

## **AUDIT COMMITTEE**

### ***Committee Report***

**Public**

**Date of Meeting:** 11<sup>th</sup> April 2011

**Title:** AUDIT SERVICES PROGRESS REPORT

**Report of:** Assistant Director (Resources)

**Report reference:** RD.6/11

**Summary:**

This report summarises the work carried out by Audit Services since the previous report to Committee on 14<sup>th</sup> January 2011 and monitors progress against the Audit Plan for the reporting period 13<sup>th</sup> December 2010 – 18th March 2011.

**Recommendations:**

Members are requested to receive this report and note progress made against the agreed Audit Plan.

**Contact Officer:** Gill Martin, (Interim) Audit Manager Ext: 7294

## **CITY OF CARLISLE**

To: Audit Committee  
11<sup>th</sup> April 2011

RD.6/11

### **Audit Services Progress Report**

#### **1 Summary of Audit Work**

- 1.1 This report summarises the work carried out by Audit Services since the previous report to Committee on 14<sup>th</sup> January 2011 and monitors progress against the Audit Plan for the reporting period 13<sup>th</sup> December 2010 to 18<sup>th</sup> March 2011.
- 1.2 As previously agreed by 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, and has been assigned a rating of either 'reasonable', 'restricted', or 'none'.
- 1.3 Reports that have been assigned a rating of 'substantial' are supplied in a short report format (Management Summary only), as agreed at the Committee meeting on 24<sup>th</sup> September 2010. There is one audit report which has been completed in this reporting period which meets this revised criteria.
- 1.4 There are 6 completed audit reports for Members to consider at this time. These are attached as:

**Appendix A – Car Parking**

**Appendix B – Food Safety**

**Appendix C – CTAX and Housing Benefits**

**Appendix D – Creditors**

**Appendix E – Treasury Management**

**Appendix F – Partnerships**

#### **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.

#### **3 Ongoing 2010/11 Audit Work Programme.**

- 3.1 The Audit Shared Service went live on 1<sup>st</sup> December and auditors have transferred to the County Council under TUPE arrangements from this date.

- 3.2 The Audit Team continues to concentrate on completing the Audit Plan for 2010/11, the main area of focus at this time being the completion of the material system reviews which historically dominates much of the available audit time in the latter half of the financial year. These reviews are agreed in advance with the Audit Commission and focus on the key financial systems of the Council. All material systems audits have been completed, 5 at final report stage and the remaining 7 issued at draft stage and the outcome of these will be presented to the Audit Committee in June 2011.

#### **4 Audit Performance - 2010/11 Audit Plan**

- 4.1 The 2010-11 Audit Plan was presented to Audit Committee on 9<sup>th</sup> April 2010 – report RD4/10 refers. Necessary revisions to the Plan were reported (RD 58/10) at the meeting on 30<sup>th</sup> November 2010.
- 4.2 To assist Members in monitoring progress against the agreed Audit Plan, progress has been recorded for the period 13<sup>th</sup> December to 18<sup>th</sup> March 2011.
- 4.3 Members will note that 54% of days available in the period represented productive audit time. This has fallen short of the target of 66.4% and is fully explained by the unprecedented high levels of sickness absence which was experienced within the Team during this last reporting period. This involved 3 members of the audit staff being off on long term sick (2+ weeks) which in total accounted for 59 working days in the period. Additional audit resource totalling 17 days was provided via the Audit Shared Service arrangement to assist with the completion of two material audit reviews before the year end.
- 4.4 The report at **Appendix G** illustrates the work undertaken to date. Members will note that some audits have taken longer than anticipated. This is the first year that time allocation budgets have been fully established at the start of the year, with the result that some reviews have taken longer than originally anticipated. If an audit necessitates more time than originally allocated, this is discussed with and agreed by the Audit Manager at the first available opportunity. Where more time is allocated the expectation is that significant findings will result. This should provide for greater assurance levels and allow the Audit Commission to place greater reliance on the work.
- 4.5 Staff sickness has also has an impact on the time spent on individual audits in this last reporting period as additional time is often necessary when returning to a partially completed audit review in order for the Auditor to ascertain their point of progress and remaining areas for completion.
- 4.6 Lastly, the whole transformation process has resulted in changes to structures, reporting lines and the availability of key staff, which, on occasions, has resulted in more time to complete audit reviews.

## **5      Recommendation**

5.1      It is recommended that Members receive this report.

P. Mason

Assistant Director (Resources)

11<sup>th</sup> April 2011

**Audit Services, Resources**

**Audit of Car Parking**

# Final Report

22nd March 2011

Directorate / Service Area	Recipient(s) of Report	Action Required
Local Environment	Highways 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 Parking Services, which is attached as Appendix A.
Resources	Assistant Director - Local Environment	For information
	Assistant Director – Resources	For information
	Financial Services Manager	For information

**Please note:** The Chief Executive, Deputy Chief Executive and other relevant Assistant 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 11<sup>th</sup> April 2011

## 1. Reason for the Audit

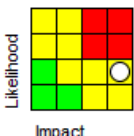
- 1.1. The audit of Car Parking forms part of the annual programme of material audit reviews which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material audit 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 Parking Services Team is responsible for the enforcement of parking regulations under the provisions of Part 6 to the Traffic Management Act 2004. The Team is managed by the Highways Services Manager and forms part of the Local Environment Directorate.
- 2.2. Whilst Cumbria County Council is the enforcement authority responsible for all on street parking restrictions, Carlisle City Council carries out enforcement in the Carlisle District under the terms of an agency agreement.
- 2.3. Carlisle City Council is the enforcement authority for off street parking. The Council manages 14 Pay and Display car parks in the District, of which there are 33 Pay and Display ticket machines in use.
- 2.4. The Council currently employs 8.8 FTE Civil Enforcement Officers (CEOs) who issue Penalty Charge Notices (PCNs) using handheld computers. A further 7.8 FTE staff carry out a range of back office duties which includes issuing a range of different parking permits, management and recovery of PCNs, statistical car parking information and support on special projects.
- 2.5. The City Council operates a Residents Parking Scheme on behalf of Cumbria County Council. The scheme provides time limited parking within disc parking zones in which vehicles displaying a valid resident or visitor parking permit are exempt from the disc zone time restrictions. At present there are 8 residents parking zones in the District. Cumbria County Council, as the enforcement authority responsible for all on street parking, has been considering changes to the Residents Parking Scheme since 2009. During this time, residents' permit renewals have been suspended. No replacement permits have been issued (since August 2009) and only new permits have been issued to new residents.
- 2.6. Carlisle City Council also carries out parking enforcement and cash collection duties on behalf of Eden District Council. Systems and procedures are the same as those in place for Carlisle, with the exception of Eden's banking arrangements, which are accounted for separately.
- 2.7. Discussions are underway with Cumbria County Council regarding the development of a county wide scheme known locally as Parking Connect. This would involve Carlisle City Council carrying out on street parking enforcement on a County wide basis. A decision regarding the way forward is expected in March 2011.

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

- 3.1. Examination of the Operational Risk Register noted the following risk which related to Parking Services:

Risk	Description	Present and Previous Risk Matrices	Review Dates	Current Risk Rating	Rating Description	Current Action Status / Control Strategy
Lone working	The risk of lone working - risk of injury, attack, taken ill in a remote location.		08 Dec 2010	8	<b>Impact</b> Critical  <b>Likelihood</b> Remote	Lone working policy and procedures in place for call outs.

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

- Theft from Pay and Display ticket machines
- Effectiveness of the Chipside parking system
- Inadequate control / misuse of parking permits
- Health and Safety considerations surrounding cash collection duties

***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 are outlined below.

Section in Appendix A	Area Examined
1.	Follow up of Previous audit Recommendations
2.	General – Training, Regulations, Staffing Levels, Service Activity, Insurance, Health and Safety, Controlled Stationery
3.	Cash Collection and Banking
4.	PCN Recovery Procedures
5.	Contract Parking

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

- 5.1. Parking Services is a key income generating service, but it is under pressure as a result of reduced staffing levels and falling levels of income due to the general reduction in the use of car parks and fewer PCNs being served.
- 5.2. The Service is supported by skilled and dedicated staff and has good management arrangements in place.
- 5.3. Comprehensive management information on car park usage and PCN activity is prepared by the Team and on which reliance can be placed to support decision making and annual reporting purposes.
- 5.4. A number of opportunities to further enhance controls have been identified as part of this audit review. These are shown in Appendix A and have been brought to the attention of the relevant service managers. In summary, the key issues arising from this review are:
- Improved control over parking permits, including the provision of temporary permits.
  - Use of in house debt specialists to aid the recovery of PCN payment arrangements.
  - Effective means to archiving personal data on close cases held in the parking system.
  - Revised procedures to provide a more effective and efficient method of formal representation.
  - Enhance public awareness of the Contract Parking facility.
  - Consideration given towards externalising the arrangements to undertake car parking cash collection duties.
  - Explore future integration of operational processes into the Customer Contract Centre.

## 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 - 4 at grade B, 4 at grade C and 3 at grade D.

## 7. Statement of Assurance

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

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



## **Local Environment – Highways (Parking Services)**

## **APPENDIX A**

### **1. Follow Up of Previous Audit Recommendations**

An audit review of Car Parking was previously undertaken in September 2009. Two recommendations were arising from this previous review and these were followed up in March 2010. One of these recommendations remains outstanding. This concerns the reconciliation of information between the parking system and the General Ledger, the aim being to reflect PCN income expected, against that which has actually been received. It was originally suggested that this could take the form of a trading account in the General Ledger.

The parking system and the General Ledger do not interface and detailed discussions between Car Parking and Finance into whether such an interface could be developed have concluded that it is not feasible to progress at this time.

Future developments within Parking Services should be mindful of this financial requirement. In the meantime, assurance over the detail, accuracy, timeliness and completeness of PCN cases in the parking system, along with effective segregation of duties between raising and managing car parking debts and taking subsequent payments is sought. These elements are reviewed further in Section 3 of this report.

### **2. General**

#### ***Method of Review/ Work Undertaken:***

- 1) Ensure that staff are aware of relevant legislation and local policies and procedures.
- 2) Ensure that the Car Park function is appropriately resourced and full coverage is provided for both on street and off street parking.
- 3) Ascertain levels of enforcement activity in the district alongside income recovery levels.
- 4) Ensure that CRB checks are undertaken for all staff, as appropriate.
- 5) Examination of the Authority's insurance cover arrangements to ensure that all safes used, cash in transit and car park employees with access to cash are adequately covered.
- 6) Verification that the parking system has the appropriate Data Protection registration in place.
- 7) Review of the arrangements and test accordingly to determine whether satisfactory procedures are in place to vary car parking fees and charges.
- 8) Assurance that car park signage prominently displays the necessary key information for users regarding the terms and conditions of use, charges applied and security considerations.
- 9) Examine controlled stationery stocks, security and issue arrangements.
- 10) Review of the issue and use of temporary parking permits.
- 11) Examine the potential for future integration of operational processes between the Customer Contact Centre and Parking Services

### Summary of Findings:

Staffing levels in Parking Services have declined – 2010/11 (position at period 10) shows an over 27% reduction in staffing compared to the original establishment list. These reductions are not permanent. Salary savings are being taken pending the outcome of transformational changes in the Directorate and the outcome of Parking Connect.

**Table 1 – Staffing levels**

	Agreed Establishment (FTEs)	FTEs in post (Jan 2011)	% reduction
CEOs (front line service)	13.2	8.8	33%
Support Staff (back office)	9.41	7.8	17%
Total Staffing	22.61	16.6	27%

Staffing reductions have been achieved through the natural movement of staff. The reduction in CEOs has been supported by management because of the recognised fall in use of car parks and fewer PCNs issued for both off street and on street parking contraventions - see Table 2 below.

Sampling testing of PCNs issued for On Street parking contraventions, alongside reviews of weekly duty rotas illustrated that CEOs are active in their varied duties across the City. Other contractual duties factored into the staffing rotas include parking presence around schools and HGV parking enforcement and Eden DC patrols.

Selected duty rotas prepared over the course of the year to date indicated that staffing levels were, at times, light over weekends. Discussions with the Team Leader clarified the effect recent staff reductions have had on the duty rota system, which is based on a 12 week rolling cycle. The duty rota has not been adjusted to take a count of the reduction or working patterns of remaining CEOs, which leaves the rota light over weekends at certain periods of the cycle. The Team Leader recognises this issue and confirmed that discussions are ongoing to introduce a new shorter cycle, which will allowed resources to be more evenly spread.

**Table 2 - Number of PCNs Issued:**

	2008/09	2009/10	2010/11
PCNs issued – off street	3,420	3,380	#2,100
PCNs issued – on street	11,934	10,420	#8,070
Total PCNs Issued	15,354	13,800	#10,170

*# projected forecast (based on position at period 10)*

Table 2 shows that PCNs issued have fallen dramatically over the last few years. Forecasts project 34% fewer PCNs will be issued in 2011/12 compared to 2008/09 - the greatest decline being for off street parking (39% less than in 2008/09). It is considered that the fall in PCN issues is because:

- There are fewer CEOs employed and therefore fewer patrols being made.
- Less use of car parks (off street parking) - as indicated in pay and display income levels illustrated in Section 3 - Table 5.
- Impact of fewer permits being issued in resident permit zones – as outlined in the Management Summary (para 2.5), expired resident permits are being honoured pending the outcome of County Council's consultation / decisions being made on the future arrangements of the Resident Permit Scheme and respective zones.
- Fewer motorists are contravening the parking restrictions and this is as a direct result of the Council's policy of effective enforcement

**Table 3 - Total Income from PCNs:**

	<b>2008/09 £</b>	<b>2009/10 £</b>	<b>2010/11 £</b>
PCN Income – off street	80,979	85,132	# 57,620
PCN Income - on street	305,467	315,200	# 274,692
Total PCNs Income	386,446	400,332	# 332,312

*# projected forecast (based on position at period 10)*

With fewer PCN being serviced, this obviously has a direct impact on the income levels received. The forecast indicates 17% income reduction in 2010/11 compared to 2009/10, the majority of which relates to number of PCNs issued to off street parking, which is anticipated to be 32% less than 2009/10.

#### Recruitment

Personnel Services confirmed that all current CEOs have appropriate CRBs checks in place.

#### Insurance Considerations

Cash related activities in car parking highlighted two potential insurance related issues:

- Two safes are utilised by the Car Parking Section. Clarification regarding the value covered by both these safes found that one is not on the insurance documentation for money– **see recommendation A1.**
- The insurance cover arrangements for cash held in Pay and Display car park machines still needs to be clarified – **see recommendation A2**

#### Data Protection

A timely DVLA audit visit (which corresponded with this internal audit review) focused on the secure holding and retention of personal data. An issue was raised regarding personal data attached to closed cases on the parking system. It is understood that this is an issue which may affect many authorities and Parking Services need to liaise with the system manufacturer to determine the best approach to archive personal data from closed cases – **see recommendation A3.**

#### Increased Fees and Charges

Procedures in place to vary fees and charges are satisfactory, although the decision to introduce increased car parking charges slightly earlier in 2011 (on 7<sup>th</sup> February rather than the standard annual April increases) has caused some issues:

- The prices charged by the car parking machines are updated remotely by the Supplier. Pressured timescales to implement these early price changes meant that it was not possible for Parking Services to secure the date of 7<sup>th</sup> February with the Supplier - this was because insufficient notice was given to the Supplier to allow all machines to be updated consecutively. The Supplier completed this exercise on 14<sup>th</sup> February, which effectively meant that car park users received a further week of parking at a slightly reduced rate.
- Some regular users, who failed to notice that prices were due to increase in February, obtained parking tickets which did not cover the full parking time which they required. Parking Services recognised this potential problem and so, issued warning notices rather than PCNs for the first week of the price increases.
- The Notice of Amendments was in place well in advance of the price increases taking effect, but these were not prominently displayed. This may have been a factor in some members of the public not realising that price increases were effective from February rather than April.

#### Controlled Stationery

Controlled stationery used by Car Parking consists of ticket machine rolls and parking permits (residents, visitor, staff, guest houses and contract). Whilst all stocks are held in secure locations and new stock levels received into the office are appropriately recorded, concern was raised over the controlled issue of parking permits.

The controlled stationery records are manual and only reflect stock levels received into stock, not individual permits issued from stock. Also, with the exception of staff parking permits which, it is understood, are logged on a separate database, parking permit serial numbers are not logged on the parking system as currently there is no field for this data. Parking permits have a high value. The lack of an audit trail and the lack of additional controls over permits issued from stock expose the system to potential abuse - **see recommendation A4.**

Effective measures are in place to prevent the unauthorised duplication / alteration of parking permits issued.

