

**CARLISLE
CITY COUNCIL**



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 22nd June 2009

Title: Audit Services Progress Report

Report of: Head of Audit Services

Report reference: CORP 20/09

Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 8th April 2009.

Recommendations:

Members are requested to receive this report.

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

Audit Services Progress Report

1 Summary of Audit Work

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

Improvement Grants – **Appendix A**

ICT Security Policy - **Appendix B**

Main Accounting and Budgetary Control – **Appendix C**

NNDR – **Appendix D**

Refuse Collection – **Appendix E**

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

2 Follow-up Reviews

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

Members' Expenses Claim Forms

2.2 At the meeting of this Committee on 14th January 2009, it was resolved (Minute AUC.10/09) that officers investigate further whether Members' claim forms should be required to be signed by an authorised signatory. It has been agreed that the budget and responsibility for authorisation be passed to People, Policy and Performance and this will be progressed shortly.

MASS Database

2.3 It was reported to Members at the meeting of this Committee on 23rd June 2008 that there had been little progress in respect of the "MASS" database in relation to Fixed Assets. (Report CORP28/08 refers). This was further reported to Members at the meeting of this Committee in September 2008 (report CORP 48/08 refers), and it was agreed that the situation would continue to be monitored by Audit Services and developments would be reported to the Audit Committee in due course.

- 2.4 At the meeting of the Executive on 16th February, the Head of Financial Services and the Head of Economy, Property and Tourism Services were asked to prepare a progress report for the relevant Portfolio Holders. Requirements for the full property database will be progressed as part of the Chief Executive's Transformational Review in due course. In the meantime, the Council has placed an order to purchase the Real Asset Management system that will allow it to record fixed asset information for capital accounting purposes, which will satisfy the immediate accounting requirements - this is to be implemented over the next few months.

External Grant Funding

- 2.5 Following an earlier Audit review, it was agreed that there was a need to enhance the role of the External Funding Officer (EFO), in order to provide a central co-ordinating role to manage the external funding function both strategically and to provide operational support. This was reported to Members at the meeting of this Committee in September 2008 (report CORP 48/08 refers) and it was agreed that the situation would continue to be monitored by Audit Services and developments would be reported to the Audit Committee in due course.
- 2.6 At the meeting of the Executive on 16th February, the Head of Financial Services and the Head of Economy, Property and Tourism Services were asked to prepare a progress report for the relevant Portfolio Holders. This will be progressed as part of the Chief Executive's Transformational Review in due course. The NWDA has also agreed to fund an external assessment of the management of external funding, processing of claims etc, and this would be used to inform any decision on how the role of the external funding officer should work in future. This work is valued at £10,000, with the NWDA providing £8,000 and the Council funding the balance. Once agreed, the information will be posted onto the NWDA web-site and invitations sought from consultants on the NWDA panel. No timetable has yet been set for this work.

3 Annual Governance Statement Action Plan

Progress against the Action Plan has been reported separately to this meeting - report CORP. 22/09 refers.

4 Recommendations

- 4.1 Members are requested to receive this report.

I. Beckett
Head of Audit Services
June 2009

Corporate Services

Audit Services

Audit of Improvement Grants

Final Report

26th March 2009

Audit Contact		Extn No.	
Document Ref:	K:\2006-07 onwards\Material Systems\Improvement Grants\2008-09\Reports\Final\Audit of Improvement Grants 2008-09 - Final.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Development Services /Planning and Housing Services	<p>Head of Planning and Housing (for action)</p> <p>Principal Housing Officer (Private Sector) (for information)</p> <p>Senior Housing Renewal Officer (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 Planning and Housing 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 the 8th April 2009.

1. Reason for the Audit

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

2. Background Information / Summary of the Audit Area

2.1. An audit of Improvement Grants was last completed in December 2007.

2.2. There are 4 main types of grant which are issued by the Authority. These are:-

- Disabled Facilities Grants (DFG) – the only mandatory Grant. The maximum amount available is £30,000 (recently increased from £25,000) and is means tested on the disabled applicant.
- Minor Works Grants - a discretionary grant. The maximum allowable is £4,000 within a 3-year period
- Renovation Grants (Owner/Occupier) - a discretionary grant to allow owners/occupiers to bring houses up to current housing standards and the maximum grant is £20,000.
- Renovation Grants (Landlords) - This is the same as the above, but the landlord has to contribute 75% of the total value of the works (up to a maximum grant of £5,000).

2.3. It should be noted that of the grants listed above, only the mandatory DFG and the Minor Works Grant (on a limited budget) are currently available. The other grants have been suspended indefinitely as the budget has now been committed. There is no guarantee that funding will be available in the future.

2.4. The policy for Disabled Facilities Grants is governed by the Housing Grants, Construction & Regeneration Act 1996. Minor Works Grants and Renovation Grants are governed by the Regulatory Reform (Housing Assistance) (England & Wales) Order 2002.

3. Associated Risks of Providing this Service/Function

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

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<i>Provision of Grants</i> □ <i>Controlled through the managed service and the Housing Strategy reporting process.</i>	<i>Operational</i>	<i>L</i>
<i>Home Improvement Agency taken in-house</i> □ <i>Management provided in-house instead of externally through an Agent – also through the Housing Strategy</i>	<i>Operational</i>	<i>L/M</i>

<i>reporting process.</i>		
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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 Previous Review
2.	Policies & Procedures
3.	Applications for Assistance
4.	Eligibility
5.	Approval of Applications
6.	Estimates
7.	Works
8.	Conditions
9.	Payments
10.	Repayments
11.	Government Grants
12.	Performance Monitoring
13.	Security of Data

5. Overall Conclusion of the Audit Review

- 5.1. A number of opportunities to further enhance controls have been identified, these are shown in the appendix and have been brought to the attention of the relevant Heads of Service. In summary the key issues arising from this review are:
- 5.2. The Housing Section’s policy information requires a minor revision to detail recent changes in legislation.
- 5.3. The office procedure manual update is on-going.
- 5.4. Clients do not receive any information about the Corporate Complaints Procedure.
- 5.5. Some staff are unaware of the existence/location of the employee’s interests file.
- 5.6. Applications examined were found to be in order. All had been received and processed in the proper manner and on the official application forms.
- 5.7. Commencement of Work and Claim for Final Payment notices are currently held loose in the paperwork files. Due to their small size (postcards) it is easy for them to become misplaced.
- 5.8. All repayments sampled had been calculated correctly but the pro-forma document showing the repayment calculation and verification check had not been attached to the paperwork.

5.9. The Housing Section is performing well against its targets. Most significantly, referral to approval times have been reduced from 44 weeks to 18 weeks.

6. Grading of Audit Recommendations

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

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

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

6.2. There are 5 recommendations arising from this review, 4 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 **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.

Development Services - Housing & Planning Services

APPENDIX A

1. Follow up of Previous Review

Method of Review:

- The Head of Planning and Housing was asked to examine and respond to the schedule of agreed actions resulting from the previous review.

Summary of Findings:

➤ Recommendation A.2.

Issue - Although there is a comprehensive procedure manual in the office it has not been updated since August 2002. It has been confirmed with the staff in the department that the procedures have not changed since then. However, a review of the procedure manual should take place regularly.

Agreed Action - That the office procedure manual be reviewed and updated as necessary. The procedure should document processing of applications from friends/families and Council employees (see Recommendation A.3).

Action Taken - Because of the imminent bringing in-house of the Home Improvement Agency, after the Audit process, it was decided that the review of the office procedure manual would be put back until November 2008. This was to ensure that any new procedures/processes could take account of this change, once the Agency had had time to settle in. A Review Group has been set up, involving all staff members of the Private Sector Housing Team, and the first meeting was held in November 2008. The next meeting is due in January 2009, when it will report back to the Principal Housing Officer.

➤ Recommendation A.3.

Issue - There is no formal Register of Employee Interests held in the section although applicants are required to declare any family connections on the application form. Staff should be made aware of their obligation in this area and if there were such an interest another officer would deal with that particular application.

Agreed Action - That a formal register of Employee Interests is held in the department that details the application and the reason for the interest. This register should also include details of any applicants who are Council employees.

Action Taken - A formal register of employees' interests has been compiled, and all staff members were notified that they would need to complete this register, as necessary. Should any staff member consider that they had any family connections, in relation to any application for grant to the

Housing Section, they would require to complete this register, and the application in question would be dealt with by another member of staff. This register has been available to staff members since March 2008, and is contained in file R.13 in the Housing Section's filing system.

➤ Recommendation A.4.

Issue - Although all repayments tested were correctly calculated, there is not always a formal document showing the calculation attached to the paperwork and there is no check that the amount has been correctly calculated by a second officer.

Agreed Action - It is recommended that a pro-forma is set up which can be used to calculate the amount of grant to be repaid and which is verified by a second officer.

Action Taken - A formal document, a pro-forma, has been prepared for use as part of the grant repayment process. This has been available since March 2008, and is used to provide documentary evidence when grants are to be repaid. Verification boxes are provided, and relate to the officer's signature, and that of the Principal Housing Officer.

➤ Conclusion

With the exception of Recommendation A.2., all recommendations have been actioned. The office procedure manual is expected to be completed shortly and should be available for inspection at the next follow up.

2. Policies & Procedures

Method of Review:

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

Summary of Findings:

- ❑ The policy information meets requirements but requires a minor revision to account for recent changes in legislation.
- ❑ Clients receive a customer satisfaction form to complete once the work on their property has been finished. However, no information is passed to the client regarding the corporate complaints procedure.
- ❑ Information covering grants and eligibility is freely available. Details regarding grants other than Disabled Facilities Grants have been removed from the Council website as these grants are now unavailable due to full budget committal.
- ❑ The office procedure manual is still undergoing revision following a recommendation from last year's audit. This delay has been caused by the assimilation of the Home Improvements Agency (HIA) which has resulted in additional commitments for the Housing Section.
- ❑ Staff are aware of recent changes in legislation/policy and these are discussed at regular meetings.
- ❑ A formal register of employee's interests has been in operation since March 2008 following a recommendation in last year's audit. This is contained in file R.13 in the Housing Section's filing system. Enquiries revealed that not all staff are aware of the existence/location of this file although they are clearly conscious of their responsibilities in this area.

<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	The policy information requires a minor revision to detail recent changes in legislation.	Head of Planning & Housing	Recent changes in legislation such as repayment of assistance for Disabled Facilities Grants should be added to the section policy.	C	3 months
A.2	The client does not receive any information about the Corporate Complaints Procedure.	Head of Planning & Housing	Details of the corporate complaints procedure should be included with any correspondence from the early stages of the grants process.	C	3 months
A.3	Not all staff are aware of the existence/location of the employee's interests file.	Head of Planning & Housing	A memo to all staff reminding them of the existence and location of the employee's interests file. The office procedure manual should also direct staff to the Employee's Interests Register if they	C	Immediate 3 months

			consider themselves to have a personal interest in a grant application.		
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3. Applications for Assistance

Method of Review:

- Confirmation that persons seeking assistance are required to complete official application forms and that a central record is maintained of all applications received.
- Procedures ensure that all applications are properly dealt with.
- Verifying that controls have been established to prevent further assistance being given to persons or properties where insufficient time has elapsed since the last approval.

Summary of Findings:

- ❑ All applications are received on official application forms.
- ❑ Disabled Facilities Grant (DFG) applications are initiated following a referral from an Occupational Therapist (OT). A new version of the initial enquiry form has been specifically tailored for DFGs and the OT can now pass this directly to a potential applicant.
- ❑ Applications for other grants can be submitted via a generic enquiry form which details the information required for Housing Officers to access the application and decide if the enquiry is eligible. Those meeting the criteria are then provided with the appropriate application forms.
- ❑ Application forms comply with recommended guidelines.
- ❑ The section register and the Acolaid system hold details of all applications and enquiries (including dates received). Acolaid has been used since November 2007.
- ❑ A sample of applications was traced from Acolaid to the official application forms. All applications in the sample were found to meet statutory requirements.
- ❑ Details of previous grants are recorded. However, several applications may be submitted for a grant without a time limit until the maximum amount of assistance has been reached. Sufficient controls are in place to detect any abuse.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

4. Eligibility

Method of Review:

- Confirmation that the Authority has clearly specified the eligibility criteria for assistance and that procedures have been established for considering 'exceptional' cases which fall outside the policy.
- Assurance that applicants are required to provide documentary proof of eligibility.
- Verification that financial assessments are undertaken to establish the applicants eligibility.

Summary of Findings:

- ❑ The Housing Section's policies and procedures clearly specify the eligibility criteria for grants.
- ❑ A sample of applications was tested and found to be in order.
- ❑ Cross-checks are made to other data held by the Authority and external agencies where possible, in order to verify the consistency of information supplied by an applicant e.g. benefits.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

4. Approval of Applications

Method of Review:

- Confirmation that controls ensure that only applications that comply with the Authority's policy are processed and that procedures ensure that all approvals and refusals are documented and authorised.
- Verification that procedures ensure that applicants are made aware of the basis on which assistance is assessed and of the obligations arising prior to approval.

Summary of Findings:

- ❑ Applicants are free to choose their own agents but the majority tend to use the Authority's own in-house service to manage their application.
- ❑ Staff are aware of ancillary fees which may be incurred such as Land Registry fees, building regs etc.
- ❑ A sample of approved applications was checked and found to be in order.
- ❑ If an applicant is using the Authority's Home Improvement Agency to manage their application then the agency selects which contractors are invited to tender from a verified list.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

5. Estimates

Method of Review:

- Assurance that the Authority has established procedures for assessing tenders.
- Confirmation that controls have been established to ensure that contractor estimates are bona fide.

Summary of Findings:

- ❑ The Authority's Home Improvements Agency uses an established list of 15 contractors who are approached on a random basis to provide tenders for upcoming work. Experience has shown that the contractors submit marketplace quotations and offer a good service. All work is quoted from a detailed schedule of works.
- ❑ Where clients prefer to use their own agent, a basic schedule of work is sent out to be priced and returned. As work items are dealt with in a more general way a detailed breakdown of how the final cost is achieved is not available. However, if there is insufficient detail to allow the Housing Section to make an assessment for eligibility then they will ask for a breakdown of costs. In practice, costs are usually broken down anyway.
- ❑ A sample of estimates was examined and found to be in good order.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

6. Works

Method of Review:

- Confirmation that applicants are required to give advance notification of the dates when works are due to commence.
- Assurance that regular inspections are made of the works being undertaken.
- Verification that upon completion of the works, applicants are required to sign to confirm that they are satisfied with the work.
- Confirmation that procedures have been established for dealing with disputes concerning the quality of works undertaken.

Summary of Findings:

- ❑ From the sample examined, a commencement notice was missing from one of the files. However, all other paperwork was present and in good order.

- ❑ Completed work is inspected before payment. Snags or defects found are reported directly to the Contractor. Once these have been rectified, a further inspection is carried out. As soon as the Grants Officer is satisfied, the administration will begin to process the payment.

<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.4	Commencement of Work and Claim for Final Payment notices are currently held loose in the paperwork files. Due to their small size (postcard) it is easy for them to become misplaced.	Head of Planning & Housing	It would be beneficial if the notices were to be stapled or paper clipped to the file paperwork to prevent them from being misplaced.	D	Immediate

7. Conditions

Method of Review:

- Confirmation that controls ensure that breaches of condition are identified and that the procedures specify the circumstances in which grant conditions can be waived.

Summary of Findings:

- ❑ Applicants are advised of the conditions of the grant prior to work commencing on their property.
- ❑ Grant conditions are enforced by placing a land charge on the property once the work has been completed. This charge will be identified when a search is carried out on the property thus notifying the searcher before a sale/breach takes place.
- ❑ The Authority now has discretionary powers to reclaim DFG funding if the property is sold within 10 years of work completion.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

8. Payments

Method of Review:

- Confirmation that controls and procedures ensure that payments are bona fide.
- Verification that payment records are independently reconciled to the record of approved applications.

Summary of Findings:

- Payment procedures are satisfactory.
- From the sample tested, all payments were found to be in order.
- A reconciliation is undertaken monthly by an employee independent of the payments and approval process.

Conclusion:

- There are no recommendations arising concerning this area of the review.

9. Repayments

Method of Review:

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

Summary of Findings:

- There are satisfactory procedures in place to ensure grants are repaid.
- For renovation grants, if the property is sold within 5 years then the grant has to be repaid. This is calculated as a percentage of the condition

period still to run in calendar months.

- ❑ Previously Disabled Facilities Grants (DFG) were exempt from repayment. However, due to the level of funding being committed to this type of grant, Local Authorities have now been given discretionary powers to reclaim funding that exceeds £5,000, but may not exceed a repayment of £10,000. The new policy will be enforced by a land charge placed against the property that will last for 10 years from the work completion date. This policy was approved by the Executive in February 2009.
- ❑ Repayments for the current financial year had been calculated correctly. However, the pro-forma sheet agreed following last year's audit was not attached to the paperwork in the sample tested. From a sample of 3 repayments, 2 showed written calculations but the remainder showed none.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

<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	Although all of the repayments sampled had been calculated correctly, the pro-forma document showing the repayment calculation and verification check had not been attached to the paperwork.	Head of Planning & Housing	Housing staff should ensure that the calculation pro-forma is completed and attached to the repayments paperwork.	C	Immediate

10. Government Grants

Method of Review:

- Confirmation that controls ensure that the required Government returns of assistance provided are completed and submitted prior to deadlines.
- Verification that there are mechanisms in place to monitor spend on mandatory DFGs.

Summary of Findings:

- ❑ Central Government allocates an annual fund for the North West of which Carlisle City Council receives a percentage. This capital grant allocation is paid automatically each financial year. Supplementary allocations may also be made during the year.

Previously, this grant was expected to fund 60% of the Authority's DFG programme with the Authority funding the remaining 40%. The Authority is now part of a Government pilot for 'Unring-fenced allocation of DFG budget', and the split no longer exists, in other words, the Authority is trusted to put in its share and therefore is expected but not forced to use these funds for the specific purpose of DFGs. In actual fact, Carlisle City Council put much more than the historic 40% into DFGs because of the huge take-up of this type of grant.

- The initial government allocation for this year is £510,000. Although the budget is monitored by Finance and through the Section's own spreadsheets, as the DFG is mandatory, actual expenditure can be considerable more than the initial budget outlay.
- The Treasury and Insurance Manager prepares the DFG Return at the end of each financial year. It is limited to the actual allocation received in that year.
- The Housing Development Officer prepares the annual Housing Investment Programme (HIP) which includes details on actual spend and grants awarded.

