

**CARLISLE  
CITY COUNCIL**



# **AUDIT COMMITTEE**

## ***Committee Report***

### **Public**

**Date of Meeting:** 25<sup>th</sup> September 2009

**Title:** Audit Services Progress Report

**Report of:** Head of Audit Services

**Report reference:** CORP 33/09

### **Summary:**

This report summarises the work carried out by Audit Services since the previous report to Committee on 22<sup>nd</sup> June 2009.

### **Recommendations:**

Members are requested to receive this report.

Members are requested to note the possible requirement for a Special Meeting of this Committee in due course to consider the Business Case for a shared Audit Service.

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

## **Audit Services Progress Report**

### 1 Summary of Audit Work

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

- Appendix A** – Bereavement Services
- Appendix B** – Car Park Services
- Appendix C** – Cash Collection
- Appendix D** – Talkin Tarn
- Appendix E** – National Fraud Initiative
- Appendix F** – NI 187 Tackling Fuel Poverty
- Appendix G** – NI 195 Litter etc
- Appendix H** - Payroll

Work is also in progress on a number of other reviews, for which the final reports will be presented to Members in due course.

### 2 Follow-up Reviews

- 2.1 Follow -up reviews were undertaken where appropriate during the period covered by this report. There are no new issues arising to which Members' attention needs to be drawn.

#### MASS Database

- 2.2 As reported to Members at the previous meeting, requirements for the full property database will be progressed as part of the Chief Executive's Transformational Review in due course. In the meantime, the Council has purchased the Real Asset Management system that will allow it to record fixed asset information for capital accounting purposes, which will satisfy the immediate accounting requirements - this is currently being implemented.
- 2.3 The situation will continue to be monitored by Audit Services and developments will be reported to the Audit Committee in due course.

### External Grant Funding

- 2.4 Following an earlier Audit review, it was agreed that there is a need to enhance the role of the External Funding Officer (EFO), in order to provide a central co-ordinating role to manage the external funding function both strategically and to provide operational support. This will be progressed as part of the Chief Executive's Transformational Review in due course.
- 2.5 The NWDA has agreed to fund an external assessment of the management of external funding, processing of claims etc, and this will be used to inform any decision on how the role of the EFO should work in future. This work is valued at £10,000, with the NWDA providing £8,000 and the Council funding the balance.
- 2.6 The situation will continue to be monitored by Audit Services and developments will be reported to the Audit Committee in due course.

### 3 Annual Governance Statement Action Plan

Progress against the Action Plan has been reported separately to this meeting - report CORP 34/09 refers.

### 4 Shared Service

- 4.1 A shared service initiative for Audit Services is currently being pursued by Allerdale Borough Council, Copeland Borough Council, Cumbria County Council and ourselves. A Business Case is being prepared, in order to determine the overall costs of the shared service and the requirements, in terms of audit work, that will be made of such a service by each of the participating Authorities.
- 4.2 An initial issue is the impact of the deletion of the Head of Audit Services' post at Carlisle under the Transformation Programme and the effect that this will have on the provision of the statutory service and on the resources available to deliver the Audit Plan. This issue will need to be resolved regardless of the eventual outcome of the shared service initiative.
- 4.3 Further work is being undertaken by the Working Group to clarify the position.
- 4.4 The Business Case to support this initiative is currently in course of preparation, and a further meeting of the Audit Shared Services Project Board has been scheduled for 21<sup>st</sup> September. Carlisle's representatives on the Board are the Director of Corporate Services and the Head of Audit Services. When the Business Case is finalised, this will be presented to the Audit Committees at all four Authorities for Members' approval – a Special meeting of this Committee may be required for this purpose.

5 Recommendations

5.1 Members are requested to receive this report.

5.2 Members are requested to note the possible requirement for a Special Meeting of this Committee in due course to consider the Business Case for a shared Audit Service.

I. Beckett  
Head of Audit Services  
September 2009

**Corporate Services**

**Audit Services**

Audit of Bereavement Services Income

**Final Report**

12th June 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>	\\CARL62\AuditServices\2006-07 onwards\Material Systems\Bereavement Services Income MAT065\2008-09\Reports\Final\Bereavement Services Audit 2008-09 - Final Reports.doc		

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

***Please note:*** The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 14<sup>th</sup> August 2009.



**1. Reason for the Audit**

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

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

- 2.1. The Audit Commission has identified Bereavement Services as an area that accumulates income in excess of £500,000. Bereavement Services falls under the remit of Facilities Management Services, part of the Community Services Directorate. This is the second year of review.
- 2.2. The budgeted income for 2008/09 was £237,100 for Cemeteries and £815,400 for the Crematorium totalling £1,052,500. This represented an overall increase of £64,800 on the 2007/08 budgeted income of £987,700. The budget reflected average price increases of around 6.5% which were introduced from 1/4/08 as part of the aim to make Bereavement Services self financing. In the event, the income out-turn was £990,000 due to a lower than anticipated death rate but nevertheless, Bereavement Services did commendably achieve a break even position in the last financial year for the first time.
- 2.3. There are 3 operational sites under the Council's direct responsibility at present which situated at Richardson Street, Upperby and Stanwix. Richardson Street is the site of the main cemetery and the crematorium whilst the two latter sites are much smaller but still regularly accrue income from burials.
- 2.4. In September 2008, Carlisle City Council was awarded manager of the best cemetery in the UK in recognition of the quality of its Richardson Street site. This was the third year running that the Council has been awarded this accolade. In total, the Council has achieved this award 4 times in the last decade.
- 2.5. The provision of the day to day management of cemetery services is non-statutory, however, the Council does have a duty to ensure environmentally protected disposal of the deceased. The well-managed and governed provision of this service justifies the Councils management involvement.

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

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

<b>Risk Description and Control Strategy</b>	<b>Type of Risk (strategic / operational)</b>	<b>Risk Score H/M/L</b>
<b><u>BURIAL SERVICES</u></b>		
<b><u>Failure of services for Carlisle &amp; District</u></b>  Current Action Status/Control strategy is:-  Contracts in place to provide temporary cover.	Operational	M
<b><u>Industrial Action</u></b>  Current Action Status/Control strategy is:-  As above.	Operational	M
<b><u>Shortage of Burial Space</u></b>  Current Action Status/Control strategy is:-  National problem – this has been with Property for over 5 years. Current life span approximately 19 years Richardson Street, 5 years Upperby and 14 years Stanwix.	Operational	H
<b><u>Drop in National ratings for performance</u></b>  Current Action Status/Control strategy is:-  National performance maintained through adequate funding of the service.	Operational	M
<b><u>Private Sector Competition</u></b>  Current Action Status/Control strategy is:-  Monitor the likelihood.	Operational	M
<b><u>Lone working</u></b>  Current Action Status/Control strategy is:-  Office mobiles issued and daily work sheet for location of those affected.	Operational	L
<b><u>CREMATION SERVICES</u></b>		
<b><u>Failure to deliver service</u></b>  Current Action Status/Control strategy is:-  Team able to multi-task and 5 certified operators available.	Operational	M

<p><b><u>Mechanical Failure</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>New cremators installed with remote problem solving via the internet. Contracts also in place should we need to use another crematorium.</p>	Operational	M
<p><b><u>Utilities Failure</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>Works completed to give us our "own" substation in respect of Electricity supply. This will enable us to switch from one supply to another should one experience a problem.</p>	Operational	M
<p><b><u>Industrial Action</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>Contracts in place should we require help from other crematoria.</p>	Operational	M
<p><b><u>Reputation and Financial</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>Continuous improvement and adequate investment in the service.</p>	Operational	L
<p><b><u>Lone working</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>Procedure in place with CCTV for all lone workers to report at specific times during their shift on weekends and bank holidays.</p>	Operational	L
<p><b><u>ADMINISTRATION</u></b></p>		
<p><b><u>Failure to deliver the service</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>All admin plus at least one cremation staff trained to carry out admin duties.</p>	Operational	M
<p><b><u>Reputation and Financial</u></b></p> <p>Current Action Status/Control strategy is:-</p> <p>As above.</p>	Operational	M
<p><b><u>Lone working</u></b></p> <p>Current Action Status/Control strategy is:-</p>	Operational	L

<i>New reception desk and lockable security door installed. In the event of trouble there is a clear route to phone for help.</i>		
<b><u>Utilities failure</u></b>	<i>Operational</i>	<i>M</i>
<i>Current Action Status/Control strategy is:-</i>		
<i>Battery back up for all computers.</i>		

3.2. Other risks identified by Internal Audit as part of this audit are considered to be:

- *Future upgrade of BACUS System.*
- *Lack of staff resources to conduct safety checks on headstone memorials.*

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

#### **4. Scope of the Audit**

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

	Area Examined
1.	Follow up of Previous Audit
2.	Year End Accounting
3.	Receipt Continuation and Reconciliation
4.	Burial and Cremation Income
5.	Outstanding Income
6.	Headstone and Memorial Income

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

- 5.1. A number of opportunities to further enhance controls have been identified, these are shown in the appendix A and have been brought to the attention of the relevant Head of Service. In summary the key issues arising from this review are:
- 5.2. A 3-way reconciliation between BACUS (the Cemetery and Cremation system), the general income returns and the general ledger does not currently occur.
- 5.3. Receipted income is still recorded in a ledger book when it could be held electronically.
- 5.4. Some income was paid into ICON after the month-end resulting in monies being recorded against the wrong period.
- 5.5. An ambiguous procedure for handling of overdue debts.
- 5.6. Memorial safety checks are beginning to lapse due to a lack of staffing resources.

5.7. It was noted during general discussion that an upgrade to the BACUS System has been discussed with the developer. A date has not been scheduled for this yet, although clearly there is a potential risk of impact on the service when it is implemented.

6. **Grading of Audit Recommendations**

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

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

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

6.2. There are 5 recommendations arising from this review. 1 at grade B, and 4 at grade C.

7. **Statement of Assurance**

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

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



**Community Services, Bereavement Services**

**APPENDIX A**

**1. Follow up of Previous Audit**

***Method of Review:***

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

***Summary of Findings:***

- The Bereavement Services Manager completed the Follow up Schedule that outlined the actions agreed from the previous review. There were 11 agreed actions in total and the remedial action taken was as follows:-

**A1.** Income should be accounted for in the year it was accrued. Debtors lists are to be used when income is received that is attributable to the previous financial year yet has been received after the year end deadline.

**Action Taken:-** All staff have been made aware that there are to be no payments received after the mid day deadline.

**A2.** An up-to-date office instruction manual should be developed and maintained.

**Action Taken:-** An office procedure manual is now in operation.

**A3.** A three way reconciliation between BACUS/Receipts and deposits book and the general ledger should be undertaken quarterly.

**Action Taken:-** Income is balanced to the general ledger by the Financial Services staff. Daily invoice checks are made by all Bereavement Services staff and the monthly 'No receipt' reports are reconciled.

**A4.** The use of reports produced from the BACUS system should be encouraged for management control and reconciliation purposes.

**Action Taken:-** Reports are being run and checked.

**A5.** Retention and storage arrangements are unsatisfactory. It was recommended that either more storage space be provided or for paper documents to be scanned and indexed when resources permit.

**Action Taken:-** There has been no finance available to action this. The Bereavement Services Manager is pursuing a solution and will discuss funding implications with Financial Services staff.