#### Temporary Permits

Temporary parking permits have a value. Concern was raised over the lack of controls in place over their production, content and authorised use. The current system is open to abuse – **see recommendation A5.**

#### Integration with the Customer Contact Centre

The Parking Services Team is due to relocate to Civic Centre during 2011. This provides an opportunity for management to consider how operational processes such as the processing of permit applications, receipt of payments and controlled issue of permits could be better integrated into the Customer Contact Centre. Particular reference is made to Parking Services which, on occasions, receive direct payments from members of the public, as this is seen to compromise segregation of duties (see Section 4 – Segregation of Duties for further details). It is considered that such a division of operational duties with the Customer Contact Centre would allow the Parking Services Team (back office) to concentrate on technical processing, system management and recovery of penalty charges – **see recommendation A6.**

<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>Suggested Timescale for Completion</u></b>
A.1	Two safes are utilised by the Car Parking Section – only one appears to be recognised on the insurance schedule	Highways Services Manager	Insurance arrangements for the Dudley Windsor safe need to be fully ascertained and, if necessary, added to the Money policy schedule without delay.	C	June 2011
A.2.	The insurance cover arrangements for cash held in Pay and Display car park machines could not be clarified	Highways Services Manager	The insured value of coinage held in car park machines needs to be clarified with the Insurance Officer.	C	June 2011
A.3	Potential contravention of Data Protection relating to closed cases.	Highways Services Manager	Effective means to remove / archive closed cases so personal details are archived is needed. The Parking (Back Office) Team Leader should liaise with the system manufacturer to determine the best approach.	B	Sept 2011
A.4	There is a lack of control over parking permits issued. A record of the serial numbers of car parking permits issued and those which are spoilt is not maintained. These permits have a high value. Without such control, a record which links individual permits taken from stock to customers / residents can not be made.	Highways Services Manager	Controlled stationery records need to reflect individual issues from stock. This will provide a full audit trail and allow for a full reconciliation of permits issued.	B	Sept 2011
A.5.	Lack of control over the issue of temporary parking permits.	Highways Services Manager	Revised arrangements are required which provide adequate control measures over their production, content and authorised use.	B	Sept 2011
A.6.	Currently the Parking Services (Back Office) Team undertakes the majority of operational processing associated with contract permit applications. Particular reference is made to the receipt of direct payments from members of the public, as this compromises segregation of duties.	Assistant Director of Local Environment /  Highways Services Manager	Management may consider the future delivery of operational processes associated with permit applications by integrating these into the Customer Contact Centre. As part of future integration plans, management should also aim to redirect all remaining direct payments from Parking Services to the Customer Contact Centre.	C	Sept 2011

### 3. Cash Collection and Banking

#### **Method of Review / Work Undertaken:**

- 1) Assurance that authorised cash collection duties are strictly adhered to.
- 2) Review of the health and safety arrangements relating to cash collection duties.
- 3) Ascertain staff recruitment processes to ensure that staff involved in cash collection duties are bona fide.
- 4) Observe the process of counting cash, reconciliation and preparation for banking to determine compliance with agreed procedures.
- 5) Review of procedures and measures in place to ensure that all car parking terminals operate efficiently at all times.
- 6) Ensure that car parking cash collections are promptly and accurately reflected in the General Ledger against the appropriate cost codes and that bank reconciliation procedures are in place and up to date.
- 7) Review of processes for dealing with banking discrepancies.
- 8) Ongoing monitoring of income levels generated from car parks is in place.

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

Car parking cash collection is well controlled through appropriate division of duties, regular reconciliation and monitoring arrangements. No issues were arising in regards to adherence with set / documented cash counting and banking procedures.

Audit testing and discussions with key officers confirmed that necessary measures had been taken to reduce risks associated with security and manual handling.

All Pay and Display car parking machines are reviewed on-line by Senior CEOs and Team Leader via a web office facility. This provides the user with an overview of the status and functioning of each machine and is an efficient approach which allows global monitoring and control of the machines. This approach also means there is very little downtime due to machine malfunctions, as faults are highlighted automatically and so are rectified as soon as possible. On-line monitoring also provides details of cash balances in each machine. This helps to inform the collection routes by ensuring that time is not wasted attending to machines which have received little to no cash since the last visit and vice versa.

Access inside the Pay and Display machines to rectify faults and print test tickets is suitably restricted.

Individual cash collections undertaken on 5 separate days were traced through the system to ensure that the bank paying in slips corresponded to the daily collection sheets and the bank clearance sum. Individual postings to the General Ledger were then examined for 3 car parks (15 postings for the 5 separate day's collections) to ensure prompt postings had been made against the correct cost code and reconciled to the Bank File statement. No issues were arising.

Counterfeit £1 coins continue to be an issue (approx £4,000 collected from Carlisle City's car parks up to the beginning of February 2011). New car parking machines may help to address this issue in the future, but replacement machines are not expected for another few years.

Comprehensive car parking income monitoring arrangements are in place. This is supported by detailed management information on usage and income levels achieved by individual car parks on a week by week basis, comparisons of which can be made with previous years. Based on year to date activity, the projected forecast for 2011/12 is £977,000, which is £155,550 (14%) less than total income levels achieved in 2008/09. This fall in income is wholly attributed to the current economic climate.

**Table 5 – Car Parking Income**

2008/09	2009/10	2010/11
£1,132,527	£1,120,398	#£977,00

# projected forecast

#### Future Arrangements for Cash Collection Duties

The relocation of Parking Services to the Civic Centre during 2011 may include the front line CEO team. Matters regarding whether a ground floor location to accommodate a CEO base and a suitable cash office is currently being considered by the Facilities Section. It is noted that cash collection duties take a significant amount of time and resource to undertake and require an appropriate cash vehicle and secure cash office to meet insurance requirements. Necessary health and safety considerations to protect staff are also a key point for address.

Taking these factors into account, it is suggested that an alternative method to undertake car parking cash collection duties may be considered appropriate. This may provide an opportunity to transfer associated risks to an external party along with easing pressure on existing team resources, eliminating the need to operate a special cash vehicle – estimated running costs of £2K per annum - and provide suitable equipment and a secure purpose built cash office. Note that changes in these cash collection arrangements would also impact on the Eden Car Parking Contract – **see recommendation A7**.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A7	Cash collection duties take a significant amount of time and resource to undertake and require an appropriate cash vehicle and secure cash office to meet insurance requirements.	Assistant Director – Local Environment	As part of transformational changes in the Parking Services, an alternative method to undertake car parking cash collection duties in the future may be considered appropriate by management.	D	Sept 2011



#### 4. Recovery Procedures

##### **Method of Review / Work Undertaken:**

1. Assurance that recovery procedures are in accordance with legislative requirements and that Penalty Charge Notices are in a form as required by Legislation.
2. Examine a sample of outstanding PCNs issued to ensure that recovery action taken to date is in accordance with legislative requirements and where applicable, agreed local recovery practices are adhered to.
3. Review the division of duties between raising / managing debts and receiving payments.
4. Review of the arrangements to accept / authorise payment arrangements
5. Review the purpose of Formal Representation and examine the role and effectiveness of the Formal Representation Panel, providing assurance that regular meetings enables the Panel to operate within the required statutory timescales and that the decision making process is fair and consistent.
6. Examination of the debtor write off procedure to ensure the process is undertaken regularly and independently of the car parking function.

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

Procedures are well documented and Parking Services (back office) staff are fully trained on effective recovery measures, which are in line with legislative and local recovery practices.

Legal advice was sought over the format and content of PCNs to meet the revised requirements of the Traffic Management Act (effective from 31<sup>st</sup> March 2008). The format was prescribed and the Notices follow closely the model PCN available at that time.

Good system housekeeping is in place. The Team Leader (back office) advised that staff rotas and responsibilities are managed through the production of housekeeping reports produced by the parking system. An overview of the categorisations of PCN cases in the system and testing undertaken on key areas throughout the audit provided assurance that cases are appropriately managed and progressed (usually) in batches, which allows for a more efficient, targeted use of team resources and aids recovery practices.

##### Segregation of Duties

The majority of PCN payments (cash, cheque and cards) are processed via the customer self serve options or paid directly via the Customer Contact Centre. There are, however, occasions when Parking Services receive and process payments from members of the public - these include:

- Telephone calls from members of the public who wish to provide payment details personally over the telephone (taken via webstaff);
- Cheques (and occasionally cash) received in the post, some of which accompany PCN challenges.
- All Eden payments are received and processed by the Parking Services.

These activities compromise the segregation of duties between raising the debt and managing debts and receipting payments within Parking Services. Parking



Services should have no direct responsibility for taking payments. It is envisaged that the move to the Civic Centre along side management consideration regarding future integration with the Customer Contact Centre will help to address this issue – **refer to recommendation A6 (page 5)**.

Specifically:

- All webstaff payments should be routed to the Customer Contact Centre and the webstaff facility removed from Parking Services
- Postal cheques / cash should be extracted from the mail (by the Service Support Team) and receipted via the Customer Contact Centre.

Sample testing on PCNs issued for On Street parking contraventions was carried out to ensure that the key stages of recovery processes complied with agreed (statutory) processes and local recovery procedures. The following areas were raised for further consideration:

- Adequacy of the arrangements in place to agree, set up and monitor local payment arrangements – see (a) below.
- Pursuit of outstanding PCNs on unregistered vehicles with the DVLA – see (b) below.

(a) Payment Arrangements

Payment arrangements are considered by the Parking Services Team on request from the owner of the vehicle. Any further formal recovery action is placed on hold whilst a payment arrangement is in place. The onus to make regular payments towards the debt is completely on the owner. Payment arrangements are time consuming to set up and monitor. It was suggested that owners which have requested a payment arrangement of this type are highly likely to default, in which case further formal recovery action is pursued.

There are currently 21 payment arrangements in place. Any member of the Team can set up a payment arrangement and they are manually monitored via weekly system housekeeping arrangements. This approach is not considered the most effective or effective method of collecting debts of this type.

The option to collect the debt via Direct Debit (DD) has never been offered, as this would mean that a debtor account would need to be raised, against which DD payments are posted against. Whilst this method would allow for a better trail and help to ensure the regularity of payments, the Team would still need to manually monitor DD payments separately, as DD payments received via the Debtors system are not reflected in the parking system, as the two systems do not interface. Also, there is a cost associated with setting up a debtor account. In all, this approach not favoured.

An alternative method worthy of exploration is for payment arrangements of this type to be agreed, set up, monitored and pursued by the Revenues Recovery Team. This in-house recovery Team is experienced in this field and their skills should be utilised. PCN payment arrangements referred to the Revenues Recovery Team may also provide added emphasis for the debtor to pay. Cases can then be referred back to Parking Services if payment arrangements are not honoured, where upon further formal recovery (likely to be warrant for bailiff action) would be pursued **see recommendation A8**.

(b) Unregistered Vehicles with DVLA

Details are requested from the DVLA via the parking system to obtain vehicle owner details so that a Notice to Owner (formal stage of the recovery process), which must be served within the first 6 months of the PCN date, may be issued. On occasions, no details can be provided by the DVLA as the vehicle is not shown as registered. This is a recognised problem for which, it is understood, a full explanation can not be given by either party. Unregistered vehicles with the DVLA are identified separately on the parking system and resubmitted to DVLA for up to 6 months. There are currently 62 such cases on the system.

### Formal Representation

The Authority has a duty to consider representations. Whilst the Regulations do not detail exactly how this should be carried out, they do impose strict timescales within which representations must be considered. The Traffic Management Act 2004 stipulates that

*94 The enforcement authority MUST (under regulations 5,9 and 12) consider representations and supporting evidence against a Notice to Owner or immobilisation or removal and serve notice of its decision on the person making the representations within 56 days of the service of the representations. The 56 day period in the Regulations should be seen as a maximum period and authorities should aim to decide representations as quickly as possible.*

Representation at a local level is a process that the Authority has built into the recovery arrangements through the establishment of a Formal Representation Panel. This approach has been successful in providing an independent review prior to formal adjudication for many years, but this approach is no longer considered viable. The process of formal representation is both resource intensive (3 senior officers aim to meet on a monthly basis) and costly to administer. Ability to organise regular panel meetings within the statutory timescales have slipped over the last year due to panel members not being available. This has meant that PCN cases have had to be cancelled, even though the decision to uphold the Notice may have been appropriate.

The Formal Representation Panel should be disbanded as this approach is costly and evidence shows that it is no longer able to make decisions within the required timescales. There is, however, a continued (statutory) need to have a method of representation at a local level. Discussions with other neighbouring authorities confirmed that their local representation consists of review by a Technical Officer within the Parking Team. Alternatively, it may be deemed more acceptable for cases to be reviewed by a nominated 3<sup>rd</sup> party who is sufficiently independent of the PCN recovery process - **see recommendation A9**.

Where recovery procedures have been exhausted, the move to write off PCN debts in line with the Financial Procedure Rules is taken. A schedule of PCNs for write off is prepared quarterly and this is authorised and processed independently of Parking Services. The debt write off procedure has been examined in detail as part of the Debtors material audit 2010/11.

<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.8	There are currently 21 payment arrangements in place. Anyone in the Team can set up a payment arrangement and they are monitored via weekly system housekeeping arrangements. This is not considered the most effective or efficient method of collecting debts of this type.	Highways Services Manager	Explore the use and skills of the specialised in-house Revenues Recovery Team to determine whether local payment arrangements could be agreed, set up, monitored and pursued more effectively.	C	Sept 2011
A.9	Continuation of the current approach to providing local representation is not supported. The Formal Representation Panel should be disbanded as this approach is costly and evidence shows that is no longer able to make decisions within the statutory timescales.	Highways Services Manager	Revised arrangements to provide local representation are needed. These revised arrangements must be able to progress and act on cases within the statutory timescales allowed and require minimal resources to undertake.	B	June 2011

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## 5. Contract Parking

### **Method of Review/ Work Undertaken:**

1. Assurance sought over the effectiveness of office arrangements to process applications and control the production and despatch of contract parking permits.
2. Review the payment method options offered to customers and ensure that good management arrangement are in place to oversee the recovery of payments.
3. Review of the procedures to cancel permits (customer requests) and, if appropriate, make the necessary refunds.
4. Ascertain arrangements to cancel permits which are considered lost, damaged etc and where a replacement permit has been issued.

### **Summary of Findings:**

Contract parking forms part of scale of fees and charges relating to car parks.

Contract parking is costly - rates were not increased for 2011/12:  
£756 per annum (£63 per month) for a permit for Monday – Friday.  
£888 per annum (£74 per month) for a permit for Monday to Saturday.

It was noted that the take up / income levels generated from contract parking is declining - again this is wholly attributed to the current economic climate.

Contract Parking offers clear benefits to regular car park users – access to selected City Centre car parking provided at discount to the standard daily rate (approx 25%) and eliminates the need to have coinage available each day. Council benefits include fees paid up front and less coinage to collect, count and bank.

Whilst information on Contract Parking on the Council's website is well documented and easy to understand, the facility is not well publicised (e.g. in car parks, Customer Contact Centre etc) - **see recommendation A10.**

Contract parking i.e. contracted period, means that all permits expire 31<sup>st</sup> March each year and the minimum contract period is 3 months. No renewal notices / reminders are sent out. There is considered to be opportunities to improve the service to existing customers for a relatively low cost by improved communications via email and text e.g. to advise on contract expiry dates, advise on renewal procedures and possibility provide additional information on the use of car parks - **see recommendation A11.**

### Direct Debit Payments

Although all the necessary application details and how to pay are available on the Council website, the Direct Debit mandate to enable monthly payments is not available online. Instead customers are requested to obtain a Direct Debit mandate separately from the Customer Contact Centre. It would be a more streamlined approach if this mandate was available on line and it may encourage further / speedier take up of contract parking applications.

If a Direct Debit is not successfully collected by the Bank, appropriate procedures are in place to trace the permit and contact the customer to resolve the matter. The permit reference, vehicle details and location of use is placed on the CEOs "permit watch" scheme.

A sample of 17 contract parking applications, was traced through the system to ensure that applications are complete, correct prices are applied, details are accurately recorded and payments are fully traceable. It was concluded that, with the exception of controlled stationery issues previously raised in Section 1, sound arrangements are in place to process and issue contract parking permits.

The arrangements for cancelling permits at the request of customers and the subsequent processing of refunds were examined. From the above sample of contract parking applications, 3 applications involved the cancellation of permits. The following points were highlighted:

- Permits are received back in the office before a refund is processed
- Refunds are made in accordance with the original method of payment.
- The method to consider and calculate refunds due are adequate although administratively time consuming. It may be appropriate to consider refunds in full weeks (currently refunds are worked on cost per day / date returned to office calculated).
- Authorisation for refunds are carried out, this is not always apparent on the file records – a reminder is needed to staff that complete file records should be maintained for all cases.

<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.10	All annual contract parking permits expire on 31 <sup>st</sup> March and the minimum contract period is 3 months. Currently no reminders are sent to customers to encourage further take up.	Highways Services Manager	Renewal reminders by email (update to application form to request customers' email addresses) and a potential text messaging service should be explored. This facility could be further expanded to inform contract parking customers of potential hazards, temporary restrictions etc regarding use of car parks at little cost.	D	June 2011
A.11	Currently very little is done to promote the Contract Parking facility.	Highways Services Manager	There is an opportunity to raise additional revenue by enhancing public awareness of the Contract Parking facility at little cost e.g. notices in car parks, Customer Contact Centre and more prominent feature on web site etc.	D	June 2011

**Audit Services, Resources**

**Audit of Food Standards**

# Final Report

18 March 2011

Directorate / Service Area	Recipients of Report	Action Required
Local Environment	Assistant Director (Local Environment)  Environmental Health Manager  Acting Food Health & Safety Manager	For Information  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 11<sup>th</sup> April 2011.



**1. Reason for the Audit**

- 1.1. In accordance with the 2010/11 audit plan, where Food Safety was assessed as a medium risk audit area, a review regarding the administration of Food Safety undertaken by the Council has been undertaken.

