

- 3 at grade B

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. The assurance level given to an audit area can be influenced by a number of factors: including stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 7.3. From the areas examined and tested as part of this audit review, we consider the current controls operating within National Non Domestic Rates provide **Reasonable** assurance.

Section 1 – Management Summary

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **Reasonable** assurance level provided by this audit has been influenced by a number of factors: including stability of systems audited, adherence to procedures and that the level and number of recommendations which have been made.
- 8.2. Opportunities to further enhance controls have been identified and these are shown in Appendix B – Summary of Audit Recommendations and Action Plan.
- 8.3. As part of the Shared Services alignment process, there will be changes that will directly affect Carlisle City operations during 2013/14, as improvements to working practices, based on best practice methods across the three sites are implemented. Management is encouraged to keep the Audit Shared Service aware of progress made on the alignment process, particularly any proposed changes to existing control measures.
- 8.4. The key issues arising from this review are summarised below:
 - 8.4.1. Documentation to support certain types of reliefs and exemptions still needs to be improved upon – this concerns documentation for 'pre-flood' applications and applications for small business rate relief which were found to have been allowed to lapse in some instances.
 - 8.4.2. Debt recovery resources need to focus on the outstanding audit recommendations regarding the management of aged debts in the system.

COMMUNITY ENGAGEMENT DIRECTORATE

Audit of NNDR

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	There is no documentary evidence to support some pre 2005 rate relief cases as this information was destroyed in the flood	Management should continue to improve the evidence on file to support reliefs.	B	Agreed to examine what further evidence can be obtained, noting the difficulty which exists regarding pre – flood cases.	Revenues Team Leader	31 Aug 2013
R2	There are a number of aged debts that appear unrecoverable and remain on the system.	Recommendation agreed. Work to commence to re-examine whether these aged debts can still be recovered or need to be written off.	B	Agreed to review old aged debts to determine prospects for recovery or write off.	Senior Recovery Officer	31 Aug 2013
R3	The six year contractual debt legislation outlined in under the Limitation Act 1980 could be breached.	Under the Limitation Act, the six year period runs not from the year the debt relates to, but from when the first bill for it was issued. Therefore it is unlikely that a breach would occur, due to the regular nature of the recovery cycle which is in place. A report will be run periodically to check this.	B	Agreed to run periodic report to examine aged debt profile.	Senior Recovery Officer	31 Aug 2013



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council
and Copeland Borough Council*

Audit of Market Hall Rents

Draft Report Issued: 7th March 2013

Final Report Issued: 24th June 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Market Rents was identified for review as part of the agreed Audit Plan for 2012/13.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Beverley Fisher.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources	Report to be noted.
Property Services Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 15 th April 2013.

3. BACKGROUND INFORMATION

- 3.1. The Market Hall, Carlisle is one of the few covered Victorian Markets remaining in the Country. It has a wide variety of stalls selling fresh meat, vegetables, haberdashery, stationery, flowers etc and various cafes for refreshments.

There are over a hundred units available to let. Access to TK Maxx and Wilkinson's is also available via the Market Hall.

The Market is open from Monday to Sunday from 8am till 5pm.

- 3.2. The Market Hall property and rentals are managed by the Property Services Manager within the Resources Directorate and income is reconciled by the council's finance team on a monthly basis.
- 3.3. Carlisle City Council leases the Market Hall 'complex' which incorporates the original market hall, TK Maxx, Wilkinsons and the Market Arcade to BAE Systems Ltd. BAE Systems Ltd lease directly to TK Maxx, Wilkinson's and other 8 other smaller retailers in the Market Arcade of which they retain 80% of the lease rent.
- 3.4. The original Market Hall is leased back to the City Council from BEA Systems – this arrangement enables the City Council to fulfil its Market Charter obligations by maintaining control of the historic market "charter" rights.

Section 1 – Management Summary

- 3.5. The Council's share of the rents is derived from a share of the total rents for the whole of the original market hall and all the other retail sub lettings. Lettings in the Market Hall may consist of leases and licences. It is broadly calculated as follows:

Gross rent received from all sources

Less - Management costs (management, insurance, repairs and maintenance etc)

Equals - Net rent received

The City Council's equity share is 20% of the net rent, whereas the tenant, BAE Systems Ltd, retains the majority 80% share.

The maintenance is undertaken through a service charge regime, proportioned depending on size of unit / occupancy although capped for some.

- 3.6. BAE System Ltd and Carlisle City Council jointly instructed Ryden Commercial Property Consultants as the managing agents for Carlisle Market Hall.
- 3.7. The Market Hall is approximately 96% let (Market Management Group figures October 2012), with regular take up of stall for short term lettings. Stalls can be vacated on a regular basis; the stalls in the 'conservatory aisle' are proving difficult to let due to poor footfall and poor visibility.

4. SCOPE

- 4.1. There are inherent risks associated with Market Rents. These are appropriately reflected upon in the operational risk register and appropriate control strategies are in place to reduce these risks.