Conclusion:

- There are no recommendations arising concerning this area of the review.

11. Performance Monitoring

Method of Review:

- Confirmation that service performance targets have been established and that mechanisms have been established to monitor performance.
- Confirmation that complaints and appeals procedures have been established.

Summary of Findings:

- There are 3 local performance indicators:-
 - LP63 – Number of private sector dwellings brought back into use either enforcement action or grant provision.
 - LP64 – Disabled facilities grants dealt with within statutory timescales.
 - LP108 – Number of home insulation measures installed.

Performance against these is reported to the Executive.

- ❑ The Authority has a Local Area Agreement (LAA) target for DFGs in terms of time taken from Occupational Therapist (OT) referral, to approval of application. Over the last 2 years the Housing Section has managed to significantly reduce this time from 44 weeks to 18 weeks.
- ❑ Monthly meetings are held between OTs and Grant Officers to discuss each individual case.
- ❑ Upon completion of works, applicants are invited to complete a customer satisfaction questionnaire. Completed questionnaires are reviewed and if necessary policy revised as a result.
- ❑ Complaints against the Housing Section are covered under the Corporate Complaints procedure. This procedure is clearly documented and details of how to complain are available to the public from various locations in the city and the Council internet page.
- ❑ Complaints are handled by staff independent of the assistance process.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review. However, note recommendation A.2 with reference to the Complaints Procedure.

12. Security of Data

Method of Review:

- Confirmation that data is held in accordance with the Authority's information classification and data retention policies and that consideration has been given to ensuring that data will continue to be available.
- Assurance that controls are in place to ensure that all paper-based records are held securely and appropriately with restricted access.
- Assurance that controls are in place to ensure that all electronic records are held securely with appropriate restricted access and is backed up at frequent intervals.

Summary of Findings:

- ❑ Paper files are allocated a unique reference number and are held in locked cabinets when not in use. Access to the Housing Section is also

protected by security fob.

- ❑ Data is also held electronically on the Acolaid system that is only accessible by a user account. This data is also backed up every night as part of the IT backup cycle.
- ❑ Files are archived into the Civic Centre basement and kept for 6 years. Staff are aware of their data protection responsibilities.

Conclusion:

- ❑ There are no recommendations arising concerning this area of the review.

Corporate Services

Audit Services

Audit of ICT Security Policy and Annexes

Final Report

30th April 2009

Audit Contact		Extn No.	
Document Ref:	K:\2006-07 onwards\Material Systems\ICT Security Policy and Annexes\2008-09\Reports\Final\ICT Security Policy and Annexes Audit 2008-09 - Final.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services/ICT	Head of ICT (for action)	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.
People, Policy & Performance	Head of Personnel (for action) Head of Policy & Performance (for action)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for People, Policy & Performance, which is attached as Appendix B.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on the 22nd June 2009.

1. Reason for the Audit

- 1.1. The audit of ICT Security forms part of the programme of annual material reviews. 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. ICT Services is based on the 2nd Floor of the Civic Centre and is part of Corporate Services. The service is responsible for:
- Providing the IT service to the Authority by establishing, delivering and supporting each Service's IT requirements.
 - Developing and maintaining the Authority's website.
 - Developing and maintaining the Authority's telephone system.
- 2.2. The ICT service is composed of 3 teams:
- The IT Helpdesk – first port of call for all IT queries.
 - The Infrastructure and Network Team – responsible for all the IT equipment used by the Authority, the network infrastructure and the telephone systems.
 - The Applications team – responsible for all the Corporate and Departmental Information Systems.
- 2.3. The ICT Service is facing some significant change following the approval of an ICT Shared Service arrangement with Allerdale Borough Council. An ICT Shared Service business case was approved by both Council Executives' in August 2008 with the introduction of the new service currently scheduled for the 1st June 2009. It is anticipated that the shared service will lead to an improved service at a lower overall cost to both Councils. Clearly, there will however, be greater pressures and demands on ICT staff in the run up to, and during this implementation.

3. Associated Risks of Providing this Service/Function

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

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<p><u>Protection of IT e-records, data and hard-copy information</u></p> <p><i>Control strategy is:-</i></p> <p><i>New work as part of the shared service with Allerdale will, when implemented, result in a more robust and resilient service.</i></p>	Operational/ Strategic	Medium
<p><u>Failure to implement an effective IT strategy</u></p> <p><i>Control strategy is:-</i></p> <p>The Information Systems Group (ISG) is currently working upon revised strategy for 2008/2011 that will be considered by Corporate Resources Overview and Scrutiny Committee in due course. This work will now be co-ordinated with the Shared ICT service work which is being developed with Allerdale.</p>	Operational/ Strategic	Medium
<p><u>Effectiveness/Reliability and Protection of Current ICT Systems.</u></p> <p><i>Control strategy is:-</i></p> <p><i>Contingency Plan/cost effective action. Staff respond to ongoing problems arising from these systems. To be more proactive in anticipating problems and resolving them before they arise.</i></p>	Operational	Medium
<p><u>Implementation of New Hardware/Software Systems</u></p> <p><i>Control strategy is:-</i></p> <p><i>New systems conform with IT Strategy. Reliance upon experienced staff. Standard implementation controls need to be introduced.</i></p>	Operational	High
<p><u>Effectiveness/Reliability and Protection of Telecoms and Data Networks</u></p> <p><i>Control strategy is:-</i></p> <p><i>Contingency Plan/cost effective action. Telephonists monitor faults on voice service and data networks. Civic Centre switch and mobile phones provide alternative limited service in case of failure. Formal maintenance agreement needs to be agreed with supplier to remove point of failure.</i></p>	Operational	Medium

<p><u>Key Skills – Staff Training and Development</u></p> <p><i>Control Strategy is:-</i></p> <p><i>Contingency Plan/cost effective action. Council’s IIP and appraisal process followed to identify staff training needs. Additional skills requirement to be identified as part of project implementation.</i></p>	<p><i>Operational</i></p>	<p><i>Medium</i></p>
<p><u>Key Personnel/Succession Planning</u></p> <p><i>Control Strategy is:-</i></p> <p><i>Key knowledge spread between junior and senior staff. Key areas of knowledge to be documented for future reference. Staff to gain more experience in unfamiliar areas.</i></p>	<p><i>Operational</i></p>	<p><i>High</i></p>
<p><u>Joint Service Delivery with Other Districts</u></p> <p><i>Control Strategy is:-</i></p> <p><i>Contingency Plan/cost effective action. Work at development stage – no imminent risk at present. Risk assessment needs to be carried out as initiatives progress.</i></p>	<p><i>Operational</i></p>	<p><i>Medium</i></p>

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

- *Inadequate Change Control Procedures within the Section.*
- *No requirement for Council staff to change their network login password.*
- *Lack of ICT Security awareness amongst Council staff.*
- *An outdated Data Protection Policy.*

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.	Management Controls
2.	File Controls
3.	PC Controls
4.	Network Controls
5.	Internet Controls
6.	Physical & Environmental Controls
7.	Data Protection
8.	Change Control
9.	Disaster Recovery & Business Continuity

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 appendices and have been brought to the attention of the relevant Heads of Service. In summary the key issues arising from this review are:
- 5.2. The IT strategy was released in January 2006 with a 3-year life span. The IT Strategy for the next 3 years is now due.
- 5.3. There are a lack of IT written standards, instructions and working methods.
- 5.4. Key principles laid out in the ICT Security Policy have still to be adopted.
- 5.5. There is no requirement in place for Council staff to change their network login password.
- 5.6. IT users within the Authority lack awareness of their responsibilities with respect to PC security.
- 5.7. The Authority has some good physical and environmental controls in place to protect its IT equipment.
- 5.8. The Data Protection Policy needs to be reviewed and updated.
- 5.9. There are no formal Change Control standards in place to define how amendments to the IT environment should be carried out.
- 5.10. Disaster Recovery arrangements should be re-assessed following the Shared Services Implementation.

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 47 recommendations arising from this review. 2 at grade A, 14 at grade B, 27 at grade C and 4 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 **Restricted** level of assurance can be given in relation to the systems of control (see definition below).

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

Corporate Services, ICT Service

APPENDIX A

1. Management Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ The IT strategy was released in January 2006 with a 3-year life span. An IT Strategy for the next 3 years is now due.
- ❑ The ICT Security Policy was introduced in November 2008. It presents a number of security principles that are to be adopted by the Authority and is supported by a number of annexes that provide more detailed guidance in specific areas. The policy is available for perusal on the employee intranet.
- ❑ The Authority's equivalent of an IT users' group is the Information System Group (ISG). Its purpose is to ensure that the strategic management of information and information technology enable Carlisle City Council to deliver its aims and objectives. Representatives of all directorates are invited to attend.
- ❑ Under its terms of reference, the ISG group is scheduled to meet bi-monthly. Most of the recent meetings have been cancelled due to other commitments within the group membership and the meeting schedule has become irregular as a result. Therefore, it is difficult to ascertain whether or not the group is meeting its purpose.
- ❑ The Helpdesk is the initial point of contact for all users regarding IT issues or requests. The reporting structure in place is satisfactory.
- ❑ There are no formal procedures in place for calculating capacity requirements.
- ❑ Currently a record of Information Security incidents is not kept.

<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	The IT strategy was released in January 2006 with a 3-year life span. An IT Strategy for the next 3 years is now due. It is appreciated that the shared service implementation will have some bearing on the objectives of the IT strategy, however, without one, there is a risk that IT services may lack direction or fail to meet users' needs.	Head of ICT	The new strategy should be agreed and released to replace the expired one as soon as possible. This will almost certainly require collaboration with Allerdale to satisfy the requirements of ICT Shared Services. <i>Since the audit, a new Shared IT Strategy has been produced. The strategy has been already been approved by Allerdale and goes before Carlisle City Council's Executive on the 5th May.</i>	B	November 2009
A.2	The IT Strategy has an impact for all IT users who work for the Authority but a copy of it has not been published on the employee intranet.	Head of ICT	Given the impact to IT users, it would be good practice to ensure that future IT strategies are published to the employee intranet. <i>The latest IT strategy will be published on the intranet once it has been approved.</i>	C	November 2009
A.3	The ICT Security policy sets out a number of principles, some of which are yet to be adopted and enforced.	Head of ICT	An implementation timetable should be drawn up to ensure all security principles are adopted and enforced as soon as possible.	B	November 2009
A.4	It is difficult to ascertain whether or not the Information System Group (ISG) is fulfilling its purpose. It is unclear how the ICT Shared Service arrangement will affect the make up and structure of the group.	Head of ICT	The group should review its future purpose and structure and decide whether the concept of bi-monthly meetings is a realistic prospect in the light of the Allerdale Shared Service arrangements.	C	November 2009
A.5	The ICT Security Policy principles recognise the need for written standards, instructions and working methods. Whilst some instructions exist for helpdesk duties, otherwise, there is little documental evidence for formal standards, instructions and working methods in most areas.	Head of ICT	As per the ICT Security Policy principles, written standards, instructions and working methods should be drawn up for the following areas:- <ul style="list-style-type: none"> ❑ Acquisition procedures ❑ Documentation and recording ❑ File and data control ❑ Security and safety ❑ Communications ❑ Processing and handling of data ❑ Housekeeping See also recommendation A8.	B	November 2009

			<p><i>The audit exit meeting established that as part of the Shared Service Strategy with Allerdale, the ICT Section would be implementing ITIL principles. The introduction of the areas highlighted above would be a part of this.</i></p> <p><i>N.B. ITIL is the Information Technology Infrastructure Library and is a set of concepts and policies for managing Information Technology infrastructure, development and operations. In other words, a best practice approach.</i></p>		
A.6	There are no formal procedures in place for calculating capacity requirements.	Head of ICT	<p>It would be good practice to implement adequate procedures to monitor current capacity and periodically calculate future capacity requirements.</p> <p><i>The audit exit meeting established that disk capacity V's usage is monitored monthly along with the Exchange email server. However, capacity planning is part of ITIL and therefore improvements will probably be identified.</i></p>	C	November 2009
A.7	A record of Information Security incidents is not kept. The principles set out in the Detecting and Responding to IS Incidents annex of the ICT Security Policy recognise the need for these records to be kept, but nothing has yet been put into place.	Head of ICT	A database of information security threats and remedies should be created and maintained.	C	November 2009

2. File Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ Separate policies do not exist for the areas highlighted below. Whilst some of the principles documented in the ICT Security Policy apply these cannot be regarded as policies in their own right.

- Information security
 - File Management
 - Access Control
 - Password Management
 - Change Control Procedure
 - System, File and Data Backup
 - File and Data Retention
-
- ❑ The Head of ICT will be responsible for checking compliance with the policies, standards and procedures in the future.
 - ❑ Verbal guidance may be given to laptop users regarding the need to backup their data but this is not guaranteed. Recent employees of the Council receive some advice in their Personal Development manual.
 - ❑ There is little evidence to suggest that users have received adequate training in password security. Some advice is given to new employees in the Personal Development Manual but obviously this does not make any provision for existing members of staff.
 - ❑ Currently users do not have to change the password for their network login. Enquiries revealed that some staff had never changed their login password. This is a significant security risk.
 - ❑ System accounts are assessed in accordance with their business need and are properly authorised.
 - ❑ A digital media record of non-Microsoft software is not maintained.
 - ❑ The backup regime is satisfactory. Procedures are also in place to ensure backups are checked for completion each morning by the IT Helpdesk.
 - ❑ System owners are responsible for notifying IT with their backup requirements. However, there is enough backup capacity available to backup the entire network.
 - ❑ Backups are held securely at The Old Town Hall. These are accessible to IT staff.
 - ❑ Backup copies are kept for the duration of the backup cycle before been overwritten with the next backup.

<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	The ICT Security Policy has identified the principles needed for documented standards and procedures but these still need to be established.	Head of ICT	Standards and procedures should be established for the following areas:- <ul style="list-style-type: none"> ❑ The information security policy ❑ The file management policy ❑ The access control policy ❑ The password management policy ❑ The system, file and data back-up policy ❑ The file and data retention policy 	B	November 2009
A.9	Data backup guidance is not routinely given to laptop users.	Head of ICT	Guidance notes should be established for laptop users. These could also be uploaded to the employee intranet for future reference.	C	November 2009
A.10	Users do not have to change their network login password	Head of ICT	Password management should be enforced through Windows group policy as a basic security requirement as soon as possible e.g. changing of passwords over a set time interval and strong passwords <ul style="list-style-type: none"> ❑ A minimum of 6 characters in length ❑ A mixture of symbols, numbers and letters <p><i>It was agreed in the audit exit meeting that this was a fundamental weakness of the Authority's IT infrastructure. It will be resolved once the Microsoft Office and Windows XP rollout has been completed. It was established that a 6-month timescale for implementation of this recommendation is a reasonable expectation.</i></p>	A	November 2009
A.11	A digital media record is not kept for non-Microsoft software.	Head of ICT	Management should assess the value of having a media record of non-Microsoft software covering the following:- <ul style="list-style-type: none"> ❑ The date of purchase and installation ❑ The software version number ❑ The vendor's name and contact details 	D	November 2009

			<ul style="list-style-type: none"> ❑ Related release and/or patch details (dates, references, etc) ❑ The location of the software, both physically and logically. 		
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3. PC Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ IT procurement is conducted under the standard Carlisle City Council Procurement Strategy. This differs from Allerdale's procurement policy which is handled in-house by the IT Section. Under the ICT Shared Service Strategy, Allerdale will conduct all procurement.
- ❑ An asset register of IT equipment is maintained. It contains satisfactory information of hardware assets but software installed on PCs is not recorded.
- ❑ No formal guidance is issued to the users of laptops, hand-held computers, etc that are used off-site.
- ❑ No formal guidance relating to the backing up of data is given to users of laptops.
- ❑ Use of a responsible 3rd party company (MGH Group based in Glasgow) has been adopted by the ICT Section to recycle and dispose of old IT equipment as required by the EU WEEE directive.
- ❑ For particularly sensitive data, the ICT Section's practice has been to remove the disks and drill through them thus disabling them from further use. At the moment these are currently stored in the Civic Centre basement awaiting a suitable method of disposal.
- ❑ Users have not been given adequate training in the Authority's policies and procedures in respect of PC security.
- ❑ Some controls are in place to minimise virus infection on the network. Anti virus software is installed on each PC and server and email is filtered by Message Labs (a trusted 3rd party). The anti virus definitions are regularly updated and managed centrally via a console application.
- ❑ No formal procedures exist to deal with a virus incident. The anti-virus software would deal with the majority of incidents but there is still a risk that a virus infection could bypass these controls.

<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.12	The asset register does not include details of software installed on each PC.	Head of ICT	<p>Details of software licences attached to each PC should be held against the asset on the asset register.</p> <p><i>The Audit exit meeting established that the ICT Section has software that can be used to identify what is installed on a PC. Details of software on individual PC's is kept but not in a composite form. Component Management will be used to bring all this information into one place.</i></p>	C	November 2009
A.13	No formal guidance is issued to users of laptops, hand-held computers, etc that are used off-site.	Head of ICT	<p>It should be recognised that with laptops there are security considerations above those associated with a desktop PC. Apart from the potentially damaging loss of data and/or hardware, there are both health and safety and insurance issues to be understood. Guidelines for the secure use of mobile equipment should be drawn up and issued to all laptop users.</p> <p>See also recommendation A9.</p>	C	November 2009
A.14	Drilled hard disks are currently being stored in the Civic Centre basement awaiting a suitable method of disposal.	Head of ICT	<p>As the disks have been put beyond use it would be prudent to dispose of these disks through the nominated 3rd party disposal company along with the other redundant IT equipment. This method will be investigated.</p>	D	November 2009
A.15	No formal procedures exist to deal with a virus incident.	Head of ICT	<p>Written procedures should be established to address cases where a virus infection has been identified.</p>	B	November 2009

4. Network Controls (including Network Access Controls and Network Hardware and Software)

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

Network Management and Controls

- ❑ Report CORP44/08 – ICT Security Policy states that a communication exercise would take place to inform staff of their responsibilities under the ICT Security Policy. At the time of the audit, enquiries revealed that the majority of staff questioned were unaware of the policy although it has been published on the employee intranet. Since the audit, an article about the ICT Security Policy has been published in the staff magazine.
- ❑ A manual of helpdesk procedures exists for members of staff employed on the IT Helpdesk. This is only accessible to IT support staff.
- ❑ Physical and logical network diagrams are up to date and show the locations of key IT equipment.