**A6.** The Bereavement Services Manager has identified a number of income generating opportunities, including public access to records and searches over the web. Currently with the manual systems, provision of both of these services can be resource intensive for little income generation but a necessary (although non-statutory) service nonetheless. Scanning and indexing this information and making it available to the public for a cost could be an income generator that will take minimal maintenance from the Bereavement Services staff and free up resources (of course, this will have IT resource implications that will have to be identified).

**Action Taken:-** There are no resources currently available to pursue this.

**A7.** The BACUS system had not charged services at the revised 2008/09 prices at the 1<sup>st</sup> of April. A testing exercise should be undertaken first thing in the morning to ensure that the system is working correctly.

**Action Taken:-** All new fees were tested and found to be accurate. No problems were encountered at year end.

**A8.** Resources allowing, consideration should be given to transferring the manual receipt and deposit system to an excel spreadsheet. This would ultimately save time with the input, improve consistency and be more secure. It would also assist in the overall ledger/BACUS/income reconciliation.

**Action Taken:-** The Bereavement Services Manager plans to arrange a working group which will involve Bereavement Services/IT and Financial Services to look how to move forward on this issue.

**A9.** The management reports from the BACUS system were not always accurate. The accuracy of the standard reports should be examined and corrected before the information is used for management reporting.

**Action Taken:-** The outstanding invoice report is run off each month and reconciled. Any problems are highlighted.

**A10.** An outstanding aged debt of £31.00 should be written off the system using the appropriate accounting procedure.

**Action Taken:-** Debt has been written off.

**A11.** A memorial inventory could be undertaken as part of the ongoing health and safety assessment so ensure that memorials are not erected without consent.

**Action Taken:-** Resources are not available at the moment. Spot checks are carried out and Bereavement Services staff will continue to check new memorials when staff are available.

### ***Conclusion.***

All actions resulting from the previous year have been considered by management and time and effort given to each. Resource issues have been the main factor in the non-implementation of the actions, which was in fact recognised when making the recommendations at the end of the previous review. It is accepted that every effort has been made under the circumstances to prioritise which changes could be practically introduced.

The outstanding issues should not be ignored however, and should be addressed when resources permit if they are still deemed constructive to operations. A few of the issues highlighted in the 2007/08 report have again been identified during this review, and therefore have again been brought to the attention of management in this report. A satisfactory solution for all can be discussed and agreed to ensure the issues involved do not re-occur

## 2. Year End Accounting

### **Method of Review:**

- ❑ Discussion with the Bereavement Services Manager.
- ❑ Discussion with Financial Services staff.
- ❑ Examination of Accounting Records. March 2008 final income return to be examined to ensure that all income attributable to that month was included in the return period. B/fwd and C/fwd records to also be examined.

### **Summary of Findings:**

- ❑ A total sum of £721 for 7 transactions was received at the Cemetery Office after Income Management's paying in deadline for the year-end. This was banked the next working day (01/04/2008).
- ❑ A check against the applicable General Ledger nominal codes confirmed that the income had subsequently been transferred to and accounted for in the correct financial year.
- ❑ A 3-way reconciliation between BACUS, the general income returns and the general ledger is not currently carried out. BACUS is a standalone system based at the Cemetery Offices so the required data is not available elsewhere. Realistically, a 3-way reconciliation could only take place if Bereavement Services were to record receipted income onto a spreadsheet rather than a receipt and deposit ledger book and include this with the return sent to Accountancy.
- ❑ Whilst the returns and accruals have been processed without any known issues, it should be noted that the accountancy reconciliation spreadsheet (i.e between the monthly returns and the General Ledger) has not been maintained since the Accountancy Assistant left on Maternity Leave. This issue will be resolved when the Accountancy Assistant returns to work in May 2009.

### **Conclusion:**

- ❑ No recommendations. Although there were some late payments received after the year-end deadline, the income received was ultimately accounted for in the correct financial year. A 3-way reconciliation between the BACUS system, income returns and the general ledger does not happen at the moment and realistically is not achievable until receipted income is recorded on a spreadsheet.

### 3. Receipt Continuation and Reconciliation

**Method of Review:**

- Confirmation that:-
  - Receipts have been issued sequentially.
  - All receipted income has been accounted for correctly and any cancelled receipts had been retained with suitable explanations given.
  - Receipts issued for the 1<sup>st</sup> quarter of the 2008/09 financial year reconcile to the receipts and deposit book to ensure that the relevant income has been accounted for in the correct financial period and for the correct amount.

**Summary of Findings:**

- The receipts were examined and found to be in order.
- Cancelled receipts are retained in an envelope in the front of the receipt book. Those cancelled were found to have a valid reason for the cancellation.
- 10 receipts were chosen randomly for testing. All were successfully traced through the accounting system.
- Receipt ranges from the deposit and ledger book were compared against the monthly returns, paying in slip information and the general ledger. Discrepancies between the two occurred after period 1 with income received for period 1 not being physically paid into ICON until period 2. The discrepancy was rectified by period 3.
- Receipt books are stored securely in a safe accessible to the Bereavement Services Manager. It is accessible to other members of staff with permission.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A.1	<p>Receipted income is recorded in a ledger book when it could be stored electronically.</p>	<p>Bereavement Services Manager</p>	<p>Improvements and efficiencies would be gained by replacing the receipt and deposit ledger book with a monthly spreadsheet incorporating running totals for each fee receipted. In addition to providing the exact figures necessary for the monthly return, this would also remove the risk of potential errors occurring from manual calculations. Further benefit would be gained from increased security (i.e. information is stored and backed up on the Authority's IT network) and also removing the requirement to store yet more paper records in already cramped office conditions.</p> <p>If Excel training is required to fulfil this recommendation then Personnel &amp; Development should be advised in order to arrange this.</p>	<p>C</p>	<p>October 2009</p>
A.2	<p>Income was paid into ICON after the month-end resulting in monies being recorded against the wrong period.</p>	<p>Bereavement Services Manager</p>	<p>Bereavement Services staff should ensure that income received is paid in according to the Ledger Feeder System Timetable issued each year by Accountancy. This will guarantee that the income is attributed to the correct period.</p>	<p>C</p>	<p>Immediately</p>

#### 4. Burial and Cremation Income

##### **Method of Review:**

- A random sample of 5 burials and 5 cremations undertaken in 2008/09 were examined to ensure that:-
  - Invoices were issued within 14 days of the funeral.
  - Invoices reflected the services ordered and supplied.
  - Payment was received within 28 days of the issue of the invoice.
  - All service provision, costs and income were entered correctly on the BACUS system and the receipt and deposit book.
  - Services charged were at the correct rate.
  - Receipted amounts correlated with the invoice amount.
- Assurance that the relevant documentation is retained and filed appropriately.

##### **Summary of Findings:**

- From the sample tested:-
  - The average time taken for invoices to be issued was 6 days. This is well within the Authority's standard 14 days.
  - The average number of days taken for income to be collected after the invoice was issued was 2 days. Due to the number of funerals undertaken, some funeral directors are invoiced monthly to save on administration time. These are usually paid within or few days of the invoice being issued or prepayment on some occasions.
  - All receipted costs in the sample could be reconciled back to the BACUS system and subsequently, the generated invoices.
  - All services had been receipted and charged correctly according to the Bereavement Services fees schedule for 2008-09. Whilst the majority of fees were VAT exempt, where applicable, the recent Government VAT reduction to 15% (as of 01/12/2008) had also been taken into account.
- Receipted income is recorded in a receipt and deposit ledger book. Copies of monthly returns, paying in slips, invoices paid and burial/cremation files are all kept at the cemetery office.

##### **Conclusion:**

- No recommendations arising. The system of arranging, costing, charging and receipting of funeral related costs works well but the introduction of a spreadsheet to record monthly receipted income could provide some advantages over the current ledger book. (See recommendation above Section 3 - Receipt Continuation and Reconciliation).

## 5. Outstanding Income

### **Method of Review:**

- ❑ Discussion with Bereavement Services Manager to establish current practice.
- ❑ The Outstanding Invoice report was run off the BACUS system to identify outstanding debts.

### **Summary of Findings:**

- ❑ Overdue debts are relatively rare but late payers would generally be contacted by telephone and reminded of the unpaid debt. If this failed to initiate the payment then the debt would eventually be passed to the Sundry Debtors Section. The Bereavement Services Manager did however express some doubts over how much consideration would be given to a Bereavement Services debt by Sundry Debtors. This could be because the debt has not originated from the Sundry Debtors system.
- ❑ An outstanding invoice report was run on the BACUS System. The report disclosed there were still debts outstanding for two invoices dating from December 2008 for £122.65. Details are as follows:-
  - Invoice 4794 – Abbey Stonecraft raised on the 8<sup>th</sup> December 2008 for £79.20 (headstone fees).
  - Invoice 4802 – Surname of Walker raised on the 9<sup>th</sup> December 2008 for £43.45 (placing of cremated remains from away).
- ❑ The above debts were confirmed with the Bereavement Services Manager and actions taken for recovery were discussed:-
  - Invoice 4794 – The Stonemason involved has been contacted on numerous occasions. It has now been decided that until the debt is paid he will no longer be issued with any permits for work. Subsequently this will result in him being banned from the cemetery grounds.
  - Invoice 4802 – The client has been prompted for payment on numerous occasions (the last time by phone on 3<sup>rd</sup> March 2009).

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A.3	An ambiguous procedure for handling of overdue debts.	Bereavement Services Manager	<p>Debts that Bereavement Services have been unable to recover should be referred to Sundry Debtors and an invoice raised on the Sundry Debtors system for the unpaid amount. Bereavement Service's debts are still monies owed to the Authority and as such should go through the proper recovery channels. This also allows for the debt to be written off through the correct procedures should recovery be exhausted.</p> <p>It would be prudent to run the Outstanding Invoice report on BACUS each month to highlight any overdue debts to chase up for payment. Any debts over 6 weeks old should be passed to Sundry Debtors as described above.</p> <p>Stonemasons with debts over 6 weeks old should automatically be refused any further permits for work until the debt is paid.</p>	C	Immediately
A.4	Two debts outstanding for over 5 months.	Bereavement Services Manager	The two debts should be raised on the Sundry Debtors system as per the above recommendation.	C	Immediately

## 6. Headstone and Memorial Income

### **Method of Review:**

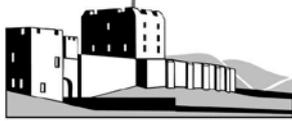
- Examine a sample of headstones/memorials and using the memorial files gain assurance that:-
  - ❑ Memorials and headstones have been charged and invoiced at the correct rate.
  - ❑ Approved stonemasons have been employed.
  - ❑ Health and safety is at not compromised as a result of not complying with requirements.
  - ❑ Headstones have not been erected without an authorised permit.

