

Taunton Deane Borough Council

Corporate Governance Committee – 19 September 2016

SWAP Internal Audit – Internal Audit Plan 2016/2017 Progress Report

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.
- 1.2 The 2016-17 Annual Audit Plan is to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2 Recommendations

- 2.1 Members are asked to note progress made in delivery of the 2016/17 internal audit plan and significant findings since the previous update in June 2016.

3 Risk Assessment

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

Risk Matrix

Description	Likelihood	Impact	Overall
Without the delivery of the approved audit plan there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

4.1 This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June 2016.
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

4.2 For Internal Audit Progress Report for 2016/17 is contained within Appendix A.

5 Links to Corporate Aims

5.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

6 Finance

6.1 There are no specific finance issues relating to this report.

7 Legal Implications

7.1 There are no specific legal issues relating to this report.

8 Environmental Impact Implications

8.1 There are no direct implications from this report.

9 Safeguarding and/or Community Safety Implications

9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

10.1 There are no direct implications from this report.

11 Social Value Implications

11.1 There are no direct implications from this report.

12 Partnership Implications

12.1 There are no direct implications from this report.

13 Health and Wellbeing Implications

13.1 There are no direct implications from this report.

14 Asset Management Implications

14.1 There are no direct implications from this report.

15 Consultation Implications

15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency : **Once only** **Ad-hoc** **Quarterly**

Twice-yearly **Annually**

List of Appendices (delete if not applicable)

Appendix A	SWAP Internal Audit Progress Report 2016/17
------------	---

Contact Officers

Name	Alastair Woodland
Direct Dial	01823 356160
Email	Alastair.woodland@sotuhwwestaudit.co.uk

Name	Ian Baker
Direct Dial	07917628774
Email	Ian.Baker@southwestaudit.co.uk

Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2016/17 September

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 07917628774

ian.baker@southwestaudit.co.uk

Alastair Woodland

Assistant Director

Tel: 07872500675

alastair.woodland@southwestaudit.co.uk

➡	Role of Internal Audit	Page 1
➡	Internal Audit Work	Page 2
➡	Approved Changes to the Audit Plan	Page 3
➡	Appendices:	
	Appendix A – Internal Audit Definitions	Page 4 - 5
	Appendix B – Internal Audit Work Plan	Page 6 – 8
	Appendix C – Summary of Partial Opinion Audit Assignments undertaken since June 2016.	Page 9 - 22

Internal Audit Plan Progress 2016/2017

Our audit activity is split between:



- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for the Taunton Deane Borough Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on March 2016.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Joint Management Team. The 2016-17 Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2016.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2016/2017

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2016/17. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A** of this document.

As is shown in **Appendix B** there is one 2015-16 review still at draft report due to the key officer being absent. We understand this will be responded to on their return to work on the 21 September.

As agreed with this Committee where a review has a status of ‘Final’ and has returned a ‘Partial’ or ‘No Assurance’ rating I will provide a summary of the work and further details to inform Members of the key issues identified. Since the last update in June 2016, 14 reviews have been finalised. Of these, four have returned a ‘Partial Assurance’ Opinion. The following risks were rated as ‘High’ following our work:

DLO Stores - *Inadequate or incomplete record of stock movements, resulting in low, high or unknown levels of stock and its value.*

Crematorium - *Loss of Income - there is no accountability or sufficient income controls in place;*
- *Loss of key staff will impact on service delivery and continuity.*

Further details of the completed reviews since the last update can be found within **Appendix C**.

Internal Audit Plan Progress 2016/2017

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Approved Changes to the Audit Plan

The audit plan for 2016/17 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Taunton Deane Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the last update there have been two plan changes. At the request of the relevant service manager we were asked to defer the quarter 2 Housing Responsive maintenance review until quarter 4. To compensate this move we have brought forward from quarter 4 the licensing review.