Network Access Controls

- ❑ Access Control standards for information systems have not been established.
- ❑ There are satisfactory procedures in place for notifying system security administrators when employees start and leave.
- ❑ The onus is on system owners to periodically review the accounts on their respective system.
- ❑ As per earlier findings, a password policy has not been adopted.
- ❑ User profiles are currently set up based on individual requirements specified by line management e.g. internet access etc. Each user, by default, has access to an H: drive (personal drive) and a K: drive (departmental drive).
- ❑ All users, including users in the IT section, have normal domain accounts. However, IT staff have access to accounts with administration rights but these are only used when necessary.
- ❑ Accounts provided for contractors are administered as normal. Various logins have been created with differing access permissions that are enabled/disabled as required.

- ❑ A warning (banner) is displayed during the log-on process instructing users not to attempt to access the system if they are not authorised.
- ❑ Network Domain accounts are not locked after several unsuccessful login attempts.

Network Hardware and Software

- ❑ Network configuration settings are documented. Network IP addresses and network diagrams are kept up to date. Only IT personnel have access to the records i.e. they are held on a shared drive with access only to IT personnel.
- ❑ A record of network operating system upgrades is not maintained.
- ❑ All patch panels, hubs and switches are located in locked cabinets accessible only to IT support staff.
- ❑ Anti-virus software is installed on all PC's and Servers. Virus definitions are downloaded and installed automatically.
- ❑ Access to system admin passwords is restricted to IT personnel.
- ❑ Admin passwords are not changed either on a regular basis, or when an IT staff member leaves the section.
- ❑ Servers and key hardware are supported by an uninterrupted power supply (UPS). The UPS can supply power for 25 minutes but is also backed up by an emergency generator that is configured to start as soon as the mains power supply fails. The generator holds enough fuel to run for 2.5 days.

The UPS and generator are tested quarterly but these tests are not documented.

<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.16	Council staff are unaware of the ICT Security Policy.	Head of ICT	A communication exercise should be undertaken to address this situation and inform staff of their responsibilities under the policy. <i>Since the audit, an article about the ICT Security policy has been published in the staff magazine.</i>	B	ACTIONED
A.17	Network domain accounts do not become locked after several unsuccessful login attempts.	Head of ICT	The current situation presents a considerable security risk as it allows for an unlimited number of attempts to guess a particular login password and therefore access the IT network. Accounts should become locked after a set number of attempts. This requirement should be incorporated into any future password policy. <i>Again, this will be resolved once the Microsoft Office and Windows XP rollout has been completed.</i>	B	November 2009
A.19	A record of network operating system upgrades is not maintained.	Head of ICT	It would be good practice to keep an audit trail of o/s patches that have been released onto the network.	C	November 2009
A.20	Admin passwords are not changed, either on a regular basis, or when an IT staff member leaves the section.	Head of ICT	Procedures should ensure that admin passwords are changed on a regular basis or when staff members leave the section.	B	November 2009
A.21	The UPS and generator are tested quarterly but these tests are not documented.	Head of ICT	A record of the UPS and generator tests should be maintained.	C	Immediate

5. Internet Controls (including Firewall and Website controls)

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

Internet Controls

- ❑ Details of the Authority's email and internet policy can be found in a document available on the intranet titled 'Carlisle City Council Staff Email & Internet Policy (January 2000)' and various annexes of the ICT Security policy. They cover the main areas of pornography, downloading files, legislation etc.
- ❑ Details of legislation relating to the use of the internet and email are lacking in the ICT Security Policy.
- ❑ Internet users are made aware of the internet policy by the internet compliance page that appears before allowing access to an external web site. The user must click a button to confirm they have read and understood the policy and wish to access the internet.
- ❑ Enquiries with Authority staff revealed that whilst they were aware that internet and email policies existed, no one had actually read them or knew exactly where to obtain a copies. Staff do not have to sign a declaration acknowledging that they have read and understood the policies.
- ❑ A risk assessment identifying the risks associated with the internet and email was not available for inspection. Enquiries ascertained that whilst this exercise may have been undertaken when the email and internet systems was first introduced, this is likely to be significantly out of date and it would be beneficial that a new one were undertaken as a refresh.
- ❑ User authentication is required to access email and internet on the Authority's computers. Inappropriate web sites are blocked using blocking software.
- ❑ A disclaimer is attached to all external emails.

Firewall

- ❑ The role of administration and security of the firewall has been allocated to two IT staff members.
- ❑ A potential risk was noted with regard to separation of duties. One of the firewall administrators also has access to financial systems. This access is required as part of his role for managing budgets. Theoretically, this access could be exploited externally through the firewall.
- ❑ The ICT Security Policy recognises the need for a firewall but does not cover its administration.

- ❑ Some controls are in place for administration of the firewall. The firewall may only be accessed via a server admin console, however, a trust relationship must have been set up between the server and the firewall i.e. the firewall cannot be accessed from just any PC. Changes to the firewall must also be authorised by a senior member of the IT staff.
- ❑ Firewall changes are not logged.
- ❑ As some degree of specialist knowledge is required, the firewall is managed with some input from an external company called Vistorm.
- ❑ Only the firewall administrators know the firewall admin passwords.
- ❑ The firewall is located in a de-militarised zone (DMZ). This restricts access only to web servers and data authorised for external access e.g. online payments etc.
- ❑ The firewall is located in the computer room which has controlled access. However, it was noted that the fire alarm causes the doors to fail open.
- ❑ All connections to the internet are made via the firewall.
- ❑ A policy has not been established to govern configuration of the firewall.
- ❑ Firewall logs are checked occasionally but not to any agreed schedule.
- ❑ An incident file is not kept of any security breaches.
- ❑ A copy of the firewall configuration is kept but not backed up as part of the daily procedures. This is acceptable as the configuration is not subject to regular change. The configuration is kept with the other back ups in the safe at the town hall.

Website Controls

- ❑ There are no documented control procedures for the website.
- ❑ The website is included in the Corporate Communications Action Plan. The actions contained within this document could be interpreted as a form of web strategy.
- ❑ The content of the website is satisfactory and appropriate to the Authority's business objectives. Advice and assistance are also available for users with literacy and visual impairments. Testing revealed that the Accessibility link on the home page does not work.
- ❑ The Applications & Information Manager must approve web content before it can be uploaded to the website.

- ❑ Good controls are in place to ensure information remains confidential and users are adequately identified where the website allows online processing by members of the public.
 - SSL (secure socket layer) protocol is used on the e-payments server to ensure that information passed between the user and the e-payments server is encrypted and secure. A digital certificate (certified by Verisign) is also available for inspection to endorse the legitimacy of the Council's website.
 - Where online processing occurs, a bill reference must be entered and this is used to identify whom the payment is received from.
- ❑ An external company is employed to monitor the availability of the website. Occasionally, an external security consultant is contracted to provide penetration testing of the firewall as a measure against malicious intrusion. This is not done annually due to the expense involved.
- ❑ A bespoke piece of software called Immediacy is used to create and upload content to the website. Content can only be uploaded once the Applications & Information Manager has approved it.

<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.22	There are two separate documents in circulation which both cover email and internet policy. These are Carlisle City Council Staff Email & Internet Policy' (January 2000) and the recently introduced ICT Security Policy and Annexes. This is confusing and it is not clear whether the two documents compliment each other or the later replaces the former.	Head of ICT	If the 'Carlisle City Council Staff Email & Internet Policy' (January 2000) has been replaced by the ICT Security Policy document then it should be removed from use on the intranet. Otherwise, the existing document should be reviewed and updated as appropriate.	C	November 2009
A.23	The recent ICT Security Policy refers to internet and email in several places throughout the document that makes it fragmented and difficult for users to read and digest.	Head of ICT	It would be more user-friendly if the email and internet policies were provided as a separate document as per the document 'Carlisle City Council Staff Email & Internet Policy' (January 2000). See also recommendation A.22.	C	November 2009
A.24	Details of legislation relating to the use of the internet and email are lacking in the ICT Security Policy.	Head of ICT	Details of legislation relating to the use of the internet and email such as the Data Protection Act and the Computer Misuse Act should be included in the ICT Security Policy.	C	November 2009
A.25	Internet users are made aware of the internet policy by the internet compliance page that appears before allowing access to an external web site. The user must click a button to confirm they have read and understood the policy and wish to access the internet. However, no link is provided to the internet policy.	Head of ICT	A link to the Internet Code of Conduct should be supplied on the Internet Compliance Page. The current situation forces staff to agree to a code which they are currently unable to view.	C	Immediate
A.26	Staff do not have to sign a declaration acknowledging that they have read and understood the Authority's	Head of ICT	Management should assess whether there are legal implications caused by staff not having to sign	B	November 2009

	email and internet policies.		<p>a declaration acknowledging that they have read and understood either the internet or the email policy.</p> <p>If this policy were to be adopted, the policies and declaration could perhaps be incorporated into the staff induction training.</p> <p><i>It was agreed at the Audit exit meeting that the Head of ICT will send out an email to all staff asking for confirmation that they know where to find the policies and have also read and understood them. A response from the user's own mail account will act as an electronic signature to confirm this acknowledgement. Users who don't respond may have their internet or email access revoked.</i></p> <p><i>ICT should also liaise with Personnel to ensure that the above is also covered in staff induction.</i></p>		
A.27	A risk assessment identifying the risks associated with the internet and email was not available for inspection.	Head of ICT	<p>A new risk assessment should be undertaken to identify the risks associated with the internet and email usage</p>	B	November 2009
A.28	A firewall administrator also has access to financial systems.	Head of ICT	<p>Firewall administration duties should be reviewed. Whilst unlikely, there is still a potential for controls to be exploited without adequate separation of duties.</p> <p><i>The Head of ICT has agreed to accept this risk.</i></p>	N/A	N/A
A.29	There are no change control procedures in place to govern changes to the firewall.	Head of ICT	<p>Change control procedures should be put in place to govern changes to and administration of the firewall.</p>	B	November 2009
A.30	Firewall changes are not logged.	Head of ICT	<p>A log should be set up to record any changes to the firewall.</p>	C	ALREADY ACTIONED
A.31	Only the firewall administrators know the firewall admin passwords. Whilst this is very secure, if anything were to happen to those personnel it could create problems.	Head of ICT	<p>The firewall administration passwords should be kept in sealed envelopes in a secure location in case they are ever needed.</p>	C	Immediate
A.32	The fire alarm causes the computer room doors to fail open.	Head of ICT	<p>Whilst it is recognised that this is a safety feature, the physical security risk caused by the computer room access door 'failing open' should be</p>	N/A	N/A

			reviewed. <i>The Head of ICT agreed that this is a security risk but due to the safety aspect it is a risk he accepts.</i>		
A.33	Firewall logs are checked occasionally but not to any agreed schedule.	Head of ICT	A schedule should be drawn up to review the firewall logs.	C	November 2009
A.34	An incident file is not kept of any security breaches.	Head of ICT	An incident file should be set up to record the details of any security breaches and the corrective action taken.	C	ALREADY ACTIONED
A.35	There are no documented control procedures for the website	Head of ICT	Change control procedures should include website management. All changes should be documented.	C	November 2009
A.36	Testing revealed that the Accessibility link on the website home page does not work.	Head of ICT	The Accessibility link should be fixed so that it points to the correct location.	C	Immediate

6. Physical and Environmental Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ The ICT Security Policy defines procedures and controls which are required to be in place including:-
 - Clear-desk and clear-screen policies
 - Password-protected screen savers
- ❑ The IT Security Specialist (reporting to the Head of ICT) will be responsible for controlling physical security and this has been clearly recorded and assigned in the ICT security policy.
- ❑ Procedures will be in place to ensure compliance with the IT security policy as soon as all the identified controls are adopted. Audits of the policy are also expected to give further assurance.
- ❑ Access to the building is restricted by key fob entry.
- ❑ All IT personnel have access to the computer room.

- ❑ Non-IT personnel access to the computer room is restricted. Contractors are accompanied during their working hours and cleaners are only allowed in the computer area when a member of the IT Helpdesk is present in the office.
- ❑ The computer room is situated next to the IT office and not accessible by the general public.
- ❑ Environmental monitoring equipment is installed and in operation in the computer room. The equipment is maintained and tested periodically.
- ❑ IT staff have not received fire extinguisher training.
- ❑ The IT hardware inventory was inspected and found to contain adequate detail. With regards to disposed hardware, the year of disposal was recorded but not the actual date.
- ❑ A sample of PC's were chosen from the IT inventory and traced successfully.
- ❑ It was confirmed with the Treasury and Insurance Manager that the Authority's insurance policy provides adequate cover for IT equipment and this cover also extends to equipment off site.
- ❑ There was no documental evidence available to confirm whether the classification of data sent off-site had been assessed, or appropriate means of protection (e.g. encryption) were used where appropriate.
- ❑ The insurers are not routinely notified about disposed IT equipment however, IT inform the Treasury and Insurance Manager annually of any significant changes of equipment. IT equipment is also re-assessed as part of the insurance tender process.

<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.38	The ICT Security Policy states password protected screen savers should be used. However, this is not enforced.	Head of ICT	Password protected screen savers should be enforced by Windows Group Policy. This would improve security by locking the PC after a set period of inactivity.	C	November 2009
A.39	The actual date of disposal for disposed of equipment is not recorded.	Head of ICT	It would be good practice to record the actual date of disposal for IT assets.	D	Immediate
A.40	IT staff are not trained in the use of firefighting equipment.	Head of ICT	It would be beneficial for ICT staff to have some fire extinguisher training although this recommendation is at the discretion of the Head of ICT.	D	November 2009
A.41	There was no documental evidence available to confirm whether the classification of data sent off-site had been assessed, or appropriate means of protection (e.g. encryption) were used where appropriate.	Head of ICT	Review the classification of data sent off site and ensure that appropriate means of protection e.g. encryption are in place where appropriate. Employees should also be aware of this	C	November 2009

			requirement.		
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7. Data Protection

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ The Authority has a data protection policy but it was written in 2002 and has not been updated since. The Policy and Performance Manager has already identified the need to review the policy.
- ❑ The existing policy covers the 8 principles of the Data Protection Act. These are mentioned throughout the document rather than one single area.
- ❑ The data protection policy has not been reviewed to an agreed timescale.
- ❑ A copy of the Data Protection Policy is available for viewing on the staff intranet. This appears to be the sole method of communicating the policy to Authority staff.
- ❑ The Authority does not have a named Data Protection Officer but the Policy and Performance team oversees Data Protection issues.
- ❑ The Data Protection policy refers to the Council's Data Protection Officer by name. This role no longer exists and the person stated is no longer with the Authority.
- ❑ The Revenues section was selected as a suitable area to gauge staff awareness of the Data Protection Act. This area was chosen owing to the large amount of personal data they process. It was the Revenue Manager's view that whilst his staff may have access to the Data Protection policy, they had not received any recent training and therefore as a result, he didn't believe that they could be fully conversant with it.
- ❑ The ICT Security Policy states the Council and its staff will fully comply with the requirements of the Data Protection legislation but does not address specific issues. The policy also states that the monitoring of compliance is the responsibility of the Council's Information Officer.

<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.41	The ICT Security Policy states the Council and its staff will fully comply with the requirements of the Data	Head of ICT	The ICT security policy should refer users to the Data Protection policy for further information on	C	November 2009

Protection legislation but does not address specific Data Protection issues.		Data Protection issues.		
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8. Change Control

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

The IT section has no formal change control standards in place to define how amendments to the IT environment should be carried out.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A.42	The IT Section has no formal change control standards in place.	Head of ICT	<p>The IT Section should establish Change Control Standards which adequately cover the following areas:-</p> <ul style="list-style-type: none"> ❑ Clarify the roles and define the controls over requesting development and implementation of changes. ❑ Specify how amendments need to be documented. ❑ Address planned and unplanned changes including emergency fixes. • The following recommendations should also be considered in respect to the Change Control standards:- <ul style="list-style-type: none"> ❑ Effective arrangements should be put in place to ensure that the standards are regularly reviewed and kept up to date. ❑ A copy of the change control standards should be issued to all IT support staff. ❑ Change Control Standards should include a record of all employees authorised to request program and/or data amendments. ❑ The Change Control standards should ensure that amendment requests are only accepted if authorised by the system owners or their authorised representatives. ❑ The change control standards should specify how the amendments should be recorded. ❑ A record should be maintained which enables changes to be tracked throughout their life 	A	November 2009
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			<p>cycle (e.g. version control).</p> <ul style="list-style-type: none"> ❑ The possible effects of an implementation should be evaluated including the contingency arrangements required should an implementation fail in the live environment. This could include for example, confirmation that the necessary backups are available or that any scripts used allow the changes to be rolled back. ❑ Wherever possible, amendments should be tested prior to implementation on the live environment. System owners should ensure they have undertaken adequate testing. <p>Any emergency changes should be fully reviewed after the event via an impact assessment.</p>		
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9. Disaster Recovery and Business Continuity

Method of Review:

Discussions with management and staff alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ The Business Continuity plan receives a full review on an annual basis. The next review will take place after the plan is tested on 23 February 2009. The contact lists are reviewed and updated every six months.
- ❑ Existing Disaster Recovery arrangements are likely to become obsolete following the implementation of the ICT Shared Service with Allerdale. Therefore, following discussion with the Head of Audit Services it was decided not to test this area on this occasion.

Conclusion

This area should be re-assessed in future audits.

People, Policy & Performance, Personnel/Policy & Performance

APPENDIX B

2. File Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ Separate policies do not exist for the areas highlighted below. Whilst some of the principles documented in the ICT Security Policy apply these cannot be regarded as policies in their own right.
 - Information security
 - File Management
 - Access Control
 - Password Management
 - Change Control Procedure
 - System, File and Data Backup
 - File and Data Retention
- ❑ The Head of IT will be responsible for checking compliance with the policies, standards and procedures in the future.
- ❑ Verbal guidance may be given to laptop users regarding the need to backup their data but this is not guaranteed. Recent employees of the Council receive some advice in their Personal Development manual.
- ❑ There is little evidence to suggest that users have received adequate training in password security. Some advice is given to new employees in the Personal Development Manual but obviously this does not make any provision for existing members of staff.
- ❑ Currently users do not have to change the password for their network login. Enquiries revealed that some staff had never changed their login password. This is a significant security risk.
- ❑ System accounts are assessed in accordance with their business need and are properly authorised.
- ❑ A digital media record is not maintained.
- ❑ The backup regime is satisfactory. Procedures are also in place to ensure backups are checked for completion each morning by the IT Helpdesk.