### **Summary of Findings:**

- ❑ A sample of 5 headstones and 5 memorials were selected for testing:-
  - The stonemason was approved for all 5 headstones sampled.
  - A permit had been issued for each headstone in the sample.
  - In all cases the stonemason had been invoiced correctly and within appropriate timescales. Cremation memorials are paid for in advance.
  - A sample from the cremation memorials had the wrong receipt number recorded against it in BACUS – 64167 instead of 64617. The Bereavement Services Manager was informed so it could be corrected.
  - Income was banked according to procedures in all cases.
- ❑ The Cemetery is a public area and therefore staff cannot guarantee that all memorials placed in the cemetery have been authorised and charged appropriately. As stated in previous audits, there will always be a small element of risk that memorials could be erected without the consent of Bereavement Services.
  - A reverse test was undertaken to ensure that a sample of headstones found in the cemetery had been authorised.
  - From the small sample tested, everything was found to be in order. All stonemasons were authorised and the required fees had been charged. Each had been invoiced and the income receipted.
- ❑ A general discussion with the Bereavement Services Manager about the cemetery grounds revealed that due to a lack of staff resources at the crematorium, they are finding it increasingly difficult to fulfil safety checks on memorials in the grounds.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>

A.5	Memorial safety checks are beginning to lapse due to a lack of staffing resources.	Bereavement Services Manager	<p>Grave maintenance is the responsibility of the family of the deceased, however, there are potential health and safety issues if headstone safety checks are allowed to lapse and dangerous memorials are not identified. This risk should be highlighted as the Authority is potentially liable if an unsafe gravestone was to cause injury or death to a member of the public.</p> <p>This issue should be reported to the Treasury &amp; Insurance Manager as soon as possible.</p>	B	Immediately
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**Corporate Services**

**Audit Services**

Audit of Car Park Services

# Final Report

10<sup>th</sup> September 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>	K:\2006-07 onwards\Material Systems\Car Parking Income\2008-09\Report\Car Park Audit Final 08-09.docx		

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

**Please note:** The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of the final report at the meeting to be held on 25<sup>th</sup> September



**1. Reason for the Audit**

- 1.1. The audit of the Car Park forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services, as part of their work on the annual statement of accounts.
- 1.2. In agreement with the Audit Commission a full review has been carried out as Car Park received "Reasonable Assurance" following last year's review.

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

- 2.1. Car Parking forms part of Community Services and are managed by the Highway Services Manager. The City also carries out Parking Enforcement for Eden District Council

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

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

<b>Risk Description and Control Strategy</b>	<b>Type of Risk (strategic / operational)</b>	<b>Risk Score H/M/L</b>
Loss of significant numbers of staff due to illness or alternative employment	Operational	8
Lone Working	Operational	8

- 3.2. Other risks identified by Internal Audit as part of this audit are considered to be:

- *Theft from machines*
- *Chipside Electronic system does not operate effectively*

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

**4. Scope of the Audit**

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

	<b>Areas Examined</b>
1.	Follow Up
2.	General
3.	On Street
4.	Pay and Display
5.	Restricted Parking - Residents

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

5.1. The general procedures relating to the review of car park charges are appropriate and ensure that changes are fully authorised and implemented on time. Cash collection from Car Park machines is well controlled and income levels are regularly monitored and reviewed. The cash collected is regularly reconciled and monitored to the cash banked

5.2. There were however 2 issues of concern.

- Fixed Penalty notices have been cancelled for reasons that deviate from laid down guidelines. These cancellations were made at management discretion for reasons not generally accepted for those committing an offence and included PCN's issued to employees, members and the family of members. There may be a risk of reputational damage to the Authority if these apparent discrepancies are allowed to continue, as the staff and members of Carlisle City Council must be treated equally to members of the general public.

-It continues to be the case that it is not possible to reconcile the information within Chipside (the car parking system) to the Main Accounting System (MAS). The Authority should be accounting for PCNs on an accrual basis and this could be achieved with a feeder system to link the two systems.

5.3. The Residents Parking Schemes are well controlled and permits are securely stored. A resident could obtain two passes by applying for a "various" vehicles permit and then by "pretending" to lose it and getting a specific car permit, therefore gaining an additional one. Staff are aware of this risk and do monitor who has had replacements ensuring that they can not get additional permits in future years. Although the system is not 100% secure it is as secure as possible without penalising members of the public for genuine errors.

**6. Grading of Audit Recommendations**

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

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

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

6.2. There are 2 recommendations arising from this review both at Grade B

**7. Statement of Assurance**

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

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

**APPENDIX A**

**1. Follow up 2007-2008 audit**

***Method of Review:***

Review of the 2007-2008 audit to ensure that all the recommendations have been actioned

***Summary of Findings:***

The Majority of the recommendations from the 2007/08 audit have been addressed and acted on.

One recommendation arising from the previous review was not addressed. The Highways Service Manager had agreed to liaise with Chipside to review the potential for a practical solution to allow for PCN's raised to be accounted for on an accruals basis to facilitate greater accuracy within the Authority's financial ledgers and to facilitate the provision of a trading account. The Highways Manager has not pursued this course of action on the basis that he doubts that such a solution is possible and does not agree it to be worthwhile in any case.

## 2. General, Cash Collection and Banking

### **Method of Review:**

Ensure that all staff are aware of relevant legislation, Authority's policies, insurance requirements

Examine the Notice of Variations to fees to ensure that they were published at least 21 days prior to the change, variations were considered and formally approved,

Ensure measures are in place to implement on time including machine charging mechanisms, car park signs, staff are aware

Examine the Authority's fidelity guarantee insurance cover to ensure that all car park employees with access to cash are adequately covered

Visit a sample of car parks and confirm that signs are displayed stating –

- The car park and owner
- T & C for using the car park
- That a fee must be paid and correct levels to pay
- The consequences of not paying a fee or abiding by the T & C
- That tickets should be displayed
- The location of the other machine which should be used if that machine is faulty
- That the Authority accepts no responsibility for damage caused

Purchase a ticket and ensure that the required information is printed

Examine the record of controlled stationary

Examine the car park units record of income and ensure that the banking is up to date and accurate

Ensure that all staff involved in the cash collection are bona fide before they are allowed to access car park machines

Ensure that all machines are checked early in the morning to ensure they are working correctly

Ensure that an employee independent of the car parks regularly monitors the banking

### **Summary of Findings:**

All staff are aware of the relevant legislation and there is a manual in the office. All staff are aware of where to locate the manual and are experienced in understanding how to apply the information

The notice of variation was published in the Cumberland News on the 27/2/09. The charges were reviewed and considered at Overview and Scrutiny on the 11/12/08 and were formally approved by the Exec. On the 18/12/08. The decision was taken well in advance of the end of the year and allowed the changes to be implemented on time

The procedures for ensuring that the changes to fees are all completed ready for the 1/4/09 were appropriate and deadlines were met. The machines can be updated from the office as they are all electronically controlled to ensure that they collect the correct fees. Staff will manually change the signs on the machines after 6pm on the 31/3/09.

The Authority's fidelity guarantee covers all staff up to a maximum of £1,000,000, therefore all car park staff are adequately covered

Car parks were visited and signs were reviewed for completeness. All the necessary information was displayed

A ticket was purchased from the car park machine in the Sands Centre Car Park and it included all the necessary information. This included the date of purchase, the car park to which the fee refers, fee paid, and departure time and that it was issued by Carlisle City Council.

The controlled stationery used by Car Parking are the ticket machine rolls. The rolls are stored in the locked, alarmed area at Boustead Grassing. They are sequentially numbered and are logged out when issued.

The rolls were examined and compared to the log. These entries were found to be correct.

The cash collection procedures were reviewed and were found to be secure and thorough

All staff responsible for access to money are CRB checked to ensure that they have no convictions

The Machines are all reviewed on line to ensure that they are working correctly and that none of them have missed collections. Every morning the Parking Technical Assistant logs on to the computer system to ensure that the machines are working appropriately. If a machine is not the officer will go out and review and if possible rectify the situation. The Machines are also checked by the Collection team and randomly test tickets are purchased to ensure that the correct fee is being charged and that the tickets are printing correctly

The Parking Team Leader monitors the Banking on an operational level and the Assistant Accountant in Financial Services also reviews it. The Assistant Accountant compares the current years income with the previous years in order to highlight and discrepancies

The general procedures relating to the review of charging are appropriate and ensure that changes are fully authorised and implemented on time. The cash collection is well controlled and monitored and regularly reviewed. The cash collected is regularly reconciled and monitored to the cash banked.

### 3. On Street Parking

#### **Method of Review:**

- Examine a sample of fixed penalty books
- Ensure clear instructions are issued to traffic wardens
- Examine the rota
- Test the Fixed Penalties issued to ensure the necessary information is recorded
- Ensure that the fixed penalty income is reconciled to the FIS
- Examine the record of fixed penalties issued that have been paid at the reduced rate. Ensure that payments have been made within the agreed number of days
- Examine the record of cancellations to ensure that all are within agreed guidelines

#### **Summary of Findings:**

The fixed penalty system is now completely electronic. A handheld device transmits the ticket information to Central System and Prints the ticket. A sample ticket was reviewed and was found to show all the necessary information including :-

- Contact Name
- Logo of Carlisle City Council
- Organisations VAT number
- Relevant Sections of the Road Traffic Act
- Details of how and where payment should be made
- Details of how and where to appeal against a fixed ticket

There is a detailed training manual for the Traffic Wardens, The Civic Enforcement Officer – Guidance Manual. The document is Clear and precise. It explains the Authorities policies regarding fixed penalties. Staff are also expected to complete a NVQ Level 2 in Controlling Parking Areas

A discussion was held with Parking Team Leader who confirmed that all areas of the City were visited regularly. The rounds and the traffic wardens are rotated in terms of visiting times and the actual officers on the beat.

Fixed Penalties issued are prefixed with “UI”. Five were reviewed from 16<sup>th</sup> March 09 to ensure that they all contained the relevant information. In all cases the tickets were issued for “Parked in a parking disk place without clearly displaying a valid disc” All showed the :

- Vehicle registration Number
- The time and date, when the ticket was issued
- The attendant responsible for issuing the charge
- The reason for the charge

As was highlighted last year it is not possible to reconcile the information within Chipside to the Main Accounting System (MAS). Discussions have been held with the Highways Manager who is still of the opinion that it is not possible to create a Trading Account in the General Ledgers for PCNs. Further discussions have been held with the Principal Finance/Systems Officer who advised that the systems could be linked quite simply with a feeder system run every night. The Authority should be accounting for PCNs on an accrual basis and this would be achieved with the feeder system. No work has been carried out since last years report to attempt to rectify the situation.

Five fixed penalties that had been paid at a reduced rate were reviewed and all were paid within the required fourteen days. In the sample selected they were all paid within one week of issue.

The procedures for cancelling a parking ticket were examined and were found to be comprehensive and in line with agreed guidelines.

The record of cancellations was examined and in the main the reasons for doing so were in full compliance with the Council's agreed criteria. However of the 1218 tickets cancelled in 2008/09, 44 of these were as a result of a directive from Senior Management, and this issue was examined in more detail. The main areas where this occurred were found to be:-

- Parking tickets issued to contract parkers who used other car parks during the short term closure of the car park for which they were issued.
- Staff/Members provided with one warning for the non display of issued permits.
- An external private contract where the company has a different set of cancellation criteria
- Guests of the Council/VIP's who have been invited to a function or event and failed to display their permit

Whilst the scale of this is modest there is a risk of reputational damage to the Authority if these instances (other than the private contract) are allowed to continue.