- Failure to maintain the Council's asset value / income flow. Oversee all property, ensure that it is fit for purpose. Regularly review and monitor flow of rental income and asset value. Current impact description – High, Current likelihood description – Remote and Risk Score – 6.

Also;

- Loss of income due to unauthorised sellers without agreements.
- Loss of income due to stall holders being in rent arrears.

- 4.2. 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 detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Procurement & Contract Arrangements
2.	Performance Data & Reporting Arrangements
3.	Payments
4.	Reconciliations

- 4.3. The scope and testing undertaken as part of this review reflects identified risks specific to Market Rents which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Operational risk register(s) should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

Section 1 – Management Summary

5. RECOMMENDATIONS

- 5.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outline below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
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	For consideration only - 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).*

- 5.2. There are two grade C recommendations arising from this review.

6. STATEMENT OF ASSURANCE

- 6.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts the system of internal control, which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 6.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Market Hall Rents provide **Reasonable** assurance.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. A number of opportunities to further enhance controls have been identified and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan.
- 7.2. The arrangements surrounding Market Hall Rents are robustly applied via BAE Systems, Rydens and Carlisle City Council. However, consideration should be given to:
- locating a copy of the signed Managing Agent agreement between the Council, BAE System 2000 Pension Plan Trustees Ltd and Rydens for reference and monitoring purposes;
 - raising the matter of the rolling contractual arrangements with the existing managing agent with the Market Management Group; and
 - verifying that the performance monitoring information received from Managing Agent's Rydens is in accordance with the Managing Agent agreement.

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

APPENDIX A

RESOURCES DIRECTORATE

Audit of Market Hall Rents

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	The signed Managing Agent agreement between Council, BAE System 2000 Pension Plan Trustees Ltd and Rydens could not be located for audit review.	A copy of the signed Managing Agent agreement between the Council, BAE System 2000 Pension Plan Trustees Ltd and Rydens should be located for reference and monitoring purposes.	C	Locate existing Managing Agent Agreement or replace with new document drafted by Property and Legal Services.	Property Services Manager	30/09/13
R2	The managing agent agreement for Carlisle Market Hall is considered a 'rolling contract' which can be drawn to a close by the Market Management Group. It was not subject to the Council's expected procurement / tendering process. As the agreement has been rolled forward for numerous years, consideration should be given to reviewing these contractual arrangements.	The Property Services Manager should raise the matter of the rolling contractual arrangements of the existing Managing Agents with the Market Management Group.	C	Discuss the current procurement/contractual arrangements within the Market Management Group at next convenient meeting and consider whether a review is appropriate or necessary or endorse current arrangements.	Property Services Manager	31/10/13



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

**Audit of IT Service Desk, Incident
& Problem Management**

Draft Report Issued: 12th March 2013

Final Report Issued: 29th April 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of IT Service Desk, Incident and Problem Management was identified for review as part of the agreed Audit Plan for 2012/13.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Iain Atkinson.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Resources/Shared ICT Service Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
ICT Lead Officer	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 22 nd July 2013

3. BACKGROUND INFORMATION

- 3.1. Allerdale Borough Council and Carlisle City Council launched a shared ICT service (branded ictCONNECT) on 1st April 2010. The service is a partnership approach to the management and provision of all ICT services across both councils. Under the shared service agreement, Allerdale Borough Council is the 'discharging council' and Carlisle City Council is the 'arranging council'.

How this review assists the Council to achieve its goals

- 3.2. The IT Service Desk is a vital element of the ICT Service. It is the Single Point of Contact (SPOC) for IT users and its efficient and effective functioning is fundamental to the provision of services across all directorates. It deals with all incidents, access requests and service requests. Service events may be generated by phone, internet or email.
- 3.3. The primary purpose of a service desk is to restore "normal service" to users as quickly as possible - "normal service" refers to what has been defined in the Service Level Agreement (SLA) - this may be resolving a technical error, fulfilling a service request or answering a query.
- 3.4. To evaluate the performance of the Service Desk at regular time intervals, metrics must be established. This way the maturity, efficiency, effectiveness and potentials can be established and the Service Desk actions can be improved.
- 3.5. Annually, the service receives approximately 8700 incidents and requests across both councils.

Section 1 – Management Summary

- 3.6. In addition to following "hard" metrics in the performance of the Service Desk it is also important to use "soft" metrics such as user satisfaction; service providers can tell a great deal about how a service desk is perceived by its customers through this type of feedback. A recent SOCITM survey of user satisfaction has confirmed that the majority of users are generally satisfied with the service.
- 3.7. This review has been performed in accordance with ISACA audit and assurance standards.