- ❑ System owners are responsible for notifying IT with their backup requirements. However, there is enough backup capacity available to backup the entire network.
- ❑ Backups are held securely at The Old Town Hall. These are accessible to IT staff.
- ❑ Backup copies are kept for the duration of the backup cycle before been overwritten with the next backup.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
B.1	Staff do not receive appropriate training in ICT policies and procedures.	Head of Personnel	Once established, the above policies should be incorporated into the staff induction. A refresh for existing staff members should also be considered.	B	November 2009 but dependent upon ICT producing the policies.

3. PC Controls

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ IT procurement is conducted under the standard Carlisle City Council Procurement Strategy. This differs from Allerdale's procurement policy which is handled in-house by the IT Section.
- ❑ An asset register of IT equipment is maintained. It contains satisfactory information of hardware assets but software installed on PCs is not recorded.
- ❑ No formal guidance is issued to the users of laptops, hand-held computers, etc that are used off-site.
- ❑ No formal guidance relating to the backing up of data is given to users of laptops.
- ❑ Use of a responsible 3rd party company (MGH Group based in Glasgow) has been adopted by the ICT Section to recycle and dispose of old IT equipment under the EU WEEE directive.

- ❑ For particularly sensitive data, the ICT Section's practice has been to remove the disks and drill through them thus disabling them from any further use. At the moment these are currently stored in the Civic Centre basement awaiting a suitable method of disposal.
- ❑ Users have not been given adequate training in the Authority's policies and procedures in respect of PC security.
- ❑ Some controls are in place to minimise virus infection on the network. Anti virus software is installed on each PC and server and email is filtered by Message Labs (a trusted 3rd party). The anti virus definitions are regularly updated and managed centrally via a console application.
- ❑ No formal procedures exist to deal with a virus incident. The anti-virus software would deal with the majority of incidents but there is still a risk that a virus infection could bypass these controls.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
B.2	Users have not been given adequate training in the Authority's policies and procedures in respect of PC security.	Head of Personnel	See recommendation B.1	C	November 2009 but dependent upon ICT producing the policies.

7. Data Protection

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Information Technology.

Summary of Findings:

- ❑ The Authority has a data protection policy but it was written in 2002 and has not been updated since. The Policy and Performance Manager has already identified the need to review the policy.
- ❑ The existing policy covers the 8 principles of the Data Protection Act. These are mentioned throughout the document rather than one single area.
- ❑ The data protection policy has not been reviewed to an agreed timescale.
- ❑ A copy of the Data Protection Policy is available for viewing on the staff intranet. This appears to be the sole method of communicating the policy to Authority staff.

- ❑ The Authority does not have a named Data Protection Officer but the Policy and Performance team oversees Data Protection issues.
- ❑ The Data Protection policy refers to the Council's Data Protection Officer by name. This role no longer exists and the person stated is no longer with the Authority.
- ❑ The Revenues section was selected as a suitable area to gauge staff awareness of the Data Protection Act. This area was chosen due to the large amount of personal data they process. It was the Revenue Manager's view that whilst his staff may have access to the Data Protection policy, they had not received any recent training and therefore as a result, he didn't believe that they could be fully conversant with it.
- ❑ The ICT Security Policy states the Council and its staff will fully comply with the requirements of the Data Protection legislation but does not address specific issues. The policy also states that the monitoring of compliance is the responsibility of the Council's Information Officer.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation / Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
B.3	Staff handling personal data have not received any recent training in data protection and therefore are unlikely to be fully conversant with the legislation.	Head of Policy & Performance	It would be beneficial to re-commence Data Protection awareness training for all staff who handle personal data. Personnel have agreed to provide the training but this needs to be driven by the Head of Policy and Performance in liaison with other Heads of Service.	C	November 2009

B.4	The Authority has a data protection policy but it was written in 2002 and has not been updated since. The Policy and Performance Manager has already identified the need to review the policy.	Head of Policy & Performance	<p>The Data Protection Policy should be reviewed and updated to ensure it is clear and concise and addresses the following:-</p> <ul style="list-style-type: none"> ❑ Explains the need for such a policy ❑ States the authority's attitude towards data protection ❑ Clearly sets out the authority's data protection requirements ❑ States the authority's data protection staffing and reporting structures ❑ States the disciplinary procedures which may be invoked should employees fail to comply with the data protection policy ❑ Specifically refers to the inclusion of certain structure manual records 	B	November 2009
B.5	The existing policy covers the 8 principles of the Data Protection Act. These are mentioned throughout the document rather than one single area	Head of Policy & Performance	It would be beneficial for the 8 principles of the Data Protection Act to be stated in the policy overview.	C	November 2009
B.6	The data protection policy has not been reviewed to an agreed timescale.	Head of Policy & Performance	Procedures should be put into place to ensure that in the future, the policy is reviewed annually or immediately in the light of actual events.	C	November 2009
B.7	Data Protection issues could be better communicated to staff.	Head of Policy & Performance	A communications structure should be identified to ensure that data protection issues are effectively communicated throughout the Authority.	C	November 2009

Corporate Services

Audit Services

Audit of Main Accounting and
Budgetary Control Systems

Final Report

28th May 2009

Audit Contact		Extn No.	
Document Ref:	K:\2006-07 onwards\Material Systems\MAS MAT015\2008-09\Reports\MAT015 - Main Accounting System and Budgetary Control Final Audit Report 2008-09.doc		

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

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, 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 22nd June 2009.

1. Reason for the Audit

1.1. The audit of the Main Accounting and Budgetary Control Systems 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 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 Radius Financials accountancy package incorporates the General Ledger and 3 subsidiary systems - Debtors, Creditors and Purchasing. ICON Bank Reconciliation and Cash Receipting are also fundamental to the main accounting system and processes. The system was implemented in April 2004 and is vital in the production of timely financial management information and the production of the annual financial statements.

2.2. The provision of this service is maintained and managed by Financial Services, which is part of the Corporate Services Directorate.

2.3. The Accountancy Section ensures that all financial information entered into the ledger on a daily basis is exact, and available at year-end in order to produce the annual accounts. The Systems and Controls team ensure the system administration and controls are in place so that the financial system is able to produce the information required in the accounting format defined by BVACOP and required by CIPFA and the Audit Commission.

2.4. This review was conducted substantially in line with the CIPFA Matrices for Audit Testing. The level of testing undertaken, took into account the 2007/08 results which provided a substantial level of assurance.

2.5. There were 4 areas that were not fully examined during the review. These were Bank Reconciliation, Capital Accounting, Final Accounts and Whole of Government Accounts. The reason being that this work had already been undertaken by either the Audit Commission themselves or that relevant testing was covered under the 2008/09 Fixed Assets Material Review. To undertake this testing again would be a duplication of effort.

3. Associated Risks of Providing this Service/Function

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

Risk Description and Control Strategy	Type of Risk <i>(strategic / operational)</i>	Risk Score <i>H/M/L</i>
<p><u>Risk Description/Control Strategy.</u></p> <p><u>Medium Term Financial Planning and maintaining asset values;failure leading to:-</u></p> <ul style="list-style-type: none"> • Risk of systems and procedures failing to address the MTFP objectives. • Risk that expenditure is not linked to objectives and 	Strategic	H

<p><i>priorities.</i></p> <ul style="list-style-type: none"> • <i>Fails to be forward looking and programmed.</i> • <i>Failure to deliver savings assumptions approved as part of the budget could result in significant overspends.</i> • <i>Lack of corporate ownership.</i> • <i>Failure to achieve balanced budget through the budgetary process.</i> • <i>Failure to match future commitments and aspirations compared to funding available.</i> • <i>Maintaining asset values.</i> <p><u>Current Action Status/Control Strategy.</u></p> <p>The MTFP and Capital Strategy were approved by Council on the 9th of September 2008 for a five year period. The budget for 2008/09 was approved by Council in February 2008 and reviewed regularly in the light of current and new pressures arising. The 2009/10 budget was considered and approved by Council on the 3rd of February 2009. There are significant and growing ongoing pressures on the budgets. As predicted, the RSG settlement was well below inflation. The economic downturn that Treasury Management forecast, and the impact this will have on the income streams in particular, is also a growing concern. There is also a specific risk in failing to achieve the identified savings to offset the spending pressures identified. The Strategic Planning Group is monitoring all of these aspects regularly prior to reporting formally through the Committee process and throughout the next budget process. Work will continue to ensure resource allocation to corporate priorities is further developed.</p> <p>The work of the Corporate Projects Board will support the improvements to financial and performance improvements regarding the capital programme.</p>		
<p><u>Improvement and Efficiency Programme.</u> <i>Failure to deliver the Council's 3 year internal efficiency agenda, specifically:</i></p> <ul style="list-style-type: none"> • <i>Promised savings of 3% (shared services) 5% (internal efficiency reviews) not realised.</i> • <i>Partners not engaging to an equal extent.</i> • <i>Programme of service improvements and efficiency reviews not completed within financial timescales.</i> • <i>Governance arrangements not responsive enough to allow changes to evolve/amendments to be made.</i> • <i>Insufficient resources to deliver the programme of efficiencies/shared service.</i> <p><u>Current Action Status/Control Strategy.</u></p> <p>The Council agreed a Shared Services Strategy in March 2007. This clearly articulates that no shared services arrangement will be entered into by the City Council unless</p>	<p><i>Strategic</i></p>	<p><i>H</i></p>

<p>there are clear benefits for the Council that can be demonstrated in a full business case (including meeting the efficiency requirements). A number of shared service initiatives are currently being explored; including Audit and Revenues and Benefits. The most advanced is the ICT shared service between the City Council and Allerdale Borough Council for which a business case has been established and an implementation plan formulated. An Internal Improvement and Efficiencies Working Group (Members and Officers) advises on and oversees shared services and improvement/efficiencies reviews within the Council. There are currently 16 efficiency reviews being progressed.</p> <p>Corporate Services have set up a dedicated team to oversee the Council's shared services and efficiencies agenda and provide progress reports to SMT, SPG and Members.</p>		
<p><i>Financial Management Information. Financial Management Information provided must be accurate, robust and timely to enable Budget Holders to manage, failure leading to:-</i></p> <ul style="list-style-type: none"> • <i>Poor management decisions.</i> • <i>Loss of credibility in information provided.</i> • <i>Service Heads fail to focus on key objectives.</i> • <i>Not linked to performance management.</i> • <i>Failure to adopt best practice and achieve value for money.</i> • <i>Specific reconciliation risks identified associated with Contractor Plus system.</i> <p><u>Current Action Status/Control Strategy.</u></p> <p>The Council's Financial Management arrangements have been assessed as adequate in the Audit Commission's Use of Resources judgement. An action plan has been developed to tackle the areas that need improving to raise the score.</p> <p>Work is ongoing with the Policy and Performance and Finance Teams to further improve linkages between use of resources and performance, and this is set out in the Direction of Travel Action Plan. A risk remains to the Council from the existing system utilised by the Community Services Directorate for ex DSO work and the ability to easily reconcile the system to the Councils core financial management system. A budget has been allocated and work is progressing to replace the Community Services system.</p> <p>A significant financial training programme has now been launched to improve the financial management standards throughout the authority.</p>	<p><i>Strategic</i></p>	<p><i>M</i></p>
<p><i>Financial Reporting. Financial Reporting following comments of Audit Commission on standard of financial reporting. Failure will lead to:-</i></p>	<p><i>Strategic.</i></p>	<p><i>M</i></p>

<ul style="list-style-type: none"> • <i>Reputational damage.</i> • <i>Have an impact on overall CPA Assessment.</i> • <i>Poor relationship with the Audit Commission.</i> <p><u>Current Action Status/Control Strategy.</u> The Audit Commission judged the Council's financial reporting standard for 2007/08 as part of the Use of Resources judgement and it was found to be adequate. The most recent Use of Resources Assessment issued by the Audit Commission reflected a significant improvement. The risk remains from the Implementation of International Financial Reporting Standards.</p>		
<p><i>Capital Programme. The Council regularly fails to deliver the Capital Programme incorporated in its budget to the originally planned timescales. The type of costs charged to capital by services are not controlled effectively to ensure they are always in line with the statutory definition of capital expenditure. Failure will result in unexpected charges to revenue compromising service spending capabilities and giving rise to an additional burden on the use of reserves, affecting assumptions in the MTFP.</i></p> <p><u>Current Action Status/Control Strategy.</u> Training to be provided to all staff dealing with capital. The financial system will be developed to provide more detailed spending information. Systems within Financial Services will also be reviewed to reduce the risks of revenue spending being charged to capital projects. Throughout 2008/09 there has been monthly monitoring of expenditure and as part of the year end closedown process there will be a detailed examination of transactions to ensure that all monies charged to capital are in accordance with the statutory definition.</p>	Operational	H
<p><i>Capital Programme. VAT. There is a potential loss of Vat reclaimed. Potential loss of Vat Partial Exemption Status resulting in the potential for a significant amount of Vat to become irrecoverable and a potential cost to the Council of approx £200k. If the Vat the Council reclaims from Customs and Excise (HMRC) on its exempt activities (mainly Industrial Estates, Miscellaneous Properties and Crematorium) exceeds 5% of the total amount of Vat recovered from, then the whole amount of Vat on the exempt activities can no longer be recovered.</i></p> <p><u>Current Action Status/Control Strategy.</u> Problems emerged in 2007 due to high levels of expenditure in the Crematorium which threatened the exemption. In order to combat this, the Executive, on 30th July, decided to charge VAT on its commercial rents. This took effect from 1st September 2007.</p>	Operational	M

<p>In the event the partial exemption rules were suspended for 2007/08 for all Local Authority's. In respect of 2008/09 the relevant figures have been monitored on a quarterly basis despite the reduction of risk. Up to the end of December 2008 the relevant figure was less than 2%.</p>		
<p><u>Annual Accounts.</u> <i>There is a risk of a qualified opinion on the Annual Financial Accounts.</i></p> <p><u>Current Action Status/Control Strategy.</u> The Annual Financial Statements will be reviewed to ensure compliance with the SORP applicable to the year in question.</p> <p>The Closure of Accounts Timetable is updated annually and monitored at regular meetings.</p> <p>Training will be provided to enable activities to be effectively actioned. Experienced staff will monitor quality of output.</p>	<p><i>Operational</i></p>	<p><i>M</i></p>
<p><u>Reporting.</u> <i>Financial implications resulting from any reports must be provided.</i></p> <p><u>Current Action Status/Control Strategy.</u> A timetable of Financial Services report deadlines will be maintained. Staff will be developed to build expertise. SMT will consider Financial Services reports before submission to the Executive. Comments on the reports will be provided by FS staff and go through at least one other member of DMT before a response is given.</p>	<p><i>Operational</i></p>	<p><i>M</i></p>
<p><u>Financial Advice.</u> <i>Provision of financial advice and information must be accurate.</i></p> <p><u>Current Action Status/Control Strategy.</u> Professional qualifications and continual professional development of staff will ensure quality of advice. External advice will be sought if necessary. Target return deadlines form part of the business plan.</p>	<p><i>Operational</i></p>	<p><i>M</i></p>
<p><u>Financial Information Systems.</u> <i>Must be able to produce accurate and timely financial information.</i></p> <p><u>Current Action Status/Control Strategy.</u> Consultation with Services and effective maintenance procedures.</p> <p>FIS development to promote improvement. Ensure</p>	<p><i>Operational</i></p>	<p><i>M</i></p>

<p>corporate use of system. Users to be trained and procedures documented. Directorates consulted on their needs. Install updates and test regularly.</p> <p>Bank reconciliation procedures are updated regularly to meet an overall requirement that reconciliations are completed no later than monthly in arrears.</p>		
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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 2007/08 Audit.
2.	Policies and Procedures.
3.	Financial Systems.
4.	Budgetary Control.
5.	Coding Structure.
6.	Feeder Systems.
7.	Journals.
8.	Suspense and Holding Accounts
9.	Bank Reconciliation. – The 2007/08 Bank Reconciliation was signed off and judged adequate by the Audit Commission. The Audit Commission are in the process of auditing the 2008/09 reconciliation therefore actual testing on this area was limited.
10.	Capital Accounting. – All of the testing deemed necessary under this specific area will be undertaken as part of the Audit of Fixed Assets 2008/09.
11.	Final Accounts. – As per Bank reconciliation.
12.	Whole of Government Accounts. – As per Bank reconciliation.

5. Overall Conclusion of the Audit Review

5.1. In general terms, the review confirmed the effectiveness of systems and controls that are in place to minimise key risks. However, a number of opportunities to further enhance controls have been identified. These are shown in appendix A and have been brought to the attention of the relevant Head of Service. In summary the key issues arising from this review are:

5.1.1. All of the agreed action points resulting from the 2007/08 Main Accounting and Budgetary Control had been progressed to the satisfaction of the Head of Financial Services.

5.1.2. Satisfactory systems are in place regarding policies and procedures. The updating of the Financial Guide is a work in progress and its development will be re-examined and monitored by Audit Services following the year end. The existing accounting policies and other statutory requirements are clearly referenced and maintained.

5.1.3. Controls in relation to the Financial Information System were found to be in order. Apart from the small matter regarding the user housekeeping exercise, no further problems were found.

5.1.4. There are satisfactory controls in place surrounding the coding structure within the Financial Information System. The feeder systems are balanced regularly

and evidence showed that any discrepancies were investigated and resolved immediately.

5.1.5. The controls surrounding the issue of budgetary control are clear and robust. Unfortunately the Financial Services staff do not have the full support of their users.

5.2. Despite repeat attempts to educate budget holders of the importance of coding correctly, it is clear that expenditure and income continues to be coded on an erratic basis and proves that this method has not been as successful as hoped. This issue has been identified in a number of the material audits this year and also a number of system audits undertaken during 2008/09. The importance of coding income and expenditure correctly has been explained to budget holders on numerous occasions. It is important not only for management accounting and final accounts purposes, but also to comply with accounting standards that would ultimately affect the Authority's CPA score. This situation is unsatisfactory but unfortunately not entirely within the control of Financial Services.