The Director maintains that there are occasional instances which are not covered by the existing policy or that it would be in the overall best interests of the Council if some discretion could be exercised. Whilst the scale of this is not considered to be material it is accepted that a robust and accountable system needs to be in place for Senior Managers to exercise this discretion.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A1	As was highlighted last year it is not possible to reconcile the information within Chipside to the Main Accounting System (MAS) as there is no trading account within the ledgers	Highways Services Manager	Discussions should be held with the Principal Finance/Systems Officer to discuss the option of providing a feeder to the MAS.  <i>Comments from the Head of Environmental Services                      Agrees Recommendation. The Highways Services Manager will follow through the recommendation</i>	B	6 Months
A2	Fixed Penalty notices have been cancelled under Management Directive that deviate from laid down guidelines.	Head of Environmental Services.	The system for cancellation of penalty notices by Management Directive should be reviewed.  <i>The Director of Community Services would wish the existing policy for cancellation to be amended to provide the capacity for him to cancel parking fines in exceptional circumstances if considered to be in the best interests of the Council. Any cancellations through this process be reviewed annually.</i>	C	Immediate

#### 4. Pay and Display

##### **Method of Review:**

- Test the Penalties Charges issued to ensure the necessary information is recorded
- Ensure that the fixed penalty income is reconciled to the FIS
- Examine the record of cancellations to ensure that all are within agreed guidelines
- Ensure that an employee independent of Car parks procedure and banking regularly reconciles the income

##### **Summary of Findings:**

Fixed Penalties issued in pay and displays are prefixed with "CA". Five were reviewed from 16<sup>th</sup> March 09 to ensure that they all contained the relevant information. All showed the :

- Vehicle registration Number
- The time and date, when the ticket was issued
- The attendant responsible for issuing the charge
- The reason for the charge

No problems were identified with the issue of tickets

**As highlighted in Section 3** - it is not possible to reconcile the information within Chipside to the Main Accounting System (MAS). Discussions have been held with the Highways Manager who is still of the opinion that it is not possible to create a Trading Account in the General Ledgers for PCNs. Further discussions have been held with the Principal Finance/Systems Officer who advised that the systems could be linked quite simply with a feeder system run every night. The Authority should be accounting for PCNs on an accrual basis and this would be achieved with the feeder system. No work has been carried out since last years report to attempt to rectify the situation **See Recommendation A1**

The Finance Assistant regularly monitors the income from the pay and display car parks. Comparisons are carried out on previous years to ensure that there are no irregularities with the income collected. A problem arose with the comparison for 2008/09 to 2007/08 as there appeared to be a substantial difference. Internal Audit had been involved in looking for the reasons. It was agreed that the problem was with there had not been Easter Bank Holiday during the 2008/09 therefore there was not the increased income associated with a Bank Holiday period. No further problems were highlighted.

The issue raised was also highlighted under the "On street Parking" recommendations apply to the testing carried out on Pay and Display car parks

## 5. Restricted Parking - Residents

### **Method of Review:**

- Examine a sample of parking permits in use
- Review a sample of permit holders
- Discuss the procedures for replacing lost or stolen permits
- Confirm that inspectors patrol disk areas
- Examine the system used to notify existing permit holders of the need to apply for a new permit and ensure that it seems reasonable

### **Summary of Findings:**

The Resident Parking scheme is in operation in various locations within Carlisle City Councils area of responsibility. The permits are stored in a locked filing cabinet with authorised access

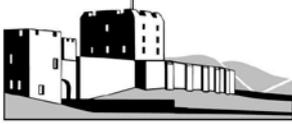
The Permits are only issued once proof of residency is obtained, either in the form of a utility or Council tax bill. A copy of the registration document for the car is provided. The application form was reviewed and clearly states the terms and conditions for use of the permit. There are no receipts issued with permits because there is no cost for the permit. A permit can be issued with a "various" car heading to allow the permit holder to park different cars within the rules.

Discussion was held with Parking Team Leader to ascertain the procedures for replacing lost or stolen permits. Applications forms are always completed for duplicate permits. The permit holder is required to provide a written explanation as to why a duplicate is needed. A "various" car permit will not be issued as a duplicate. The applicant agrees in writing to return the original permit if it is found.

From a discussion with the Parking Team Leader it was confirmed that as part of the "on street" parking monitoring the parking wardens regularly patrol the resident areas and penalty tickets are issued as necessary

Carlisle City Council has opted not to post reminders to existing permit holders to replace their permits. It was agreed that as there was no income generated from the scheme it was a costly exercise posting individual reminders. Adverts will be place in the Press, Carlisle Focus and on the Internet to remind residents of their responsibility.

The Residents Parking Schemes are well controlled and permits are securely stored. A resident could gain two passes by applying for a various permit and then by "pretending" to lose it and getting a specific car permit, therefore gaining an additional permit. Staff are aware of this risk and do monitor who has had replacements and to ensure that they can not get them in future years. Although the system is not 100% secure, it is as secure as possible without penalising members of the public for genuine errors. The Cipfa Matrix requires examination of the system for notifying permit holders of the need to apply for new permits, given that Carlisle City Council does not charge for the permits the new system of reminding appears to be good.



**Corporate Services**

**Audit Services**

Audit of Cash Collection & Income Management 2008/09

**Final Report**

8<sup>th</sup> September 2009

<b>Audit Contact</b>		<b>Ext. No.</b>	
<b>Document Ref.:</b>	\\CARL62\AuditServices\2006-07 onwards\Material Systems\Cash Collection & Income Management\08-09\Cash Collection Draft Report.doc		

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>	<b>Action Required</b>
Corporate Services	Head of Financial Services Principal Finance/Systems Officer Income Management Team Leader	None

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

**1. Reason for the Audit**

- 1.1. The audit of Cash Collection & Income Management forms part of the programme of annual material reviews that cover the fundamental systems of the Authority. These have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission places reliance on the work undertaken by Audit Services, as part of its work on the annual Statement of Accounts.
- 1.2. At the conclusion of each audit review, a "Statement of Assurance" is given, to reflect the findings of the review, and the significance of each recommendation made.
- 1.3. Following the previous review (2007/08), there was a single recommendation at grade "C" - and as a result it was possible to give the rating as "substantial", which indicated a very high level of assurance.
- 1.4. By agreement with the External Auditors, it is accepted that where such a high level of assurance is given in any year, then (with the exception of the Main Accounting system), it is acceptable to undertake an "overview" the following year. This overview entails a review of the recommendation/s made in the previous year, and a "walk-through" test to ensure that the system in operation has not altered and the required controls are still in place.

**2. Follow-up of Previous Year's Recommendation**

- 2.1. As stated above, there was a single recommendation – refer to **Appendix A**.

**3. Walk through Testing**

- 3.1. Two walk-through tests were undertaken, as noted above. The results of these tests are outlined in **Appendix A**.

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

- 4.1. It is concluded that the procedures and controls in place for Cash Collection and Income Management are working well.

**5. Statement of Assurance**

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

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

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

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

**APPENDIX A**

**1. Follow-up of Previous Recommendation**

*Method of Review:*

- To confirm that appropriate action has been taken on the recommendation contained in the previous audit report.

*Summary of Findings:*

There was a single recommendation as follows – “*That the Procedure Notes are updated, in due course, in line with the system upgrade to ensure that they are up to date.*”

A satisfactory response was received – “*ICON was upgraded to a new release in 2008 to comply with Bank security regulations relating to credit and debit card payments and the introduction of Chip and Pin in the Customer Contact Centre. As a result of this all ICON procedural notes were updated in October 2008. Hard copies are held by the Customer Services Team Leader and in the Customer Contact Centre, where there is also an electronic copy and electronic copies of these notes are on the Financial Services “T” drive under the procedures folder.*”

**2. Transactions**

*Method of Review:*

- To check that transactions are recorded properly in the Cash Receipting System. Walk through test were undertaken both as part of the review of Bereavement Services, and as a separate test to ensure that an item chosen at random from the Transaction Listing Report could be traced back to source, and had been recorded properly in the ledger.

*Summary of Findings:*

Satisfactory.

**There are no further recommendations arising from this review.**



**Corporate Services**

**Audit Services**

Audit of Talkin Tarn

# Final Report

September 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>	K:\2006-07 onwards\Community Services\COM100 - Talkin Tarn\2008.09 Audit\audit reports\Talkin Tarn Final Report 14.09.09.doc		

<b>Directorate / Service Area</b>	<b>Recipients of Report</b>	<b>Action Required</b>
Community Services	Head of Environmental Services (For Action)  Greenspaces Manager Greenspaces Operations Manager Talkin Tarn Manger (For Information)	There are matters arising / recommendations arising from this audit review that have been brought to your attention. Please refer to the Action Plan for Community Services, which is attached as Appendix <b>A</b> .

**1. Reason for the Audit**

- 1.1. As part of the audit planning process, Talkin Tarn was identified as a low risk service area, but was selected for review as part of the agreed Audit Plan for 2008/09 as it has not been audited since its transfer in 2006 from the County Council. Due to secondment of the Auditor undertaking the review, the audit was completed on their return back to Audit Services. The major part of the audit review work was carried out in 2008/09.

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

- 2.1. Carlisle City Council took over the ownership of Talkin Tarn, from Cumbria County Council, in April 2006. On transfer, staff were TUPE'd across and a business plan and risk assessment had been prepared covering future investment and development of the location, services offered and facilities thereon.

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

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

<b>Risk Description and Control Strategy</b>	<b>Type of Risk (strategic / operational)</b>	<b>Risk Score H/M/L</b>
<p><i>Risk Description</i> Third party injury or death resulting from Green Spaces activities or facility, and claims resulting from such incidents.</p> <p><i>Control Strategy</i> Green Spaces Team manages a number of potentially dangerous sites, for example Talkin Tarn...where there is an inherent risk to visitors. Risk control measures include appropriate insurance's, safety precautions and equipment, staff training, safety procedures and provision of appropriate information for visitors.</p>	Operational	High
<p><i>Risk Description</i> Key Personnel/Succession Planning</p> <p><i>Control Strategy</i> Immediate action. Key knowledge spread between junior and senior staff. Key areas of knowledge to be documented for future reference. Staff to gain more experience in unfamiliar areas.</p>	Operational	High

**4. Scope of the Audit**

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key areas reviewed are stated in the table, and a summary of findings has been included in Section 5 below.

	<b>Areas Examined</b>
1.	Policies & Procedures
2.	Income
3.	Expenditure

4.	Stock
5.	Inventories
6.	Security

## 5. Overall Conclusion of the Audit Review

- 5.1. The audit review revealed that there were some good controls in place, however there were areas identified where the opportunity exists to enhance controls further. These are shown in appendix A and are to be brought to the attention of the relevant Head of Service.

## 6. Grading of Audit Recommendations

- 6.1. The audit process seeks to reduce risk to an acceptable level based on the efficient, economic and effective application of financial controls. Changes to controls suggested in audit recommendations are intended to achieve these benefits. This process reduces but does not, necessarily, wholly eliminate risk.
- 6.2. Each recommendation/agreed audit action, in Appendix A, has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

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

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

- 6.3. There are 9 recommendations arising from this review, 7 grade B and 2 grade C.

## 7. Statement of Assurance

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

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

**Community Services**

**APPENDIX A**

**1. Policies & Procedures**

***Method of Review:***

***Discussion with management to establish the policies and procedures in operation over the administration of Talkin Tarn.***

***Summary of Findings:***

- 1) Discussion with the Talkin Tarn Manager revealed that there is no complete operational manual in place covering the administration of Talkin Tarn. **See Recommendation/Agreed Action 1 below.**
- 2) Newsletters are produced covering areas where the Talkin Tarn Manager wishes to inform staff of issues and how things are to be undertaken. It has been found that this is the easiest way to inform staff of current issues, as it is difficult for staff to get together all at the same time. Procedures that have been prepared include:
  - Bookings for education cabin;
  - Issue of fishing tickets and boat launch permits;
  - Issue of (car) parking permits;
  - Contracts (e.g. all buildings works go through Property Services); and
  - Procurement procedures.