4. SCOPE

- 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 are:

Section	Area Examined
1.	Framework and Procedures
2.	Recording
3.	Impact Assessment, Prioritisation and Authorisation
4.	Monitoring and Reporting

- 4.2. The scope and testing undertaken as part of this review reflects inherent risks specific to IT Service Desk, Incident and Problem Management and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Operational Risk Register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

Scope Limitations

- 4.4. Due to the volume of calls handled by the Service Desk and the time constraints of the audit testing was undertaken on a sample basis focussing on service desk calls logged between January 2012 and June 2012.
- 4.5. Improvements to the Provision of ICT Services was approved by the Executive on 19/11/2012. Report RD52/12 outlines the key changes to the provision of ICT through the shared service arrangement. From 1st April 2013 only the IT infrastructure (virtual servers, networks and shared storage arrangements) will be shared service areas. All other functions will revert back to the respective 'home' councils. Staff resources will also transfer back and a time recording system will operate to provide the basis of any necessary recharging of staff resources to each council. Whilst the impact of this revised service provision is beyond the scope of this review, the possible implications on any recommendations made in this review have been considered.

Standards and best practice guides considered as part of this review

- 4.6. The following external standards were considered during the undertaking of this review:
- Information Technology Infrastructure Library (ITIL v3)
 - ISO/IEC 20000;
 - ISACA IT Assurance Framework (ITAF);
 - CIPFA Matrices for IT.

Section 1 – Management Summary

5. RECOMMENDATIONS

- 5.1. Recommendations arising from this audit review have 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 as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
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	For consideration only - action at manager's discretion.

- 5.2. There are 8 recommendations arising from this review :

- 4 at grade B
- 4 at grade C

6. STATEMENT OF ASSURANCE

- 6.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 6.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within IT Service Desk, Incident & Problem Management provide **Reasonable** assurance.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. The Reasonable assurance level given to an audit area has been influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations and non-adherence to procedures.
- 7.2. There were a number of good practice measures noted during the course of the review:
- The ICT Shared Service has procured an ITIL compliant service desk application to record and manage events. This includes a self-service portal which allows users to log their own issues via the intranet.
 - Details of IT assets are held within an asset database

Section 1 – Management Summary

- A variety of service improvements have been realised through the partial adoption of IT Infrastructure Library v3 (ITIL) standards. ITIL is a set of practices for IT Service Management that focuses on aligning IT services with the needs of business.
- Key ICT staff are to attend the IT Service Management Foundation (v3 Ed. 2011) training in support the implementation of ITIL standards across the ICT Shared Service.

7.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix A. The key issues arising from this review are:

- The ictCONNECT SLA is a high level document which contains no formally defined level of service for the IT Service Desk function such as methods of contact, hours of operation, responsibilities of users and IT staff or priorities and response times.
- The Service Desk possesses a number of guidelines and procedures but there is an overall lack of formal documentation in place to back up the ITIL framework and support ICT staff in its application.
- ictCONNECT does not have a formally defined change process. Badly executed changes have the potential to impact severely on the ICT service affecting the day-to-day operations of the Council. Phase 3 of the ITIL implementation was supposed to oversee the introduction of a change process but this phase is currently suspended whilst changes to the structure of the Shared Service are finalised.
- The implementation of ITIL standards has stalled following the approval of the Council Executive to sanction major changes to the structure of the ICT Shared Service. The Council needs to reaffirm its commitment to implementing the remainder of the ITIL framework once the new IT Service structure is in place. At the time of this draft report, the Senior ICT Officer for Carlisle has confirmed that ITIL is now back on the agenda with change management being a fundamental to how the “shared service” will progress in the future.

RESOURCES DIRECTORATE

Audit of IT Service Desk, Incident & Problem Management

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	There is currently a lack of documented procedures.	<p>The current lack of formally documented procedures needs to be addressed in order to support the implementation of ITIL governance and possible application for ISO2000 accreditation. This should be addressed at two levels:</p> <p>(1) Service desk, incident and problem service management framework and procedures should provide a definition of, and guidance procedures for dealing with:</p> <p>(a) standard service requests – for example:</p> <ul style="list-style-type: none"> o setting up or amending/deleting user accounts, o restoring data, o moving/removing equipment etc <p>(b) non-standard service Requests for Changes – for</p>	B	Full documentation to be created supported by business process maps to address recommendation one.	Lead ICT Officer	31.3.14

[illegible]

R2	The SLA does not define a level of service for the service desk function.	<p>The SLA should track to the Information Technology Infrastructure Library (ITIL) specifications.</p> <p>The SLA should include a common understanding of the services, priorities, responsibilities, guarantees and warranties offered by the service. When referring to the Service Desk function, this should include matters concerning :</p> <ul style="list-style-type: none"> • methods of contact • hours of operation • responsibilities of users and IT staff • priorities and response times • monitoring and reporting (KPI's) 	B	Create an SLA for the service desk function incorporating all elements of recommendation two for agreement of the SMT.	Lead ICT Officer	31.3.14
R3	The level of information recorded for calls is inconsistent	<p>The quality of call log data could be improved if a more consistent approach was adopted by service desk staff when recording information.</p> <p>Specifically:</p> <ul style="list-style-type: none"> • All incidents or requests should have adequate summaries and descriptions entered against them i.e. no blank fields. • All actions taken to resolve a call and all interactions made with users should be recorded to provide a full audit trail of 	C	Best practise within the service desk to be adopted by the whole of D & IS to ensure consistency in approach.	Lead ICT Officer	01.09.13