Due to West Somerset Council delaying their decision on whether to merge with Taunton Deane Borough Council it was agreed with the Section 151 Officer that the Transformation Programme audit scheduled for quarter 2 should be deferred.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
FINAL											
Follow up	IT Hardware Asset Management	Q1	Final	Follow up	0	0	0	0	0	0	
Follow up	Software Asset Management	Q1	Final	Follow up	4	0	0	3	1	0	
Operational Audit	Crematorium	Q1	Final	Partial	12	0	0	5	7	0	
Follow Up	Commercial Rents	Q1	Final	Follow up	3	0	0	2	1	0	
Governance, Fraud and Corruption	Absence Management	Q1	Final	Reasonable	5	0	0	5	0	0	
Follow up	Housing Voids	Q2	Final	Follow up							
DRAFT											
Governance, Fraud and Corruption	Imprest/Cash Spot Checks	Q1	Discussion Document								
Governance, Fraud and Corruption	Members Expenses	Q1	Discussion Document								
IN PROGRESS											
Operational Audit	Licensing	Q2	In Progress								
Follow up	Asset Management	Q2	In Progress								
ICT	User Management (<i>Starters and Leavers - HR, Facilities, ICT</i>)	Q2	In Progress								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
ICT	New Financial System	Q2, Q3, Q4	In Progress								
Operational Audit	Capital Programme Approval & Monitoring / linked with Contract monitoring	Q2	In Progress								
ICT	SWOne Exit Support/ Advice Days (Quarter 2,3,4)	Q2, Q3, Q4	In Progress								
Governance, Fraud and Corruption	SWO Succession planning	Q2	In Progress								
NOT STARTED											
Key Control	Housing Rents	Q3									
Key Control	Main Accounting	Q3									
Key Control	Creditors	Q3									
Key Control	Council Tax & NNDR	Q3									
Key Control	Debtors	Q3									
Key Control	Housing Benefits	Q3									
Key Control	Payroll	Q3									
Key Control	Treasury Management	Q3									
ICT	Mobile Working (Mobile Devices - end to end)	Q3									
Governance, Fraud and Corruption	Transformational Programme	Q4									

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Governance, Fraud and Corruption	DLO Transformation / Relocation Programme	Q4									
Governance, Fraud and Corruption	Information/Data Security/Data Protection	Q4									
Operational Audit	Housing - Responsive Maintenance	Q4									
Operational Audit	Supported Housing (both Extra Care and Sheltered)	Q4									

2015-16 Audits

Operational Audit	DLO Stores	Q2	Final	Partial	9	0	0	4	5	0	
Key Control	Creditors	Q3	Final	Partial	5	0	0	4	1	0	
Operational Audit	DLO Operations (NEW)	Q3	Final	Non - Opinion	12	0	0	12	0	0	
ICT Audits	Physical and Environmental Controls / Data Centre	Q4	Final	Follow Up	5	0	0	4	1	0	
Operational Audit	Deane Help Line	Q4	Final	Reasonable	6	0	0	5	1	0	
Operational Audit	Land Charges	Q4	Final	Partial	7	0	0	5	2	0	
Operational Audit	Homelessness	Q4	Draft	Reasonable	8	0	1	7	0	0	
Key Control	Housing Rents	Q2	Final	Reasonable	9	0	3	6	0	0	
Follow Up	Disaster Recovery Audit (from follow-up contingency)	Q4	Final	Follow Up	3	0	0	1	2	0	

Summary of Audit Assignments Undertaken since the June 2016 Update

Audit Assignments completed since the June 2016 update:



Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update in June. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Operational Audits

Operational audits are a detailed evaluation of a Service’s control environment. A risk matrix is devised and controls are tested that mitigate those risks. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

DLO Stores – Partial Assurance

The DLO Stores has experienced significant change over the last few years; in particular changes in Stores personnel and the introduction of a new software system OPENContractor in November 2014. Problems with the initial set up of the system by the supplier (Capita) led to several anomalies with the records held within it. A resolution to each error as it arose was sought with the supplier and with their support, or through the Council finding the answers itself, these anomalies have essentially been rectified.

In addition to the above, some good practice has been observed and evidenced in relation to the receipting of goods into Stores. In addition, access to Stores and the Stores Management module within OPENContractor is restricted and this is well controlled.

Audit Assignments completed since the June 2016 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

Operational Audits Continued

There have, however, been a number of weaknesses in control identified from this audit review. Essentially, the stock records within OPENContractor cannot be relied upon for their accuracy. The reasons for this are:

- Invoices have been incorrectly processed resulting in items being issued on jobs at the incorrect price.
- Stock items have been recorded and issued on jobs at the incorrect price.
- Stock-taking is not being undertaken in line with the Authority's Financial Regulations, resulting in inaccurate stock records.
- Lack of attention to detail with manual input of data, resulting in inaccurate stock records.
- Authorisation not received in advance of obsolete items being sold on eBay.

Due to the nature of these weaknesses the following risk returned a 'High' risk assessment after the controls had been tested: *Inadequate or incomplete record of stock movements, resulting in low, high or unknown levels of stock and its value.*

An agreed action plan is in place for management to address the weaknesses identified.

Below are the priority 4 recommendations from this review.