<b><u>Ref</u></b>	<b><u>Issue</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Recommendation/Agreed Actions</u></b>	<b><u>Grade</u></b>	<b><u>Agreed Timescale for Completion</u></b>
1	<b><u>See summary of findings note 1.</u></b> There is no operational manual, which should be accessible to staff when performing their duties and responsibilities for reference, as and when required. The manual would be useful for new staff members and also as a means to establish the expected ways of how things are to be undertaken. This increases accountability, transparency, consistency and a means for management to monitor actions taken along with the operational risk identified within the risk register.	Head of Environmental Services	An operational manual should be prepared, staff made aware of its existence and placed in a location accessible to all staff for reference.	C	Complete

## 2. Income

### *Method of Review:*

*Discussions with management and staff were undertaken alongside (where necessary) detailed system testing of the receipt of income.*

### *Summary of Findings:*

- 1) Due to the small number of staff, a member of staff can receive income for goods/services, record the income and prepare/bank the income. However it was stated that there is always two members of staff present when the till money is checked and both countersign the sum cashed up.
- 2) Discussion with the Talkin Tarn Manager revealed that a receipt is not always given for income received as some customers state that they do not want or require a receipt. **See Recommendation/Agreed Action 2 below.**
- 3) There is no record maintained of unders/overs when cashing up the tills on a daily basis. **See Recommendation/Agreed Action 3 below.**
- 4) Discussions revealed that when there has been a transfer of money between individuals (which is not often) there has been no record of the transfer taking place between individuals. **See Recommendation/Agreed Action 4 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
2	<b><u>See summary of findings note 2.</u></b> Records are incomplete, lack of audit trail, the receipts issued cannot be reconciled to the cash received and there is no evidence in case of a customer dispute.	Head of Environmental Services	All cash received in the administration of Talkin Tarn should be receipted. Where a customer states that they do not require a receipt, a receipt should be made out and recorded as such on the official receipt documentation and retained as evidence. As per Financial Procedure Rules, Appendix D, D.20.	B	Complete
3	<b><u>See summary of findings note 3.</u></b> There is no record between the till total and the actual cash received. In addition the differences are not monitored and actions taken where necessary.	Head of Environmental Services	A record of overs/unders on cashing up the till should be maintained. The record should be monitored and reviewed by management to identify and follow up, taking any necessary action/s which also should be recorded as evidence, where patterns/trends are identified.	B	Complete
4	<b><u>See summary of findings note 4.</u></b> Disputes could arise where there is no evidence of a transfer of responsibility of money between officers.	Head of Environmental Services	A record should be maintained of every transfer of money between employees of the Council. The receiving officer must sign and the transferor must retain a copy. As per Financial Procedure rules, Appendix D, D.44.	B	Complete

### 3. Expenditure

**Method of Review:**

**Discussions with management and staff were undertaken alongside (where necessary) detailed system testing of expenditure incurred.**

**Summary of Findings:**

- 1) Discussion with the Talkin Tarn Manager revealed that the issue of personal staff interests has been raised and that they have been dealt with, however, they have not been formally recorded. **See Recommendation/Agreed Action 5 below.**
- 2) The Talkin Tarn Manager stated that informal checks are performed on the petty cash process. **See Recommendation/Agreed Action 6**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
5	<b><u>See summary of findings note 1.</u></b> There is no formal evidence of interests having been raised, what they are, the actions taken and how management are monitoring and controlling the interests on an operational basis in service delivery.	Head of Environmental Services	A formal register should be maintained recording interests declared of links/personal interests that staff or their immediate families may have with purchasers, supplies and/or contractors etc.	C	Complete
6	<b><u>See summary of findings note 2.</u></b> There is insufficient monitoring and review over the petty cash system and evidence to verify.	Head of Environmental Services	The petty cash system should be reconciled to the receipts and cash on a regular basis and recorded.	B	Complete

#### 4. Monitoring and Reconciliation of Income and Expenditure

**Method of Review:**

**Discussions with management of the monitoring arrangements in place over the receipt and payment of income and expenditure respectively. The frequency of the monitoring arrangements and actions taken where variances are identified.**

**Ascertain the arrangements in place regarding reconciliation of income and expenditure received/made, the frequency of this and the officers involved/responsible.**

**Summary of Findings:**

- 1) The Talkin Tarn Manager receives FIS reports on a monthly basis. The Tea Room report is passed to the Gift Shop Manager for review as this officer is more aware of the position in this area.
- 2) The Talkin Tarn Manager stated she reviews the income generally as one total, stating that there was insufficient detail. However, she stated that this should change when the Council system is up and running allowing access to the main accounting system enabling greater detail to be obtained.
- 3) Discussions revealed that the Talkin Tarn Manager has incurred expenditure, which does not fit into a budget code classification description. As a result the Talkin Tarn Manager has used a description that seems to best describe the nature of the transaction undertaken. **See Recommendation/Agreed Action 7 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
7	<b>See summary of findings note 3.</b> Expenditure is incorrectly coded within the main accounting system. Incorrect coding affects the budget, decision making and if not corrected by the Senior Accountancy Assistant the financial statements.	Head of Environmental Services	When expenditure is incurred, where there is no budget code set up to describe the nature of the transaction, the Accountancy Section should be contacted for a decision as to whether a new code to which the transaction should be registered on the system.	B	Implemented on-going as necessary

## 5. Stock

### *Method of Review:*

*Discussions with management and staff were undertaken alongside (where necessary) detailed system testing of stock.*

### *Summary of Findings:*

- 1) The Talkin Tarn Manager stated that stock records are more accurate now than when the function was taken over from Cumbria County Council but it still remains a little off being a complete and comprehensive system. This was put down to pressures upon staffing resources. The details from the stock sold are obtained from the till record (however, it is based on user input by the use of till keys used to describe the nature of the transaction). The stock is recorded in a manual record and is updated on a spreadsheet to record stock levels. Audit has noted that an annual stock take is performed, however, if there is no regular stock take (say on a monthly or quarterly basis) and reconciliation to the till record unexplained inaccuracies may occur, resulting in a lack of audit trail. **See Recommendation/Agreed Action 8 below.**
- 2) It was confirmed that the Tea Room stocktake is performed on an annual basis (as part of the closedown of accounts process).
- 3) Discussion with the Talkin Tarn Manager revealed that there have been no write-offs.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Action</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
8	<b><u>See summary of findings note 1.</u></b> There is no reconciliation between income received and stock levels. In not reconciling the two, there is no check being performed upon the correlation expected between income and stock and also any discrepancies are not identified, monitored or explained adequately so that appropriate action can be taken if needed.	Head of Environmental Services	Stock levels should be reviewed on a quarterly basis to ensure that sales income ties up with sales and that the stock levels are accurate when using the sales key on the till alone as a stock level indicator.	B	Implemented on-going. First quarterly check to take place end Sept '09.

**6. Inventories**

**Method of Review:**

**Discussions with management and staff were undertaken alongside (where necessary) detailed system testing of stock.**

**Summary of Findings:**

- 1) Discussion with the Talkin Tarn Manager revealed that the inventory list requires updating. **See Recommendation/Agreed Action 9 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Action</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
9	<b><u>See summary of findings note 1.</u></b> There is no compliance with the Council's Financial Procedure Rules. The inventory lists are not up to date thus there is no monitoring and review to safeguard assets of the Council.	Head of Environmental Services	Inventory lists should be reviewed on, at least, an annual basis for appropriateness of content and updated when changes/amendments come to light. As per Financial Procedure Rules, Appendix C, 142-145 (C.79-82).	B	Site inventory updated Aug '09 Tearoom inventory to be completed by end Sept '09.

## **7. Security**

### ***Method of Review:***

***Discussions with management and staff were undertaken regarding the security of cash, buildings, stocks and inventories.***

### ***Summary of Findings:***

1. No areas of concern identified to report any recommendations.



**Corporate Services**

**Audit Services**

# National Fraud Initiative 2008-09

## FINAL REPORT

**24<sup>TH</sup> July 2009**

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>	\\CARL62\AuditServices\2006-07 onwards\CONFIDENTIAL - N.F. 2000/09!\ report June 2009		

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>
Corporate Services/ People, Policy & Performance	Director of Corporate Services Head of Financial Services Director of People, Policy and Performance Head of Personnel & Development. Head of Audit Services

## **1. Introduction and Background Information**

- 1.1. For a number of years, the Audit Commission has run the National Fraud Initiative (NFI), which is a data matching exercise. It is designed to match data within and between participating public sector bodies to help prevent and detect fraud. The use of data by the Audit Commission in such a matching exercise is carried out with statutory authority under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act
- 1.2. For the 2008/09 exercise, Carlisle City Council was required to provide particular sets of data to the Audit Commission from a variety of sources including payroll, Housing Benefits, Council tax, Creditor payments, licences and the Electoral Register.
- 1.3. As a result of the submission of the above data to the Audit Commission, a number of interrogation files were submitted back to the City Council which were designed to identify matches which were potentially fraudulent. Where such matches are found and indicate a possible inconsistency, there is an obligation on the Council to investigate.
- 1.4. The scope of the work undertaken within the Internal Audit Section in respect of the 2008/09 exercise and the relevant findings are outlined below.

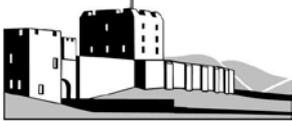
## **2. Payroll Matching Reports**

- 2.1. Three payroll reports were received covering individuals identified as working and receiving payment at more than one of public sector organisations included within the matching exercise, employee's in receipt of salary and a Local Government pension and where there were apparent inconsistencies on National Insurance numbers. In total, 41 cases were examined, deemed to be satisfactory and subsequently closed off on the NFI database.

## **3. Creditor Payment Reports**

- 3.1. Five separate reports were produced by the Audit Commission attempting to identify duplicate payments via a variety of different sorting methods most of which proved to be less than meaningful in the context of potential payment duplication. The five reports covered over 1,000 matches involving over 2,800 invoice payments. Despite the irrelevant nature of the majority of the transactions, each match had to be opened up on the NFI database and then subsequently closed off with reasons given for taking no further action. This proved to be extremely time consuming especially given the cumbersome working of the NFI database and the general slowness of the system. Feedback will be issued to the Audit Commission on the difficulties encountered by this Authority and on suggested improvements for the next exercise.
- 3.2. Utilising local knowledge and the experience of the auditors involved in the examination process, only high risk items were subjected to full audit testing and as a result, one duplicate payment of £652.13 was uncovered and subsequently recovered from the relevant supplier.
- 3.3. There was a further creditor payment based report which sought to identify possible VAT overpayments by identifying invoices where the VAT element had apparently exceeded the maximum percentage threshold. No anomalies were located amongst the 65 matches which substantially related to insurance and collection agency payments which involve differing but approved methods of VAT collection on behalf of the supplier.