5.3. The other recommendations contained within this report are simply a reminder to maintain the already high level of housekeeping and control within the system and their users. The fundamental weakness is the one of which the Financial Services staff has the least control which is unfortunate due to the efforts they have made over the past financial year to educate their users and limit these mis-codings.

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 6 recommendations arising from this review. 1 at grade B, and 5 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 (delete if no recommendations), it is considered that a SUBSTANTIAL level of assurance can be given in relation to the systems of control (see definition below).

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

Corporate Services. Financial Services

APPENDIX A

1. Follow up of 2007/08 review.

Method of Review:

The recommendations made as a result of the 2007/08 audit were followed up to ensure that all agreed actions had been progressed.

Summary of Findings:

- The relevant agreed actions were as follows:-
 - *The Financial Guide requiring updating to take account of new procedures.*
 - *A reminder to be issued to all managers outlining their responsibilities to ensure that all items of expenditure and income are coded accurately.*
- The Head of Financial Services was satisfied that work is progressing well and that actions had been taken. It was to be noted that this was still subject to people in the services carrying out the procedures that they have been informed about effectively. Courses for budget holders and relevant staff were held on the 03rd, 09th and 10th of March 2009. These courses, focusing of Final Accounting and Budgetary Control reiterated the importance of coding income and expenditure correctly.

2. Policies and Procedures

Method of Review:

- Confirmation that the Authority's financial regulations/rules detail the accounting procedures to be followed.
- Confirmation that procedures ensure that:
 - Statutory requirements and relevant accounting practices are complied with.
 - The required accounting records are maintained.
- Confirmation that there is a statement detailing the organisation's accounting policies published with the final accounts.

Summary of Findings:

- The Financial Procedure Rules are part of the Council Constitution. It is a comprehensive working document that outlines the purpose of any procedure and the key controls and the responsibility attached to the procedure. The overall Constitution is reviewed regularly and was most recently updated in May 2008.
- As part of Use of Resources, the Head of Audit Services circulated a memo directing Heads of Service to ensure that all staff are aware of Council documents relevant to them. Testing proved that all Financial Services staff were aware of where the financial procedure rules were kept.
- There was some confusion amongst the sample of new staff tested as to the location, or existence of an office manual. **refer to recommendation A1**
- There is a copy of the Financial Guide and training guides is located at:-
 - [\\CARL62\FinancialServices\Procedures](#) and [\\CARL62\SystemDevelopment\Financials\Training Guides\Carlisle Notes](#)
 - However, these documents have not been updated for a long time, due to the responsible member of staff leaving the Authority. Systems and Controls staff are now in the process of updating these as a matter of priority.
- In compliance with the CIPFA Matrix. Point 1.40 of the Financial Procedure Rules states that:-
 - *“The Director of Corporate Services is responsible for ensuring that the annual statement of accounts is prepared in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice” issued by (CIPFA (Chartered Institute of Public Finance Accountants) /LASAAC (Local Authority (Scotland) Accounts Advisory Committee).”*
- The Director of Corporate Services verifies adherence to this code in the 2007/08 Statement of Accounts.
- The Ledger system was structured around BVACOP therefore, the accounts are always reported in this format.
- The statement of accounts clearly outlines the Authority’s accounting policies in its foreword. The policies mention include: Treatment of Assets, Depreciation, Stocks and WIP, Overheads and Support Services, Provisions, Reserves, Retirement Benefits, Financial Instruments, Gains and Losses on Debt Re-structuring, Government Grants, VAT, Group Accounts and Prior Period Adjustments.
- There isn’t an office manual as such, however the on-line procedures detailed earlier (i.e. Financial Guide and other procedures) do outline all the accounting control functions and the correct procedures to be followed. The year end procedures detail individual responsibilities during the process.
- The Financial Guide was last reviewed and updated on the 24/06/2007. As stated previously, the System and Controls section are in the process of updating these.

<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	There was some confusion amongst the sample of new staff tested as to the location, or existence of an office manual.	Head of Financial Services	As part of the induction process, Management should ensure that new starters are aware of how to access system procedures material.	C	Immediate

3. Financial Information Systems

Method of Review:

- Confirmation that the Financial Information System provides the data required by users and accounting standards.
- Confirmation that there are controls in place to ensure that transactions are correctly posted to the appropriate accounts.
- Confirmation that there are controls established to ensure that closing balances are brought forward correctly.

Summary of Findings:

- The Ledgers are structured in line with BVACOP reporting requirements with the coding system being developed in accordance with the necessary accounting requirements, i.e. Statements of Recommended Practice (SORP), CIPFA standard classifications and of course BVACOP.
- Controls are in place to ensure that all information entered into the Ledgers by whatever means are as accurate and as current as possible before any reporting is done (Feeder Systems will be discussed further in section 6 of this appendix).
- The main report used for budget monitoring is the FIS (Financial Information System) reports. These are sent to budget holders each month. They are also the key reports used by the Accountancy Section for budget monitoring purposes (budget monitoring will be discussed in greater detail in Section 4 of this appendix). Summary Monitoring Statements (SMS) are produced from monthly FIS reports and are used to highlight variances over £10,000.
- 10 debtors transactions and 10 creditors transactions were examined. Of these, all were updated within the accepted timescales.
- All transactions traced from the source systems were found to have been posted correctly.
- All the 2006/07 balances had been brought into the 2007/08 accounts correctly. At the time of testing the 2007/08 balances had not been transferred to the 2008/09 accounts but were in the process of doing so.

- From a list of 253 'users', 34 were found to have left the Authority and therefore should ideally be 'disabled' from the system. These 34 were highlighted as being 'live users' in General Ledgers, Creditors, Debtors or Purchasing when they have left the Authority. The total of 253 also includes some users that have left but have effectively been 'disabled' and their position is therefore correct. The list of users that have left the Authority and therefore need amending will be forwarded to the Systems and Controls Section for the necessary action. – **refer to recommendation A2.**

<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	Identified former users who have left the Authority have not been disabled from the system.	Head of Financial Services	The Systems and Controls Section should ensure that the appropriate former staff have their user levels changed to either 'GL Leavers', 'Creditor Leavers' or 'Debtors Leavers' as appropriate so their permissions are disabled without affecting the General Ledger Audit Trail.	C	1 month

4. Budgetary Control

Method of Review:

- Discussions with staff
- Inspection and examination of budgetary controls in place.
- Ensuring that all the required elements that were identified within the risk management framework were considered and prioritised as part of the budget setting process.
- Confirmation that the Council approved the budget.
- Confirmation that the budgets recorded on the system were accurate and bona fide.
- Confirmation that the responsibilities involved with the budget setting process were allocated and identified.

Summary of Findings:

- There are suitable controls in place to ensure that the annual budget is prepared in accordance with the budget cycle.
- A written procedure document outlines the process for the setting of the budget and a detailed timetable outlines the process to be followed in order to assemble the budget.
- The Medium Term Financial Plan (MTFP) outlines all factors to be considered during the budget setting process.
- A risk assessment can be found in appendix G of the MTFP.
- The minutes of the Council held on the 05/02/2008 provide evidence of the approval of the budget for 2008/09.
- The original budget in the Financial Information System (FIS) matches the approved budget for each sampled area.
- The budget covers all areas of income and expenditure including both revenue and capital expenditure.
- Details of significant amendments to the budget were appropriately presented to the Council's Executive Committee.
- Any adjustments to the FIS leave an audit trail, which can be followed, back to the user who made the change. Virement authorisations are split into 3 categories.
 - ❑ £70,000 – require Council approval.
 - ❑ Between £35-000 - £70,000 requires executive approval.
 - ❑ Up to £35,000 – portfolio or Head of BU approval.

- A sample of 10 virements were checked. All were within the appropriate levels and to comparative cost centres. However,
Not all virements are required to be authorised by a Corporate Director. Items that have been agreed through committee or staffing forum and are minuted do not require additional authorisation as the decision has already been reached and agreed.
- ❑ 1 out of the 10 sampled did not show an authorisation signature on the paperwork. The virement form did contain an entry that had been agreed at committee (ref CORP 83/08) but there were a number of other items on the same form that should have ideally been authorised by the Corporate Director.
- ❑ 1 out of 10 did not show a 'reviewed by' signature on the paperwork. **Refer to recommendation A3.**
- The budget is created on the main ledger by applying the new figures over the historic ones from the previous year. Inflationary factors are created against certain detail codes and these are also factored into the budget.
- Budgets are allocated to a specific named budget holder. A list of Authorised Signatures is maintained by Finance. The budget holders receive monthly FIS reports to help them monitor their budgets.
- Accountancy staff organise annual Budgetary Control and Final Accounts training sessions. The PowerPoint screens are provided at the start of the training and it is intended that these will be made available on the intranet.
- Budgetary Control guidance is a section of the Financial Guide that is in the process of being updated before being made available on the intranet. The Financial Management training programme has been established between Head of Financial Services and the Head of Personnel.
- A check of some detail codes highlighted items that are still being coded incorrectly. This causes problems for management accounting and budget monitoring and should be addressed. – **Refer to recommendation A4.**
- Regular financial reports are presented to the Executive.
- The documented stewardship procedure is contained within the Financial Procedure Rules document. Responsibilities for budgetary control are clearly defined.
- FIS reports are drawn off monthly and key issues are highlighted in the monitoring reports.
- Monthly FIS reports provide budget holders with the necessary information required to manage and control their budget.
- Regular reports providing an overview of Capital and Revenue Budgets are presented to the Executive. Reports cover quarters as well as greater time spans as the financial year progresses.
- Overspends and significant variances are clearly highlighted.

- The Financial Procedure rules and the MTFP both state the justifications to be used for maintenance of reserves.
- The MTFP shows an analysis of reserves. Policy guidelines and associated protocols are laid out in Appendix E of the document. Reserve balance projections are set out in Appendix F.

<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	Of the Virements sample examined, some paperwork did not show the necessary authorisation or reviewed by signatures.	Head of Financial Services	Accountancy staff should ensure that the virement paperwork is properly signed off.	C	Immediate
A.4	Items of expenditure are still being coded to the wrong detail codes despite previous efforts to rectify this problem.	Head of Financial Services	Staff require additional instruction to understand the importance of coding expenditure correctly. Consideration should be given to possible disciplinary action taken against persistent offenders.	B	3 months

5. Coding Structure

Method of Review:

- Confirmation that there is a record of review of all the codes that have been established.
- Confirmation that the FIS ensures that every accounting item is routed to its appropriate head via a financial code.
- Confirmation that the procedures for creating, amending and deleting codes.

Summary of Findings:

- There is no code book as such. All codes can be accessed on line via a wild card search.
- Anyone can have access to the General Ledgers, but to which codes depends on the privacy group the staff member belongs to.
- Requests for new codes go through to the Senior Accountancy Assistant (SAA) who is responsible for that particular area.
- Of all the users, only the SAAs have authorisation to set codes up. This decision was based on the necessity to keep control of the amount and type of codes set up in the ledger. The controls also ensure that the coding structure remains within the scope of BVACOP.
- There is not an invalid codes file. Mistakes are rare in practice due to the limits on who can set them up. The feeder systems such as Creditors and Debtors that interface into the General Ledger are set up so they cannot system generate their own codes. In effect, this eliminates the most likely cause by which an invalid code could be created.
- Other feeder systems such as Trent, Icon and those from Contractorplus can validate their own codes and occasionally will 'mis-post'. Any unidentified monies go to a suspense code and these are cleared regularly. Suspense and Holding Accounts are examined more closely in section 8 of this appendix.

Conclusion:

- There are appropriate controls in place surrounding the coding structure and there are no recommendations arising from this specific area of the review.

6. Feeder Systems

Method of Review:

- Confirmation that there are controls in place to ensure that debit and credit transactions posted during the year to the FIS net to zero.
- Confirmation of controls in place to ensure that all data entered into the FIS is bona fide and authorised.
- Confirmation that processing controls ensure that the data entered into feeder systems is accurate.
- Confirmation that there are regular reconciliation's undertaken to ensure that all feeder systems have posted correctly to the FIS.

Summary of Findings:

- The overall control account on the system did net to zero.
- A 'Monthly Control Account' spreadsheet has been developed which shows all 39 control accounts which is to be monitored on a timescaled basis. Examination of this spreadsheet showed that the monitoring was predominately up to date with the date of the reconciliation.

As this spreadsheet not only details the responsible officer undertaking the reconciliation but also an authorising officer it should ideally be verified and submitted by an authorising officer as a matter of course. This will not only ensure that the completion of the reconciliation is being monitored but can also act as a management tool. Non completion would highlight any problems staff may have and ensure that the reconciliation takes place on a regular and timely basis. – **Refer to recommendation A5.**

As at end of February 2009, the control accounts were verified as being reconciled to:

- NNDR – Jan 09
- Ctax – Jan 09
- Mayors Charity – Feb 09
- Rent Allces – Feb 09
- Iman – Feb 09
- Creditors – March 09
- Debtors Interface – Feb 09.
- Debtors Control – Jan 09.
- Payroll Control – Jan 09.

- Ctax/NNDR costs – Feb 09.
- Rechargeable Works – Jan 09.
- Car Leasing – Feb 09.
- Land Management – Jan 09.
- Improvement Grants – Jan 09.
- Mortgages – Jan 09.

All are expected to be balanced completely at year end. There are no problems envisaged.

10 feeder systems were examined to ensure that all balances net to zero. The systems tested were:-

- NNDR system.
 - CTax system.
 - Mayors Charity Account.
 - Rent Allowances.
 - Iman. (Hsg Benefit Overpayments)
 - Debtors System (interface)
 - Debtors Control.
 - Ctax/NNDR Costs.
 - Rechargeable Works.

 - Improvement Grants.
 - Payroll.
- All accounts were proved to have been balanced correctly. There were a number of imbalances, however all could be explained with the majority of them attributable to timing differences. All details are provided within the working papers.
 - Systems that are in the same 'family' as the general ledger automatically post daily overnight and are then balanced the following morning. These are Creditors and Debtors and as the codes are self authorising, there is no scope for transactions being posted to the wrong codes. If the incorrect code is used however but is 'live' then this will not be picked up until the Senior Accountancy Assistants are made aware and transfer the posting. Interfaces from Contractorplus, Labour and Stores are posted weekly and balanced the next day via a spreadsheet. Any errors are identified and corrected at this point.
 - Feeder systems cannot be re-entered in to the General Ledger system as the interface issues a unique reference number which will not allow itself to be replicated or reposted.

- The Accountancy Assistant (supported by the Development and Support Systems & Controls Team) carry out the feeder control balancing daily. The procedure is that all feeder systems are balanced in accordance with the feeder system timetable. There are 7 systems that are balanced on either a daily or weekly basis (according to the timetable). The control totals are entered into the 'GL Controls' 2008-09 spreadsheet which highlights any discrepancy. These are investigated immediately as a discrepancy could mean that the entire interface needs reversed and re-ran into the system that could result in system downtime.
- The full 2008/09 financial years feeder system controls were examined and it could be confirmed that the amounts were correct and had been debited or credited to the correct code. It could also be confirmed that the control totals are normally reconciled the day after the interfaces are ran to ensure that they balance, however there was one occasion when this task was unfortunately overlooked but this was rectified the next day and there was no resulting downtime or error as a result of this. This omission was an isolated incident and controls have been implemented to ensure that it does not reoccur.

<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	There was limited evidence to prove that the reconciliations had been verified by an authorising officer. There were no problems found within the actual reconciliation themselves.	Head of Financial Services.	Officers must ensure that the completed reconciliations are verified by an authorising officer as soon as it is completed. Management, by query should check that this is performed regularly.	C	April 2009.

7. Journals & Internal Transactions

Method of Review:

- Confirm that controls ensure that posting errors are identified.
- Confirmation that controls requires journals and internal transfers to give details of the transaction to be authorised.

Summary of Findings:

- A sample of 10 journal transfers was examined. These were found to be in order and confirmed to be accurate in the General Ledger. There were some minor issues found relating to the journal transfer paperwork which are outlined below:-
 - ❑ 4/10 journal transfers had poor narratives and did not fully describe the reason for the transfer.
 - ❑ 5/10 had no year of account entered.
 - ❑ 3/10 had no period number entered.
 - ❑ 4/10 had no initiator/originator entered.
 - ❑ None of the sampled transfers had the 'Authorised By' field signed. – **Refer to recommendation A6.**
- Journals were input to the system by staff independent of those originating or authorising the transaction.

<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	Some journal transfers contained vague narratives whilst other fields on the paperwork were incomplete.	Head of Financial Services	Accountancy staff should ensure the narrative shows sufficient detail to explain why the transfer was made. In addition, all fields in the paper record should be completed in full.	C	Immediate

8. Suspense & Holding Accounts

Method of Review:

- Confirm that controls ensure that unidentified and miscoded items within each feeder system are posted to suspense accounts.
- Confirm that procedures ensure that transfers from holding accounts are made regularly and/or at the year-end.

Summary of Findings:

- Suspense items are reviewed and corrected regularly. There are separate suspense codes set up and used for the different feeder systems and there are also separate codes used for items if income and expenditure
- All holding accounts were found to have been cleared following the year-end in line with the requirements of BVACOP.
- Access rights to transfer funds is limited to appropriate Finance staff.

Conclusion:

- There are adequate controls in place and there are no recommendations arising concerning this area of the review.

9. Bank Reconciliations

Method of Review:

- Confirm that there are controls to ensure that bank reconciliations are undertaken on a regular basis.
- Confirm that procedures ensure that a statement is prepared at the year-end collating the entire organisations bank balances.