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

- 2.1. Food Safety is a statutory service which is covered by key legislation, namely, The Food Hygiene (England) Regulations 2006 and the Food Standards Agency Code of Practice 2008.
- 2.2. Food Safety links to: Food Standards Agency; Trading Standards; Health & Safety Executive; Health Protection Agency; and Scores on the Doors. In addition there is a Cumbria Food Safety Liaison Group which consists of the six District Local Government Authorities (Allerdale, Barrow, Carlisle, Copeland, Eden and South Lakeland).
- 2.3. The Council's Food Safety service is governed by external bodies, mainly the Food Standards Agency (FSA). Carlisle City Council is required to submit a return to the FSA on an annual basis. The FSA also undertakes inspections; the last inspection of Carlisle City Council was during 2005. The inspection resulted in a report which included recommendations. The previous Food Health & Safety Manager stated that these recommendations have since been implemented.
- 2.4. The key data systems used for the administration of Food Safety include Flare (which is a database where premises, complaints, inspections, samples etc are recorded) and the Council's main accounting system (for financial transactions and budgets).
- 2.5. The role of the Food Safety Team covers:
- Registering of food businesses;
  - Performing inspections of food establishments to determine compliance with food safety and health and safety legislation;
  - Dealing with food complaints and cases of infectious disease and food poisoning;
  - Undertaking food sampling;
  - Dealing with complaints relating to food establishments;
  - Providing advice on food safety issues;
  - Approval of premises; and
  - Income from exports and contaminated food.
- 2.6. On commencement of this review the following staffing structure was in operation:
- 1 FTE Food Health & Safety Manager (Post removed from establishment December 2010. Interim arrangements in operation until recruitment to new post of Environmental Health Manager);
  - 1 FTE Assistant Food Health & Safety Manager – Currently Acting Food Health & Safety Manager until recruitment to new post of Environmental Health Manager;
  - 4.5 FTE District Environmental Officers;
  - 1 FTE Technical Clerks; and
  - 2 FTE District Health & Safety Officers.
- 2.7. The previous review of Food Safety was undertaken as part of the 2004/05 agreed Internal Audit Plan. The Final Report was issued sometime during the period August 2004 and December 2004. The final report contained 8 recommendations/agreed actions, 4 at grade B and 2 at grade C.

### 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><b><u>Title</u></b> Safety of food and drink</p> <p><b><u>Description</u></b> Failure to meet the Council's statutory duty to protect public health by ensuring the safety of food and drink, produced, prepared or sold in the district.</p> <p><b><u>Current Action Status/Control Strategy</u></b> Maintain adequate staff resource for the work required.</p>	Food Health and Safety Operational Risk Register (Last Updated October 2010)	M (8)
<p><b><u>Title</u></b> Infectious diseases</p> <p><b><u>Description</u></b> Failure to perform Council's statutory duty with regard to the investigation and prevention of certain infectious diseases.</p> <p><b><u>Current Action Status/Control Strategy</u></b> Provide and maintain adequate staff resource to carry out work required.</p>	Food Health and Safety Operational Risk Register (Last Updated October 2010)	M (8)
<p><b><u>Title</u></b> Public health duties</p> <p><b><u>Description</u></b> Failure to meet statutory public health duties</p> <p><b><u>Current Action Status/Control Strategy</u></b> Maintain enforcement service.</p>	Food Health and Safety Operational Risk Register (Last Updated October 2010)	M (4)
<p><b><u>Title</u></b> Loss of staff or illness</p> <p><b><u>Description</u></b> Loss of key personnel and/or significant numbers of staff due to illness/retirement.</p> <p><b><u>Current Action Status/Control Strategy</u></b> Systems in place to allow business continuity in event of mass absence.</p>	Food Health and Safety Operational Risk Register (Last Updated October 2010)	M (8)

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

4.1. Discussions, 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 below, and a summary of findings has been included in Section 5 of this report.



## 4.2.

	Areas Examined
1.	Inspection of food premises
2.	Food complaints, infectious disease & food poisoning
3.	Food sampling
4.	Advice on food safety issues
5.	Income from export certificates & contaminated food

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

- 5.1. Overall good system controls were found to be in operation. There was however some minor areas of weaknesses identified which when addressed will improve the strength of the control environment further. The areas identified were:
- Lack of evidence of appropriate approval of the annual food/H&S service plan in accordance with the FSA; and
  - The lack of evidence of regular reviewing/updating of policies, strategies and procedures. Especially when this activity is stated within these documents which have been posted on the Council's website for public viewing.

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 4 recommendations arising from this review at 2 grade B and 2 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.

## 1. Inspection of food premises

### **Method of Review:**

- Establish the policies and procedures in place over the inspection of food premises
- Compare the policies and procedures to legislative requirements/Code of Practice to evaluate compliance
- Sample test food premises from the database to supporting documentation to evaluate whether the system process is in line with the policies and procedures

### **Summary of Findings:**

- 1) On commencement of the audit review a request was made to the previous Food Health & Safety Manager for the food/H&S service plan. The comment received was that the plan had not yet been 'endorsed' by the Portfolio Holder. The advice from the FSA says that "...Authorities have the flexibility to decide locally whether or not service plans should be approved at Member level. To help to ensure local transparency and accountability, and to show their contribution to the authority's corporate plan, feed and food service plans and performance reviews should be approved at the relevant level established for that local authority, whether that is Member, Member forum, or suitably delegated senior officer level. Records should be kept to show that service plans have received appropriate approval." **See Recommendation/Agreed Action 1.**
- 2) A review of the Council's website with regard to food safety inspections revealed there was reference to a 'Food Safety Enforcement policy'. Within this policy it states that the procedure will be regularly reviewed. However, at the foot of the policy document it states that it was issued 1 September 2001 and amended 20 February 2008. In addition whilst undertaking the initial research for this audit review a Food Safety Cumbrian Liaison Group Food Safety Intervention Strategy was found on the internet. Discussion with the previous Food Health & Safety Manager revealed that this had been agreed for adoption in 2009 and should be posted on Carlisle's website. An updated copy (April 2010) was forwarded to Internal Audit. **See Recommendation/Agreed Action 2 & 3.**
- 3) It is the duty of the Council to register, inspect and approve relevant premises within the district in accordance with appropriate legislation, centrally issued guidance, The Code of Practice and relevant Industry Guides to Good Hygiene Practice.
- 4) The Council maintains a database (FLARE) of food businesses in the district which is continually updated to take into account any changes to existing businesses, any new businesses which have been set up or any which have ceased to trade.
- 5) The frequency of inspections is currently in accordance with the Code of Practice, and is based on the nature and size of the business and the degree of compliance with food safety legislation at the time of inspection. This provides a risk score and categorises the business into a set category.

Category	Minimum Inspection Frequency
A	Businesses presenting the greatest food safety risk – at least every 6 months
B	At least every year
C	At least every 18 months
D	At least every 2 years
E	Businesses presenting a minimal food safety risk – can be subject to alternative enforcement strategy

- 6) On commencement of 2010-11 financial year there were 1067 food premises on the Councils register and are categorised as follows:

Category	Number of Premises on commencement 2010-11	Number of Premises as at 27 January 2011
A	5	3
B	57	51
C	430	456
D	149	158
E	426	443
	1067	1111

- 7) The inspection programme for 2010-11 consists of the following (277 premises = 26% rounded):

Category	Number of Inspections on commencement 2010-11
A	10
B	57
C	122
D	25
E	63
	277

- 8) Priority is given to high risk food premises and any national or local situations that require urgent attention and/or as directed by the Food Standards Agency.
- 9) Inspections are the main core workload. Each Environmental Health Officer (EHO) has an assigned area for inspection and to deal with food

complaints. A general correspondence/business file for each premises exists and information is also kept in a database (FLARE). All documentation is retained for 7 years and there is an ongoing weeding policy whereby the database is routinely archived and manual files reviewed. Information greater than 7 years is confidentially destroyed.

- 10) Inspections are usually carried out without notice, unless circumstances dictate otherwise. There is a set procedure for inspections and a form is completed for every inspection. A one page report is completed on the day of inspection detailing what further action the Council will take e.g. issue of subsequent detailed letter to be sent or detailed report to be sent within 10 days etc. A carbon copy of this report is retained on the general correspondence/business file.
- 11) After the inspection the business has its risk re-scored and a 'potential hazard' form is completed.
- 12) The Food Standards Agency is sent details of the number of inspections carried out for each risk group and how many businesses have moved risk groups as a result of inspection.
- 13) There are procedures in place for dealing with revisits/follow-up. The timescale for implementation of recommendations (included within the detailed report following inspection previously referred to) and re-visits are usually agreed between the EHO and the proprietor at the time of the original inspection which should be based on the Food Safety Team Enforcement Policy.
- 14) A sample of 5 businesses was selected and tested to evaluate the following:
  - The inspection visit was within 6 weeks of the inspection being due;
  - There was a completed inspection report on file;
  - There was a completed potential hazard form on file;
  - If there was a change to the risk group, the database had also been updated to reflect;
  - There was an initial report on file dated the same day as the inspection;
  - There was an outcome letter issued within 10 working days; and
  - A re-visit was carried out, where relevant, within a reasonable timescale.
- 15) The sample tested was found to be in order and there were no system weaknesses identified for improvement.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
1	<b><u>See Summary of Findings Note 1.</u></b> There is no evidence of appropriate approval of the annual food/H&S service plan as required by the FSA.	Environmental Health Manager	That there is evidence of 'appropriate approval' of the annual food/H&S service plan	B	June 2011

2	<b><u>See Summary of Findings Note 2.</u></b> The amend and review dates contained within documents on the Council's website suggest that strategies, policies and procedures are not regularly reviewed and are/may be out-of-date.	Acting Food Health & Safety Manager	That the Food Safety Cumbria Liaison Group Food Safety Strategy as updated (April 2010) be posted on the Council's website and the outdated Enforcement policy removed.	B	August 2011
3	<b><u>See Summary of Findings Note 2.</u></b> The amend and review dates contained within documents on the Council's website suggest that strategies, policies and procedures are not regularly reviewed and are/may be out-of-date.	Acting Food Health & Safety Manager	That the Food Policy is reviewed and updated if necessary on an annual basis or sooner if changes occur. This should be evidenced by incorporating the date of review and/or amendment at the foot of the document.	C	June 2011

## 2. Food complaints, infectious diseases & food poisoning

### **Method of Review:**

- Establish the policies and procedures in place over food complaints, infectious disease and food poisoning cases
- Compare the policies and procedures to legislative requirements/Code of Practice to evaluate compliance
- Sample test food complaints, infectious disease and food poisoning cases from the database to supporting documentation to evaluate whether the system process is in line with the policies and procedures

### **Summary of Findings:**

- 16) All confirmed cases of food borne illness are investigated. Usually these are notified to the Council by GP's or the Health Protection Agency. During the financial year (2010/11) to date 31/10/10 there were approximately 129 confirmed cases.
- 17) Cases are logged and contact is made with the case within 2 days. Cumbria-wide questionnaires are completed and any common sources are identified and investigated. The Health Protection Agency (HPA) are informed via report of any infectious diseases under investigation. All suspected food poisonings are confirmed by a pathology laboratory (PHL). For microbiological screening (bacteria) it is the Cumberland Infirmary in Carlisle. Close liaison is maintained with the HPA.
- 18) A sample of 5 recorded infections diseases was selected and tested to ensure that the appropriate procedures have been applied. All appropriate actions were found to be taken where necessary. The sample was found to be in order and no system weaknesses were identified for improvement.

### 3. Food sampling

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

- Establish the policies and procedures in place over food sampling
- Compare the policies and procedures to legislative requirements/Code of Practice to evaluate compliance
- Sample test food samples from the database to supporting documentation to evaluate whether the system process is in line with the policies and procedures

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

- 19) A review of the Council's website with regard to food safety food sampling revealed there was reference to a 'Food Sampling policy'. Within this policy it states that the policy and procedure will be regularly reviewed. However, at the foot of the policy document it stated that it was issued 21 February 2003, 1<sup>st</sup> update 12 June 2006 and 2<sup>nd</sup> update 1 December 2009. **See Recommendation/Agreed Action 4.**
- 20) A programme of food sampling is derived each year from the FSA programme (complete coverage) and other local and regional considerations. The FSA programme details a number of products/areas required to be sampled for fitness to consume. The local and regional considerations will be influenced by various factors which may include results of complaints, officer suggestions based on recent findings, or products that have not been sampled for a while.
- 21) The Council's food examiner is HPA – Health Protection Agency, FEMS Laboratory Preston (based on a points system which has not incurred any costs) for microbiological testing, however, food stuffs requiring analysis, for example, chemical taint or foreign bodies the Council's food analyst is Lancashire County Council (paid on a sample basis). Total costs incurred to date on food sample analysis testing are £253.85 and is within the teams allocated budgeted profile for this financial year.
- 22) The food sampling policy and procedure are reviewed on a regular basis and as required in the event of changes to advice on good practice, legislation and other circumstance.
- 23) In the event of acceptable/unacceptable sample results being received revisits may be carried out by the Team to investigate any possible source of contamination and to give appropriate advice. Re-sampling is carried out together with the environmental swabbing of food preparation surfaces and equipment as appropriate.
- 24) A sample of 5 recorded food samples was selected and tested to ensure that the appropriate procedures have been applied. The sample displayed a good audit trail of events logging the date of the sample visit, date and results of the sample, the date and copy of the letter issued to the business informing them of the sample results. The sample was found to be in order and no system weaknesses were identified for improvement.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
4	<b><u>See Summary of Findings Note 19.</u></b> The amend and review dates contained within documents on the Council's website suggest that strategies, policies and procedures are not regularly reviewed and are/may be out-of-date.	Acting Food Health & Safety Manager	That the food sampling policy and procedure are reviewed and updated when necessary but at least on an annual basis. This should also be evidenced by including the date of review/amendment at the foot of the document.	C	June 2011

#### 4. Advice on food safety issues

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

- Establish the policies and procedures in place over advice on food safety issues
- Compare the policies and procedures to legislative requirements/Code of Practice to evaluate compliance
- Sample test advice on food safety issues from the database to supporting documentation to evaluate whether the system process is in line with the policies and procedures

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

- 25) Carlisle City Council recognises the importance of its educational and advisory role as a means of improving food safety and meeting the service demands of stakeholders. The Council welcomes requests for information or advice from businesses and is keen to develop contacts with local business organisations. The team provides advice to businesses in a number of different ways. These include:
- Advisory visits;
  - Visits and advice prior to the setting up of a food business;
  - The provision of advice on best practice during inspections;
  - The provision of a range of free advisory leaflets and other guidance, including information on the Council's website;
  - The provision of advice relating to planning or building control applications; and
  - A presence at local events e.g. food festivals where businesses can speak with an EHO and obtain information and advice.
- 26) During the financial year to date there were 35 requests for advice received.
- 27) All 6 Cumbrian Food Safety Teams are working in partnership and publish food safety hygiene about retail and catering businesses electronically via local authority websites. Aka, Scores on the Doors'. The information is in the form of a 'star rating' system i.e. 0-5 stars



where 5 stars indicates 'excellent'. The star ratings are based upon how well the business complies with food legislation requirements for structural and hygiene matters and the confidence that the EHO has in the management systems. This assessment is made following each routine inspection.

## 5. Income from export certificates & contaminated food

### **Method of Review:**

- Establish the policies and procedures in place over food sampling
- Compare the policies and procedures to legislative requirements/Code of Practice to evaluate compliance
- Sample test income from export certificates and contaminated food cases from the database to supporting documentation to evaluate whether the system process is in line with the policies and procedures

### **Summary of Findings:**

- 28) Income for the 2010/11 financial year to 27 January 2011, obtained from the main ledger – General Fees and Charges, was £3,072.83. This consisted of journal sums all from the same source account – Nestle UK Ltd. The income received included the cost of the export certificate along with postage costs.
- 29) Discussion with the previous Food Health & Safety Manager revealed that income generation from export certificates and contaminated food is uncontrollable, as they are both driven by demand and other external factors.
- 30) A review of the budget profile for period 1-10 inclusive showed that the profiled amount is set as £1,834. This indicates that the profiled budget income has been met and exceeded for this period with a positive variance resulting.

**Audit Services, Resources**

**Audit of Housing and Council Tax Benefits  
(Material Review)**

# Final Report

22 March 2011

Directorate / Service Area	Recipient(s) of Report	Action Required
Community Engagement.	<p>Strategic Director – Community Engagement (for Information)</p> <p>Shared RBS Partnership Manager (for action)</p> <p>Benefits Manager (for action)</p> <p>ICT Shared Services Manager (for action)</p>	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan, 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 11<sup>th</sup> April 2011.

## 1. Reason for the Audit

- 1.1. The audit of Housing & Council Tax Benefits 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 Internal Audit, as part of their work on the annual statement of accounts.