			<p>the incident or request.</p> <ul style="list-style-type: none"> • Requests for access to network resources such as folders or drives, should show evidence that line manager authorisation was sought and approval gained before being processed. • Where call resolution has identified the need to amend existing documents and procedures or involved an update to an asset, this should be recorded in the call log. 				
R4	Call closure does not always indicate whether the helpdesk operative sought user approval prior to closing the call.	<p>Incidents or requests should only be closed following user approval (where user is contactable).</p> <p>Call closure should be indicated as such by using the appropriate operation i.e. 'Customer Agreed Resolution'.</p>	B	Procedures and practise to be introduced to ensure that incidents are only closed after authorisation from the user. Details of this authorisation to be included within the incident record.	Lead ICT Officer	1.9.13	
R5	There is currently no formal Change Management process in place. Badly executed changes have the potential impact severely on the Council's day-to-day operations.	<p>The Service should sign off and implement a formally documented Change Management process.</p> <p>The change management process must:</p> <ul style="list-style-type: none"> • Use standardised methods and procedures • Record all changes • Take account of risks to the Council business. 	B	Formal change management to be implemented.	Lead ICT Officer	31.3.14	
R6	The current level of monitoring and reporting against service levels and	The Service should consider increasing the level of monitoring against achieved service levels and	C	Formal reporting and performance monitoring to be introduced against agreed service level targets.	Lead ICT Officer	1.11.13	

	service level targets is minimal.	comparison against the agreed service level targets.				
R7	There is no documentary evidence that performance reports are reviewed by senior management.	There should be documentary evidence that performance reports are monitored and reviewed on a regular basis by IT management and that key performance indicators are regularly reported to senior managements.	C	Monitoring and performance to be reviewed quarterly by the D & IS's management team. Reports to be produced for the shared service operations board.	Lead ICT Officer	1.11.13
R8	There is currently no formal lessons learned approach in place to review the outcome of major problems or incidents.	The Service should consider introducing a formal lessons learned approach following major problems or incidents.	C	Major incidents to be recorded in a formal lesson log. This is to be incorporated and with reference to business continuity and disaster recovery planning.	Lead ICT Officer	1.11.13



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

Audit of Income Management

Draft Report Issued: 21th March 2013
Final Report Issued: 9th July 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Cash Collection & Income Management forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. External Auditor place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Pauline Connolly.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Community Engagement	Report to be noted.
Director of Resources	Report to be noted.
Financial Services Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Chief Accountant	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Customer Services Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Service Support Team Leader	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Principal Finance/Systems Officer	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22 nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. ICON, the corporate cash receipting system, is used to record all income received by the Authority.
- 3.2. Cash Collection and Income Management duties are split between front and back office functions. The cashiers in the Customer Contact Centre primarily deal with the receipt of income on a face to face basis. The Service Support and Development Support Teams deal with income collected from postal remittances, telephone and internet payments.

Section 1 – Management Summary

4. SCOPE

- 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 detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Policies & Procedures
2.	Transactions
3.	Postal Remittance
4.	Income Reconciliation
5.	Security & Banking

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Income Management which have been raised through the Authority's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Cash Collection & Income Management was previously carried out for 2011/12; there were 4 recommendations arising and a *substantial* assurance was provided. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. Insufficient progress has been made in implementing the previous recommendations; one out of 4 recommendations has been implemented. The 3 outstanding recommendations (grade Cs) have been incorporated into the 2012-13 Summary of Recommendations/Action Plan attached as Appendix B.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have 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 as a result of non-compliance to stator requirements and/or unnecessary exposure of risk to the Authority as a whole e.g. reputation, financial etc).
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	For consideration only - action at manager's discretion.

- 6.2. There are 8 recommendations arising from this review:

- 3 at grade B; and
- 5 at grade C.

Section 1 – Management Summary

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control, which put the system objectives at risk.
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Income Management provide **REASONABLE** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.2. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 8.3. There were no significant control weaknesses identified however there were a number of minor control weaknesses identified relating to:
- lack of complete documented procedures;
 - enhancements to existing income reconciliation procedures;