**CARLISLE**  
CITY COUNCIL



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## Corporate Services

## Audit Services

Audit of National Indicator NI 187 -  
Tackling Fuel Poverty

# Final Report

8th July 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>			

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>	<b>Action Required</b>
Development Services	Principal Housing Officer (for action)	There are matters arising / recommendations arising from this audit review which require your attention.
Policy & Performance	Policy & Performance Officer (for information)	

***Please note:*** The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 25<sup>th</sup> September 2009.



## Performance Indicator Audit

<b>P.I. Number</b>	NI 187 Tackling fuel poverty	<b>Year</b>	2009/10 <i>Reporting and testing year 2008/09</i>
<b>P.I. Description</b>	% of people receiving income based benefits living in homes with a high or low energy efficiency rating.		
<b>P.I. Purpose / aim</b>	To measure progress in tackling fuel poverty through the improved energy efficiency of households inhabited by people claiming income based benefits.  2008/09 is effectively the base year.		

### Testing

Testing was carried out on the financial year 2008/09.

The process of data collection was reviewed and compared with Defra's Guidance on collection of data and the database from which the Performance Indicators were calculated was test checked for accuracy.

There was no comparison between the database and source questionnaire documentation as this is held in Northampton. The relevant database of over 500 records was checked however to ensure that the benefits documented against each respondent were income based and that each respondent had a Carlisle post-code. In addition a random sample of 20 survey respondents claiming Housing and Council Tax benefits were checked against Revenues and Benefits records to confirm this to be the case.

### Method of Calculation/Formula

The indicators measure the proportion of low (i.e NI 187 i) and high (i.e NI 187 ii) efficiency households on income related benefits for whom an energy assessment has been carried out.

The formula is  $(x/y) * 100$  where:

x = the number of households assessed who meet the standard (e.g. a SAP rating of below 35 in respect of low efficiency households and a SAP rating of 65 or over in respect of high efficiency households)

y = the overall number of households on income related benefits for which a SAP assessment has been carried out.

The low SAP result =  $44/504 = 8.73\%$

The high SAP result =  $195/504 = 38.69\%$

### Matters Arising

The survey was carried during 2008/09 and the “relevant” sample involved over 500 households of varying types but with the key criteria of having residents entitled to income related benefits. The sample size was therefore within the defined parameters which are subject to a minimum of 400 from priority groups (i.e those on income related benefits) The survey was undertaken by the Energy Saving Trust Advice Centre who utilised the electoral register as a base to produce a random survey of around 20% or around 9,500 properties. The postal survey sample therefore includes all types of households not just those on benefits. This decision was taken for the purpose of avoiding potential conflict with the Data Protection Act. The guidance recognises that it may be necessary to partner with other LA’s to ensure that sufficient “target” households are picked up or to maximise the cost efficiency of data collection. However, in respect of Carlisle City Council, which was actually used as a pilot for the purpose of compiling NI 187 for the year 2008/09, 513 responses were obtained by ESTAC from households on income based benefits. This number was eventually whittled down to 504 following some cleansing of the data and the completed questionnaires were forwarded to Hestia Managed Services who analysed the data and completed a Standard Assessment Procedure for the energy rating of dwellings (SAP). The baseline data was then forwarded to the City Council and it was this data that was used to calculate the relevant indicators.

The only issue that arose with regard to the robustness of the exercise was the reliance placed on respondents giving accurate details of income based benefits received. 20 households claiming to be in receipt of HB or Council tax benefit in 2008/09, were checked against the Authorities records and this exercise identified in 6 instances this proved not to be the case.

**NB – In all of the above 6 six cases, the householders, did all qualify for single person discount and this was perhaps confused with means tested benefit.**

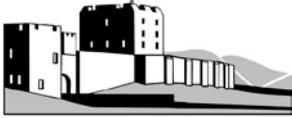
### Conclusion

The process for collecting the base data was undertaken in the prescribed manner in accordance with DEFRA Guidelines. The data collected was compiled and “cleansed” and the indicators were calculated accurately in accordance with the laid down formula’s.

### Recommendation

It is recommended that in order to provide a more targeted and cost effective process, consideration is given to utilising the Authorities records on Council Tax and Housing Benefits recipients as a means for carrying out surveys in future years.

<b>Auditor</b>		<u>Date</u>	8 <sup>th</sup> July 2009
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**Corporate Services**

**Audit Services**

Audit of NI195(a) Litter, (b) Detritus, (c) Graffiti & (d) Fly Posting

**Final Report**

29<sup>th</sup> June 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>			

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>	<b>Action Required</b>
Community Services	Head of Environmental Services (for action/information)	There are matters arising / recommendations arising from this audit review which require your attention.
Community Services	Area Maintenance Manager (for action)	
Policy & Performance	Policy & Performance Officer (for information)	

**Please note:** The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 25<sup>th</sup> September 2009.



## Performance Indicator Audit

<b>P.I. Number</b>	a) NI 195(a) Litter b) NI 195(b) Detritus c) NI 195(c) Graffiti d) NI 195(d) Fly-posting	<b>Year</b>	2009/10  <u>Reporting and testing year 2008/09</u>
<b>P.I. Description</b>	The percentage of relevant land and highways that is assessed of having deposits of litter, detritus, graffiti and fly-posting that fall below an acceptable level.		
<b>P.I. Purpose / aim</b>	Reducing unacceptable levels of litter, detritus, fly-posting and graffiti forms a key part of Government's 'Cleaner Safer Greener Communities'. Through the improved management information delivered to authorities by the indicator, they should aim to reduce the score year-on-year.		

### Testing

Testing was carried out in respect of the financial year 2008/09. These tests included an overall reconciliation of the data collated and subsequent input to the Defra and more detailed testing on the accuracy of the data input in respect of the April to July 2008 period. The procedures adopted in the process were also reviewed and documented and compared with Defra Guidance.

### Background Information

The current Performance Indicators NI 195 a/b/c/d were introduced with effect from 1/4/08. This new Cleanliness Performance Indicator is based on the previous indicator (BVPI 199) with a number of changes including the separation of litter and detritus which was previously combined and revised definitions of Housing land uses to reflect changing conditions. Also, the process of analysing surveys and the making of returns has been streamlined with survey results being input directly onto the DEFRA database. The NI 195 survey is designed to provide a "representative" picture of cleanliness within an Authority and then enabling local Authorities to compare their performance with national benchmarks on a like for like basis utilising 10 land use classes:

- Main Retail and Commercial Areas
- Other Retail and Commercial Areas
- High Obstruction Housing Areas
- Medium Obstruction Housing Areas
- Low Obstruction Housing Areas
- Industry/Warehousing/Retail Sheds/Science Parks
- Main Roads
- Rural Roads
- Other Highways
- Recreation Areas)

At CCC, the inspections and subsequent compilation and registration of the above statistics are the responsibility of the Area Working team within the Environmental Services Unit of Community Services. The Area Working team are currently working to a set 4 year rolling programme (copy schedule attached) which ensures that all urban and rural wards are inspected generally 3 times or at

least twice over the 4 year period (dependent upon the 2004 Indices of Multiple Deprivation). This entails three separate 4 monthly inspection cycles.

The set procedure is that 300 transects ( i.e. an area of 50 linear metres or 50 square metres) must be surveyed over each 4 month period the relevant periods being April to July, August to November and December to March each year and a minimum of 30 transects should be surveyed for each land use category. Ideally, surveyors should aim to survey six transects in each land use in each of the 5 target wards but this is virtually impossible in Carlisle. It is therefore invariably necessary to bring in "other wards" to supplement the set programme to meet the requirements. Grading assessments are made on a 4-point scale set out in the Code of Practice on Litter and Refuse ranging from Grade A (clean) to Grade D (heavily affected). Where conditions fall between 2 grades, surveyors may use intermediate grades, B+, B- and C- and this brings up the full set of 7 possible grades. The definitions of each grading are reasonably clear and also identified in pictorial form for additional clarity. The definitions for litter for example are:

Grade A - No litter or refuse

Grade B - Predominantly free of litter and refuse except for some small items.

Grade C - Widespread distribution of litter and refuse, with minor accumulations

Grade D - Heavily littered, with significant accumulations

Transect Locations within each ward are selected at random and the results of each inspection are recorded on standard marking sheets (copy attached). The information recorded includes date, time, location and the name of the surveyor carrying out the inspection and the relative gradings for :

- Litter
- Detritus
- Graffiti
- Fly Posting.

In accordance with recommended practice, surveys are carried on weekdays (Monday – Friday) in daylight hours and do not routinely survey transects directly after a cleansing operation has taken place or conversely just after refuse collection has taken place. DEFRA guidance states that wherever possible, surveyors should work in pairs but this is not generally the practice at CCC due to resource constraints.

The results are summarised on a standard matrix (copy of the December 2008 – March 2009 summary attached) and are entered onto the online DEFRA database directly from the individual inspection sheets). The Area Maintenance Manager alone holds the access password to the Defra database. CCC currently chooses to input individual survey data directly into the online database rather than via a spreadsheet. There is no way of balancing the input numerically for cross-checking purposes and once entered and sent to DEFRA, the data cannot be changed and can no longer be seen. For this reason extra special care is taken to fully check all details on the pre-send screen prior to final submission and source documents (i.e the inspection sheets) are ticked off in red when submitted.

Following submission of the inspections, a report is automatically generated by the DEFRA system which also aggregates the three 4 monthly surveys and formulates the basis of the return that must be made to the Department for Communities and Local Government (CLG) via the Chief Executive's Department by the end of June each year.

The results are utilised to help reduce unacceptable levels of litter, detritus, fly-posting and graffiti in line with the Government's 'Cleaner Safer Greener Communities' agenda and the City Council's Environment agenda which seeks to build a more flexible and responsive organisation which can respond quickly and effectively to residents concerns. Through the improved management information delivered to authorities by the indicator and the detailed information that accompanies it, the Authority will be better placed to target resources where they are best needed and this should facilitate a reduced score year-on-year.

### **Method of Calculation/Formula**

$( T + (Tb/2) ) / Ts ) * 100$  where

T = No of sites graded C,C- or D for each element (litter, detritus, graffiti and fly-posting)

Tb = No of sites graded at B- for each element

Ts = Total number of sites surveyed for the relevant element.

The figures for litter, detritus, graffiti and fly posting are rounded to the nearest whole number in percentage terms. The lower the percentage, the higher the performance.

### **Matters Arising**

1) Audit checks confirmed that the Area Maintenance Manager carried out the 2008/09 programme of inspections on a ward by ward basis in accordance with the pre-set 4 year plan. However there was no direct involvement or checks made by Head of Environmental Services to initially assess or continuous assess throughout the progress of the process that the transects selected formed a reasonable cross section of the land uses and a representative set of site across the Authority.

2) The input of inspection results was not wholly accurate during 2008/09 but the disparities were relatively minor and would not have any meaningful effect upon the validity of the performance figures ultimately derived. The results of 2% for litter, 3% for detritus, 1% for graffiti and 0% for fly-posting are therefore correct. Audit tests revealed that the number of actual inspections amounted to 920 but 938 results were processed through the Defra database due to the lack of any batch control total features in the input process. It can only be presumed in the absence of any method of checking input that some inspections were entered twice. It was apparent that one inspection had not been ticked off as being input. It needs to be noted that Defra's minimum target number of 300 detritus inspections was not achieved in 2008/09 albeit marginally (i.e. 295)

3) The inspections for 2008/09 were substantially carried out by a senior manager partly due to the lack of any trained officers at a more suitable level. The same Manager also undertook the online entering of the inspection results. This helped to ensure that the process was undertaken well in a consistent manner and in accordance with Defra guidelines but it is recognised that the role of the Area Maintenance Manager in the process should be of a more supervisory and strategic nature and relevant officers within the Area Maintenance team need to be properly trained to take over the inspection duties.