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

- 2.1. The 2009/10 final audit report was issued 16 February 2010 consisting of 4 recommendations, all graded C. The 2009/10 review evaluated the level of assurance as 'substantial' and therefore, per Internal Audit protocol, only limited testing will be undertaken during the 2010/11 review.
- 2.2. The Interim Audit Manager (from Cumbria County Council) stated that the review was to be undertaken as previous years for 2010/11 concentrating upon Carlisle City Council systems and procedures alone, as the shared service is still in its infancy.
- 2.3. The following key dates have been established regarding the shared service:

1 March 2010	Shared RBS Partnership Manager appointed
1 June 2010	Allerdale and Copeland Borough Council's Revenues and Benefits staff transferred to Carlisle City Council
1 October 2010	Shared Service staff matched to structure, appointed to new positions
29 November 2010	Allerdale IT conversion went live from Pericles to Capita Academy
July/August 2011	Shared desk top to be set up to allow seamless working between Authorities

## 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 (Revenues and Benefits Operational Risk Register Dated February 2010) SEE RECOMMENDATION/AGREED ACTION 4</b>	<b>Type of Risk (strategic / operational)</b>	<b>Risk Score H/M/L</b>
<b><u>Risk:</u></b> Human Resources <b><u>Description:</u></b> Insufficient resources to deliver the service <b><u>Current Action/Status Control Strategy:</u></b> Effective recruitment procedures. Job descriptions regularly updated. Training and development monitored. Communication system in place. Tackle morale issues arising.	Operational	L (2)
<b><u>Risk:</u></b> Benefit Administration <b><u>Description:</u></b> Risk to significant interruption to service e.g. disaster <b><u>Current Action/Status Control Strategy:</u></b>	Operational	M (6)

Disaster Recovery Plan in place. Rigorous use of test systems. Detailed manuals in place. Qualified management and robust training in place to reduce risk. Rigorous audit of all admin processes. Manual back up in place for benefit cheques		
<b><u>Risk:</u></b> Benefit Take Up <b><u>Description:</u></b> Risk of insufficient take up activity <b><u>Current Action/Status Control Strategy:</u></b> Campaigns co-ordinated with DWP, BAC etc. Robust customer consultation	Operational	M (6)
<b><u>Risk:</u></b> Benefit Probity <b><u>Description:</u></b> Risk of internal fraud within the benefits software and system <b><u>Current Action/Status Control Strategy:</u></b> Rigorous use of test systems. Detailed manuals exist. Qualified management and robust training in place to reduce risk. Rigorous audit of all admin processes. Secure environment for cash payments	Operational	M (3)
<b><u>Risk:</u></b> Revenues and Benefits Management Information <b><u>Description:</u></b> Risk of poor performance not being uncovered <b><u>Current Action/Status Control Strategy:</u></b> Effective use of systems and information sharing. Users training and information checked. System maintained and software updated regularly	Operational	M (4)
<b><u>Risk:</u></b> Performance Management <b><u>Description:</u></b> Risk of missing key performance reporting deadlines <b><u>Current Action/Status Control Strategy:</u></b> Performance managed to timetables and monitored with work plans set out. Performance indicators produced which should be better utilised in the future under the new structure	Operational	M (4)
<b><u>Risk:</u></b> Returns inc. Grant Claims <b><u>Description:</u></b> Risk of missing key performance reporting deadline <b><u>Current Action/Status Control Strategy:</u></b> Documents showing returns to be created and monitored via team meetings. All grants listed and deadlines maintained	Operational	M (3)
<b><u>Risk:</u></b> Legislative changes: Awareness and Preparation <b><u>Description:</u></b> Failure to plan/prepare or be aware of new legislation and impact on claimants or taxpayers <b><u>Current Action/Status Control Strategy:</u></b> Publications circulated to key staff and projects allocated	Operational	M (6)
<b><u>Risk:</u></b> Shared Services New Risk <b><u>Description:</u></b> Risk of significant adverse impact on service due to shared services activity <b><u>Current Action/Status Control Strategy:</u></b> Programme project plan for the implementation of shared services and project plans for work packages: all to Prince 2 project management standards. Projects monitored by Partnership Manager and specific project managers.	Operational	M (6)

Separate risk logs being monitored and maintained		
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#### 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 recommendations contained within the 2009/10 report
2.	Administration
3.	Assessment
4.	Payments
5.	Overpayments

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

- 5.1. Overall the system was found to have good controls in operation. Some improvements were identified which have been included within this review. These included:
- Updating of the service's Operational Risk Register;
  - Re-commencing the 4% accuracy checks;
  - The evidencing of an independent review of the correctness of the details of the transmission summary report for HB payments by ICT; and
  - Having sufficient resources (in terms of staff) to administer DHP'S (the Council's Discretionary Payment Award Policy).
- 5.2. The follow up of the previous audit recommendations revealed that one recommendation of the four (all graded C) has been implemented. Comments received regarding the other three recommendations are that these have been delayed so that they are to be implemented to align all three authorities within the shared service.

#### 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 4 recommendations arising from this review (excluding 3 carried forward from 2009/10). 2 at Grade B and 2 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.

**Resources Directorate, Revenues & Benefits****APPENDIX A****1. FOLLOW UP OF THE 2009/10 REPORT RECOMMENDATIONS*****Method of Review:***

- Review the 2009/10 audit report and follow up any agreed recommendations to ensure that appropriate action has been taken.

***Summary of Findings:*****1.1. Previous audit recommendation 1**

The Carlisle City Councils Anti-Fraud Strategy Housing Benefit Overview is out of date in parts. That the Carlisle City Council Anti-Fraud Strategy Housing Benefit Overview be updated to reflect that the Verification Framework no longer applies and that the Council have adopted the guidance set out in the Security Guidance Manual. Benefits Manager. Grade C. Implementation: As soon as possible.

***Not implemented to date. Initially the delay was for the shared services team leader to be appointed (Counter-Fraud Team Leader). Looking to align all three Councils within the shared service. This is currently on the radar of the Counter Fraud Team Leader.***

**1.2. Previous audit recommendation 2**

The staff declaration forms require strengthening. That the staff declaration forms should include reference that they must not process any claims for those that the staff have stipulated on the forms (without permission), and also that these forms should be circulated and updated periodically. Benefits Manager. Grade C. Implementation: As soon as possible.

***Not implemented to date. Copeland and Allerdale staff transferred to Carlisle 1 June – all Copeland and Allerdale staff were to sign Carlisle declaration forms. However the Union was not happy and so a new draft form was prepared for signature. This is now currently with the Partnership Manager. A meeting is to be held 9<sup>th</sup> December to take forward for all staff to sign.***

**1.3. Previous audit recommendation 3**

Benefit cheques are physically raised and made payable to Carlisle City Council. Consideration should be given into paying any benefit to Council landlords via BACS. Benefits Manager. Grade C. Implementation: As soon as possible.

***Implemented but not as stated above. Now do via transfer invoices. Better solution and cheaper all round – debit and credit from one budget to another. Still raised as part of the payment run but instead it is adjusted for by transfer invoice.***

**1.4. Previous audit recommendation 4**

The Overpayments Policy requires updating. The Overpayments Policy should be updated to reflect the revised write off responsibilities and authorisation levels. Benefits Manager. Grade C. Implementation: As soon as possible.

***Not implemented to date. To be implemented as part of aligning of the three Council's within the shared service. This will however require committee approval of each of the three Authorities.***

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
1	The Carlisle City Councils Anti-Fraud Strategy Housing Benefit Overview is out of date in parts. <b>(Recommendation/Agreed Action carried forward from 2009/10 audit review)</b>	Benefits Manager	That the Carlisle City Council Anti-Fraud Strategy Housing Benefit Overview be updated to reflect that the Verification Framework no longer applies and that the Council have adopted the guidance set out in the Security Guidance Manual.	C	End of June 2011
2	The staff declaration forms require strengthening. <b>(Recommendation/Agreed Action carried forward from 2009/10 audit review)</b>	Benefits Manager	That the staff declaration forms should include reference that they must not process any claims for those that the staff have stipulated on the forms (without permission), and also that these forms should be circulated and updated periodically.	C	End September 2011
3	The Overpayments Policy requires updating. <b>(Recommendation/Agreed Action carried forward from 2009/10 audit review)</b>	Benefits Manager	The Overpayments Policy should be updated to reflect the revised write off responsibilities and authorisation levels. Benefits Manager.	C	End of June 2011

## 2. ADMINISTRATION

### *Method of Review:*

- Establish the relevant policies and procedures;
- Establish staff training and the accessibility and awareness of policies and procedures;
- Review service accessibility;
- Review benefits documentation;
- Ascertain receipt of documentation; and
- Determine what performance monitoring arrangements are in operation.

### *Summary of Findings:*

#### 2.1 Policies and Procedures

The administration of Housing & Council Tax Benefits is registered on the Data Protection Register to allow the processing of personal data.

Current benefits regulations and guidance documents are maintained in the benefits area of the network (Q:Drive). There are also 'user friendly guides' held. The Council subscribes to 'The Benefits Directory' which holds all the Benefits circulars issued by the DWP which also explains the regulations and has a search facility. The Q:Drive content was observed and found to be in order.



## 2.2 Staff Training and Awareness

Pre shared service an officer was specifically employed in the role of Training Officer. This officer's remit was to keep abreast of current legislative change and pass this information on to the Assessment staff. In addition to this, they organised the relevant training for all new staff. Details of all training undertaken are logged in a spreadsheet. As part of the implementation of the shared service the previous training officer has been matched to a different role, however there two Training Officer posts in the establishment and it is understood that there are 1.5FTE officers in post currently.

Team meetings are held when required.

The new Benefits Manager was matched to the shared service post and took up the appointment on 1 October 2010. Discussions held with the new manager revealed that the post holder is currently finding their feet having previously been the Revenues Manager. The discussion also indicated that the manager is currently not up to speed with the benefits system or the technicalities of Housing Benefits. The Benefits Manager stated that they would be unable to answer the CIPFA Internal Control Questionnaire questions for this audit review.

## 2.3 Service Accessibility

Hard copy Housing Benefit claim forms can be requested, completed then handed in at the counter or posted. There is also an online version which can be downloaded from Carlisle City Website. This can be printed and filled in but not submitted on line due to the signature requirement.

There is a strategy to encourage the take-up of benefits by the public. There has been a number of 'Benefit Take- up' campaigns over the past few years, the most recent regarding the benefits calculations Nov 02<sup>nd</sup> 09. The last campaign was in response to the change in regulations i.e. disregarding child benefit and the increase in applicable pensioner's capital. Queries were obtained from the system to find out those who currently did not qualify but would after the changes were implemented. These individuals were then invited to claim and the claims reassessed for eligibility.

The DWP also provides a list of likely pension benefit qualifiers, so these individuals are automatically sent a form to aim to ensure that they are applying for any benefit applicable.

## 2.4 Benefits Documentation

The benefits claim forms/leaflets and documentation are based on actual DWP claim forms. Although first impressions may be that the forms are over detailed and rather confusing, however, it is necessary to request this level of information to ensure that the claim is assessed correctly in line with legislation and to minimise the potential for miscalculations, overpayment or fraud. Each time a new batch is ordered (usually after a change to legislation, the claim form is reviewed to ensure that it obtains the required information from applicants).

All the forms and leaflets can be requested in a number of languages and formats to ensure that the majority of all applicants needs can be assessed. If none of these formats meet the needs of the applicant, then assistance from the Contact Centre or a home visit from the Authority Visiting Officer can be arranged to assist in the completion of the form.

2.5 Receipt of Claims and Documentation

It was confirmed that all Customer Contact Centre staff had received training in dealing with basic claims queries and observed that there is a private meeting room available to discuss claims confidentially.

A valuables list is maintained that logs the receipt and return of all valuables and documents submitted by claimants.

2.6 Performance

Service performance is assessed in detail. Performance figures are produced and reported quarterly to the shared service operational and strategic board.

The DWP request the completion of surveys regularly. A certain number must be returned within a 2 – 3 year timescale.

If any complaints are received, they are dealt with in the first instance by the Benefits Team Leader. The Councils Corporate Complaints Procedure is also available for complaints. There were 5 corporate complaints received regarding Housing & Council Tax Benefits for 2010/11 to date (4 January 2011).

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
4	<p><b><u>See Section 3 of this report - Associated Risks of Providing this Service/Function</u></b></p> <p>The review of the most recent Revenues and Benefits Operational Risk Register revealed that it was last updated February 2010.</p>	<p>Shared RBS Partnership Manager</p> <p>Benefits Manager</p>	That the Revenues and Benefits Operational Risk Register is reviewed and updated.	B	End of June 2011

### 3. ASSESSMENT

#### *Method of Review:*

- Establish relevant policies and procedures;
- Discussions with relevant staff; and
- Sample test 10 benefits claims by tracing through the system from receipt of claim to benefit award (if any).

#### *Summary of Findings:*

##### 3.1 Policies and Procedures

As stated in section 2, all benefits regulations and guidance documents are maintained and are available to all relevant staff.

The Verification Framework was replaced by the Security Guidance Manual in 2006/07. These regulations do not specify exactly what type of evidence and information is acceptable, however, using the guidance, it is for the Local Authority to consider the circumstances of each individual claimant and ensure that there is sufficient evidence to determine entitlement. The assessment of Housing Benefit applications are still reviewed and the details e.g. income are still verified.

Staff are aware of and have been trained in the Security Guidance and DWP requirements and standards.

Assessment staff always confirm the claimants identity prior to discussing any element of the claim with them.

Training and development programmes have been established for assessment staff.

There is a 4% accuracy monitoring check. This however has not been routinely undertaken since the matching to posts took place (approximately 3 months). Discussion revealed that the responsible officer has been involved in other technical areas and due to this workload has not had time to undertake the checking. It is intended that the checks will take place again during January 2011. This should be assisted when the two vacant posts within the Team have been appointed to also. **See Recommendation/Agreed Action 5.**

Separation of duties has been established and there is a full audit trail within the system.

##### 3.2 Claims and Supporting Documentation

Procedures ensure that claims are assessed without delay. Mail items are automatically 'weighted' by type by the system. E.g a cancellation will take priority due to the risk of overpayment if the action is delayed.

'Information@Work' is the new name for Images. This is the Councils Document Image Processing system (DIP). Access is controlled, only system administrators have the ability to delete documents or notes from the system. The only time that this permission is used is when a document is duplicated in the system, e.g. if there was a problem in scanning a batch which needs to be re-scanned. This happens rarely, or if a user created a duplicate memo. Income and expenditure proofs are returned to all claimants immediately after they have been scanned into the DIP system.

### 3.3 Liability, Residency and Identity

Procedures ensure that all claimants are assessed using the appropriate legislation regarding liability, residency and identity. This has been evaluated through the sample tested. The sample tested was found to be in order.

### 3.4 Income

Procedures ensure that all claimants are assessed using the appropriate legislation regarding income. This has been evaluated through the sample tested. The sample tested was found to be in order.

### 3.5 Household and Non-Dependents

Procedures ensure that all claimants are assessed using the appropriate legislation regarding household and non-dependants. This was evaluated through the sample tested. The sample tested was found to be in order.

If circumstances are likely to change that would affect the benefit entitlement (i.e dependant reaching aged 16), then a diary date for review would be set so that it acts as a prompt for the claim to be reviewed when the time arises.

### 3.6 Rents Payable

Procedures ensure that all claimants are assessed using the appropriate legislation regarding rents payable. This evaluated through the sample tested. The sample tested was found to be in order.

### 3.7 Checks and Incomplete Claims

Procedures ensure that all claimants are assessed using the appropriate legislation regarding checks and incomplete claims. This was evaluated through the sample tested. The sample tested was found to be in order.

### 3.8 Calculation and Start Dates

Procedures ensure that all claimants are assessed using the appropriate legislation regarding calculations and start dates. This was evaluated through the sample tested. The sample tested was found to be in order.

If there are any year end adjustments, these are primarily changes to regulations/legislation and are activated by a system upgrade.

If there are errors within a calculation, Academy will highlight this, however, it can be overridden. However there is a 4% accuracy monitoring check undertaken (albeit not currently) should deter deliberate errors and also highlight the need for due care.

3.9 Backdating Claims

Procedures ensure that all claimants are assessed using the appropriate legislation regarding backdating claims.

Designated officers are specifically trained and given guidance as to what is deemed 'good cause'

This was evaluated through the sample tested. The sample tested was found to be in order.

3.10 Extended Payments

Procedures ensure that all claimants are assessed using the appropriate legislation regarding extended payments. This was evaluated through the sample tested. The sample tested was found to be in order.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
5	The 4% accuracy monitoring check has not been routinely undertaken since the matching to posts took place (approximately 3 months). Discussion revealed that the responsible officer has been involved in other technical areas and due to this workload has not had time to undertake the checking. It is intended that the checks will take place again during January 2011.	Performance Manager/ Benefits Manager	<p>The 4% accuracy checks should recommence as soon as possible.</p> <p><b>Management Comment:</b> Although the accuracy checking has suffered in favour of the technical support, in these times of vacant posts, there are still other checks carried out e.g. Team Leader performance management checks, checks for all internal reviews and appeals and checks where there are complaints. In addition, the 4% target of determinations will be achieved across the year although the periods are a little ad-hoc i.e. the higher number of checks earlier in the year will compensate in terms of numbers.</p>	B	Early April 2011 – subject to appointment to vacant post

## 4. PAYMENTS

### *Method of Review:*

- Establish relevant policies and procedures; and
  - Discussions with relevant staff.
- Ascertain:
- The payments process;
  - On account and discretionary payments;
  - Landlord payments;
  - Notifications and payments dispatch;
  - Returned cheques; and
  - Pay run.

### *Summary of Findings:*

#### 4.1 Policies and Procedures

All benefits regulations and guidance documents are maintained and are available to all relevant staff.

#### 4.2 Payments General

A system of segregation of duties operates within Academy complete with access controls. This means that relevant payment access is only given to those who need it to carry out their duties and responsibilities.

The post payment run reconciliation reports provide evidence that all transactions were recorded, referenced and bona fide. Discussion with an ICT Officer revealed that checks are made by another member of ICT post payment run to ensure that the details agree. Unfortunately on this occasion there was no evidence that this check had been undertaken. **See Recommendation/Agreed Action 6.**

#### 4.3 On Account and Discretionary Payments

Controls ensure that all payments are made in accordance with the DWP guidance and the organisations financial procedure rules. This was evaluated through the sample tested.

There are no longer any emergency cheque payment runs so the risk of unauthorised payments being produced within the determined management controls has been eliminated.