RESOURCES DIRECTORATE Audit of Income Management

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	<p>Audit reviewed Financial Services' Cashup Banking for Daily Reconciliation Procedures and Daily Income Collection Reconciliation & Banking Procedures and noted the following:</p> <ul style="list-style-type: none"> there is no evidence of who prepared and reviewed the procedures neither is there evidence of the date when they were prepared and reviewed; the procedures omit to detail the officer responsible for performing each task, the review process followed and how it is evidenced ; and omit to detail the process followed for postal remittance unreferenced cheques, <p>The updated procedures should be signed and dated by the preparer and reviewer.</p>	<p>The Financial Services' procedures for staff involved in Banking, Income Collection and Bank Reconciliations should be updated to document:</p> <ul style="list-style-type: none"> all tasks including postal remittance unreferenced cheques, etc and the officer(s) responsible for performing each task; and the review process in place and how it is evidenced. <p>The updated procedures should be signed and dated by the preparer and reviewer.</p>	B	Major system upgrade due to go live in October 2013. Procedures will be reviewed to incorporate changes arising.	Chief Accountant	October 2013
R2	<p>It was noted that the Customer Services' Cash Office procedures includes Financial Procedures Rules from the</p>	<p>Customer Services' Cash Office procedures should be updated to include the latest Financial Procedures Rules</p>	B	The Customer Service procedure file has been updated to include the	Customer Services Manager	July 2013

APPENDIX B

	Council's Constitution dated June 2011; this is out-of date as the latest procedures are dated January 2012.	from the Council's Constitution dated January 2012.		relevant sections of the Financial Procedure Rules from the Council's Constitution dated 2012. The file has also been updated to include a link to the Financial Procedures Rules within the Constitution on the Intranet to ensure up to date versions are always available.		
R3	Follow up of the previous audit recommendation R1 " <i>Debtor Invoices should remind payees that a receipt should be obtained for any cash payments.</i> " Internal Audit where advised that the debtors invoices have been redesigned and the audit recommendation has incorporated into the changes made. Once it has been approved by management it will be issued.	Debtor invoices should remind payees that a receipt should be obtained for any cash payments.	C	Incorporate into new design awaiting bank approval	Financial Services Manager	October 2013 but depending upon bank agreement
R4	For 2 of the 5 bank paying-in-slips of cheques which Internal Audit verified to the Service Support CD file of scanned cheques, there was a record of the reference number of each cheque and the total value of cheques agreed to the amount banked. For the remaining 3 bank pay-in slips Internal Audit was unable to verify the total value of cheques banked to the cheques scanned on the CD file. Further investigation identify that in some instances there was an insufficient audit trail of the cheques	Service Support staff should check the CD file after all cheques have been scanned to ensure that: (i) all cheque numbers and the total values agree to the bank paying-in-slip. (ii) The image of each cheque is clear and readable. The above checks should be evidence i.e. initialed and dated, on the ICON schedule of cheques.	C	Actioned Major system upgrade due to go live in October 2013. Procedures will be reviewed to incorporate changes arising.	Service Support Team Leader	July 2013

APPENDIX B

	reference numbers and values as a number of cheques had overlapped while being scanned, thus not providing a clear image.	Service Support should document these procedures.				
R5	For all 5 bank paying-in-slips, Internal Audit was unable to verify these to an ICON schedule of all cheques banked as the schedule is sent to the bank attached to the paying- in-slip and cheques.	Service Support staff should scan and retain on CD file the ICON schedule of all cheques to be banked along with the cheques collected prior to passing to Financial Services and thereafter banked. The ICON schedule should be scanned and retained.	C	Actioned	Service Support Team Leader	July 2013
R6	The Cashier had a handbag and refuse bin in the cash office during the day when collecting and cashing up cash	In accordance with good practice, Cashiers' handbags and other personal belongings and a refuse bin should not be present in the Cash Office.	C	Staff have been informed that no Cashiers bags or personal belongings are allowed in the Cash Office. The bin has been removed to outside the cash office door.	Customer Services Manager	July 2013
R7	For a sample of 5 Cash & Deposit Daily reconciliations and Card Reconciliations it was noted that there is no evidence that preparer and reviewer signs and dates the reconciliations.	Cash & Deposit Daily reconciliations and card reconciliations undertaken by Financial Services should be signed and dated by the preparer and reviewer.	B	Actioned as part of the daily bank reconciliation	Chief Accountant	July 2013
R8	For a sample of 5 daily reconciliations of cash balances on ICON reports to the General Ledger and to the Bank Statement file, there was one exception where there was no evidence of who performed the reconciliation.	The daily reconciliations of cash balances on ICON reports to the General Ledger undertaken by Financial Services should always be signed and dated by the preparer and reviewer.	C	Actioned as part of the daily bank reconciliation and controls work	Chief Accountant	July 2013



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

Audit of Debtors

Draft Report Issued: 28th March 2013.

Final Report Issued: 9th July 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of the Debtors forms part of the annual programme of material system reviews. External Audit place reliance on the work undertaken by Audit Services on the material reviews to support the audit of the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Paula Norris.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources	Report to be noted.
Financial Services Manager Resources Directorate	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Development and Support Manager Resources Directorate	Report to be noted.
Director of Economic Development	Please refer to recommendation R1.
Neighbourhood and Green Spaces Manager	Please refer to recommendations R3 & R4.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22 nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. The Financial Procedure Rules outlined within the Council's Constitution designates responsibility to the Director of Resources to establish effective and properly controlled procedures to support the recovery of income due to Carlisle City Council arising from work done, goods supplied or services rendered and not paid for at the time of delivery.
- 3.2. Day to day responsibility for administering the Debtors system is within the remit of the Resources Service Support Team (Debtors). Invoices are raised within services although periodic invoices are raised centrally by the Service Support Team (Debtors)
- 3.3. There are two part time members of staff responsible for overseeing the day to day function of the debtors service, with technical and professional supported provided by Financial Services.