DLO Stores Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
Invoices have been incorrectly processed resulting in items being issued on jobs at the incorrect price.	Costing information is not based on the actual price of the goods.	I recommend that the Business & Finance Manager ensures that all business support staff are made aware of the new procedure to prevent these errors from occurring in future.	As the DLO highlighted this issue and discussed during the Audit, a process has now been identified that addresses this issue. Training has been given to all staff who process Stores invoices. Refresher training is continuing.	5/5/16	Business and Finance Manager
Stock items have been recorded and issued on jobs at the incorrect price.	Subsequent stock issues have been recharged at the incorrect price.	I recommend that the Assistant Director - Operational Delivery ensures that consideration is given to reviewing all stock lines and related stock prices to verify that the correct stock price has been recorded and the correct price (plus mark-up) will be recharged.	As discussed, this issue was raised by the DLO and as above has been rectified by a new process.	Completed	Business and Finance Manager
Stock-taking is not being undertaken in line with the Authority's Financial Regulations.	Inaccurate stock records impacts on the accuracy of the financial accounts and the ability to ensure stock maintained/held is sufficient.	I recommend that the Assistant Director - Operational Delivery ensures that continuous stock-takes are undertaken throughout the year, with an independent check carried out at least quarterly.	Stock taking is completed by stores staff continuously throughout the year and the Business and Finance Manager completes management check monthly. An independent quarterly management check is also taking place. This will be reflected in the updated Financial Regulations.	TBC	Business and Finance Manager

Summary of Partial Opinions

APPENDIX C

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
Lack of attention to detail with manual input of data, resulting in inaccurate stock records.	Inaccurate stock records impacts on the accuracy of the financial accounts. Without an accurate or complete record of stock movements, the actual stock value and levels will be unknown and this could result in difficulty meeting service delivery.	I also recommend that the Assistant Director - Operational Delivery ensures that refresher training is given to all stores staff in relation to the movement of stock items and the recording of this in OPENContractor.	It has been emphasised to all staff as to the importance of accurate input of data and the impact of errors.	Complete	Business and Finance Manager
Authorisation not received in advance of items being sold on eBay.	There is a risk that wanted items are sold on eBay and the Authority makes a financial loss on items of high value and desirability.	I recommend that the Assistant Director - Operational Delivery ensures that specific written procedures are put in place for the sale of obsolete stock items using eBay. These procedures should set out the requirement for the authorisation of sale to be given in advance and that this authorisation should include the verification of the suitability of the item to be sold.	The Asset Disposal Policy has been updated to include the disposal of obsolete Stores stock and emphasizes that no item may be advertised or sold without prior signatory approval by 2 service managers.	6/6/2016	Business and Finance Manager

Audit Assignments completed since the June 2016 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Operational Audits Continued

Land Charges – Partial Assurance

There is uncertainty over the service long term with due to the Infrastructure Act 2015 which provides for the transfer of responsibility for local land charges in England and Wales from local authorities to the Land Registry. Under these provisions, initially Land Registry will provide a single, digital local land charges register for the 326 English local authorities. Actual implementation requires a range of secondary legislation and rules to support these changes; this will include public consultation with the relevant stakeholders prior to any changes being made.

Some good practice has been identified from this audit review, particularly that:

- prompt updates are made to the register;
- prompt responses are given to search requests;
- regular reconciliation of income collected against the searches undertaken; and
- regular reconciliation of income collected against that recorded in the general ledger.

However, the main reason partial assurance has been awarded is the non-compliance with the Local Authorities (Charges for Property Searches) Regulations 2008. Compliance to these regulations is fundamental to the service. Failure to comply with these regulations will leave the Authority open to legal challenge.

Below are the priority 4 recommendations from this review.

Land Charges Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
The Authority is not able to demonstrate compliance with Regulation 6 and 7 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008.	Failure to comply with these regulations will leave the Authority open to legal challenge.	I recommend that the Community & Client Services Manager liaises with the Service Accountant to undertake a full review of the Land Charges budget and fee setting process in line with Regulations 6 (2) and 7. This should be demonstrated annually through the revision and approval of Fees and Charges.	Agree that this is an area of weakness previously identified by management. Full review is intended to take place for fee setting 2017/18.	April 2017	Community & Client Services Manager -
The Authority is not able to demonstrate compliance with Regulation 9 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008.	Failure to comply with these regulations will leave the Authority open to legal challenge.	I recommend that the Community & Client Services Manager ensures the S151 Officer approves and then publishes the necessary information in line with Regulation 9.	A three year rolling average will be used to predict future levels.	December 2016.	Land Charges Officer