The Council does operate a discretionary payment award policy. It involves a 'top-up-fund' where claimants whose rent exceeds the maximum rent allowance can put a case forward for this for consideration. Various reasons can influence the decision to award, e.g. the claimant cannot move from a higher rented property for physical or mental reasons. Thereby the decision to award is at the discretion of a specifically designated officer who is trained and experienced in this area.

However discussion with the Benefits Manager revealed that since the implementation of the shared service there has been no one in post to operate the policy. The responsibility is to lie with the Appeals Officer but the post has not been advertised yet. **See Recommendation/Agreed Action 7.**

#### 4.4 Landlord Payments

The 'Safeguards' Policy states that the Council will only pay the landlords directly if the claimant is 8 weeks or more in arrears with their rent or, on the request of a Housing Association.

#### 4.5 Notifications and Payments Dispatch

Decision notices are sent promptly to claimants. These are automatically generated by the system and sent out the day they are produced.

Batch process hb6040 is run the Friday before the cheque run. The Benefit Controls Section instigate the cheque run first thing the next available morning as until the system balances, the assessment officers cannot assess the system in case their actions have an impact on the figures. Once the procedure is complete, IT and Finance are both informed of actions taken, the amount of benefit to be paid and number of cheques to be printed (for reconciliation purposes) and given instruction to commence their parts of the process. IT then run the BACS process, informing Benefits and Finance when it is complete. Finance then balance the BACS file to the Icon system which is ultimately fed into the General Ledger.

The cheques are held securely after they have been produced. They are printed by IT and they are dispatched by the Revenues admin staff who are independent of benefits assessment staff. All stages of the cheque handovers are secure.

A record is maintained of all 'pulled' cheques with a spreadsheet maintained by Finance that lists them in full and outlines a brief explanation why.

#### 4.6 Returned Cheques

Procedures and controls ensure that un-presented, lost, stolen and replacement cheques are recorded and investigated independently of assessment staff. (Replacement cheques are only issued once written confirmation has been received from the bank confirming the stop and non-encashment of the cheque/s). The Finance Assistant maintains a spreadsheet which she updates as and when a cheque is returned.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
6	On one reasonably recent occasion with regards to BACS payments there was an error made which resulted in a sufficient impact that necessitated that the transmission summary should be checked and agreed to ensure the details are correct. Although the Officer stated that this would have happened there is no evidence to indicate that this action had been taken.	Interim Shared Service ICT Manager	The transmission summary should be checked and agreed by another member of the ICT Team to the person processing the payments. This should be evidenced by the person signing and dating the transmission summary once checked and the details agreed.	C	April 2011
7	Since the departure of a member of staff the discretionary payment policy has ceased to be administered.	Housing Benefits Manager	The discretionary payment award policy (DHP's) should be appropriately staffed to enable continuity of administration without delay.	C	Interim arrangement has been

					arranged and is in place. Permanent arrangement March if successful in recruiting to vacant post
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## 5. OVERPAYMENTS

### **Method of Review:**

- Establish policies and procedures;
- Ascertain identification and calculation of overpayments;
- Determine the recording and notification of overpayments;
- Establish the system to recover overpayments;
- Ascertain any reductions or write-offs during 2010/11;
- Examination of write-offs actioned during 2010/11; and
- Discussions with relevant staff.

### **Summary of Findings:**

#### 5.1 Policies and Procedures

All benefits regulations and guidance documents are maintained and are available to all relevant staff.

#### 5.2 Identification and Calculation

Controls exist to ensure that the occurrence of overpayments are minimised using the measures mentioned in Section 2 - Assessment. Any identified overpayments are prioritised alongside cancellations.

#### 5.3 Recording and Notifications

All overpayments are recorded as this is information required by the Audit Commission for them to verify the subsidy claim. Accuracy monitoring also assists in identifying any problems with classifying overpayments. As information is provided to the Audit Commission annually, a mid year sampling exercise is also undertaken to identify any areas of concern.

#### 5.4 Recovery

There is a debt recovery strategy incorporated in the Overpayments Policy. This incorporates details of recovery for admin/claimant errors and also fraud. This is covered by recommendation/agreed action 3.



5.5 Reductions and Write-offs

All benefit overpayment write offs over £1,000 must be reported to the Executive. The Assistant Director of Resources has the authorisation to write off all amounts below £1,000 as per Authority Financial Procedure Rules. These powers have been delegated to the Benefits staff in varying levels.

- Assessment Officers up to £49.99.
- Team Leaders £50 to £249.99.
- Benefits Manager/Senior Adjudication Officer £250+.

The last report submitted to the Executive (where overpayments were greater than £1,000) was on 11<sup>th</sup> Oct 2010 where a total of £34,953.19 was written off. These debts cover periods between 2005 and 2009 and recovery has either been exhausted or the individual has deceased leaving no estate. The Housing Benefit overpayments contained within the report were checked and agreed to the Academy system.

No areas were identified for improvement.

**Audit Services, Resources**

**Audit of Creditors**

# Final Report

28th March 2011

Directorate / Service Area	Recipient(s) of Report	Action Required
Resources	<p>Assistant Director (Resources) (for information)</p> <p>Financial Services Manager (for information)</p> <p>Development &amp; Support Manager (for action)</p> <p>Principal Finance/Systems Officer (for information)</p> <p>Service Support Team Leader (for action)</p>	<p>There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Resources Services, which is attached as Appendix A.</p>

**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 11<sup>th</sup> April 2011.

**1. Reason for the Audit**

- 1.1. The audit of Creditors forms part of the programme of annual material reviews. 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 Council processes approximately 25,500 invoices through the Civica creditor payment system each year, 49% of which are input locally (i.e. by officers in directorates). The central team consists of 2 part time staff (1 FTE) whose main responsibilities involve overseeing the checking and authorisation of payments.
- 2.2. During the year, directorate restructuring as part of the Council's transformation programme, saw the creation of the Service Support Team in October 2010, into which the central Creditor Payments Team was relocated. Also, the Administration Assistant previously located at Bousteads Grassing, who has responsibility for matching and input of invoices from key services using the Contactor Plus system, was also relocated into the central team.
- 2.3. The Service Support Team Leader, who, reports directly to the Assistant Director (Resources), oversees the operational duties and responsibilities of the creditors payments function. The technical aspects of the function remain the responsibility of financial services.
- 2.4. The Council is currently undertaking an iterative upgrade to all financial systems including Creditors. A number of organisational changes have occurred since the last upgrade in late 2008, and these changes have delayed any progress and developments.
- 2.5. The Government increased VAT from 17.5% to 20% on 4<sup>th</sup> January 2011. Additional testing has been carried out to ensure that policies and procedures included this update and that Creditors processing post this date accurately to reflect this change.
- 2.6. Discussions to fully centralise the creditor payment function have been considered over the last couple of years. This proposal is supported by recent IPF benchmarking on creditor payments operations over this time. Whilst the results of this type of benchmarking exercise need to be read with caution (as authorities can differ in their approach to service delivery), key information can be drawn and best practice guidance identified.

These benchmarking exercises have repeatedly highlighted that total staffing costs and staffing numbers are high when compared to other authorities and this impacts on the processing costs (per invoice) and the number of invoices processed (per FTE). Key benchmarking data indicates that:

- The total combine cost of processing a creditor invoice through the system is £3.90 per invoice compared to the average of £4.59 per invoice.

- Whilst this appears favourable, this includes the local processing cost (i.e. the cost of departmental input) which is estimated at £5.05 per invoice, compared to the average of £3.95 per invoice.
- Invoices per FTE is 6,707 compared to the average of 14,221. This suggests too many staff (undertaking devolved duties) are involved with creditor payment processes at Carlisle.

*Note: the above benchmarking figures will have changed somewhat of the last 6 months due to the service restructuring.*

These findings are purely because Carlisle operates decentralised creditor arrangements, whilst the large majority of comparative authorities have a centralised creditor function, along with other improvements and enhancements which support efficient processing measures.

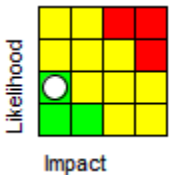
The move to electronic purchase ordering - there are recognised shortfalls in the existing manual purchase order system and its impact on creditor payments, all of which will be directly addressed through the plans to roll out the corporate electronic purchase order system.

Many of these best practice and cost efficiency measures still need to be fully explored and pursued by Carlisle City Council – these include:

- A comprehensive approval structure to all purchase orders and invoices based on cost centre and value of transaction.
- Email addresses for all suppliers to receive e-purchase orders – includes a hot link to requisitioner with any queries. Email address may also be used for BACS e-remittances.
- Receipt and processing of electronic invoices.
- Additional “One Bill” processing opportunities.
- Auto-matching invoices to Purchase Orders along with the potential to introduce auto approval of invoices under a given amount.
- Validation on invoice entry to prevent duplicate invoices – report run which identified potential duplicate entry attempts.
- Duplicate payment finder software – identified duplicate payments and highlights where duplicates occurs and duplicate payment report prior to payment report/run.
- Scanned invoice images available to end users during coding and approval process / Invoice image attached to the transaction and available for retrieval via URL from GL transactional record.
- Use of intelligent scanning which will reduce further the effort needed to input and match invoices received and further support a leaner payment process.

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

3.1. Examination of the operational risk registers reported by Financial Services noted the following risk:

Risk	Description	Present and Previous Risk Matrices	Review Dates	Current Risk Rating	Rating Description	Current Action Status / Control Strategy
Prompt and accurate payment of certified suppliers' invoices	There is a risk that creditor invoices are not paid promptly and accurately.		07 Jun 2010	2	Impact Negligible Likelihood Remote	Procedure in place. Monthly monitoring data presented to Service Managers.

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

- Potential for internal and external fraud.
- Potential inadequate control mechanisms put in place when/if the Creditors function is centralised.
- Failure of the Civica Purchasing system.
- Conflict with HRMC in respect of failure to meet VAT regulations.
- Potential to process invoices for payment that are not genuine invoices, but merely an open invitation to pay. (Note:- there have been two invoices of this nature during the 2010/11 review.
- Unauthorised / fraudulent requests to change bank account details.

***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><u>Area Examined</u></b>
1.	Follow Up of Recommendations made during 2009/10 review
2.	General
3.	Ordering
4.	Receipt of Goods
5.	Invoice Checks
6.	Payments
7.	Security of Data

## 5. Overall Conclusion of the Audit Review

- 5.1. The Creditors function is extremely well run with dedicated and knowledgeable staff with numerous years experience.
- 5.2. There are numerous opportunities to improve and enhance existing procedures and controls through the full implementation of the electronic purchase order system. These changes would help to deliver savings for both time and money, but it is stressed that such developments need to be fully explored, tested and implemented as part of a defined project, which is properly resourced and undertaken in a controlled environment.

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

- 6.2. There are 5 recommendations arising from this review. 2 grade B, 2 grade C and 1 at grade D.

## 7. Statement of Assurance

- 7.1. Based on the audit approach, issues and the grading of the recommendations arising from this review (delete if no recommendations), it is considered that a **REASONABLE** level of assurance can be given in relation to the systems of control (see definition below).

<u>Level</u>	<u>Evaluation</u>
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.

**Resources**

**APPENDIX A**

**1. Follow Up of Recommendations from 2009/10 Review**

***Method of Review:***

- An e-mail and follow up template for completion was distributed to staff informing them of the follow up recommendations outstanding from the audit review undertaken during 2009/10.

***Summary of Findings:***

- From the audit review undertaken during 2009/10 there were 8 recommendations, 2 grade B recommendations and 6 grade C recommendations.

- Recommendation A.1.

The purchase ledger procedure manual has been updated and will be issued to coincide with the e-Purchasing system roll out in the early new year.

*Note: As we are now reporting this review in March 2011 and the implementation has not taken place to date, concerns over the purchase manual being updated need to be highlighted again.*

- Recommendation A.2.

Completed – all leaver information is now reaching the system administrators for them to update the live user master file.

- Recommendation A.3.

A division of duties issued has now been addressed through the move of creditors into the Service Support Team which delivers the operational task / responsibilities, where the technical / system administrative duties remain within Financial Services (Development & Support).

- Recommendation A.4.

The matter has been reiterated as part of the Budgetary Control Training sessions to staff members. It was noted that staff prefer to code the order to where monies are available rather than complete a virement, even when this creates anomalies and prevents accurate monitoring of expenditure. Measures are in place for the Accountancy Team to identify and rectify such coding errors.

- Recommendation A.5.

The matter regarding invoices not being processed accurately and completed in all cases has again been addressed using the Budgetary Control Training sessions, which are available to all staff members.

- Recommendation A.6.

Users are advised to process invoices asap. Again this is reiterated in the Budgetary Control Training sessions.

- Recommendation A.7.

Completed. This is reiterated in the Budgetary Control Training sessions held by Financial Services to staff members.

- Recommendation A.8.

The matter regarding stronger controls regarding the division of duties within the BACS registering process was addressed and a report will now be produced by Systems & Controls every Wednesday morning showing that a change has been made against a supplier, with the date/time and who by (any changes prompt the supplier to appear on the report, not just to their bank details, and the actual change is not specified on the report). The Creditors team will file all the current weeks' changes in a file which will be inspected by System & Controls and the report signed off. A procedure needs to be written and agreed with Internal Audit w/e 26/11/10. Agreed with Finance/Systems Officer on 24/11/10 that testing will be carried out on 1 in 10 entries on the report.

## 2. General

### *Method of Review:*

- Discussions with relevant staff.
- Review and examination of Carlisle City Council's Constitution and Financial Regulations policies.
- Review and examination of the office procedures relating to Creditors.
- Review and examination of the Creditors Authorised User List against current employee listings to ascertain the level of access to the Creditors Ledger and their approved financial limits.



### **Summary of Findings:**

#### Constitution

Key controls are clearly outlined in the constitution and Financial Procedures Rules 2010 for the ordering and paying for work, goods and services. The Constitution can be located on the Council's intranet and covers the Creditors procedures and responsibilities, specifically Appendix D, Financial Systems and Procedures D47 – D92 which details the rules to apply to this specific area.

#### Procedures

The Purchase Ledger Procedures Manual can be located on the Council's intranet. This Manual is currently out of date and requires updating to reflect the recent staffing changes made through transformation. Also thought should be given to inserting 'Job Titles' instead of naming individual staff members within the manual, as this would eliminate further amendments to the Manual if members of staff change jobs or leave the authority. **Please refer to Recommendation A.1.**

On further examination of the Purchase Ledger Procedure Manual on 19<sup>th</sup> January 2011, it was confirmed that the transformation amendments had been made and also that the manual had been updated to reflect the raise in VAT from 17.5% to 20% enforced by the Government on 4<sup>th</sup> January 2011.

#### Creditors Authorised User List

An examination was undertaken to ensure that the Creditor Authorised User list was current, regularly monitored and maintained.

It was found on examination that there are 4 users still remaining on the list, details as follows:

Employee Number	Status
10316	Left the authority 08/05/09
5114H	Left the authority 12/06/09
0052J	Left the authority 31/08/10
10165	Changed name to Marriot

Service Managers from all directorates should ensure that a memorandum or e-mail is sent to the Principal Finance/Systems Officer to notify them of all amendments to records relating to names changes and leavers. **Please refer to recommendation A.2.**

General

The last upgrade on Creditors was version 9.1.0 dated 7<sup>th</sup> April 2007. Numerous releases have been issued after this date but not upgraded onto the Creditors system. The current release is version 12.0.0 dated 7<sup>th</sup> February 2011. It is thought that it would be beneficial to upgrade the Creditors system as there have been various creditors changes which would resolve current issues within creditors (please refer to the payments section in appendix A for further details).

<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.1	Staff names are shown within the Purchase Ledger Procedure Manual.	Development & Support Manager	Thought should be given to inserting 'Job titles' instead of naming individual staff within the manual thus eliminating the requirement to amend the manual if staff members change jobs or leave the authority.  <u>Comments and timescales agreed by Development &amp; Support Manager:</u>  Agreed.	D	<May 2011 or as soon as possible.
A.2	The Principal Finance/Systems Officer & Creditors section are not being notified of all amendments relating to names changes and leavers with regards to the Creditors Authorised User List.	Service Support Team Leader	Service Managers from all directorates should ensure that a memorandum or e-mail is sent to the Principal Finance/Systems Officer to notify them of all amendments to records relating to staff name changes and leavers.  <u>Comments and timescales agreed by Development &amp; Support Manager:</u>  Employee Leaving Checklist section for 'Actions to be undertaken by P & D' to be amended. Sample template forwarded to SSTL.	C	1 Month  (end of April 2011)

### 3. Ordering

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

- Discussions with relevant staff.
- Ensure that approved budgets are not exceeded and if so, budget holders are aware of the position.
- Testing was carried out on a random sample of 20 creditor invoices to ensure the following:
  - a) An official order was used
  - b) The nature and quantity of the requirements were shown clearly
  - c) A quoted price was shown on the order
  - d) The name of the supplier was recorded on the order
  - e) The date of the order is shown
  - f) The order was certified by an authorised employee
  - g) The details on the order agree with those on the invoice
  - h) Where the order is confirmation of a verbal order, the circumstances for making a verbal order where appropriate and necessary
  - i) The employees raising the order did not also authorise them
  - j) That orders comply with the organisation's constitution, financial regulations, procurement policies and procedures.
- Ensure that orders comply with the Authority's policies and procedures as follows:
  - a) Are held securely
  - b) Consecutively numbered
  - c) Reconciled frequently
  - d) Regulated

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

##### Overspends/Budgets

Budget holders are issued on a monthly basis with a Financial Information System (FIS) report which details all the income and expenditure for the financial period to date. Also, Senior Accountancy Assistants produce and issue a comprehensive Summary Monitoring Statement (SMS) which further highlights any over spends above £10,000 and details additional analysis. Meetings are held with the budget holder to discuss any overspends and to address the issues by recoding or by virement.