### **Conclusion**

The 2008/09 inspection regime has been carried out substantially in line with the DEFRA guidance in terms the timing and methods adopted by the relevant surveyor and in terms of the number of transects surveyed in overall terms and by land use. It was noted however that there was no involvement of the line management of the officer who undertook the whole process to provide some independent overview. The results of the inspections were returned to the Government in an appropriate format with a reasonably high degree of accuracy and within the laid down timescales. Adequate inspection records have been maintained but some improvements have been suggested

including audit trail enhancements. In addition the “master file” which needs to be maintained for external audit purposes requires details of employees involved in the process together with job descriptions and training logs.

**Recommendation**

- 1) Formal feedback should be issued to Defra on the general control deficiencies in respect of the data input process and the inability.
- 2) The Head of Environmental Services should be involved with the inspection process to some degree specifically in respect of gaining assurance of the adequacy and representative nature of the sampling process. It is recommended that the advance proposed programme is authorised by the Head of Environmental Services who should also receive a copy and review the 4 monthly inspection results.
- 3) The date of input should be recorded on the inspection sheets and a copy of the pre-submission input schedule should be taken to provide a more adequate audit trail.
- 4) Surveyors at a suitable level should be trained up and made responsible for the inspection process
- 5) The Area Maintenance Manager should create and maintain a master file for audit inspection purposes which contains a transparent audit trail and details for each surveyor including job description and up to date training log.

<b>Auditor</b>		<u>Date</u>	
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**Corporate Services**

**Audit Services**

Audit of Payroll Services

# Final Report

24<sup>th</sup> August 2009

<b>Audit Contact</b>		<b>Extn No.</b>	
<b>Document Ref:</b>	K:\2006-07 onwards\Material Systems\Payroll MAT060\2008-09\Payroll Audit Final Report 08-09.docx		

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>	<b>Action Required</b>
Personnel and Payroll Services	Head of Personnel and Development Deputy Chief Executive	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Personnel and Development Services, which is attached as Appendix A.
Corporate Services	Head of Financial Services Director of Corporate Services	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Corporate Services, which is attached as Appendix B.

**Please note:** The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 25<sup>th</sup> September 2009



**1. Reason for the Audit**

- 1.1. The audit of the Payroll forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services, as part of their work on the annual statement of accounts.
- 1.2. In agreement with the Audit Commission a full review has been carried out as Payroll received "Reasonable Assurance" following last year's review.

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

- 2.1. Carlisle City Council payroll is operated by Operational Support and is a Personnel and Development Services function. There are five and half full time members of staff with directly linked roles to the production of the payroll although in addition some Personnel staff, administration staff and IT staff have a role in the operations.
- 2.2. The service is responsible for all the pay for all Contracted and Casual Staff, Community Centres' Salaries and Members' Expenses. The service relies on the Trent IT System.

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

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

<b>Risk Description and Control Strategy</b>	<b>Type of Risk (strategic / operational)</b>	<b>Risk Score H/M/L</b>
Payment to 'bogus individuals'	Operational	Low
There is a risk that staff and Members will not get paid in the event of failure of IT systems. As BACS has not been tested by IT services and we have no knowledge of any contingency arrangements in place.	Operational	Medium

**4. Scope of the Audit**

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

	<b>Areas Examined</b>
1.	Follow Up
2.	Starters
3.	Deductions
4.	Variations
5.	Leavers
6.	Payments
7.	Reconciliation

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

- 5.1. The controls around a new starter are thorough. The recommendation made would enable managers to record that there had been some verification of the qualifications claimed on an application form
- 5.2. From the areas reviewed and the testing carried out there are no problems with the systems and procedures for deductions from the payroll. The two areas identified are clerical problems that can be easily resolved.
- 5.3. Variations to pay are applied appropriately and the recommendations highlighted are to ensure that the forms are always completed correctly.

There is an issue with how long an employee should work, during overtime, without taking a break.

- 5.4. The procedures surrounding leavers are thorough and are applied appropriately
- 5.5. The Payroll Payments are being made timely and securely. There is adequate separation of duties surrounding the transmission of the Payroll BACS and the distribution of payslips.
- 5.6. There has been no independent verification of the organisation structure on the Trent System.

**6. Grading of Audit Recommendations**

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

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

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

- 6.2. There are 11 recommendations arising from this review. 3 at grade B, 6 at grade C for Personnel and Development Services and 1 at Grade B and 1 at grade C for Financial Services.

**7. Statement of Assurance**

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

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

**APPENDIX A**

**1. Follow up 2007-2008 audit**

***Method of Review:***

Review of the 2007-2008 audit to ensure that all the recommendations have been actioned

***Summary of Findings:***

A follow up of the 2007-08 audit has been carried out and any outstanding recommendations have been re-addressed as part of this review.

The main outstanding recommendation which has not been implemented was for :

The requirement to independently verify the accuracy of the established payroll (including casual staff) needs to be reviewed and fully implemented by Personnel. This exercise should be undertaken on a scheduled basis (suggest every 6 months for staff on the establishment and every 3 months for casual staff).

*Noted that there is a continuing resource issue in Personnel Services, which will have to be address in order for this requirement to be fully endorsed with the section. Pay Services Manager's comments – We need to do this especially now with potential issues regarding segregation of duties but we shall need to put back implementation to December 2008.*

*June 09*

*Further discussions were held with the Personnel Manager and the Pay & Workforce Administrator who confirmed that this would be implemented for Casuals in July 09 and twice a year thereafter and for the Organisation structure in September 09, to be repeated annually.*

***Re-Issued Recommendation in Section 7***

Further recommendations still outstanding are relating to Criminal Records Bureau (CRB) disclosures. Worked is still being carried out on allowing CRB posts to be identified within Trent and for renewal dates to be recorded. Currently the Pay and Workforce Administrator is still maintaining a spreadsheet recording the information. The Personnel Manager agreed that the recommendation will be implemented before March 2010

**Re-Issued Recommendations below**

<u>Ref</u>	<u>Issue</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale</u>
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A1	<p>Trent does not flag posts which require CRB disclosure reports. No other separate record (i.e. post listing) is maintained by Personnel for reference / guidance purposes. The need to complete a CRB disclosure is based only on the information provided in the memo (template) which is completed by the employing department to inform Personnel of the vacancy which is to be advertised (see Recruitment / Appointment Procedure booklet on page 7). This process is not sufficient as:</p>	<p>Personnel should be pro-active in determining whether or not posts require CRB disclosures. These should be held in the form of a central register and/or the details held within an illuminated field within Trent which can be easily identified.  <i>We are much tighter on all this now following Safeguarding Children changes.</i></p>	B	Mar 2010
A2	<p>(a) the need for a CRB disclosure may not be fully appreciated by the line manager and therefore not included in the advertisement details, and                  (b) Personnel may inadvertently miss the insert stating that a CRB disclosure is required.</p>	<p>Posts which require CRB disclosures to be undertaken should be easily recognisable in Trent (flag/indicator in place).  <i>If this is possible technically then we will do so. If it is not possible/practical then we will keep a separate list. Please note that this will actually be two lists- one for general CRB and another for Safeguarding.</i></p>	C	Mar 2010

## 2. Starters

### **Method of Review:**

#### **Check that the documentary proofs required to be provided by a new employee include:**

- An original birth certificate
- A National insurance number
- Proof of qualifications
- Evidence of driving licence

#### **Check that the managers are required to obtain satisfactory references from previous employers**

- The person is suitably qualified / skilled and honest
- The number of sickness absences is correct
- Confirm that vetting is required to be undertaken for all "high risk" posts

#### **Select a sample of New Starters and trace each to their personal files and check that**

- Copy letter of appointment is held
- A starter's form exists which was signed by the employee and an authorised signatory
- Details shown on each form agree to the record created on the payroll system
- Details shown on the payroll system agree to those on the personnel system

#### **Examine the above starter forms and check that they record**

A Birth Certificate, NI Number, References and qualifications were produced and examined

That a P45 or P46 was sent to the Inland revenue

Whether or not the employee elected to join the pension scheme

### **Summary of Findings:**

A sample of 10 new starters was reviewed to ensure that the procedures were appropriately applied. In all cases a letter of appointment was held on the file and a new starter's form was in existence. Details on the form were verified to those on the Trent system. The new starters provided passport evidence in all cases and a copy of these were kept for reference. Only some of the starters provided NI numbers immediately but all have since and the records are maintained appropriately. There is no evidence of qualifications being checked on any of the files

The controls around a new starter are thorough. The recommendation made would enable managers to record that there had been some verification of the qualifications claimed on a application form

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A3	There is no evidence of qualifications being checked on any of the files	Head of Personnel and Development	Evidence of qualifications have been seen and verified should be recorded on to the personnel file <i>This needs to be done at interview stage by the interview panel, albeit this will be under instruction from P&amp;DS staff. We are to revamp these procedures in light of new Safeguarding policy</i>	B	6 months

### 3. Deductions

#### **Method of Review:**

#### **Identify any cases on the Payroll system where**

- A tax code
- An NI number
- NI code

**is not shown**

A temporary NI number (ie TN) is used

#### **Select a sample of employees having non statutory deductions taken from their pay ensure that**

- An instruction is held on file which was signed by either the employee or an authorised employee
- There is documentary evidence that the instruction was input by one employee and checked by another
- The deductions are clearly shown on the employee's payslip
- A holding account or financial code was set up for each type of deduction
- Adequate records are maintained that satisfy the Inland Revenue in respect of all tax and national NI contributions deducted

#### **Select a sample of financial codes in respect of both statutory and non-statutory deductions payable to external bodies and check that the full amount of the sums deducted were paid promptly and in full**

For each of the above trace to the payment request forms and ensure that

- They show the payees and amounts payable
- They clearly show the periods to which the payments relate
- They were signed by authorised employees

#### **Summary of Findings:**

The Trent System will not allow an employee to be attached to the system without a Tax Code or a NI code to be specified. - A walk through test was carried out which confirmed the above.

The Assistant Pay Services Manager was observed attaching a new starter to the system. All the "blue boxes" are mandatory and Trent would not allow the user to move to the next screen without having them all completed. These included the Tax code and the NI code.

A report was produced from the Trent System showing the employees with a missing NI number. Only three employees were found, of whom only one was attached to the Payroll element of Trent. - The individual started work with the Authority on the 2/2/09. The Assistant Pay Services Manager always investigates

any missing NI numbers and contacts staff to get them to provide their number. It is in the employee's best interest to provide the information to Payroll to ensure that the contributions are attached to their NI number.

The are no temporary NI numbers in use, as the Inland revenue rules do not allow it any more.