Audit Assignments completed since the June 2016 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

Operational Audits Continued

Crematorium – Partial Assurance

This audit focused on the following risk areas:

- Reputational risk that the crematorium does not deliver in accordance with requirements and customer expectations
- The grounds and premises are not sufficiently maintained leading to injury or reputational loss.
- Loss of Income - there is no accountability or sufficient income controls in place
- Loss of key staff will impact on service delivery and continuity

Weaknesses were identified with the Crematorium/Cemetery Administration Software (CAS) which was first installed in 1994/5. Weaknesses were identified in the financial recording on the system and there is a risk that not all potential income is being invoiced or received. A previous audit relating to burial records was carried out last year which also identified areas of weakness within this system which have not yet been addressed.

The other major weakness identified was around the continuity arrangements for the service. There is insufficient cover for the managers' roles and, through their own assessment, their work often builds up during periods of absence as it is not covered by another officer. The processes reviewed throughout this audit were not documented which prevents staff covering other roles during absences. The lack of procedures and the inability for other staff to cover all key tasks indicates that the service does not have sufficient continuity arrangements in place.

Due to our findings the following risks were assessed as 'High' risk at a corporate level after the controls had been tested; *Loss of Income - there is no accountability or sufficient income controls in place;* and *Loss of key staff will impact on service delivery and continuity.*

Below are the priority 4 recommendations from this review.

Crematorium Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>It was identified during testing that there are no documented procedures in place for any tasks that the officers perform. For example:</p> <ul style="list-style-type: none"> • Income collection • Invoice raising • Booking cremations • Banking • Aged Debts 	<p>This increases the risk of tasks not being performed or being incorrectly completed. Without procedures tasks cannot be easily passed to other staff members when officers are absent and long term sickness could cause increased difficulties if the tasks they complete cannot be easily picked up by another officer.</p>	<p>I recommend that the current Cemeteries & Crematorium Manager all procedures are documented for the main tasks completed by the officers.</p>	<p>This financial year the IT system is due to be replaced and shortly a new Manager and Registrar will be appointed, this will be the ideal opportunity to provide such written procedures.</p>	<p>Dependent on recruitment timetable.</p>	<p>New Cemeteries & Crematorium Manager</p>
<p>None of the recommendations from the 2015-16 review have been implemented. This review focused on the risk that Plots are inaccurately allocated resulting in double bookings / plots sold twice. There were two priority three recommendations and one priority four recommendation regarding replacing the CAS software.</p>	<p>Plots are inaccurately allocated resulting in double bookings / plots sold twice.</p>	<p>I recommend that the Assistant Director – Operational Delivery ensures that audit recommendations are completed by the responsible officers.</p>	<p>During the current financial year the system is due for replacement. There has been a demonstration on site of the ClearSkies software and the service is waiting for a demonstration of the Gower software. The new manager will have the opportunity to obtain a new software package appropriate to Taunton Deane requirements and compatibility.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>System weaknesses were noted for the charge setting that could impact on accuracy of income. For example:</p> <ul style="list-style-type: none"> • additional charges can be entered as miscellaneous and deleted from the CAS system and no record of the entry will be recorded in the system. • All staff with access to the CAS system currently have the ability to delete items. The system records if a record has been deleted but this information can be removed completely by a clean-up process. 	<p>As items can be deleted from the system, there is a risk that entries are deleted fraudulently and invoices are not raised.</p>	<p>I recommend that the Cemetery and Crematorium Manager implements a new procedure to use the Council's Financial Management System (SAP) to record and produce itemised invoices detailing all charges to debtors.</p>	<p>This is noted and CAS will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>
<p>A number of system weaknesses were noted through the invoice and case receipting process:</p> <ul style="list-style-type: none"> • Changes can be made to records on the CAS system after invoices have been generated. • Invoice numbers are generated through the CAS system, but this is a 'running count' and therefore you cannot search/look up individual invoice details via the invoice number on the system. You 	<p>There is a risk that not all income is being collected</p>	<p>I recommend that the Cemetery and Crematorium Manager ensures a new system is procured and controls are implemented either through this system or the Council's financial management system that allow the following:</p> <ul style="list-style-type: none"> • Interface with the TDBC finance system so that manual input is minimise or no longer required 	<p>The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>cannot re-print or produce a 'copy invoice' if required as the system will generate a new invoice number.</p> <ul style="list-style-type: none"> the cash receipting process in CAS is insufficient. The system does not allow records of over or under payments to be recorded. The process just records a receipt number against a record. 		<ul style="list-style-type: none"> Record all invoice numbers and dates Provide clear audit trails allowing simple searches to find required information Allow cash receipting against the relevant invoice numbers so over and under payments can clearly be seen. Allow reports to be run from the system showing various financial information. This should include aged debt reports. Produce clear invoices which include VAT breakdowns, VAT registration number, business address, and payment terms. Ensure no changes can be made to records after an invoice has been raised. 			