Budget holders should be mindful of the rules surrounding the availability of funds, in accordance with the Financial Rules & Regulations, when there is no budget remaining on the account code, Financial Services is requested to raise a virement to enable the transaction to be processed. ***Please refer to Recommendation A.3.***

#### Invoices – Ordering

Testing was carried out on 20 random invoices/orders to ensure that the correct procedures relating to purchase ordering and invoice authorisation were been adhered to. The following discrepancies were found:

- 100% of all invoices tested did not show the date or the original order.
- 7 out of 20 invoices (35%) had no purchase order details attached to the document.

The remaining 13 invoices which had orders attached were tested and the following discrepancies were found:

- 4 out of 13 invoices (31%) did not show the nature and quantity of the requirements for the order.
- 10 out of 13 (77%) did not show the quoted price specified on the order.
- 4 out of 13 (31%) did not have the suppliers name or address recorded on the order.
- 8 out of 13 (62%) did not have delivery requirement specified on the order.
- 5 out of 13 (38%) was not certified by an authorised member of staff.
- 1 out 13 (8%) did not agree with the details on the invoice.
- 5 out of 13 (38%) orders were both raised and authorised by the same member of staff.

It clearly states in the Financial Procedure Rules, page 304 ref D.72 (a):

- “Before certifying an account, the certifying officer shall, save to the extent that the Director may otherwise determine, have satisfied himself that:-

The works, goods or services, to which the account relates, have been properly ordered received, carried out examined and approved.

It is evident from the above testing carried out that authorising officers must once again be reminded of the obligations under the Financial Procedure Rules to ensure all relevant information and details are sought and entered onto the corporate order form, a copy of which should accompany the invoice for payment.

***Please refer to recommendation A.4.***

The roll out of the e-purchasing system, which is due to be carried out in 2011, which will eliminate these problems, through electronic raising and authorisation of purchase order and electronic matching of invoices received to original e-purchase orders. No invoices should be paid without a match purchasing order held in the system. Although there will be exceptions to this rule e.g. utility bills. Additionally electronic funds availability checks will be undertaken as part of the electronic purchase order system roll out. The ability to override this check will be ‘switched off’ allowing for better control of potential overspends in the future.

### Order Books

The Financial Procedure Rules, page 301 ref D.58 clearly states the following:

“To approve the form of official orders and associated terms and conditions. All order books or forms and all documents or vouchers with a financial value shall be in a form approved by the Assistant Director (Resources) and shall be ordered, controlled and issued in accordance with procedures issued and approved by the Assistant Director (Resources)”.

The Procurement Officer issues the corporate order books and maintains a spreadsheet which identifies the sequence number, directorate/department and staff member to which the order book was issued.

Order books are ordered as and when required, as items of controlled stationery, order books are logged on issue and kept within a lockable cupboard.

Random testing was carried out on 5 departments which hold and maintain corporate order books to ensure the following:

- The sequence number of their order book(s) is identical to the sequence number listed on the Procurement Officers spreadsheet.
- To ascertain who has access to the order books.
- To ascertain which member of staff is authorised to sign the orders.
- To ascertain where the order books are kept and if they are being kept in a secure location.
- If usage is monitored and if so by whom?

It was confirmed through testing that departments are in possession of the relevant order books as stated on the spreadsheet and usage, authorising and security of the order books appears to be in order.

<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.3	There is evidence that the Financial Procedure Rules are not always adhered to when placing an order as funding is not always available against the cost code used.	Resources Directorate	<p>Authorising staff must ensure that the following Financial Procedure Rules are always adhered to:</p> <ul style="list-style-type: none"> <li>a) Funds are available prior to placing an order</li> <li>b) Best value is sought when placing an order</li> <li>c) Goods are received and appropriate for their use, prior to authoring payment of the invoice.</li> </ul> <p><u>Comments and timescales agreed by Development &amp; Support Manager:</u></p> <p><i>The implementation of the Purchasing System will address this issue. Budgetary Control Training sessions will again be offered to staff members.</i></p>	B	6 Months
A.4	Corporate orders are not always being completed as accurately and completely as required.	Resources Directorate	<p>Authorising officers should be reminded of their obligations under the financial procedure rules to ensure all relevant information and details are sought and entered onto the corporate order form.</p> <p><u>Comments and timescales agreed by Development &amp; Support Manager:</u></p> <p><i>The implementation of the Purchasing System will address this issue. Budgetary Control Training sessions will again be offered to staff members.</i></p>	B	6 months

## 4. Receipt of Goods

### **Method of Review:**

- Discussions with relevant staff.
- Examination of Carlisle City Council's Financial Procedure Rules and the Purchase Ledger Procedure Manual.
- Confirmation of procedures for the delivery of goods to the Civic Centre.

### **Summary of Findings:**

Carlisle City Council's Purchase Ledger Procedure Manual section 3 states:

- "Upon receipt of goods from a supplier, the delivery note and order should be checked against the received items to ensure that the delivery is complete. Any shortages or damaged goods should be reported to the supplier immediately".
- "If goods were ordered via the Purchasing system, the outstanding order should be amended to show the goods have been received".

Carlisle City Council's Financial Procedure Rules, page 303 ref D.70 states the following:

- "To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

There is a division of duties between the ordering of goods and the receipt of goods for the Civic Centre based staff. All goods apart from furniture orders are checked and signed for by the Keepers then delivered to the appropriate directorate/section with all the relevant documentation. The Keepers delivery book is then signed for by the staff member receiving the goods.

Furniture orders are delivered and installed at the appropriate destination.

IT supplies are signed for by the Keepers. IT then take delivery of the goods signing the Keepers delivery book, which provides an audit trail. All delivery notes are kept within a folder in the IT office. If an item is ordered by Allerdale for Carlisle City Council, IT will acknowledge delivery to the procurement section and then it is logged through the purchasing system. All IT equipment has an asset sticker attached and is logged into an inventory by the ICT Officer.

The majority of consumable goods received (stationery, computer consumables, paper and envelopes) are procured through the electronic purchasing system which provides a full audit trail.

## 5. Invoice Checks

### **Method of Review:**

- Discussions with relevant staff.
- Testing was carried out on 20 random invoices to ensure that when invoices are received procedures include the following:
  - a) The details on each invoice agrees to the order.
  - b) Each invoice has not previously been paid.
  - c) Each invoice is arithmetically correct including the VAT element.
  - d) Where the VAT is charged, a VAT registration number is shown clearly on the invoice.
  - e) The copy order is marked to show that the invoices has been checked, agreed and passed for payment.
- Testing was carried out on 5 recent invoices, ensuring that VAT is now being charged at the increased VAT rate of 20% instead of 17.5%.
- Obtain and carrying out testing on a computer audit interrogation report highlighted potential duplicate payments.
- Examination of a payment run to ensure that the batch totals agree to the batch control book before the payment is run.

### **Summary of Findings:**

- It was confirmed by the (Creditors) Finance Assistant that the Creditors Instruction Manual procedures are maintained and are held on the Financial Services drive T:/procedures/creditors.
- Testing was carried out on 20 random invoices to ensure that the details outlined in the 'Method of Review' above were correct. The following were identified:-
  - 13 out of 20 invoices (65%) had an order attached which agreed to the invoice details. The remaining 3 invoices (15%) had no order attached. The other remaining 4 (20%) invoices were processed through the electronic purchasing system and stated an order number on the creditors invoice certification slip. It was also noted that invoices processed through the electronic purchasing system did not state a general ledger cost centre code. This is due to the code being entered at the time of placing the order, against which funds are checked and if approved, a budget commitment is made.
  - Through system interrogation, it was confirmed that none of the invoices had been previously paid.
  - All invoices were checked and found to be arithmetically correct.
  - The VAT element on each invoices were found to be correct relating to the goods received.



- 9 out of 20 invoices (45%) had been incorrectly checked relating to the 'Goods Received' box not being signed. It was noted that all invoices had been signed by an authorised signatory.

Due to the rise in VAT from 17.5% to 20%, as of 4<sup>th</sup> January 2011, an additional 5 invoices were checked to ensure that the VAT was correctly charged at 20% and also the above testing was carried out on these invoices.

It was confirmed that the VAT element had been correctly charged and processed through the Creditors ledger, although again 3 out of the 5 invoices (60%) had no order attached or stated on the invoice or creditors invoice certification slip. ***Please refer to recommendation A.4.***

- It was confirmed that a 'Daily Duplicate Vouchers Extract' report is ran overnight to identify any potential duplications. No duplications were found to date.
- The batch totals and batch control book dated 26/01/11 were checked and balanced before proceeding with the payment run by the Finance Assistant and Auditor. No issues were arising.

## 6. Payments

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

- Discussions with relevant staff.
- Obtain a recent copy of the Creditors timetable for processing payments.
- Testing was carried out on 20 random invoices to ensure that:
  - a) Before processing the following checks are carried out:
    - Invoices are authorised properly
    - Coding is correct
    - Invoices are accurate
  - b) Where errors are identified they are reported and corrected promptly.
  - c) A unique creditor number is allocated to each creditor which is recorded on the invoice.
  - d) The payment run does not commence until the cumulative computer batch totals are agreed to the cumulative batch header totals and the cumulative batch control book totals.
- Testing was carried out on 20 random invoices to ensure that:

- a) Each invoice appears bona fide and has a creditor number recorded on it.
  - b) Each invoice shows the details including quantities of the works, goods or services and they appear appropriate purchases for the section concerned.
  - c) Each invoice clearly stated the payee's name and address.
  - d) Each invoice is a proper VAT invoice quoting a valid VAT registration number.
  - e) The price on each invoice appears reasonable.
  - f) Best terms appears to be been obtained.
  - g) Payment of each invoice was not delayed unnecessarily.
  - h) Invoices eligible for discount were paid promptly in order to qualify for the discount.
  - i) Each invoice is addressed to the organisation.
  - j) Each invoice is authorised properly and the same person did not certify receipt of the goods, check the price and authorise the payment.
  - k) No alterations have been made to each invoice.
  - l) Each invoice is not torn or repaired.
  - m) Each invoice appears to have been received through the post.
  - n) Each invoice is not a photocopy.
  - o) The invoice has not been previously paid.
  - p) Payment has not been made using a statement, delivery note, reminder, remittance advice or credit note.
  - q) The total of each batch of invoices is correct by checking the addition.
  - r) The VAT element on each invoice had been dealt with correctly.
  - s) The computer records have been update with the payment.
- Testing on the Creditors ledger to ensure that all invoices are genuine.
  - Obtain confirmation the paid invoices are:
    - a) Stored securely with restricted access.
    - b) Files to enable easy identification.
  - Confirm that the BACS process is monitored and restricted to authorised staff only.
  - Ascertained the arrangements in place to ensure only authorised and bona fide requests to change bank account details are taken place.
  - Examination and testing on local indicator LI472 (% of invoices paid within 30 days) to ensure it is up to date and that the Authority is making payments with 30 days and is achieving the target set.
  - Examinations of 26th January 2011 cheque payment run and balance to the nominal ledgers.
  - Ensure that the creditors system is backed up frequently and contingency arrangements are place.

**Summary of Findings:**

- Timetables

The (Creditors) Finance Assistant confirmed that the Authority no longer use a creditors timetable as it is stated within the Creditors Manual. Weekly payment runs take place every Wednesday and invoices etc have to be submitted for payment by 12.30pm each Tuesday to enable time for processing. The only time that these days may change is over the Christmas and Easter period. An e-mail is issued to creditors processing staff advising them of such changes.

- Creditor Payment Run

The procedures and supporting controls surrounding the weekly payment run were ascertained and reviewed for completeness. No issues were arising. Adequate pre run checks are in place which include additional checks on payments exceeding £5K and the review and clearing of exception reports. The role of IT and the Service Support (Admin) Section in the payment run provides a good separation of duties between authorising payments and printing and despatching cheque payments.

- Invoice Payment

Testing was carried out on 20 random invoices to ensure all invoice details were accurate and that the appropriate paperwork had been completed. Please refer to the above 'Method of Review' for the full listing of testing carried out. The following discrepancies were found:

- 2 out of 20 invoices (10%) did not have a VAT quoted on the invoice. Further investigation revealed that the suppliers were not VAT registered.
- 6 out of 20 invoices (30%) were not issued to Carlisle City Council but issued to Carlisle Works, City of Carlisle, Carlisle Visitor Centre, Carlisle Enterprise Centre and Tullie House. This will be rectified when the electronic purchasing order system is in place, as a standard purchase order template will be used by all staff.
- 9 out of 20 invoices (45%) were not authorised/initialled in the 'goods received' section. This was discussed with the Finance Assistant who explained that in certain circumstances many members of staff are offsite, for instance, a dustbin man receiving new boots so they are receiving the goods but are unable to sign the 'goods received' box on the certification slip. Also the Authority maybe making a payment for something where nothing was actually received i.e. union subs, pre booking a meeting room. It is preferable if all 3 boxes on the certification slip were completed. The 'Invoice details checked' box and the 'certified by' box are mandatory but it is recognised that the invoice payment request would not be return if the 'Goods received' box was not completed.
- 1 out of 20 invoices (5%) appeared to be hand delivered. On examination of the details on the invoice it is apparent that the invoice was hand delivered with the goods as a member of staff has signed the invoice when received.

Although testing revealed a few discrepancies there is a valid explanation for each. The implementation of the electronic purchasing order system will eliminate many of these discrepancies in the future.

The Creditors Team is aware of the invoices and is vigilant towards others with system checks in place. The risk will be minimal when the new purchase ledger is installed as all invoices will be required to be linked / matched to an official order number thus eliminating payment errors).

- Creditor Invoice Storage

All Creditor invoices are placed within the pending tray by the Finance Assistant's desk. Once processed, the invoices are immediately filed in numeric order. Files are well maintained and easily assessable to key finance staff.

- BACS

It was confirmed that only system administrators with full system access can set up BACS accounts on the creditors system. When a BACS payment is set up, a note is placed on the system to allow for an audit trail.

A recommendation (A.8) was issued in last years Creditors report:

*Recommendation: The controls regarding division of duties within the BACS registering process should be strengthened.*

The Creditors Team maintain a file with all the current weeks' changes. This is inspected by System and Controls who check 1 in every 10 entries on the report. Any anomalies are dealt with immediately and a report is signed off after all checks have been carried out.

Adequate arrangements are in place to maintain a BACS ceiling limit, along with clear procedures to be followed and additional authorisation arrangements should this ceiling limit need to be exceeded.

It was confirmed by the (Creditors) Finance Assistant that the Creditors section and other staff with creditors full system access are aware of the National Anti-Fraud Network intelligence Bulletin No 5 – August 2010 which refers to the potential for fraud surrounding the alteration of creditors bank account details. Discussion with the (Creditors) Finance Assistant confirmed that sound arrangements are in place to ensure that only authorised and bona fide requests to change creditors bank account details take place.

- National Indicator Analysis

A spreadsheet for local performance indicators LI472 (% of invoices paid within 30 days) was obtained and examined. The following results show that invoices are being processed and paid with 30 days and are inline with the target for year figure.

- Monthly % paid within agreed terms – 98.0%
- Cumulative % for full year – 98.6%
- Target for year – 98.0%
- Quarterly figures (September 2010 – December 2010) – 98.0%

- Creditors Ledger Balancing

The Creditors batch run as of 26 January 2011 was examined and balanced through the ledgers. The Finance Assistant enters daily figures into the master daily control spreadsheet then the following day the Administrative Assistant will balance the creditor daily figures/balances to the creditor interface. A Creditor interface was checked to ensure that the General Ledger had been updated with the correct amount. There were no problems identified during the undertaking of ledger balancing.

The Group Accountant is notified of monies paid out from Carlisle City Council as this will effect the daily bank balances.

- Creditors IT Back Up

The creditors system is backed up every evening, the backup tapes are stored securely off site.

A review is currently being undertaken to define the length of time that backups are required to be kept for all systems at both Carlisle and Allerdale with a view to standardising both organisations.

- Construction Industry Scheme (CIS) Monthly Returns Submission

Carlisle City Council submit a Construction Industry Scheme (CIS) monthly return to the HM Revenue & Customs. It was highlighted that Carlisle City Council had been issued with a 'Notification of Charge and Notice to Pay' invoice for £100.00 on 6<sup>th</sup> July 2010 for a late return filing penalty for the period of 06/05/10 to 05/06/10.

At present the payment for the CIS monthly return is being paid by cheque and being taken to the Post Office personally by the creditors staff to be posted by recorded delivery to ensure that we have proof of posting for future reference. This is due to the Creditors system not having the capability to submit the file electronically online via the Government Gateway.

It is understood that electronic submission through this gateway would be possible if the Creditors system were to be upgraded (to Version 10.0.0 ref 5.2 CIS Monthly Returns Submission). This would prove beneficial to the Authority and may help to avoid further penalties.

The Development & Support Manager confirmed that the Council are currently undertaking an iterative upgrade to all financial systems including creditors. A number of organisational changes have occurred since the last upgrade in late 2008 (ICT shared Service and Redundancies) and this had delayed any progress and developments. Additionally, the latest transformational changes have again impacted on the upgrades. Structured testing is currently being undertaken.