A sample of non-statutory deductions was reviewed :-

5 Deductions of Child care were checked, and all instructions were held on file

5 Lease Cars were checked; four had instructions on file but one had not,

All deductions are shown on the relevant employees' payslips

The Financial codes for X0056/4001/49120 Childcare vouchers and X0041/0926 Car Lease deductions for the current year were reviewed and were found to be accurate and complete

The Transfer invoices completed by the Personnel Assistant should specify, in the narrative, which month the transaction related to

From the areas reviewed and the testing carried out there are no significant problems with the systems and procedures from deductions from the payroll. The two areas identified are clerical problems which can be easily resolved

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A4	One of the authorisations for a lease car deduction could not be found on the relevant employees personnel file.	Head of Personnel and Development	Ensure that instructions to withdraw non statutory payments from payroll are always retained. <i>They are! Just unfortunate one couldn't be found</i>	C	6 months
A5	The transfer invoice completed by the Personnel Assistant should identify the month the transaction relates to.	Head of Personnel and Development	When completing the narrative on transfer invoices requests, the relative period should be detailed. <i>Noted</i>	C	6 months

## 4. Variations

### ***Method of Review:***

#### **Select a sample of casual employees paid via timesheets from the latest pay run and check that :**

- A valid timesheet exists for each
- Where a valid timesheet does not exist, that the payment is for basic pay only and that relevant documentary evidence is obtained that the person exists
- Review the completed timesheets and ensure that:
- Details of the work undertaken and hours worked are shown daily
- Signed by the employee and an Authorising signatory
- Signed and dated when input into the computer system

#### **Select a sample of salaried and waged employees in receipt of overtime from the latest monthly pay run and check that:**

- Claims are on official forms
- Additional hours are clearly detailed
- Forms were signed by the employee and certified correct by an authorised signatory
- The overtime forms were signed and dated when input into the computer system

#### **Fixed Temporary Adjustments**

Select a sample of employees receiving fixed temporary adjustments, such as honorariums and fixed bonuses, and confirm that copies of the payment requests are held on file and were certified by authorised signatories.

#### **Select a sample of salaried and waged employees who received pay rises and check that:**

- Their pay points match the relevant national pay rates.
- Where the payment was backdated, the calculations are correct.
- Where back-payments involve other items such as standby payments, these were calculated correctly.
- There is evidence that all calculations were checked and agreed by an independent person

**Summary of Findings:**

Samples of the casual employee timesheets were reviewed. A valid timesheet exists for each employee tested. The forms all showed the period of the work undertaken, the month paid and were signed and dated by an employee and signatory.

One of the forms did not detail the work undertaken. All of the others were completed well.

The forms are not signed and dated when input on to the system but the Payment Office use a section, on the form, to detail the scale point and the cost codes

Samples of Overtime testing were reviewed. All were completed appropriately. The overtime form was reviewed and the notes for completion were found to be incorrect.

The notes detail that “ A half hour break must be taken after at least every 7.5 hour period of working. If a break is not physically taken the hours claimed must still be reduced by ½ hour”. This is believed not to be inline with the Authority’s policy on Working Time Regulations, which was written to ensure that the Authority complied with the European Working Directive. It clearly states that Rest Periods must be a minimum 20 minutes in each 6 hours (30 minutes for 4.5 hours for young workers)

Honorarium payment request forms were reviewed. All were found to have appropriate forms held on the relevant Personnel file. One of them was found not to have been signed and two were not signed and dated when they were input.

Variations to pay. Ten examples were reviewed and compared to the information in the Payroll System. All the amendments were found to be completed appropriately. The Trent system calculates the appropriate back pay where necessary. The Assistant Pay Services Manager regularly checks a sample of calculations to ensure they are correct. No problems have been identified.

Variations to pay are applied appropriately and the recommendations highlighted are to ensure that the forms are always completed correctly.

There is an issue with how long an employee should work, during overtime, without taking a break.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A6	Not all Casual forms are being completed fully	Head of Personnel and Development	To remind all authorised signatories of their responsibility to ensure that the forms are completed appropriately <i>Noted</i>	C	6 Months
A7	The notes on the back of the overtime form are not consistent with the Authority's Working time regulations	Head of Personnel and Development	To ensure that the overtime notes on completion of claim form are amended to be inline with Authority working time regulations <i>Forms on intranet will be amended so as to remove all details for the time being until the new pay policy is formally agreed. Some depts. hold stocks so inevitable that old forms will continue to be used for now</i>	B	6 Months
A8	Not all Honorarium forms are being completed fully	Head of Personnel and Development	To ensure that all honorarium forms are appropriately completed and are signed and dated when input <i>Noted</i>	C	6 Months

## 5. Leavers

### ***Method of Review:***

**By examination check that there are satisfactory procedures in place to ensure that, prior to an employee leaving, relevant sections are notified so that:**

- Computer and physical access rights can be deleted.
- Any outstanding sums, equipment, keys, security passes and uniforms are reclaimed.

**From the payroll system select a sample of 5 leavers from 2008/09 and by examination check that:**

- A leaver's form was submitted in each case and that the leavers' notification procedure had been effectively applied in each case.
- P45 notifications were issued promptly to the Inland revenue.
- There is evidence on file of the action taken in respect of superannuation and that the fund administrators were advised accordingly.

**Review each leaver's form and check that:**

- It shows the leaver's full name, post number and description, termination date and items and sums to be recovered.
- The termination date shown on the form agrees with the date recorded on the computer system.
- The form was submitted sufficiently in advance of the leaver's termination date.
- Where the form was not signed by the leaver, the reason is stated and reasonable.
- The leaver's form recorded the date when the record was updated.

### ***Summary of Findings:***

The current leavers form was reviewed to ensure that there are boxes to be completed to ensure that Computer System administrators are advised of the employee leaving.

There are also spaces to ensure that any outstanding sums, equipment, keys, security passes and uniforms are reclaimed.

The five leavers tested for 2008/09 all had leavers forms appropriately submitted, and the leavers notification procedure had been followed. In addition a P45 had been promptly sent to the Inland Revenue

The Assistant Pay Services Manager runs a report monthly from Business Objects detailing the month's leavers. On this is recorded the information sent to Capita regarding the superannuation. In addition the email is retained which is sent to them showing the relevant calculations.

A review of each leaver's form was carried out and they were all found to have been completed and actioned correctly. The previous audit highlighted a problem concerning the returning of the Car Parking Permit. This has now been addressed, as there is a section on the leaver's form to be completed regarding this.

The procedures surrounding the leavers are thorough and are applied appropriately

## 6. Payments

### *Method of Review:*

#### ***Ensure that controls are in place to ensure that:***

- Salaries, wages and associated costs are charged to the correct financial code.

There is adequate separation of duties in place to ensure that the distribution of payslips and returned payroll post is dealt with independently of the payroll section.

All new employees are required to receive payments via BACS.

There are adequate controls in place to ensure that BACS payments are:

- Despatched in time to meet the BACS processing deadline.
- Agreed to the BACS
- Transmission file before and after releasing the payment.
- Securely transmitted
- Appropriate managers, independent of payroll, are responsible for setting the BACS transmission limit.
- Check that the current BACS transmission limit is reasonable by reference to the total amounts paid in respect of recent payroll runs.
- The fidelity guarantee includes all employees involved in the procedure and that the cover is reasonable.

**Summary of Findings:**

There are adequate controls to ensure that the correct cost code is used. The code is entered on to the Post Interview Checklist which is entered directly on to Trent.

After printing, payslips are kept in a secure location for the maximum of 2 days. They are then delivered to the individual Directorates within the Authority and handed out to employees

**BACS Payments**

A meeting was held with the Assistant Pay Services Manager and she advised that most employees are now paid by BACS. Occasionally, they're a few cheque payments, these are usually to casual staff or one off payments for work done for the Authority.

Before each BACS transmission the files are checked by a pre-run and then before the actual BACS run to ensure accuracy.

The transmission file is checked and signed by an Authorised Manager before releasing of the BACS payment.

There is a timetable that the Payroll staff adhere to when transferring BACS payments. Payroll informs IT that the BACS file is ready for transmission and the IT transmit the file securely. This gives complete segregation of duties.

The BACS limit to date is set at £1,050,000. The Bank was contacted in November to ensure that the payment was processed and it included the new pay rise and back pay has to be taken into account.

Tests were carried out to review the total BACS payroll payments

- November £1,114,976.83
- December £1,012,030.52
- January £ 976,232.17
- February £ 989,172.44

The Fidelity Guarantee was checked to ensure that appropriate cover was in place for all staff involved in the BACS process. The Level of cover is £1,000,000 for all Carlisle City Council staff so this is appropriate on a normal month.

The Payroll Payments are being made timely and securely. There is adequate separation of duties surrounding the transmission of the Payroll BACS and the distribution of payslips.

## 7. Reconciliation

### ***Method of Review:***

#### **Ensure that reports are produced on a regular (e.g. half-yearly) basis, independently of the payroll section, which:**

- Lists by unit the name of each employee who is charged to the cost code/centre.
- Shows for each employee their:
  - Post Number
  - Salary and-or grade
  - Status (For example, full or part-time, permanent or casual)
- Are sent out direct to each Head of Service, independently of payroll:
- For each Head of Service to confirm in writing that the data shown for their unit is correct.

#### **Reconciliations are regularly undertaken independently of payroll of:**

- The gross pay control account in the ledger / Payroll data to the Main accounting system.
- Payroll suspense accounts (and that they are promptly cleared).
- Payroll holding accounts.

**Summary of Findings:**

A discussion was held with the Pay & Workforce Administrator who clarified that no verification work has been carried out independently of the Payroll section since Trent has been implemented. It was explained that this was because of the wait for "Business Objective" computer system. Verification of the accuracy of the organisation structure on the Trent system is still not being carried out

The February 2009 Main Payroll – X0041 was reviewed

The gross pay account was reconciled to the General Ledgers. The Ledgers were found to balance to the Payroll information supplied. A problem was identified in that it appeared that £103 was not balancing in the code X0053/0941. Discussions were held with the Assistance Pay Services Manager and a Senior Accountancy Assistant. The difference was due to charges for the Attachment of Earnings. The figure was reconciled to the ledgers to code 35040/8417

The Suspense was found to have been cleared out promptly and the sample tested were all found to have been allocated appropriately

The reconciliation of the advances was reviewed. Two advances were brought forward at the start of the year and at the time of the audit were still not recovered through the Payroll. One advance from August was outstanding as well.

There is still no separation of duties between creating new casual employees on the payroll and processing payments for casuals – Pay Services/Operational Support still have responsibility for creating and paying casuals. In addition they have also taken on the responsibility for creating employees on the "establishment" and then attach them to the payroll. Different members of the team create and attach but it does raise concerns over the reduction in separation of duties. The Head of Personnel and Development has been aware of problem with casuals for many years and is aware of the situation relating to the "establishment" and accepts the element of risk of these practices.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A9	No verification of the payroll has been carried out independently of the Payroll section	Head of Personnel and Development	Verification of the payroll to be carried out <i>Underway</i>	B	6 Months

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B1	The Accountancy Assistant completes the Payroll reconciliation. The agreed procedure is for a Senior Officer to verify the reconciliation to confirm it is correct. This is more critical this year as the work has been carried out by a temporary member of staff.	Head of Financial Services	<p>The Payroll reconciliation should be verified by a senior officer</p> <p><i>The reconciliation Process has changed and is now verified by the Principal Finance/Systems Officer</i></p>	C	6 Months
B2	Two advances were brought forward at the start of the year and at the time of the audit were still not recovered	Head of Financial Services	<p>Advances need to be balanced monthly and all outstanding amounts must be investigated</p> <p><i>This matter was initially discovered by the Finance section and notified to Payroll suggesting recovery. Finance subsequently discovered a further unrecovered advance in February 2009 and also advised Payroll who have since recovered some of the sums but advise that the two employees who received the original advances have since left our employment. We have subsequently advised Payroll that because of the value an attempt should be made to recover the sums.</i></p> <p>Internal Audit has noted Finance's comments. It is not their responsibility to recover the cost just to ensure that payroll are advised of the outstanding amount</p>	B	6 Months