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
There are no payment terms shown on invoices raised. There is no information provided to the debtor on how soon invoices must be paid or how they should be paid. We were also informed there are no payment terms in place with any customers.	This increases the risk of overdue debt increasing as the customer can claim that they are not overdue with their payment as no terms are in place.	See recommendation above.	The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31 December 2016	Assistant Director Operational Delivery
It was identified during testing that invoices generated from the system are not clear and do not contain all the legislatively required information. The invoices are missing the following information: <ul style="list-style-type: none"> • The crematorium business name and address • The VAT number • A clear description of what you are charging for • Total amount excluding VAT • Price per item excluding VAT • Rate of VAT charged 	VAT invoice regulations are not currently being met. We are aware that the Control Officer at TDBC does split VAT out to ensure VAT is paid where appropriate. However, Funeral Directors would not be able to reclaim VAT where they are paying it.	See recommendation above.	The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31 December 2016	Assistant Director Operational Delivery

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>At point of testing there was £121,413.40 on unpaid invoices prior to April 16. Of these £87,677.90 is owed by one company. Although the overdue debts are followed up, three main issues were identified which could be contributing to the amount of overdue income:</p> <ol style="list-style-type: none"> 1. There are no payment terms in place which makes chasing payments difficult if you cannot prove that they are overdue. (see above) 2. There are no overdue letter templates in place to be sent out as part of the debt recovery process. As invoices are not raised through SAP the usual TDBC debt recovery process is not followed. 3. There is a reluctance to chase funeral directors for payments as they are dealing with bereaved families and certainly a reluctance to put any form of penalty against the company for fear of loss of business and reputational damage. 	<p>There is a risk that these debts will not be recovered and will eventually be written off and income to the Council will be lost.</p>	<p>I recommend that invoices should be raised through SAP and subject to the TDBC debt recovery procedures. For existing debt still on the CAS system it is recommended that the standard TDBC Debt Management policy is implemented to ensure satisfactory recovery.</p>	<p>I must apologise for the outstanding invoices; I had not been made aware of the situation at that time. I do believe that the introduction of procedures mentioned in this report will remedy the situation.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

Audit Assignments completed since the June 2016 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Key Control

Key Control Audits are completed to review the Council's financial control environment. It is essential that all financial key controls are operating effectively to provide management with the necessary assurance that there is a satisfactory framework on internal control and that the Financial Accounts will be correctly stated.

Creditors – Partial Assurance

As has been the case in previous audits the numbers of retrospective purchase orders being raised remains relatively high and averages around 15% across the year. It is noted that retrospective purchase orders have decreased in percentage terms in each of the four quarters and a recommendation is made to assist in sustaining these improvements.

A performance dashboard is produced by South West One and provided to TDBC monthly. This can be seen as a control in its own right but performance against stated measures is significantly below current targets in two areas. A recommendation to review the appropriateness of the performance dashboard and to then address performance against stated targets is included in this report.

Of particular concern to management is the continued and potentially inappropriate use of 45000 codes which bypass controls. In a limited amount of sampling (twenty transactions) two instances of the use of this code were identified with a total value of £520,000. Whilst the expenditure was reasonable, the 45000 code should not have been used.

See below for the relevant priority 4 recommendation.

Creditors priority 4 recommendation.

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>Procurement Controls: Normal controls were bypassed in two transactions with a high value.</p>	<p>If purchase orders are not raised through SAP no commitment will be raised on the finance system and authorisation processes are bypassed.</p>	<p>I recommend that the Finance Manager (TDBC and WSC) takes steps to ensure that normal control procedures are not bypassed inappropriately including considering whether this facility should be restricted both in terms of the supplier for which this is used and the value of the procurement.</p>	<p>Agreed.</p> <ul style="list-style-type: none"> - Officers will be reminded of appropriate usage of 45000 code. - Finance Manager will liaise with relevant staff to understand why this method continues to be used. <p>Restrictions on usage will then be explored.</p>	<p>Aug 30th 2016</p>	<p>Finance Manager</p>