Section 1 – Management Summary

4. SCOPE

- 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 are:

Section	Area Examined
1.	Debtors General.
2.	Raising Invoices.
3.	Amendments to Invoices.
4.	Payments.
5.	Debt Recovery.
6.	Write-offs.
7.	Reconciliations.
8.	Monitoring and Reporting.
9.	Security of Data.

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Debtors. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Debtors was previously carried out in 2011/12. This review provided a *reasonable* assurance level and resulted in 3 recommendations.
- 5.2. Appendix A lists the previous recommendations made and the actions which have been taken to address these.
- 5.3. There is one matter outstanding which has been re-examined as part of the 2012/13 audit review.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have 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 as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
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	For consideration only - action at manager's discretion.

Section 1 – Management Summary

6.2. There are 8 recommendations arising from this review :

- 5 at grade B
- 3 at grade C

7. STATEMENT OF ASSURANCE

7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Debtors provide **REASONABLE** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

8.1. The reasonable assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations and non adherence to procedures.

8.2. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.

8.3. The key issues arising from this review are:

8.3.1. Raising Invoices.

There continues to be problems with the raising of invoices within the service directorates; this concerns the continuation of services to bad debtors, accuracy of charges applied and VAT Implications. Similar matters have been highlighted in previous audit reviews.

8.3.2. Amendments to Invoices/Cancellations.

The authorised signatory list requires updating; this is an issue which has raised in many of the financial systems audits. This is an important control document which helps to ensure that authorised staff are not exceeding their delegated limits of authority.

8.4.5 Debt Recovery.

Staff are aware of debt recovery procedures and what correct remedial action to take when the recovery process hits the manual decision making stage. These decisions often accelerate

Section 1 – Management Summary

recovery. Effective decision making is reliant on the expertise and experience of the Debtors staff.

8.4.6 Write-offs.

The controls surrounding write-offs are working well; no problems were found within the sample tested.

The issue surrounding the clarification of the treatment of the outstanding ground rent invoices is important as the land is more valuable to the Council than ground rent income.

RESOURCES DIRECTORATE

Audit of Debtors

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	No specific monitoring exists corporately to ensure that persistent bad debtors are prevented from obtaining further credit from the Council.	Corporately, all directorates should endeavour not to allow those with invoice arrears to continue to receive the services provided unless required to by legislation or local agreement (i.e. Environmental Health). Management (Economic Development) should seek to resolve the issue highlighted regarding continuous tenant arrears and the resulting recovery action.	B	Assistance will be provided to clarify procedures for persistent bad debts upon request but the provision and charging of services will need to be reviewed on an individual basis	Financial Services Manager (in conjunction with Legal Services)	On-going
R2	Prepayment for services should be encouraged where appropriate.	Prepayments should be encouraged wherever able however, management should specifically consider requesting payment in advance for any room bookings to both secure that booking and make sure that income is received and not lost through late cancellation.	C	Agreed with prepayment for services being actively encouraged. Will continue to form part of future training sessions	Director of Economic Development All Managers and users of the debtors system	July 2013 March 2014
R3	Control totals are not being used when inputting invoices into the system. There is no method of knowing that the amounts entered into the Debtors	When invoices are raised in multiples within the sections, then an independent person should calculate a 'batch header total before passing for input so that this can be checked prior to authorisation that the	B	This is an internal training issue.	Financial Services Manager (All Managers and users of the	March 2014

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	system matches the expected income.	information entered into the system is correct.			debtors system)	July 2013
R4	Incorrect VAT indicators are being applied to services.	<p>Debtors users should ensure that the VAT indicator that they apply to supplies and services is correct. If they are unsure, they should contact Financial Services for appropriate VAT advice.</p> <p>A standard rate VAT invoice should be issued to the debtor for the provision of refreshments in Talkin Tarn Boatroom.</p>	C	Will continue to form part of future financial training sessions	<p>Neighbourhoods and Green Spaces Manager</p> <p>Financial Services Manager (All Managers and users of the debtors system)</p> <p>Neighbourhoods and Green Spaces Manager</p>	<p>March 2014</p> <p>July 2013</p>
R5	Invoices are not being raised within 14 days of supply and on occasion there is insufficient detail contained within the invoice description.	<p>System users must ensure that the information entered on the debtors system is adequate so that it is clear as to the nature of the supply and the date and location of the supply.</p> <p>All invoices should be raised within 14 days of supply.</p>	B	Will continue to form part of future financial training sessions	<p>Financial Services Manager (All Managers and users of the debtors system)</p>	March 2014
R6	The Debtors Authorised Signatory List is out of date.	The Debtors Authorised Signatory list should be updated as soon as possible.	B	Agreed	Service Support Team Leader	On-going
R7	The Debt Collection Procedure has not been reviewed for a number of years.	The Director of Resources in conjunction with Debtors staff should review the current debt collection procedure to assure its effectiveness.	C	Debt recovery collection procedures will be reviewed for effectiveness	Financial Services Manager	October 2013