***Please refer to recommendation A.5.***

<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	Failure to submit the Construction Industry Scheme monthly returns to the HM Revenue & Customs leading to penalty charges.	Resources Directorate	<p>It would be beneficial to upgrade the Creditors system to enable the Construction Industry Scheme monthly returns file to be submitted electronically via the Government Gateway.</p> <p><u>Comments and timescales agreed by Development &amp; Support Manager:</u></p> <p><i>The Council is currently working towards e-returns and anticipate being able to implement by end of June 2011.</i></p>	C	01/07/11

## 7. Security of Data

### **Method of Review:**

- Discussions with relevant staff.
- Examination of the Information Commissioner's Office website.

### **Summary of Findings:**

- All current financial year invoices are kept numerically and appropriately filed for easy access.
  - The creditors system is backed up each evening, the backups are stored securely off site.
- ictCONNECT is currently undertaking a review to define how long backups are required to be kept for systems at both neighbouring sites with a view to standardising the approach in the near future.
- A business continuity plan in place in the event of any disasters, but this has not been examined as part of the review.
  - The Creditors system is appropriately registered on the Information Commissioner's Office website (page 5 purpose 3). The date of expiry is 22<sup>nd</sup> October 2011.

## APPENDIX E

### Audit Services, Resources

#### Audit of Treasury Management

# Final Report

31st March 2011

Directorate / Service Area	Recipients of Report	Action Required
Resources Directorate / Financial Services	<p>Assistant Director – Resources (for information)</p> <p>Financial Services Manager (for action)</p> <p>Chief Accountant (for information)</p> <p>Group Accountant (for information)</p>	<p>There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Corporate Services, which is attached as Appendix A.</p>

**Please note:** The Chief Executive and the Deputy Chief Executive receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations).

The Audit Committee will also be presented with the Management Summary at the meeting to be held on 11<sup>th</sup> April 2011.

## 1. Reason for the Audit

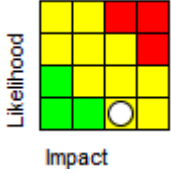
- 1.1. The audit of Treasury Management forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the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

## 1.2. Background Information / Summary of the Audit Area

- 1.3. The Treasury Management function is delivered within the remit of Financial Services (Resources).
- 1.4. Following the retirement of the Treasury and Insurance Manager in July 2010, the day to day duties and responsibilities are now delivered by the Group Accountant and are overseen by the Chief Accountant. These arrangements are temporary pending the final outcome of the Financial Services restructure.
- 1.5. There have been no changes to the system by which Treasury Management is controlled and processed.

## 2. Associated Risks of Providing this Service/Function

- 2.1. Examination of the risk registers noted the following risks:

Risk	Rating Description / Matrices	Last Review Date	Current Action Status / Control Strategy
There is a risk that investment and borrowings do not follow Council policy and procedures leading to the possible loss of significant sums of money.	<p><b>Impact</b> Critical</p> <p><b>Likelihood</b> Extremely remote</p> 	28 Jan 2011	<p>Treasury Management and Investment Strategy &amp; MRP Strategy are approved annually by Council.</p> <p>Procedures exist which include the separation of duties, with cover arrangements in place and passwords maintained.</p> <p>The TMP's are used as training tool with more officers being trained to ensure the continuity of the service to aid succession planning.</p> <p>Records are kept and documentation of actions taken.</p> <p>Regular internal and external audits carried out.</p> <p>Banking controls in place through the new HSBCnet internet site.</p> <p>CIPFA Code adopted with regular reports to Executive, and more recently to the Audit Committee in line with the revised guidance.</p> <p>Expert advice sought from consultants where appropriate.</p> <p>More personnel to be trained. Review cash flow monitoring requirements.</p>

## 3. Scope of the Audit

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

	Areas Examined
1.	Follow-up to previous audit
2.	Policies & Procedures
3.	Staffing
4.	Risk Management
5.	Cash Flow
6.	Lending – Loans Raised and Repaid



7.	Long & Short Term Borrowing
8.	Capital Investment
9.	Payments
10.	Fraud
11.	Records and Reconciliation
12.	Monitoring and reporting

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

- 4.1. Overall the procedures and controls in place for Treasury Management are fully documented, robust and operating effectively.
- 4.2. The senior staff involved with the Treasury Management process are all well qualified and trained. Staff are all aware of the risks relating to the service and the controls in place to prevent fraud and to safeguard the Authority's assets.
- 4.3. The recommendations highlighted in this review relate to the need to update policies and procedures to reflect transformational changes. In addition there are recommendations to further tighten controls.

#### 4.4. **Grading of Audit Recommendations**

- 4.5. 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).

- 4.6. There are 4 (grade C) recommendations arising from this review.

#### 5. **Statement of Assurance**

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

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

# Final Report

**31st March 2011**

<b>Audit Contact</b>	<b>Paula Norris</b>	<b>Extn No.</b>	<b>7014</b>
<b>Document Ref:</b>	k:\2006-07 onwards\people policy & performance\ppp110 - partnership development\partnership review 2010-11\reports\partnerships 2nd draft report 2010-11.doc		

<b>Directorate / Service Area</b>	<b>Recipient(s) of Report</b>	<b>Action Required</b>
Resources/Financial Services	Assistant Director (Resources) (for information)  Financial Services Manager (for information)  Development & Support Manager (for action)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Financial Services, which is attached as Appendix A.
Community Engagement	Assistant Director (Community Engagement).	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Sections which is included in Appendix A.
Governance	Assistant Director (Governance).	
Economic Development	Assistant Director (Economic Development).	

**Please note:** The Chief Executive, Deputy Chief Executive and relevant Assistant 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 11<sup>th</sup> April 2011.



## 1. **Reason for the Audit**

- 1.1. As part of the audit planning process, Partnerships was identified as a high / medium risk service area and has therefore been selected for review as part of the agreed Audit Plan for 2010/11.

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

- 2.1. Working in partnership has become central to the work of modern local authorities. In practice, local authorities have always worked in partnership to achieve wider strategic objectives. The number and range of partnerships has grown in recent years in response to Central Government requirements and as a result of local responses to particularly challenging issues.
- 2.2. Partnership working in the public sector has become commonplace as more and more agencies work together to tackle complex problems which cannot be resolved by one agency working in isolation.
- 2.3. In October 2007, the Development & Support Section (Financial Services) reviewed the Partnership Policy and reported the findings to Corporate Resources Overview and Scrutiny Panel. A Partnership Development and Evaluation Handbook and Toolkit was obtained which was developed around a framework which was designed to help local authorities ensure that their partnerships are functioning effectively.

### **Authority's Current Definition of a Partnership (as per the Partnership Policy)**

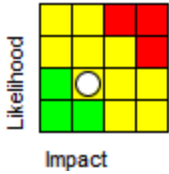
*A partnership is a group of two or more bodies, which agree common aims and objectives for the purpose of the partnership, and operates in a non-contractual, action focused manner, to achieve stated outcomes with demonstrable benefits for the community.*

*More specifically, a **significant** partnership has a direct effect on achieving the priorities, aims and strategies contained within the Corporate Plan. The aims and priorities of the partnership include outcomes which impact on the community or quality of services provided by the Council. Community benefits include social enterprise, skills training, work opportunities, regeneration goals and sustainability. The amount of Council resources (financial contributions, staffing and use of other Council assets) contributed into the partnership is likely to reflect the strategic aim of the partnership goals and thus the value would likely exceed £75,000."*

- 2.4. There are central resources in both Financial Services and Legal Services to aid and support the administration and monitoring of partnerships, however, it must be emphasised that the responsibility for entering into and controlling partnerships remains wholly with the directorates concerned.

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

3.1. Examination of the risk registers noted the following risks associated with partnership working:

Risk	Description	Risk Matrices & Review Dates	Rating Description	Current Action Status / Control Strategy
<b>Failure to address governance and risk management arrangements in partnership working</b>	<p>There is a risk of non-compliance with existing partnership arrangements leading to:-</p> <ul style="list-style-type: none"> <li>- Failure to meet stated objectives</li> <li>- Reputational and financial impact</li> <li>- Onerous terms and conditions, and inadequate exit strategy</li> <li>- Increased exposure to risk</li> <li>- Major review of compliance with partnership agreements or evidence of agreements not undertaken on a regular or structured basis</li> </ul>	<p>07 Jun 2010</p> <p>Current Risk Rating = 4</p> 	<p><b>Impact</b> Marginal</p> <p><b>Likelihood</b> Remote</p>	<p>The partnership policy has been approved by full Council which sets out responsibilities. The Resources Directorate Efficiency and Procurement team is responsible for the monitoring arrangements. This includes the update of the central register; completion of annual reviews of all significant partnerships, annual reports to members and quarterly progress reports to SMT. One to one assistance is given to officers when setting up new partnerships. SMT will ensure that their individual risks from partnership working arrangements should be included in Operational Risk Registers. The Use of Resources 2008/09 score has highlighted the need to improve governance and risk management arrangements within partnerships. The Risk Management Group also takes a role in ensuring that the risks associated with any partnership working are identified and managed accordingly. Partnership procedures and requirements have been included in the corporate training programme.</p>

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

- *That the definition of Partnerships is not clear.*
- *That guidance is not sufficient or available.*
- *That all partnerships that should be are not registered.*

***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.	Definition of Partnerships/Partnerships Policy
2.	Partnerships Guidance
3.	Partnerships Registration
4.	Governance and Monitoring

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

- 5.1. A number of opportunities to further enhance controls have been identified. These are shown in the Appendix and have been brought to the attention of the relevant Assistant Directors. In summary the key issues arising from this review are:-
- 5.1.1. Since the previous review of Partnerships, Carlisle City Council has invested time and resources to establish a comprehensive Partnership Policy that is in line with good practice. Comparisons with other policy documents from other local authorities provided evidence of this. One area where there is a marked difference between Carlisle City Council and the other authorities is the treatment of collaborative / shared services relationships within the 'partnership arena'. Consideration should be given to encompass Shared Services in the definition of what is a partnership and monitor these relationships in the same manner as other significant partnerships.
- 5.1.2. Review of the existing partnership guidance showed that documents were current, clear and concise. There were no serious issues found within the revised guidance itself, only in how they were applied.
- 5.1.3. It was evident that Partnership protocol has not been followed in all cases. The amalgamation of things such as changeover of key staff, lack of available documentation and the lack of awareness of established procedures. Further controls are required to ensure that the importance of developing partnerships in a legal and accountable way is recognised.
- 5.1.4. It should also be highlighted that with the current transformational changes, many of the officers responsible for establishing and managing some of the partnerships are no longer employed at the Authority. Also because, 'pre 2008' there were no defined protocols in place, a lot of the basic reasoning and decision making behind some of the schemes cannot be fully quantified. Centralising the registration and monitoring of the overarching partnerships process will resolve this problem in the future, as well as developing a centre of expertise on the area.
- 5.1.5. The systems and controls surrounding partnerships although graded 'Reasonable' definitely have room for improvement. If the central monitoring regimes are enhanced, this should go a long way to ensuring more robust arrangements and accountability measures are in place.

## 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 10 recommendations arising from this review. 6 at grade B, 3 at grade C and 1 at grade D.

## 7. **Statement of Assurance**

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

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

**Resources Directorate**

**APPENDIX A**

**1. Definition of Partnerships/Partnerships Policy.**

***Method of Review:***

- Discussions with the Efficiency Manager to ascertain the Authority's current partnership arrangements
- 25 Officers with responsibility for partnerships in other authorities were contacted. They were asked to provide details of how they define a partnership arrangement, what was included in this definition and if they have developed a Partnership Policy.

***Summary of Findings:***

- 1.1. The responsibility of establishing and updating the Partnership Policy is held with the Development & Support Section (Resources Directorate). The updated Partnership Policy was formally agreed in February 2008 and was revised again with minor structural amendments in January 2010. This is held on the Intranet.

The Policy outlines:-

- The Council's role in partnerships.
- How partnership working supports the Council's aims and priorities.
- What is a Partnership?
- Responsibility for delivering and monitoring partnerships.
- Resource implications for delivering the Policy.

Guidance notes to the Policy are also available - these support each stage of the partnership arrangement process.

Within the Policy there is reference made to the rules and responsibilities outlined in the Constitution in relation to partnerships. The responsibilities of key officers are also detailed.

Audit testing carried out (see Section 3 and 4) implied that although there are systems and procedures in place to help ensure that the corporate responsibilities outlined in the Constitution are adhered to, these are not always followed and there was a lack of available evidence in some cases). This constitutes a risk as the relevant senior officer may not be consulted prior to the beginning of the agreements. This issue is covered in more detail in Section 4 where the issue is examined more detail and the recommended required actions are stated.

1.2. Definitions

Carlisle City Council's definition of a partnership is outlined in the Management Summary of this report.

Carlisle City's partnership arrangements (establishing, administering and monitor) were compared to 25 other authorities – they were asked the following questions:-



QA) Do you have a Partnership Policy or specific guidance for officers? (Please provide a copy).

QB) Do you have a central point where all Partnerships are controlled and monitored, or is this the responsibility of the appropriate departments?

QC) Do you consider shared services or collaborations to be Partnerships? Please briefly explain the reason why or why not.

Five responses were received (20%) Results were as below.

Question	QA	QB * see section 3	QC
<b>Carlisle City Council</b>	Yes	No – Partnerships are only ‘overseen centrally. They are controlled and monitored by the Departmental Lead Officers.	Yes and No – Collaborations have been included in the Partnership Register. Shared Services are not included.
<b>Authority A</b>	Yes	Yes – Controlled centrally with involvement from Internal Audit.	Yes – Collaborations and Shared Services are considered to be partnerships.
<b>Authority B</b>	No, not a formal policy.	No – Although realise the importance of reviewing the effectiveness of all the Partnerships	Yes.
<b>Authority C</b>	Yes	No – Partnerships are only ‘overseen centrally. They are controlled and monitored by the Departmental Lead Officers. This may be revised in the future.	Yes.
<b>Authority D</b>	Yes – It is known as a Partnership Protocol.	No – Partnerships are only ‘overseen centrally. They are controlled and monitored by the Departmental Lead Officers. .	Yes.
<b>Authority E</b>	Yes – It is known as Partnership Governance Framework and Toolkit.	As above.	Yes and No – Shared Services are included, however there is a separate protocol for Collaboration working arrangements.

It became apparent that most of the policies/protocols were developed using the Partnership Toolkit. All definitions of partnerships that were made available carried a common theme of recommended processes tailored towards their own Authority e.g, the level of financial contribution that constituted if a partnership was defined as ‘significant’ was dependent on the size of the Authority itself.

A distinct issue which came apparent from the questions above in regards to the treatment of shared services.. Carlisle City Council was the only authority which does not monitor and control shared service arrangements in the same way as other partnerships. As all shared service arrangements would meet the value of a ‘significant’ partnership and therefore be subject to the same annual monitoring and performance scrutiny as other significant partnerships, it is recommended that Carlisle City widens their definition to include shared service arrangements too. This central monitoring would support the in year

performance monitoring arrangements in place through the respective shared service (strategic and operational) Boards which are in place...**Refer to recommendation A.1.**

<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>Suggested Timescale for Completion</u></b>
A.1	Since 2008, updates to the Policy have only been administrative. The current definition of a partnership does not encompass shared services or other collaborative agreements of significant value. This is due to the Policy being largely produced prior to the true extent of shared services being known.	Development & Support Manager	The Policy and control measures need to be updated to reflect alternative service delivery models like shared services and collaborative working practices. Based on the value and relationships in place, it is suggested that shared services should be categorised as significant partnerships and as such, an enhanced level of central monitoring and reporting be applied to these.	C	6 months

## 2. Partnerships Guidance.

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

- Discussions with the Efficiency Manager
- Examination of other Authority's partnership protocols.
- Examination of all partnerships whose details are held centrally to establish exactly what information is available both before and since the revised guidance was issued.

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

2.1. The Development and Support Section currently act as 'partnership administrators' as per the Assistant Directors (Resources) responsibilities outlined in the Constitution.

The Constitution states that it is the responsibility of the Assistant Director (Resources) to:-

- Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Assistant Director (Resources).
- Ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Assistant Director (Resources).
- Ensure that such agreements do not impact adversely upon the services provided by the Council
- Ensure that all agreements and arrangements are properly documented and that they provide clarity as to the Council's role in the partnership, including where appropriate whether the Council is acting as Agent, Principal or Joint Principal and the basis on which these roles are undertaken.
- Provide appropriate information to the Assistant Director (Resources) to enable a note to be entered into the Council's statement of accounts concerning material items.