Summary of Findings:

- The bank reconciliation is progressed on a daily basis and is reconciled completely every month. The Principal Finance/Systems Officer confirmed that the 2007-08 Year End Bank Reconciliation was audited in detail by the Audit Commission in April 2008. It is anticipated that the 2008/09 reconciliation will be completed in April 2009.
- A detailed documentary exercise was undertaken during 2007 whereby the Principal Finance/Systems Officer worked in conjunction with the Audit Commission to document all of the material systems. Detailed flowcharts and supporting notes were developed that covered all files, interfaces, documents, reports, controls and procedures.
- These detailed documents are kept current and are then used as the basis for the Audit Commissions material system audits each year.
- The Principal Finance/Systems Officer confirmed that they had met with the Audit Commission on the 9th April 2008. They reviewed the flowchart and the documentation for the Bank Reconciliation. The traditional year end bank reconciliation and another including all the bank statements and income returns to the 31st March 2008. Each line on the traditional reconciliation has a supporting spreadsheet of all the transactions included in the total figure. The supporting detail showed the detail posted to the General Ledger, cleared through the bank prior to 31st March and cleared through the bank in April. Every transaction in every figure (except the 844 'Unpresented Cheques due' to the 31st March Run) was checked by the Audit Commission from original receipt through every stage of the systems, through to General Ledger and ICON Bank Reconciliation system. If the item had been cleared by the bank in April it was also checked to the paper statement. The Audit Commission then returned at the end of April 2008 to complete the Bank Reconciliation Audit by checking the final Year End traditional reconciliation and following through all of the transactions that had amended the figures since her previous visit.
- The process for 2008/09 bank reconciliation has already begun with the Audit Commission and the Principal Finance/Systems Officer revisiting the flowchart and documentation to ensure that it is current. Due to this, it was deemed that there would be no benefit in Audit Services re-examining the 2007/08 Bank reconciliation as it had already extensively audited by the Audit Commission and signed off as satisfactory.
- It is understood that the Bank Reconciliation will always be tested as part of the annual Audit Commission review and as such will no longer feature as part of the Audit Services testing process unless subsequent discussions with the Audit Commission dictate otherwise.

Conclusion:-

There are satisfactory controls in place to ensure that the bank reconciliation is carried out accurately and on a timely basis.

10. Capital Accounting.

Method of Review:

- Capital Accounting testing will be covered in greater detail under the Review of Fixed Assets 2008/09. Please refer to that report for further information and conclusion.

11. Final Accounts.

Method of Review:

- As the Audit Commission have already signed off the 2007/08 final accounts after undertaking this area of work, and it is not timely to review the 2008/09 information, this part of the matrix will not be included in this review.

12. Whole of Government Accounts.

Method of Review:

- As the Audit Commission have already signed off the 2007/08 final accounts after undertaking this area of work, and it is not timely to review the 2008/09 information, this part of the matrix will not be included in this review.

Corporate Services

Audit Services

Audit of National Non Domestic Rates (NNDR)

Final Report

1st April 2009

Audit Contact		Extn No.	
Document Ref:	K:\2006-07 onwards\Material Systems\NNDR MAT025\2008-09\Reports\NNDR Final Report 08-09.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services Revenue & Benefits Services	Director of Corporate Services (for information) Head of Revenues & Benefits (for information) Revenues Manager (for information) Deputy Revenues Manager (for information)	There are no matters arising / recommendations relating to your service area which require further action. The attached report is for information only.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, 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 8th April 2009.

1. Reason for the Audit

- 1.1. As part of the audit planning process, National Non Domestic Rates is one of the 'material' reviews which are required for 2008/09. On this occasion it was agreed that a 'reduced' review would be undertaken giving that National Non Domestic Rates Statement of Assurance for 2007/08 was 'Reasonable'. Please refer to Section 6.6.1 in Management Summary for evaluation explanation.

2. Background Information / Summary of the Audit Area

- 2.1. The National Non Domestic Rates (NNDR) function operates as part of the Revenues and Benefits Services, within Corporate Services.
- 2.2. National Non Domestic Rates know as Business Rates, is a form of tax charged on properties used for non-domestic purposes.
- 2.3. The Government set the charge for Business Rates. The non-domestic rates are collected nationally and paid to the government which reallocates the money to all the local authorities according to the population in the area.
- 2.4. The occupier of a non-domestic property normally pays business rates. Usually this is the owner-occupier or leaseholder. This can be one person, a partnership, a limited company, a club or some other organisation. If the property is leased from a landlord, but is kept empty, you are still liable for empty property rates. This is because the lease entitles you, rather than the landlord, to occupy the property.
- 2.5. The Government has reformed empty property relief in order to provide an incentive to bring empty properties back into use. From 1st April 2008, properties that have been empty for more than three months or six months for industrial property will no longer receive relief from rates. After the initial three or six month rate-free period expires, empty properties will be liable for 100% of the basic occupied business rate (certain exceptions may apply). Properties owned by charities and community amateur sports clubs are not liable to empty property rates if the property's next use is likely to be wholly or mainly for charitable purposes or for the purposes of a sports club.
- 2.6. With the exception of exempt properties each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA) an agency of the HM Revenue and Customs.
- 2.7. Exempt properties include agricultural land and buildings, fish farms, places of religious worship, open public places such as parks, property used for the disabled and property in enterprise zones.
- 2.8. The NNDR Liability is calculated by multiplying the rateable value of the property by the multiplier or 'poundage' which the Government sets. There are two multipliers, the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The standard non-domestic rating multiplier is higher to pay for small business rate relief. The Government normally changes both multipliers annually to move in line with inflation.

3. Associated Risks of Providing this Service/Function

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

Risk Description and Control Strategy	Type of Risk <i>(strategic / operational)</i>	Risk Score <i>H/M/L</i>
Disaster recovery plans in place. Rigorous use of test systems. Detailed operational text in place. Qualified management and robust training in place to reduce risk. Rigorous audit of all admin processes. Secure environment for cash payments. Contingency arrangements in place.	Operational	L

4. Scope of the Audit

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

	Area Examined
1.	Follow Up 2007/08 Review.
2.	Valuation
3.	Liability
4.	Billing
5.	Procedure Notes
6.	Performance Indicator

5. Overall Conclusion of the Audit Review

5.1. National Non Domestic Rates is effectively administered. Secure and appropriate procedures are in operation and there were no major weaknesses identified. The work undertaken by the Revenues section is accurate and thorough meeting all the required timescales.

Staff involved in Non Domestic Rates are experienced and are fully aware of all National Non Domestic Rates legislation.

6. Statement of Assurance

- 6.1. Based on the audit approach, it is considered that a **SUBSTANTIAL** level of assurance can be given in relation to the systems of control (see definition below).

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

Directorate, Service Area

APPENDIX A

1. FOLLOW UP FROM 2007/08 REVIEW.

Method of Review:

- Discussion with the Deputy Revenues Manager.
- Completion of the relevant Audit Follow Up templates detailing the remaining outstanding follow ups.

Summary of Findings:

- Recommendation A.1.

Issue – It would be good practice for additional staff to receive the information from Planning Services to ensure that it is received promptly.

Agreed Action - An additional member of staff should receive the information from Planning Services and Building Control.

Action Taken – Weekly list of applications registered and e-mailed to NNDR mailbox. Recommendation actioned in May 2008.

- Recommendation A.2.

Issue – Although it is ensured that the VSO schedule of alterations are always actioned prior to key dates there is evidence from the testing carried out that at times there can be a backlog.

Agreed Action – All amendments from the VO should be input within 35 days of receipt, to ensure that they are up to date throughout the year.

Action Taken – Priority was given in September 2008 to reduce the backlog. The current turn around is 21 days but this is expected to slip until a new resource is in place. Recommendation actioned in September 2008.

➤ Recommendation A.3.

Issue – The Authority was in the bottom quartile for NNDR collection during 2006/07 and was below its target.

Agreed Action – Attempts should be made to try and improve the collection rates.

Action Taken – Large debts were targeted in January 2009 but collections will be affected by the national situation (recession, bankruptcies and additional empty rates to collect). Recommendation action in January 2009.

➤ Recommendation A.4.

Issue - The internal procedure notes are not complete. Currently the Revenues Team Leader (Technical) stored the procedure notes on her personal drive, therefore other members of staff cannot gain access to them.

Agreed Action – The procedure notes need to be completed and need to be saved to the shared drive.

Action Taken – Procedures were always stored on the Q:\ drive, which all NNDR staff can access. The procedures are only removed when being updated. Main procedures have now been collated into one document (December 2008). All procedures are to be reviewed / completed as part of the Shared Services exercise expected to be completed early in the new financial year. Recommendation actioned in December 2008.

2. Valuation.

Method of Review:

- Discussion with the Deputy Revenues Manager.
- Review of the System Based Auditing Control Matrices for Non Domestic Rates (Valuation) to identify the requirements for controls and compliance testing.
- Carry out a full walk through test to ensure the following:
 - There is effective liaison between Building Control/Planning and Revenues.
 - Ensure that changes to properties are promptly reported to the Valuation Office and changes are recorded correctly on the Academy system.
 - Review and verify outstanding proposals to the Valuation office.
 - Review and confirm that the NNDR property file is updated correctly and in a timely matter.
- Review of documentation relating to walk through test.
 - Commencement Reports
 - Completion Notice
 - Completion Report
 - VO007 Forms
 - NNDR Property file

Summary of Findings:

- The current rating multipliers list used for valuation can be reviewed on the Valuation Office's website – www.voa.gov.uk/business_rates/rating-multipliers.htm
- 'Light' testing was carried out on a single property to ensure the following:
 - The property was listed on the commencement report.
 - The correct rating multiplier was applied on the opening bill.
 - The completion notice held the correct details and information required.
 - The completion report was checked and verified to ensure that all data was correct.
 - Ensure that VO007 forms for new properties are raised from the completion list.

Transaction prints from the Academy system were checked and verified. All transactions were correct.

- Completion notices were issued within the required timescale.
- Notifications to the Valuation Office were prompt and the NNDR system was updated with the correct information.
- Valuation Office Listings were downloaded weekly from the Department of Communities and Local Government (DCLG) and processed within the required timescale. At present (09/02/09) there is no backlog of amendments that require processing. If in the future a backlog may occur it was noted that due to a staff reorganisation within NNDR there is no option to delegate the workload. The Revenues Manager is currently reviewing the staffing structure.
- Procedures and controls are in place to ensure the valuation data is correctly checked and input. Reconciliation's are carried out at the end of each Schedule of Adjustments from the Valuation Office. The control totals for the NNDR system and the Valuation Office listings are reconciled using the total number of properties and the rateable value to ensure nothing is overlooked.
- VO007 forms were raised for new properties from the completion list. The VO007 forms can be raised earlier if identified from another source e.g. newspaper, visit or completion report.

Conclusion – There are no recommendations to be made regarding NNDR Valuation. The only issue highlighted was that due to staff reorganisation with the NNDR section there is no option to delegate extra workload at present. The Revenues Manager is currently reviewing the staffing structure that will eliminate the issue.

3. Liability.

Method of Review:

- Discussions with the Deputy Revenues Manager.
- Review of the System Based Auditing Control Matrices for Non Domestic Rates (Liability) to identify the requirements for controls and compliance testing.
- Review and confirm the RV amendments were actioned correctly.
- Review a sample of the following relief's to ensure that the correct exemptions have been applied:
 - Small Business relief
 - Transitional relief
 - Empty property relief
 - Mandatory Charitable relief
 - Not for Profit 100% discount relief
- Review and confirm the Non Domestic Rates Performance control reports containing the total value of relief's granted are regularly produced and reviewed by management.

Summary of Findings:

- The RV amendments spreadsheet was examined and the Academy system checked to ensure that the correct rateable value had been entered into the system and all monthly payment were allocated correctly. The ratepayer tested had been issued with a summons for outstanding funds, a further investigation identified the funds had been recovered accordingly. All calculations were found to be correct.

The RV amendment spreadsheet details all the required information necessary to trace all amendments throughout the Academy system.

- Testing was carried out on individual ratepayers for Small Business, Transitional, Empty Property, Mandatory and Not for Profit relief's. The Academy system was checked to ensure all relief details had been entered into the system. All calculations and entries were found to be accurate. Supporting documentation is held on the Academy system relating to all correspondence with the ratepayer.

- Non Domestic Rates Performance control reports were reviewed for November 2008 and December 2008 to ensure the total relief's granted for the month and year to date as listed. The controls reports was found to be correct and are reported to the Head of Revenues & Benefit Services during the first week following the end of the month.

Conclusion – There are no recommendations to be made regarding NNDR Liability.

4. Billing.

Method of Review:

- Discussions with the Deputy Revenues Manager.
- Review of the System Based Auditing Control Matrices for Non Domestic Rates (Billing) to identify the requirements for controls and compliance testing.
- Review a copy of a printed demand notice (opening bill) to ensure that it contains all relevant information.
- Ensure and confirm that ratepayers are offered various methods of payments and that instalments are offered in accordance with the 'Statutory Instalment Scheme' or payment by agreement.
- Review and confirm that all exemptions and reliefs are identified and allocated to ratepayers accounts before demand notices are issued.
- Review and confirm that demand notices are printed 14 days prior to the first instalment or by mid March.
- Review the current list of suppressed bills and only authorised staff has access rights to the system to amend accounts.
- Review the reconciliation of the annual bill run. Ensure that the expected total agrees with the actual bill run and the number of bill balances to the number of liable properties.

Summary of Findings:

- A copy of a demand notice was reviewed and checked and was found to hold all the relevant information.
- It was confirmed that NNDR literature and Carlisle City Council's website list various payment methods for ratepayers. An explanation was also given on monthly, half yearly and yearly payment. It was confirmed through testing that monthly payments are being calculated, charged and received correctly.
- It was confirmed that all exemptions and reliefs are allocated to the ratepayers' accounts before demand notices were printed.
- Through testing carried out it was confirmed that ratepayers demand notices are printed 14 days prior to the first instalment or during mid March.
- To date there are no suppressed bills (11/03/09). A report that lists suppressed bills is produced every time a bill run is carried out. The Deputy Revenues

Manager monitors the reports. It was confirmed that only authorised staff has access to the system to update or amend accounts.

- The reconciliation of the debit raising is first run in non update and checked/reconciled. The run produces a detailed listing and totals summary that identifies the outcome of the debit raising process. When the update run is complete, it is checked to ensure it agrees with the previous run.

Reconciliation's are carried out for the following:

- Total live properties and accounts
- Expected number of bills
- Rateable value
- Calculations including transitional phasing, multipliers and relief percentages
- Number of accounts receiving relief i.e. empty properties, charities, rural and small businesses
- Actual transactions raised in the update run are as expected

Testing was carried out on the NNDR system totals and was confirmed as being correct.

Conclusion – There are no recommendations to be made regarding NNDR Billing.

5. Procedure Notes.

Method of Review:

- Discussions with the Deputy Revenues Manager.
- Review of the Non Domestic Rates Notes and Procedures.

Summary of Findings:

- A comprehensive Academy user guide is maintained and held on the Q:\ drive, which provides a thorough complete guide to the Academy system.
- The Non Domestic Rates Notes and Procedures are held on the Q:\ drive, which all authorised staff has access to. At present there are a few sections that require to be documented within the procedures, such as, relief's and the processing of transitional certificates. Other main system areas that require to be documented are batch queries and integrity checks. Although these areas are covered with the Academy user guide, it is Revenues intention to include a section within the procedure notes to reflect Carlisle City Council's requirements.

At present, an outside consultant is undertaking a procedure review, the results are expected by the end of March 2009. No further work is being carried out on the procedure notes until the results are received as these will tie in with the ongoing Revenues Shared Service bid.

Conclusion – Although the procedures still remain incomplete, these are being reviewed by an outside consultant as part of the Shared Services process for Revenues & Benefits.

6. Performance Indicators

Method of Review:

- Discussions with the Deputy Revenues Manager.
- Review of the Performance Indicator Self Assessment Form for 2007/08 and 2008/09.

Summary of Findings:

- A review of BV10 Performance Indicator Self Assessment Form for 2007/08 and 2008/09 was undertaken to identify if the Authority were achieving the target set for 2008/09. The results as follows:

2007/08

Target – 98.5%
Actual – 98.8%

The performance for 2007/08 shows the collection of Non Domestic Rates improved against the set target.

2008/09

Target – 98.6%
Actual – Not recorded to date with Policy & Performance

The 2008/09 target of 98.6% is unlikely to be achieved. This is partly due to the new Government legislation issued on April 2008 regarding empty property rates and the current economic climate. Carlisle City Council has an extra £1m to collect in 2008/09. This is the same nationally. The main change has amended the Local Government Finance Act 1988, to increase the empty property rate from 50% to 100% of the basis occupied business rate, after initial void periods have elapsed. For most properties, excluding industrial, the void period is three months. For industrial properties, the void period is six months. The change is intended to encourage owners to re-let, re-develop or sell empty non-domestic building.

The Revenues team is carrying out extra recovery work, such as, extra reminder runs, contacting property account holder by phone etc.

- Sections 1 – 8, Data Quality Statement and Confirmation and Authorisation Statement on the Performance Indicator Self Assessment for 2007/08 were checked for accuracy and found to be correct.

Conclusion – Although the performance figures are below target at present, given the current economic situation and the changes with the Government legislation this is understandable. The required measures have been introduced to collect Non domestic rates outstanding.



APPENDIX E

Corporate Services

Audit Services

Audit of Refuse Collection

Final Report

02nd April 2009

Audit Contact		Extn No.	
Document Ref:	C:\DOCUME~1\BeverlyF\LOCALS~1\Temp\Refuse Collection Final Report.doc		

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

1. Reason for the Audit

- 1.1. As part of the audit planning process, Refuse Collection was identified as a high / medium risk service area and has therefore been selected for review as part of the agreed Audit Plan for 2008/09.

2. Background Information / Summary of the Audit Area

- 2.1. The area of Refuse Collection was last reviewed pre-2000. Previous audit documentation was lost in the floods and therefore a more specific date can not be given.
- 2.2. The Recycling element of the service was singularly reviewed in 2005/06 when the section was first diversified and expanded to be a section in its own right. There were no significant findings made during this review of Recycling and, as the area is so complex and ever changing, it has been decided that this area of activity will be reviewed on its own as a separate audit during 2009/10.
- 2.3. In early 2007, there were significant changes made to the refuse and recycling service provided by the Authority. These changes came as a result of years of planning and organisation to ensure that an effective and efficient replacement to the existing system was implemented. This revised system was not only put in place to achieve Government targets on landfill and recycling but also aimed to improve the service to the customer by supplying new wheely bins free of charge and providing additional recycling containers. The new service also incorporates the provision of education on the benefits and purpose of recycling. The ultimate goal is the prevention of taxpayers bearing the burden of increased Council Tax resulting from central government charges for exceeding laid down landfill limits. This objective will hopefully be achieved without compromising the quality or effectiveness of the Refuse Collection service.
- 2.4. The current refuse collection scheme has attracted a certain level of criticism from the general public, especially the fortnightly collections of household waste in some areas. Subject to any revised legislation, it is only fair to give the scheme an appropriate amount of time to be able to evaluate whether the inconvenience and public perception of the service outweighs the benefits gained on reducing the amount of waste going to landfill, thus minimising any incurred fines, before the scheme is re-evaluated.
- 2.5. Current figures for 2008/09 are reflecting that the new scheme has reduced the amount of household waste sent to landfill by 28% and the amount of household waste recycled exceeds 50% as a direct result of the implemented measures.
- 2.6. With specific reference to Refuse Collection, The Environmental Protection Act 1990 sets out the duties of local authorities in collecting household waste. In particular s.45(1)(a) provides:
- It shall be the duty of each waste collection authority to arrange for the collection of household waste in its area except waste which is situated at a place which in the opinion of the authority is so isolated or inaccessible that the cost of collecting it would be unreasonably high and as to which the authority is satisfied that adequate arrangements for its disposal have been or can reasonably be expected to be made by a person who controls the waste.