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R8	Redundant ground rent invoices are not being progressed by Property Services.	Debtors Section should liaise with Property Services to come to a decision regarding the redundant ground rent invoices.	B	To agree current position, as appropriate	SST Team Leader/ Property Services Manager	January 2014
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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

Audit of Payroll

Draft Report Issued: 19th March 2013
Revised Draft report 5th July 2013
Final Report Issued: 9th July 2003

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Payroll forms part of the annual programme of the material audit reviews which focus on the Council's key financial systems. External Audit place reliance on these reviews undertaken by Internal Audit as these systems have a high impact on the Main Accounting System and therefore on the Financial Statements.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Paula Norris.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources	Report to be noted.
Financial Services Manager Resources Directorate	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Development & Support Manager Resources Directorate	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Service Support Team Leader Resources Directorate	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Director of Local Environment Local Environment Directorate	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
City Engineer Local Environment Directorate.	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22 nd July 2013.

3. BACKGROUND INFORMATION

- 3.1. The Payroll Section is situated within the Service Support Team, a part of the Resources Directorate.
- 3.2. The IT payroll system 'Trent' provides a direct interface with the Council's Main Accounting System. The Trent payroll system has been in place since April 2007
- 3.3. The Service Support Team Leader has main operational control of the payroll system and it is supported by 1.2 FTE staff. HR and ICT staff also provide technical support.

Section 1 – Management Summary

- 3.4. There are inherent risks associated with operating the in-house payroll service. These are appropriately reflected upon in the operational risk register and appropriate control strategies are in place to reduce these risks.
- Loss of key people during a time of difficulty/change. Inadequate resources to deliver our full range of services.
 - Payment to 'bogus individuals'.
 - Information Systems dysfunction/Payroll not paid in the event of failure of IT systems.
- 3.5. The service manages the payroll for all contracted and casual City Council based staff, and member expenses. External payroll services are also provided for Community Centres and Tullie House Trust.

4. SCOPE

- 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 are:

Section	Area Examined
1.	General Controls
2.	Starters
3.	Deductions
4.	Variations
5.	Leavers & Transfers
6.	Payments
7.	Reconciliations
8.	Data Security

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Payroll and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Operational Risk Register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Payroll was previously carried out in March 2012. There were 6 audit recommendations arising from this review. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. Sufficient action has been taken to implement the majority of the audit recommendations within the timescales agreed. There are two unactioned recommendations; one that is reliant on the completion of workforce structuring through the Transformation programme which is ongoing, and the other which involves necessary action taken whereby the request for the repayment for an outstanding pay advance has been made, but payment had not at the time been

Section 1 – Management Summary

pursued/received within a reasonable timescale. A further recommendation has been made in this report regarding this matter.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have 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 as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
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	For consideration only - action at manager's discretion.

- 6.2. There are 7 recommendations arising from this review :

- 4 at grade B
- 3 at grade C

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the Payroll provides **Reasonable** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.

- 8.2. The following areas of good practice were noted:

- In house expertise with extensive legislative knowledge.
- Sound reconciliation procedures.
- Satisfactory arrangements in place for processing deductions from pay.

Section 1 – Management Summary

8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.

8.4. The key issues arising from this review are:

- General Controls

The controls with regards to Payroll functioning arrangements are generally sound but these are weakened in parts due to the availability of resources in the payroll team which impacts on division of duties in some areas and the ongoing restructuring within Council services which impacts on the availability of up to date centralised information e.g. signatory lists, verification arrangements of the full payroll.

- Starters

The controls surrounding the establishment of new starters are in the main satisfactory. There is evidence of weaknesses surrounding the general housekeeping of staff records, which is the responsibility of the recruiting directorates. Examples include the completion of a new starter checklist and retention of documentation to support the verification of qualifications and evidence held on file.

- Variations

There are issues surrounding the authorisation of payment of overtime claims in Local Environment. Service managers in this area must ensure that the payments they are authorising are complete, timely and correct.

- Leavers & Transfers

The controls surrounding Leavers and Transfers are not as robust as they could be. Managers are overlooking the importance of completing the Staff Leavers Form correctly and there is a lack of evidence to show that the Leaver's checklist is being applied properly and consistently throughout the organisation. Testing of this area highlighted a high level of non compliance to agreed procedure. For payroll, non compliance exposures the Council to potential risks concerning unauthorised personnel on the payroll.