The Development and Support Manager undertook an exercise at the end of 2008/09 to attempt to identify all partnerships in existence and their Lead Officer within the Authority. At the time of the testing there were 40 'partnerships' on register. The exercise also ensured that all those partnerships deemed 'significant' (refer to the Management Summary for the full definition) are all the subject of an annual review to help to ensure the enhancement of the Council's community leadership role by recognising partnership working as a key driver to improvement in this area and that there is transparency in decision making, investment and commitment in relation to partnership working for stakeholder organisations and individuals outside the Council. The annual review process also aims to provide clarity for Members and Officers, about if and why partnership activity should be entered into and how the Council should go about it when a decision has been taken to participate. Whilst annual reviews were undertaken, the findings / outcomes were not formally reported to an appropriate forum / committee. **Refer to recommendation A2.**

- 2.2. As Carlisle City Council's revised protocols were based on a generic Partnership and Development Toolkit, the process defined by Carlisle City Council is akin to other local authorities. When compared, there were no significant omissions from Carlisle City Councils procedure.
- 2.3. All the revised Partnership guidance is readily available on the Intranet under 'Partnership Procedures'. These procedures were recently revised during 2010.
- 2.4. It was noted that the Partnership Agreement Template prompted users to seek advice from Legal Services and Financial Services regarding the contents of the partnership only if the partnership is deemed significant. – **Refer to recommendation A3.**
- 2.5. During testing it was established that only 5 out of 18 partnerships established after 2008 (when the new protocol was established) could present an auditable trail which was in line with the partnership protocol in place. The programme of Partnership training which started in October 2010 and is to be completed in Spring 2011 should hopefully go somewhere towards addressing this issue. The most recent training on the Council's policies and procedures was provided by the Development & Support Manager in February 2011. This training session was the second of a three part course to educate those involved in partnerships in the meaning of partnerships and the associated Council's policies and procedures. This course, however, is not mandatory to those who deal with partnerships so the message may not necessarily get across to the target market – **Refer to recommendation A4.**
- 2.6. Carlisle City Council work in partnership with all the Community Centres. Although all the individual grants do not exceed the recommended level of contribution of £75,000 to render the partnership significant, it is considered that the relationships the Authority has with Community Centres should be viewed collectively - the collective grant from Carlisle City Council in 2010/11 was £339,900 which brings the contribution well into the remit of a significant partnership. – **Refer to recommendation A5.**

<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.2.	The findings / outcomes of the annual reviews undertaken for significant partnerships were not formally reported to an appropriate forum / committee	Development & Support Manager	An annual report detailing the outcomes from annual reviews of significant partnerships should be formally reported to an appropriate forum / committee.	C	3 months
A.3	The current protocol does not recommend seeking legal or financial advice during the establishment of a partnership unless it is classed as significant.  <i>*See also Rec A7 which considers the need for Legal and Financial guidance to when proposing changes to established partnerships</i>	Development & Support Manager	It is advisable that advice from Legal and Financial Services should be sought in all cases when establishing partnerships, not only those which are deemed significant. The Partnership Agreement Template should be altered to reflect this.	B	3 months
A.4	Some officers with responsibility for developing partnerships are not fully aware of current protocol.	Development & Support Manager	That all staff that are responsible for initiating and managing partnerships should undertake mandatory partnership training. Additionally, managers should make these staff aware of the requirement to adhere to the Partnership Protocols when entering into the partnerships.	C	6 months
A.5	The partnership arrangements between Carlisle City Council and the Community Centres are considered individually.	Development & Support Manager	It is suggested that the partnership agreements between Carlisle City Council and the Community Centres be viewed collectively and as such an enhanced level of centralise monitoring and reporting, which is in place for significant partnerships, should be applied..	D	-

### 3. Partnerships Registration.

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

- Discussions with the Efficiency Manager
- Examination of the Authority's Partnership Register to ensure that all relevant information has been included.
- Identify that FRS9 Financial Reporting Standard for Associates and Joint Ventures has been applied.
- Scrutiny of the arrangements surrounding a number of significant partnerships, namely Carlisle Tourism partnership and Local Strategic Partnerships.

**Summary of Findings:**

- 3.1. As previously stated, in February 2008, the Authority formally adopted a revised Partnership Policy. This addressed the necessary improvements identified in the 2006 Use of Resources Assessment and the previous Internal Audit review, both of which were concerned with the effectiveness of the controls surrounding the Councils partnership monitoring arrangements.

Part of this exercise to form a partnership framework was to develop a central register, held by the Development & Support Section, which logs key monitoring information gleaned from responsible officers and also provide an assessment of the Authority's involvement into each partnership in relation to FRS9 – the Financial Reporting Standard for Associates and Joint Ventures.

On examination of the completeness of the central Partnerships Register and supporting documentation, it became evident (as also highlighted in Section 2 of this review) that the requested information was not always available - it was not supplied despite attempts to collate it or the Efficiency Manager has to source the information through various committee minutes. If recommendation A.8 is adopted, this should resolve this problem.

- 3.2. FRS 9 sets out the definitions and accounting treatments for Associates and Joint Ventures. The standard requires that an associate (where the Council holds a participating interest and exercises significant influence) is accounted for in its investors consolidated financial statements using the equity method. For a joint venture (where the Council's interest is long-term and it shares control with other investors), the FRS requires the use of the gross equity method in the Council's consolidated financial statements.

Discussions were held with the Group Accountant who is responsible for ensuring that FRS 9 requirements are complied with. Working documents were examined in conjunction with the Group Accountant. At the time of the audit (October 2010) all the partnerships on the central register fell outside the scope of FRS9 and therefore did not require to be accounted for in this way.

- 3.3. A number of other issues were picked up when examining the partnerships. Time constraints placed on the audit review did not allow a specific review into all 40 partnerships. Instead the arrangements for the Carlisle Tourism Partnership were briefly examined.

**3.3.1. Carlisle Tourism Partnership.**

Carlisle Tourism Partnership (CTP) has been operating as an entity since 29<sup>th</sup> July 2009 after formal committee agreement in April 2009. The partnership is an amalgamation of Carlisle City Council, Cumbria Tourism and Hadrian's Wall Heritage Ltd. To date, CTP has notably raised the Tourism profile of Carlisle and generated a proven increase in visitors with events. In 2010/11, Carlisle Tourism Partnership secured a variety of grants and partnership funding from a number of funding streams. Carlisle City Council's contribution was £100,000.

The relevant reports associated with the establishment and governance of the CTP from the period May 2008 through to July 2009 to ensure that the partnership had been set up in accordance with procedure. Specific reference was made to the arrangements in place for accountable body status. The issue was discussed with the Assistant Director (Governance) who was present at the Executive meeting where the key report (ED18/10) was agreed. The Assistant Director (Governance) advised that the Authority could *not* be the accountable body for the Partnership as Carlisle City Council had not entered into a legal agreement with the NWDA, Carlisle Tourism had, and it had never been signed over to the City. Consequently, the reality of the situation would be a more informal arrangement whereby Carlisle City merely act as the 'bankers' for the Partnership so that the VAT can be reclaimed if necessary. This was agreed.

This arrangement took place mid year which meant that some confusion was caused whereby funding was paid directly to Carlisle Tourism and could not be accounted for through Carlisle City Councils accounting system. The Director of Carlisle Tourism and Financial Services have worked to secure that in the long term there will be no recurrence of this problem and steps have been taken to ensure that in 2011/12 that all funds transferring through Carlisle City are fully accounted for. – **Refer to recommendation A.6.**

It was noted that neither Legal nor Financial comments were sought before the key report (ED18/10) was submitted and this issue could have been clarified prior to Committee. – **Refer to recommendation A.7.**

A further examination into CTP operations was undertaken and several issues were arising from this work. These areas included

- Arrangements to identify key actions and priorities of the CTP for 2010/11 – there was an agreed action plan in place, however, there were no timescales attached therefore meaningful monitoring could not take place
- One of the fundamental points raised when establishing a partnership is the adequacy of an exit strategy. It became apparent that no exit strategy was established when the CTP was formed. It would be recommended that officers ensure that a strategy is developed in conjunction with Legal Services as soon as possible, especially in light of the funding issues that are arising
- Previously, budgets had been allocated to projects after they had occurred. For management accounting purposes it would be more beneficial if budgets were allocated prior so that expenditure can be monitored.
- As part of the Christmas celebrations, CTP proposed to private sector sponsors that for each tree they sponsored, they would match. £12,000 was spent. The private sector has been billed to pay in the next financial year

It was not meaningful to progress any of the CTP / financial controls issues further at this stage due to the changes to the future funding arrangements, structure and management arrangements of the partnership which were ongoing at the time of the audit. The above issues have been flagged with the interested parties and as a subsequent Partnerships audit is scheduled for completion in 2011/12, it is suggested that a formal follow up is undertaken which will include the remaining CTP issues raised in this report.

<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.6	As Carlisle City Council only took on the role of banker for the Carlisle Tourism Partnership mid financial year, not all the grant funding had been paid to the same partner.	Financial Services Manager	Confirmation of the agreed CTP funding structure should be reported to Audit Services. Senior officers should ensure that all remaining CTP grant funding is traceable through the bank accounts and allocated appropriately.	B	3 months
A.7	The report ED 18/10 had not been circulated to the Resources and Governance Directorates for Financial and Legal Comments. As the report was regarding asking members to approve that Carlisle City took on the role of Accountable Body for Carlisle Tourism Partnership, both Legal and Financial advice should have been sought prior.	Assistant Director (Governance) / Assistant Director (Resources).	All decisions to established partnerships that have legal implications should always be referred to the Asst Director (Resources) and the Assistant Director (Governance) prior to seeking Committee consideration/approval.	B	3 months

#### 4. Risk Management and Monitoring.

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

- Examination of risk management and service delivery monitoring arrangements of significant partnerships.

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

- 4.1. There was a severe lack of risk assessments either undertaken and supplied to the Development and Support Team as part of their central partnership 'monitoring' process, despite numerous requests. Performing an adequate risk assessment is fundamental in monitoring the Authority's responsibilities and exposure to risk. Some partnerships either did not have formal terms of reference, signed legal agreements or other evidence of partnership collaboration. In some cases, the Development and Support Team were not even notified of the commencement of partnerships. They were only made aware via reading committee minutes and then had to chase the necessary documentation up. This is not satisfactory. – **Refer to recommendation A.8**
- 4.2. In summary, it became obvious from this exercise that some service areas are deviating from corporate procedures and are going in differing directions in their approach to evaluating and formulating some partnerships. It is also clear that there is still some confusion as to what may, and what may not be a true partnership. This in turn is making it impossible for the Assistant Director (Resources) to fully fulfil their responsibilities as outlined in the Constitution.
- 4.3. It should be mentioned that the exception to this is the officers in Housing Strategy and Support who were found to make to necessary arrangements for their particular partnerships in a controlled and informed manner.



4.4. More emphasis should be given to existing centralised partnership controls and monitoring arrangements should be made. The role of the Development & Support Team should be raised from that of just a monitoring activity to that of a proactive managing and control with formal reporting arrangements to the appropriate committee. The Team is central point for all partnership related queries but is should build on existing arrangements from initial support i.e. advising if the venture is indeed a 'partnership' or for example, group ventures, one off projects etc.. to leading on the process but the actual partnership 'lead role' would remain the responsibility of the individual services concerned.

Risk Management Arrangements – Carlisle Strategic Partnership (CSP)

4.5. Issues surrounding risk management of significant partnerships were raised as part of the 2009 Use of Resources Assessment. To address this, an outline risk register for the CSP was prepared at the beginning of 2010. Since this time, however, the Community Plan has been revised all the priority working groups are developing new action plans which will inevitably influence the subsequent risks. It is envisaged that the revised risk register will be complete early 2011. – **Refer to recommendation A.9.**

Performance Monitoring Arrangements – Carlisle Leisure Limited (CLL)

4.6. As part of the initial CLL agreement it was stated that monthly income and expenditure monitoring reports were to be supplied to Carlisle City Council for inspection. These were to be in addition to the annual submission of accounts. Subsequent investigations proved that these monitoring reports had not been supplied for some time, if at all. Recent developments note that the Policy and Performance Team is working alongside Community Engagement to develop a suitable performance monitoring approach – **Refer to Recommendation A.10.**

<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.8	In a number of cases where partnerships have been established there is no <u>evidence</u> of risk assessments having taken place, adequate legal agreements being formed and the partnership performance being monitored.	Development & Support Manager	Overall advice, registration and monitoring of all partnerships should be controlled centrally. As the constitutional responsibility for the maintenance and control of partnerships sits under the Resources Directorate. It would appear the most suitable option, resources permitting, to place the duty there.	B	3 months
A.9	Due to the recent changes within the Carlisle Strategic Partnership there is no current risk register in place.	Assistant Director (Community Engagement)	As the Carlisle Strategic Partnership is deemed 'significant' it is important that a copy of the revised risk register is developed and made available to the Development and Support Team, to demonstrate that the risks have been identified and are being effectively managed by CSP.	B	3 months



A.10	CLL are not regularly forwarding details of their accounts to Carlisle City Council for monitoring purposes, as per the contract agreement.	Assistant Director (Community Engagement)	Assistant Director (Community Engagement) should introduce the agreed new monitoring framework for CLL in the next quarter.	B	6 months
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**Audit Plan 2010/11 – position as at 18th March 2011****APPENDIX G**

Status	Area of Activity	Original Target Days	Revised Target Days	Total Days Taken	Variance	Balance of Time Remaining	Notes
<b><u>High Risk Audits</u></b>							
Complete	Area Maintenance	15	23	32	-9		- Considered by the November 2010 Audit Committee
Complete	Green Spaces	15	18	29	-11		- Considered by the November 2010 Audit Committee
Complete	Procurement	10	10	14	-4		- Considered by the September 2010 Audit Committee
Complete	Grants (inc Carlisle Renaissance)	25	25	41	-16		- Considered by the September 2010 Audit Committee
Complete	Building Control	5	5	5	0		- Considered by the November 2010 Audit Committee
Complete	Personnel	10	10	15	-5		- Considered by the June 2010 Audit Committee
Complete	Partnerships	30	30	35	-5	0	To be considered by the April 2011 Audit Committee
Complete	Food Standards	10	15	22	-7	0	To be considered by the April 2011 Audit Committee
Complete	Tullie House 2010/11	15	15	2	13	0	Advice / support regarding stock write off only. Full review scheduled 2011/12 post Trust status..
Ongoing	Properties for Rent	10	10	4	6	6	Balance of time (6 days) to be taken from 2011/12 contingency
Ongoing	Health & Safety	10	14	10	4	4	Additional time agreed with Audit Manager. Draft report to be issued w/c 4/4/11
Rolled Forward to 2011/12	Facilities Management	10	10	1	9		- Partial completion – to be combined with 2011/12 planned review
Rolled Forward to 2011/12	Recycling	10	11	7	4		- Partial completion – to be combined with 2011/12 planned review
Rolled Forward to 2011/12	Insurance	10	15	5	10		- Review to incorporate Highways Claims (low risk review). Partial completion – to be combined with 2011/12 planned review

Status	Area of Activity	Original Target Days	Revised Target Days	Total Days Taken	Variance	Balance of Time Remaining	Notes
Rolled Forward to 2011/12	Geographical Information System (GIS)	15	0	0	0	-	C/F agreed at the November 2010 Audit Committee. Use of GIS will be combined into relevant service reviews in 2011/12.
Rolled Forward to 2011/12	Pest Control	10	0	0	0	-	C/F agreed at the November 2010 Audit Committee. In 2011/12 Plan.
Rolled Forward to 2011/12	Customer Contact Centre	20	0	0	0	-	C/F agreed at the November 2010 Audit Committee. In 2011/12 Plan.
		<b>230</b>	211	222	-11	10	
<b><u>Low Risk Audits</u></b>							
Ongoing	Highways Claims	10	5	0	5	0	Combined with main Insurance review
Not yet started	Building Resources	10	10	0	10	0	Will be covered by Facilities Mgmt review in 2011/12
Not yet started	Advice Agencies	10	5	0	5	5	Low Risk – insufficient time in 2010/11 to complete
Not yet started	Sports Development	10	5	0	5	5	Low Risk – insufficient time in 2010/11 to complete
		<b>40</b>	25	0	25	10	
<b><u>Material System Reviews</u></b>							
Complete	Material System Reviews Carried Forward from 2009/10	20	20	35	-15	-	Outstanding work carried forward from 2009/10
Complete	Improvement Grants	10	10	13	-3	-	Considered by the November 2010 Audit Committee
Complete	Creditors	15	9	11	-2	0	To be considered by the April 2011 Audit Committee
Complete	Treasury Management	10	8	8	0	0	To be considered by the April 2011 Audit Committee
Complete	Housing Benefit	15	15	25	-10	0	To be considered by the April 2011 Audit Committee
Complete	Car Parking	10	10	10	0	0	To be considered by the April 2011 Audit Committee
Ongoing	Cash Collection	10	14	14	0	0	Draft report issued by 31 March – Final will be presented to Audit Committee in June

Status	Area of Activity	Original Target Days	Revised Target Days	Total Days Taken	Variance	Balance of Time Remaining	Notes
Ongoing	Council Tax	15	15	4	11	11	Draft report to be issued by 31 March – Final will be presented to Audit Committee in June
Ongoing	Payroll	15	8	7	1	1	Draft report issued on 31 March – Final will be presented to Audit Committee in June
Ongoing	Main Accounting	20	15	16	-1	0	Draft report issued 25 March – Final will be presented to Audit Committee in June
Ongoing	Debtors	15	8	8	0	0	Draft report issued 29 March – Final to Audit Committee in June
Ongoing	Fixed Assets	15	10	15	-5	0	Draft report issued 30 March – Final to Audit Committee in June
Ongoing	NNDR	15	12	17	-5	0	Draft report issued on 31 March – Final to Audit Committee in June
		<b>165</b>	154	183	-29	0	
-	<i>Material Audits - Contingency</i>	<i>15</i>	<i>15</i>	<i>29</i>	<i>-14</i>	<i>-</i>	
<b><u>Follow Up Audit Reviews</u></b>	Follow up audits as required	<b>10</b>	10	8	2	2	There are no current issues arising from follow up audits.
<b><u>Contingency</u></b>	Various unplanned work (frauds, investigations and ad hoc work)	<b>39</b>	39	45	-6	-6	Time spent on contingency work closely monitored by Audit Manager
	<b>Planned Productive Audit Days</b>	<b>519</b>	-	487	-32	0	Position at 18.03.11 – 9 working days remaining in year which will, it is anticipated slightly exceed 32 productive working days