2.7. There are several other provisions in that Act, which qualify this duty and explain which waste collections can be charged for. However, the great bulk of household waste is captured by the provision above which in effect says that unless it is both uneconomic to collect the waste and it is taken care of through some other means, the authority has a duty to collect it.

3. Associated Risks of Providing this Service/Function

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

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<p><u>Risk Description:</u> Loss of Key Personnel and/or significant numbers of staff due to illness or industrial action.</p> <p><u>Control Strategy:</u> Agency Staff to be utilised or service amended to take account of available resources.</p>	<i>Operational</i>	<i>Medium</i>
<p><u>Risk Description:</u> Major incident (flood, fire) results in loss of plant, vehicles, computer records etc.</p> <p><u>Control Strategy:</u> Business Continuity Plan to cover emergency situations. Recovery would involve external service providers in the short term. Recovery Plan would cover the longer term.</p>	<i>Operational</i>	<i>Medium</i>
<p><u>Risk Description:</u> Third party injury or death resulting from Waste Services activities, and claims resulting from such incidents.</p> <p><u>Control Strategy:</u> Collecting waste on the public highway is an inherently dangerous activity. Risk control measures include appropriate insurance's, safe working procedures and the provision of safety equipment and information.</p>	<i>Operational</i>	<i>Medium</i>
<p><u>Risk Description:</u> Incidents involving Waste Services staff and vehicles that result in minor injuries or damage to property, and claims resulting from such incidents.</p> <p><u>Control Strategy:</u> Minor incidents occur from time to time despite appropriate measures to counter these being in place. Risk Control measures include appropriate insurances, safe working procedures and the provision of safety equipment and information.</p>	<i>Operational</i>	<i>Medium</i>

<p><u>Risk Description:</u> Key Personnel/Succession Planning.</p> <p><u>Control Strategy:</u> Key areas of knowledge and procedures have been 'process mapped' to ensure continuity in the event of key staff leaving.</p>	<p><i>Operational</i></p>	<p><i>High</i></p>
<p><u>Risk Description:</u> Loss of chargeable work (e.g. commercial work collections).</p> <p><u>Control Strategy:</u> Operational costs based on current practices. Service is being reviewed to ensure service adapts to future changes in circumstance.</p>	<p><i>Operational</i></p>	<p><i>Medium</i></p>
<p><u>Risk Description:</u> Additional service requirements as a result of new housing developments.</p> <p><u>Control Strategy:</u> Existing refuse collection rounds contain capacity for expansion. Expansion of recycling rounds within existing resources will be less easily achieved.</p>	<p><i>Operational</i></p>	<p><i>Medium</i></p>
<p><u>Risk Description:</u> Recycling markets collapse.</p> <p><u>Control Strategy:</u> Work with the Cumbria Strategic Waste Partnership to ensure minimum exposure to volatility in end markets.</p>	<p><i>Operational</i></p>	<p><i>Medium</i></p>

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.	Domestic Collections.
2.	Commercial Waste.
3.	Special Collections
4.	Performance.

5. Overall Conclusion of the Audit Review

5.1. A number of opportunities to further enhance controls have been identified, which are shown in Appendix A and which have been brought to the attention of the relevant Head of Service. In summary the key issues arising from this review are:

- There were a number of administrative weaknesses within the time recording/allocation systems of the operatives that with minimal effort can be addressed, and will no longer be of concern.
- The matter regarding the excessive hours worked by an operative must be addressed immediately as this contravenes the European Working Time Directive whether voluntary or not.
- Issues surrounding special collections are in the process of change. It is suggested that charges increase to incur the necessary income targets however, it is too early at this point in time to anticipate the outcome, but this can be assessed as part of a later review.
- Administrative adjustments regarding commercial waste, especially regarding the collection of the monies would significantly improve the system. The control of the trade waste sacks should be enforced as soon as possible.
- Charging for, and recycling special collection items is also an area under review and any benefits or disadvantages will become apparent in the future. From testing however, assurance can be given that the current system of requesting, collecting and charging is satisfactory with no significant problems identified.
- A new Performance Indicator regime is now in place for 2008/09. Arrangements have been made to accommodate this regime and assurance can be given that the Waste Services Section has systems in place to ensure accurate reporting in line with Audit Commission requirements.

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 20 recommendations arising from this review. Ten at grade B, nine at grade C and one 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.

Community Services- Waste Services

APPENDIX A

1. DOMESTIC COLLECTIONS.

Method of Review:

- 1) ***Discussions with Head of Environmental Services.***
- 2) ***Examination of general policies and procedures in place.***
- 3) ***Discussions regarding and examination of current collection routes to ensure maximum effectiveness of resources.***
- 4) ***Inspection of a sample of complaints registered and clarification of subsequent actions.***
- 5) ***Examination of any significant under/over spends to establish accurate accounting procedures.***

Summary of Findings:

Policies & Procedures.

- During 2007, Waste Services commissioned an evaluation and guide to the existing waste data collection processes. The document entitled 'Improving Performance in the Waste Data Collection Processes for Carlisle City Council' was an in-depth study that also gave the opportunity to compile a fully comprehensive set of process maps that can be used as user manuals for employees.
- Health and Safety Manuals are also provided to all operatives, including Agency Workers prior to them starting work.

Systems.

- The Waste Collection Drivers/Loaders start work at 7a.m with the drivers starting approximately 15 minutes prior to this to inspect the vehicle to ensure its safety and roadworthiness and finishing later to take the vehicle for the final landfill of the day. Hence their contracted hours are 40.5hrs as opposed to 37 per week for the general loading staff. The waste collection process involves the crew completing the assigned rounds, which are designed with the assistance of the Geographical Information System (GIS) on a task and finish basis.
- At the end of a round (or when the waste limit exceeds 10 tonnes) the refuse is taken to the tip where it is weighed. This information is then passed onto the waste collection chargehand who ensures that the necessary information is processed accordingly. A sample of weighbridge tickets was inspected and no problems found.

Resources.

- The drivers and loaders are currently entitled to an attendance allowance of £35 per week which is payable on a daily basis (Monday to Friday or Saturday when bank holiday arrangements are apparent). This allowance was initiated following the TUPE transfer of employees to the Council which had won the Refuse Collection contract from Biffa. The allowance was introduced partly to tie in salary payments to existing Local Government gradings at the time but also as an incentive to staff to attend work, cutting down on absence and thereby saving on replacement agency workers.

- Daily Work Sheets are completed and submitted for office use by the drivers of each of the routes. A number of issues were identified with the work sheets and are outlined in further detail below.
- An audit exercise was going to be undertaken as part of this review to evaluate whether it was more cost effective to request that additional HGV staff be employed to counteract the shortage rather than keeping employing agency staff. With the imminent implementation of Job Evaluation however, it was agreed that it would be more beneficial that such a course of action be taken when staff costs are established so a realistic comparison can be made.

Complaints

- Written complaints are logged and kept amongst other things in a personal file maintained by the Waste Collection Manager. It is understood that all complaint details are to be collated electronically in the near future. A template system has been set up and this was viewed by Audit during the review.
- All telephone complaints/enquiries received through the Customer Contact Centre are logged on the CRM system and are dealt with systematically. In the period April 08 – December 08 there had been 5,514 calls regarding refuse (not including recycling). The report showed that all the calls had been dealt with and were subsequently 'closed'. Upon further analysis however, it transpired that some calls were being 'closed' prematurely, therefore skewing the figures. For example, a call regarding a missed collection will be closed after it has been read by the waste services staff and a reason given as 'crew informed'. This is only part of dealing with the query and the call should not be closed until it is confirmed that remedial action has been taken, i.e. the crew has been informed, and the bins collected.
- It should be noted that in addition to complaint letters there were also 3 letters of appreciation, congratulating the excellent service. These too deserve a mention.

Performance/Health and Safety

- In 2008/09 to date (Dec 08) there has been 20 Motor Vehicle Insurance claims. 9 out of the 20 involved refuse collection vehicles. As at the time of review there were 7 operational refuse vehicles. Although this proportion is high, it must be accepted that due to the sheer size of the vehicle, the likelihood, and the resulting damage caused by an accident, the risk will be increased. Refuse Collection Claim history shows that in 2006/07 there were 21 claims, in 2007/08 there were 14 claims and the projected 2008/09 claims total (based on information to end of Dec 2008) can be expected to be 12 claims. This shows that the number of incidences is decreasing year on year, probably due to improved driver training.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.1	Examination of the Waste Services Operational Risk Register showed that two risks had been given an Impact Assessment with the score of 5. The Impact Assessment scores only go up to level 4. Although it is obvious that these risks have been given an incorrect score it is now unclear if the remaining risk scores are also correct if the risk has been gauged on a sliding scale of 5 points instead of 4.	Waste Services Manager	The Waste Services Manager should reassess the risk scores using the corporately recommended scale of 1-4. This is to ensure that each identified risk can be given a consistently merited grading of High, Medium or Low.	C	April 2009.
A.2	<p>There were 5 main recommendations that came from the Waste Services Evaluation/Performance Review exercise previously mentioned. These were:</p> <ul style="list-style-type: none"> • Integration of processes. It stated that focus should be placed on ensuring all stages of the waste data collection process are integrated appropriately. • Continuous Reviews. It stated that time needs to be taken to continuously review and update the procedures. • Work Patterns. – It stated that the job of the waste data collection process should be shared amongst three or four individuals to ensure job variety and hence raise morale. • Joint working with other councils. – There should be knowledge sharing with other councils. • An extensive review should be undertaken on the IT and recording systems that are in place. <p>There are a few issues highlighted in the report that are yet to be resolved. The majority of these are a work in progress. Due to the length of time since the report was published, these recommendations should have ideally been implemented, however it is understood that there has been staff movements and absences since the report was produced.</p>	Waste Services Manager	Responsible Officers should ensure that the agreed recommendations made as a result of the External Performance Review of the Waste Collection Services are implemented as soon as resources permit.	C	Progress during 2009/10 financial year.

A.3	<p>The drivers and loaders work on a 'task and finish' basis, which effectively means that the quicker they complete their assigned round, the quicker they can finish work.</p> <p>Whilst undertaking testing it was noticed that although it is 'task and finish' that all the entries on the Daily Work Sheets say that they finish at the same hour each day to ensure that their contracted hours are recorded as opposed to recording real time. Although this is not an issue in itself as the staff would be paid for their contracted hours regardless, it would be prudent to ensure that the actual times worked each day are entered on these sheets.</p> <p>This suggestion has a number of advantages. Firstly, it would provide a source of management information if working hours/practices were ever to be reviewed. Secondly, it would ensure that once the employee has officially signed out and are about their normal every day activities, that their actions are no longer connected to the Authority. The current position indicates that the employee is still 'signed in' during the times stated which is not correct.</p> <p>Thirdly, it could help reduce potential liability for the Authority if any insurance claims were made during those hours.</p>	Waste Services Manager.	<p>It would be prudent to ensure that the <u>actual times</u> worked each day are entered on the Daily Work Sheets.</p> <p>Comments from Waste Services Manager.</p> <p>This is a work in process. It was agreed that there are limited options to address this. Timesheets are only partially effective. It was agreed that the proposed 'clock-in' machine offers the most practical means to obtain an accurate record of the actual working hours.</p> <p>As a result, it has been agreed to instruct drivers to accurately record actual hours worked in their daily work sheets.</p>	B	April 2009.
A4	<p>Out of 67 sheets examined, only 22 reflected that vehicle inspections had been completed (33%). Although it is believed that these inspections took place, and presumably all was well with the vehicle subsequently used to complete the collection, as the 'nil defect' column was not completed, there is no evidence of the 'Daily Driver Checks', 'Weekly Checks' or tasks carried out. This could have liability implications in event of an incident if it cannot be "proved" that checks have been made.</p>	Waste Services Manager	<p>In one months sample there were numerous incidences where Daily Worksheets were not completed accurately or in full. These sheets should not only represent a true picture of the activities that day but should also provide a certified record of hours worked and by whom. Drivers, Supervisors and Administrators should ensure that the forms are completed promptly, accurately and they are certified as being a true record.</p> <p>Comments from Waste Services Manager.</p> <p>Whilst it was acknowledged that the information</p>	C	April 2009.

<p>On 67 out of 67 occasions (100%) the Daily Work Sheets were not verified by a Supervisor. Although the forms are verified by drivers, they are also crew members and therefore there is no independent authorisation of hours worked or assurance that forms have been scrutinised.</p> <p>There were three instances of incorrectly calculated mileage.</p> <p>On 49 out of 67 occasions (i.e. 73%), the 'hours worked' were not calculated by the driver. Although this is not a serious issue, it does emphasise the purpose of filling documents in accurately and completely. The entire purpose of having a Supervisor verifying the form is to verify that all the information contained within is true. Missing data, that is required, cannot be verified.</p> <p>The forms are dated and mileage information should run sequentially from the previous day. I.e. 'today's start date is yesterdays finish date'. There were 3 occasions where the figures did not correlate. This indicates that there is either a missing form or there is a genuine mileage discrepancy. Care should be taken upon noting these figures as they are used for further analysis.</p> <p>There was 1 occasion out of 18 (where the details were completed) where the hours worked was miscalculated.</p> <p>There was one instance where it stated that there was only one operative completing the round. The norm is one driver and 2 loaders. There should be at least one driver and one loader for health and safety purposes. It transpired that the form had not been completed correctly.</p>		<p>relating to the daily vehicle checks doesn't go anywhere (NB the garage simply requires that he hours worked and the defect book are completed), it was agreed that the check list provides drivers with a useful reminder of what is required of them.</p> <p>A new daily vehicle check list will be compiled and incorporated into the daily work sheets. The Supervisor will be required to sign each completed work sheet for verification. Information from the daily worksheets will be compiled by the Supervisor and then entered into a database by Operational Support.</p>		
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	<p>The information from these Daily Work Sheets are input into a Refuse Data Input Spreadsheet by the Waste Services Operational Support Assistants. This spreadsheet is used for monitoring purposes, mainly of the fuel consumption and the mileage. During testing it came apparent that the information contained on the daily worksheets is not checked. This resulted in a number of incorrectly calculated figures being entered into the spreadsheet. There was also a number of missing daily worksheets making the information contained in the spreadsheet incomplete and therefore meaningless.</p>				
A5	<p>Agency staff are used frequently for all waste services, not just general collections. As staff sickness will obviously jeopardise the effective running of services, this is a necessary requirement Information gained from the order book stated that in 2007/08 there were 347 occasions that agency staff were employed from one agency alone (Link) with the duration of employment lasting between one day and 5 days.</p> <p>The 9 months worth of costs (Apr – Dec 08) that were available for 2008/09 at the time of testing showed that the agency usage was slightly lower compared with 2007/08 but the difference was negligible. A projected usage was used for comparison purposes based on 9 months 2008/09 actual).</p> <p>2007/08 actual 347 men at a cost of £97,684.13, £281.50 avg cost per man. 2008/09 projected 324 men at a cost of £85,504.00. £263.90 per man.</p> <p>The main reason that the cost has fallen, yet the number of men has stayed relatively static is due to the fact that more loaders than drivers had been employed in 2008/09 and these come at a lower cost.</p>	Waste Services Manager.	<p>The employment of agency staff incurs a massive cost to the section. Although it is a necessary expense, management should look at other methods of maintaining the service whilst lowering these costs. Action should be taken to counteract the sickness also. Management statistics concerning sickness should be examined and acted upon and the current sickness policy enforced appropriately.</p> <p>Comments from Waste Services Manager.</p> <p><u>A couple of options:</u></p> <ul style="list-style-type: none"> • • • • Create a pool of 'Casual workers' ; • Review existing collection rounds to see if any further efficiencies can be made; 	C	Ongoing 2009 financial year.

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	<p>This analysis was based on the usage of only one Agency. At least 3 other employment agencies are also used however Link is used the most frequently.</p> <p>As at December (Pd 09), the budget for Agency staff for General Refuse Collections only, is already overspent by £8,972.605.</p> <p>The frequency of the agency staff usage does not appear to be reducing. With the onset of winter and the historical increase in sickness it is expected that the projected overspend can be presumed to be much higher by the end of the financial year.</p>				
A6	<p>A further test was conducted on the system used to order and pay for agency staff. As staff are called in on a reactive basis the order forms are completed after the telephone request for staff has been made. 16 orders were examined for accuracy and completeness.</p> <p>The order date was missing on 3 out of 16 orders.</p>	Waste Services Manager.	All orders should be completed in full.	B	March 2009.
A7	<p>There was an instance where one agency worker worked 47 and a half hours plus 7 hours overtime in one week. This is excessive and contravenes the European Working Time Directive.</p> <p>Article 6 – Maximum weekly working time of the European Working Time Directive states:- Member States shall take the measures necessary to ensure that, in keeping with the need to protect the safety and health of workers: The average working time for each seven-day period, including overtime, does not exceed 48 hours.</p>	Waste Services Manager	<p>Management should do its best to ensure that the European Working Time Directive limit of 48 hours a week is not exceeded. If staff wish to exceed this limit. Provision should be made to ensure that all agency workers as well as permanent staff, sign a disclaimer expressing the will to work hours in excess of the 48 hour limit. These records must be retained and made available to the appropriate authorities if requested.</p> <p>Carlisle City Councils policy on the Working Time Directive has been provided and will be implemented with immediate effect. Other provisions will be made to identify any further efficiencies.</p>	B	March 2009.