RESOURCES DIRECTORATE

Audit of Payroll

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Signatory lists require regular updating.	The authorised signatory list should be updated for each service area annually or on conclusion of restructuring within the service area as appropriate. Staff leavers should be struck off the signatory list.	B	This is currently with Directors PAs with a request for completion when restructuring finished Agreed	Service Support Team Leader	October 2013
R2	High net pay value reports are not signed as being checked.	That the Finance Assistant lists a brief description of any non-standard payments identified on the high net pay values then signs as being verified to assure a comprehensive audit trail.	C	An electronic signature will be included on the spreadsheet and this will be filed electronically. No hard copy will be retained and filed as it contains sensitive information.	Financial Services Manager	July 2013
R3	There is a separation of duties issue with regard to payroll staff being able to set up new employees on Trent and also pay them.	As an additional control, the Service Support Team Leader should discuss the possibility of producing an exception report to show any new casual starter appointed and attached by the same member of staff.	C	Casual starters are usually appointed and attached by the same member of staff. This has been ongoing for a very long time. It would be better to look at a report showing if a non-casual starter has been appointed and attached by the same member of staff	Service Support Team Leader	July 2013
R4	The 'New Entrant Documentation' form is not completed in all instances.	The 'New Entrant Documentation' form should continue to be signed off as completed by the inputting HR staff	C	Agreed, as previously stated this will be resolved by the imminent	Service Support Team Leader	July 2013

APPENDIX B

		in each case to ensure the approach taken is consistent. It is understood that the new EDMS system that is currently being developed in conjunction with ICT should eliminate the need for these forms but until these are in place the use of these forms should continue.		introduction of the EDMS.		
R5	<p>Overtime claim forms are not being reconciled to other systems to prove attendance before authorisation.</p> <p>Overtime claim forms are not being processed in a timely manner.</p> <p>There was an overpayment of overtime identified.</p> <p>Lieu time had been transferred to overtime at enhanced rates.</p> <p>There is an unacceptable level of staff taking leave days when allocated shifts that attract enhanced rates.</p>	<p>Highways Services Management should verify all hours and time claimed prior to authorisation. Specific attention should be paid to the following areas:-</p> <ul style="list-style-type: none"> • Management should check back and ensure that the hours claimed were actually worked by verifying that: <ul style="list-style-type: none"> a) the overtime was authorised beforehand b) the flexi system shows attendance (unless working off site) c) that the hours claimed had been productive. • Management should investigate the instance where enhanced pay was claimed but there was no evidence of working. • Claims for overtime should be completed and submitted for authorisation by the line manager as soon as possible, 	B	<p>As well as checking weekly rota sheets in future the time recording system will also be referred to. The number of PCN's issued is not necessarily a check of attendance as not all days worked are productive (e.g. cash collection). Checking the Chipside system to see if staff have logged onto a handheld device would be useful as a further check.</p> <p>Any overtime is always authorised prior to the shift.</p> <p>In order to provide clarity for the staff</p>	<p>Car Parking Team Leader/City Engineer/ Director of Local Environment.</p>	July 2013

APPENDIX B

		<p>with reference to the payroll timetable, bearing in mind departmental requirements i.e. opportunity to get form checked and authorised.</p> <ul style="list-style-type: none"> Any overpayment of overtime should be recovered from the employee. Lieu time should not be paid at enhanced pay rates. Management in conjunction with HR should make a decision what is an acceptable level of leave taken on days that are paid at enhanced rates. 	<p>in future they will only claim on a monthly basis for Premia payments between the 15th of the month until the 14th of the following month. This should stop any duplication of claims. The CEO's are already provided with a photocopy of their previous months claim form to assist them in completion of their claims and this will also continue.</p> <p>The staff involved will be made aware of the amounts.</p> <p>The CEO's were not aware that they were not allowed to claim Premia payment for Lieu time as they think/treat it as leave. When explained that it is earned at plain time and should be used in the same manner it was accepted that this was logical.</p> <p>The Car Parking Team Leader had previously questioned this loophole in the system with HR when Single Status was introduced and again with Payroll when staff were given the opportunity to buy annual leave. HR and Management need to define exactly how many days are allowed to be taken and still claim Premia payment and close this loophole.</p>	
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APPENDIX B

R6	Leavers forms were not complete.	Managers should ensure that the Leavers form is fully completed by both the Manager and the member of staff in all cases and that the actions stated on it have been performed (i.e., annual leave balance/flexi etc) When it is not possible to have the employees signature due to absence from work this should be clearly indicated on the form	B	Flexi balances and Annual Leave are checked by Payroll staff as a matter of course although this may not be indicated on the form.	Service Support Team Leader	July 2013
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APPENDIX B

R7	Anomalies have been left outstanding for a considerable length of time.	There should be a reasonable timescale between the identification and the correction of any anomalies after reconciliation.	B	Agreed	Service Support Team Leader	July 2013
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