A8	One of the timesheets stated that the operative had worked 16 hours on one day. This entry was to include a previous days work that had been omitted from a previous invoice. This should not have happened. The Supervisor should verify the hours worked and if these were found to be incorrect, another invoice should have been issued. The timesheets should not reflect anything apart from genuine hours worked.	Waste Services Manager.	Completed agency worker timesheets should only reflect the hours actually worked. If any adjustments are to be made to any future timesheets, an additional amended invoice should be issued.	C	March 2009.
A9	There was an instance where the hours on the timesheet were added up incorrectly that resulted in the agency being underpaid.	Waste Services Manager.	Completed timesheets should be checked and compared to the invoice from the agency prior to payment to ensure that hours claimed are correct and their cost correctly calculated.	C	March 2009.
A10	The complaints received were examined. The most common complaints seemed to involve the general public's misconception as to the extent of the service i.e. misunderstanding collection literature or complaining about the new collection schedule. General observations regarding the nature of those complaints included ineffectiveness of green waste sacks and their subsequent debris, non provision of recycling receptacles, non collection of rubbish, placement of wheelie bins, before and after collection. All complaints are responded to and any remedial action was detailed in the file.	Waste Services Manager.	If the number of complaints regarding misinterpretation of the scheme continue to rise then it may be beneficial to consider a further bout of promotion. The benefits of this, judging by past experience, versus the cost must be considered prior to doing this.	D	April 2009.
A11	On occasion, query/complaint calls are being 'closed' down as completed in the CRM system before remedial action is actually taken. This is not satisfactory as not only is there a risk that a complaint will be missed and not be dealt with but any management information obtained from the CRM system will be invalid.	Waste Services Manager.	Staff should only 'close' calls when it is evident that remedial action has been taken to deal with the query or complaint.	B	March 2009.

2. COMMERCIAL WASTE.

Method of Review:

- 1) *Examination of general policies and procedures in place.*
- 2) *Review of the costing and charging of services offered.*
- 3) *Examination of record of bad debts to ensure that services are not being unwittingly offered to non-payers.*

Summary of Findings:

Charges Review.

- Annually, each directorate is required to carry out an annual review of fees and charges. For the financial year 2009/10 the corporate income generation target is 3.8%. For Community Services overall this equates to a target increase of £113,900 on 2008/09 budgets. A report detailing these suggested increases was presented to, and accepted by the Executive on the 24/11/08 – Ref CS94/08
- In terms of Commercial Waste, increases of 7% are advised initially. Thus increasing the budgeted income from £168,000 in 2008/09 to £180,000 in 2009/10.
- Commercial Waste generally get their income via the use of Eurobins and the sale of Trade Sacks. Eurobins have a dual pricing policy for each size of bin, which is detailed below. Trade sacks have a universal charge.

Eurobin Size (Ltr)	Standard Customer		Charities & Schools	
	08/09	09/10	08/09	09/10
1100	£9.75	£10.50	£5.00	£5.40
660	£8.00	£8.60	£4.50	£4.80
360	£6.50	£7.00	£4.00	£4.30
Trade Sacks		08/09	09/10	
100 Sacks		£80.00	£85.00	
50 Sacks		£40.00	£42.50.	

- It is yet to be seen if these increased charges will meet the income target increases, or fully cover all costs. The best guestimate however, has been made to maximise the possibility.

- X10 is the Commercial Waste collection round and daily work sheets and other administrative processes were undertaken as part of test 1.3.

Business Plan.

- The Waste Services Business Plan states that management would “ Assess the suitability of, and opportunities to, introduce a new charging structure that utilises new bin weighing technology” This will involve introducing a ‘fair price policy’ that will use a banding structure based on waste deposits. The Service Plan states that a feasibility study will be completed by Dec 08. If this feasibility study is completed, it will still take some time before this system can be implemented. Obviously, if this new regime then this may have implications on the income generation targets.

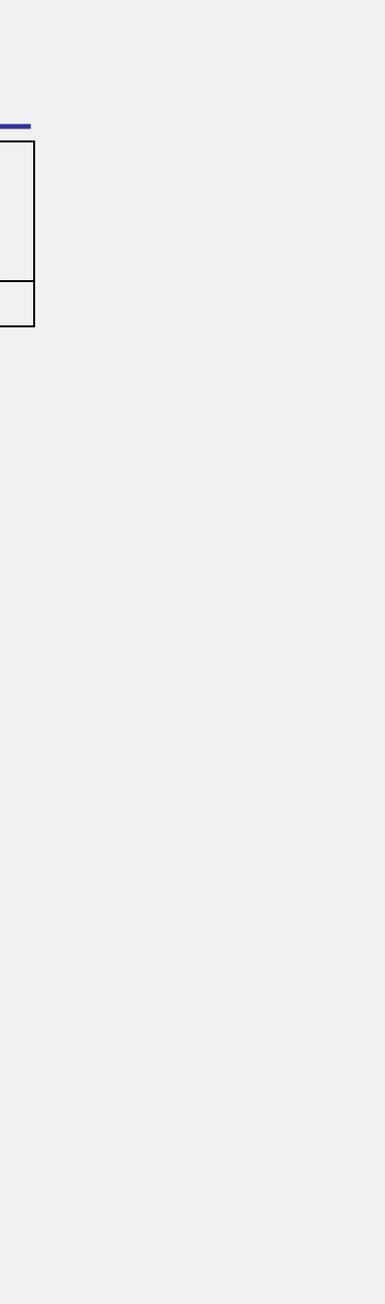
Trade Sacks

- Trade sacks are sent out/sold in quantities of 50 or 100. Currently payment is requested on delivery for quantities of 50 and orders of 100 are invoiced.
- A Commercial Sack Delivery sheet is completed by the waste services operational support assistant and passed to the waste collection foreman to deliver within 2 days. On delivery the foreman takes the payment for the sacks and returns it to the operational support assistant.
- A receipt for payment is then sent out to the customer and a record is kept in reception for banking purposes.
- The operational support assistants also send out the invoices if required.
- A sample of 20 invoices were traced through the system. There were no problems found.
- An acid test was undertaken whereby all the 2008/09 – to date (Apr – Nov) issues from stores were compared to income received from sales. The outcome was that there appeared to be a discrepancy of £3,540.00 (4,425 bags). The Waste Services Manager was informed and has agreed that year end reconciliation’s will take place. The outcome of this test emphasised the importance of controlling the stock, especially as there is a value attached.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A12	<p>An outstanding debt report as at 03/12/08 for Eurobins and Trade Waste was obtained and analysed. At this date there were 85 debts outstanding. Of these, 57 (67%) were aged debts over 28 days old at the time of testing, which have been outstanding between 16th Jan 07 – 27th Oct 08.</p> <p>There were 8 occasions where customers had been provided with services whilst previous debts were still outstanding. The total outstanding debts for these debtors totalled £10,116.27 alone. Doubtful debts can quickly turn into bad debts therefore payment should be pursued as a matter of urgency.</p> <p>The main issue was that those staff engaged directly in the provision of trade refuse services are not made aware of monies owed by customers.</p>	Waste Services Manager.	<p>Staff should ensure that they have access to the monthly outstanding debtors report for their section to help ensure that commercial debts are chased up from an operational perspective and paid promptly in order that potential bad debts are prevented from building up.</p> <p>Comments from Waste Services Manager.</p> <p>The monthly debtors report will be obtained from Revenues and passed for the attention of Operational Support.</p>	B	April 2009.
A.13	<p>Unfortunately services cannot be withdrawn for non payment as this matter is covered by Section 45 of the Environmental Protection Act 1990. This states that it is the duty (of the Council), if requested by the occupier of premises in its area to collect any commercial waste from the premises, to arrange for the collection of the waste.</p> <p>Although the above means that the provision of the service must continue despite non payment, it does not mean that the recovery of the outstanding debts should not be pursued. The setting of charges was held in case law to be within the discretion of the Council.</p>	Waste Services Manager.	<p>The existing contract should be amended to include an instruction to customers of possible penalties if late or non payment for the collection of commercial waste occurs.</p> <p>Comments from Waste Services Manager.</p> <p>This recommendation will be temporarily put on hold awaiting the decisions made as a result of the APSE report of Waste Services.</p>	B	2009, to be reviewed.

	<p>Whilst the Council can seek to subsidise the service, it is equally under a fiduciary duty to avoid unnecessary burdens on the local Council Tax payer.</p> <p>Other arrangements for bad payers should be included in the contract, i.e., possibility of prepayment or the possibilities of the bad debtor incurring a late payment charge.</p>				
A14	<p>It was established during the 2008/09 Stores Audit that trade sacks are not controlled once they leave the stores. It was reported that:-</p> <p>“Trade refuse sacks have an attached value and should be controlled. Trade Refuse sacks are signed out of stores in boxes of 300, not to requirement. There was no evidence found of regular checks of stock held on vans after it had been signed out of the stores. Once stock has been effectively ‘signed out’ of the stores it is the responsibility of the user sections to ensure that the issued stock is accounted for. The lack of reconciliation of imprest stock to a physical count leaves items open to misappropriation and operatives open to potential allegations”</p> <p>The spot test above identified that there was an apparent discrepancy between number of trade sacks issued and number of trade sacks sold. The Waste Services Manager was made aware if this discrepancy.</p>		<p>As highlighted in the 2008/09 Stores Audit, there are currently no internal control procedures in place to account for stock that signed out of stores in bulk and retained by the ordering sections. It is imperative that this stock is accounted for, especially those stocks that have a ‘value’.</p> <p>The total stock issued should be reconciled to the amount issued and to which operative and business in the case of the trade waste sacks, and the amount retained in the sectional stock.</p> <p>Procedures should also be put into place to ensure that adequate checks are made by Supervisors/signatories to ensure validity of the requests before repeat issues from Stores are made to ensure that stock is not held off site in excess.</p> <p>A stock take and reconciliation of any stock held on the refuse wagons and in the bothy at year-end so that all sacks issued from Stores can be accounted for.</p> <p>Comments from Waste Services Manager.</p> <p>It has been agreed to record all deliveries of blue sacks and to re-introduce the stock control system that had previously been in operation. It was also agreed to consider a stock control system for the</p>	B	April 2009.

			bins and containers stored at Willowholme. The discrepancy identified as part of the audit will continue to be investigated.		



3. SPECIAL COLLECTIONS.

Method of Review:

- 1) *Examination of general policies and procedures in place regarding chargeable special collections*
- 2) *Review of the costing and charging of services offered.*
- 3) *Examination of record of bad debts to ensure that services are not being unwittingly offered to non-payers.*

Summary of Findings:

Charging

- A new charging policy was presented to the Executive on Dec 18th. This report detailed the facts that this Council collects certain bulky items free of charge. The whole service has an annual budget of £220,000. A suggested charge of £10 per item is expected to bring in approx £80,000 p.a., assuming that collections will reduce by 50%. This income will be used to provide more resources to deal with the additional administration costs and fly-tipping enforcement/education.
- The numbers of free special collections are not expected to reduce, therefore the cost to the Authority would also not reduce. In fact in 2005 there were 9,388 collections from properties and in 2007, this had risen to 16,706. This years figures are expected to be 16,658. It should be noted that these collections may include more than one item and in reality the number of collected items will be much higher.

Future Options.

- The Council has a contract with Impact (Centre 47) who will recycle operational white goods. Impact collects the goods themselves and is insured to collect from properties which stops the goods from being damaged if they are left outside. This ensures that more items can be recycled which reduces the amount going to landfill and is actively encouraged when members of the public call requesting the service. This area was not covered as part of this review.
- The issue of developing a bulky waste collection service with a third sector partner is one of the options that are to be discussed, and even if decided upon would take a number of years to implement so any benefits will not be seen for a long time.

Current charges.

- Collection of fixtures and fittings is chargeable and there is an assigned price list in most cases however some are decided upon collection i.e. rubble, wood, glass etc.. which is chargeable according to volume and difficulty of collection.
- A further test was undertaken where a sample of 5 special collections was traced through the system. There were no other problems found apart from the one instance of pay on collection.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.15	New charges are to be introduced in April 2009 for all special collections, not just fixtures and fittings..	Waste Services Manager.	A system of payment and administration of the new scheme should be agreed in advance as soon as possible ahead of the implementation.	B	April 2009.
A.16	The report states that money has to be paid up front by cheque or cash paid at a council office. Testing however showed that there had been occasions where cash had been paid on delivery. This has caused probity issues in the past.	Waste Services Manager.	<p>Management should be made aware that operatives are receiving cash payments on collection and either accept this risk or enforce the policy regarding prepayment.</p> <p>- Note – the options for charging report stipulate that from April all payments will be made through the Customer Contact Centre on ordering. Collections will not be made prior to payment.</p>	B	April 2009.
A.17	When special collections are requested a "Street Scene Waste Services Section" Form is completed. The information filled on this can be inconsistent, e.g. some stipulate exactly what was collected and some just say 'chargeable collection'. It is difficult to establish a clear audit trail if the details are not given in full.	Waste Services Manager.	Waste Services and Customer Contact Staff should liaise and produce an agreed format for logging and reporting special collections to ensure that there is a clear audit trail from the initial request through to charging.	B	April 2009.

4. PERFORMANCE.

Method of Review:

- 1) *Examination of performance indicators to ensure accuracy.*
- 2) *Examination of new reporting system to enable comparison of 2007/08 and 2008/09 data to see how the service compares after the introduction of the new regime.*

Summary of Findings:

New PI Regime.

- A completely new set of national performance indicators has been introduced for the 2008/09 financial year. These are a single set of indicators that originate from the priorities identified for central and Local Government in the 2007 Comprehensive Spending Review.
- The intention of these revised indicators was to reduce the number of P.I's and therefore alleviate the burden on Authorities. This hopefully will be the result in 2009/10 when systems have been established but it does raise the problem initially with services having to rethink their existing systems to accommodate the revised criteria.
- The Waste Management Section are attempting to overcome this problem by running the two methods of data collation side by side for the first year. This will ensure that a 2008/09 comparison can be made using both performance indicators to enable a like for like evaluation of the success (or not) of the new regime.
- The new performance indicators and their rationale are listed below:-
 - NI 191 – Residual household waste per household.
The rationale is:- In line with the position of waste reduction at the top of the waste hierarchy, the Government wishes to see a year on year reduction in the amount of residual waste (through a combination of less overall waste and more reuse, recycling and composting of the waste that households produce). Local Authorities have an important role to play in assisting their residents to reduce waste (as well as encouraging sorting of waste for recycling, re-use, home composting and other forms of home treatment of waste).
 - NI192 – Percentage of household waste sent for reuse, recycling and composting.
The rationale is:- The indicator measures percentage of household waste arisings which have been sent by the Authority for reuse, recycling, composting or anaerobic digestion. This is a key measure of Local Authorities ' progress in moving management of household waste up the hierarchy, consistent with the Governments national strategy for waste management. The Government expects Local Authorities to maximise the percentage of waste reused, recycled and composted.

- NI193 –Percentage of municipal waste land filled.

The rationale is:-To measure the proportion of municipal waste landfilled. The Government's strategy on waste is to move waste management up the waste hierarchy and divert an increasing proportion of waste away from landfill.

The revised performance indicators were inspected to ensure that they adhere to revised criteria and present a fair and true picture of the waste collection performance.

Household waste in tonnes. Numerator.

The Audit Commission definition states that the numerator is total kilograms of household waste less any household waste arisings sent for reuse, sent for recycling, sent for composting or sent for anaerobic digestion.

Carlisle City Councils calculation includes:

- a) Total Household Landfill Waste. Add
- b) Total Dry Recycling. Add
- c) Total Household Composting. Add
- d) Total reuse..Add
- e) Gully Cleaning. Add
- f) Healthcare – Clinical waste.

These inclusions are in line with the Audit Commissions definitions and exclusions of residual waste and can be seen to be correct.

NI191 Residual waste per household - Calculation.

The data collection period is per financial year with a return format of 'kg per household and rounded to zero decimal places.

The Audit Commission defines the denominator as being the number of households as given by the dwelling stock figures from the Council Tax database (details provided in the first instance from the Valuation Office.

Tonnage household waste sent for reuse, recycling and composting. – Numerator.

The Audit Commission state the numerator as being the total tonnage of household waste collected which is sent for reuse, recycling composting or anaerobic digestion.

Again, a detailed list of inclusions defining what is classed as household waste is given and was compared to Carlisle City Councils inclusions.

Carlisle City Councils calculation includes:

- Greenbox paper
- Greenbox glass
- Greenbox cans
- Cardboard
- Plastic
- Recycled white goods.
- Bring site recyclates.
- Carlisle Green Waste
- CAS Green Waste
- Household leaves
- BHF reuse books
- Reuse clothing
- Reuse textiles
- Reuse white goods.

There were no inclusions identified that were outside Audit Commissions definitions.

NI 192 % of household waste sent for reuse, recycling and composting.- Calculation,

This indicator combines the two previous BV indicators on household waste recycled (BV 82a) and composted (BV 82b). It now also includes reuse tonnages (within the scope of Audit Commission definitions).

The data collection period is per financial year with a return format of 'kg per household and rounded to two decimal places.

The Audit Commission define the calculation as

Tonnage household waste sent for reuse, recycling and composting / Total Household Waste (tonnes)

The denominator is the total of household waste collected. This has been calculated and tested in 4.3b.

The numerator was as defined and tested in 4.3d.

The calculation was correct.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
A.18	The 2007/08 Waste management performance indicators were audited by Audit Services in August 2008. The conclusion was that assurance could be given dependant on some minor clerical adjustments that had been highlighted during the testing. The recommendations made as a result of the audit will be followed up early in 2009/10.	Waste Services Manager.	Officers should ensure that all the recommendations arising from the August 08 Performance Indicator Review have been actioned	C	April 2009.
A.19	Currently, Carlisle City Council use the figure of 48,223 as per number of households. Checks with the Policy and Performance Officer confirmed that this figure should in fact be 48,233. This is simply a transposition error that can be easily amended. The rest of the calculation can be assured as being correct.	Waste Services Manager.	Officers should ensure that the 'no of households' figure is amended to correct the transposition error.	C	April 2009.
A.20	The Audit Commissions definition states that the return for NI191 Residual Waste per Household has to been reported to within 2 decimal places.	Waste Services Manager.	That the final outturn figure for PI NI 191 is reported showing zero decimal places as per Audit Commission requirement.	C	April 2009.