

# Taunton Deane Borough Council

## Corporate Governance Committee – 19 September 2016

### Overdue high priority SWAP Audit Recommendations

This matter is the responsibility of Cllr Richard Parrish, Lead Member for Corporate Resources

Report Author: Paul Harding, Corporate Strategy & Performance Manager

#### 1 Purpose of the Report

- 1.1 This report provides Members with a position statement on the SWAP audit recommendations for Taunton Deane Borough Council, which were assessed as high and very high priority, where the agreed remedial action is overdue.

#### 2 Recommendations

- 2.1 It is recommended that:-
- The committee review the overdue actions.

#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
The Council is exposed to risk through inadequate systems and processes identified through SWAP audits.	Likely (4)	Major (4)	High (16)
The mitigation for this is the timely completion of agreed remedial actions,	Unlikely (2)	Major (4)	Medium (8)

#### 4 Background and Full details of the Report

- 4.1 Taunton Deane BC engage the South West Audit Partnership (SWAP) to carry out internal audit functions; checking the adequacy of controls and procedures across the whole range of Council services.
- 4.2 At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

- 4.3 When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.
- 4.4 Any control or procedural weaknesses are identified within an action plan appended to the audit report.
- 4.5 All findings will be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

The definitions used are provided below:

**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.

- 4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.
- 4.7 All priority 4 and 5 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to JMT and the Audit/Corporate Governance Committees at Taunton Deane and West Somerset Councils.
- 4.8 This report highlights the Priority 4 and 5 audit actions affecting West Somerset Council, where the agreed remedial action is overdue. On this occasion there are **13 priority 4** priority actions which are overdue but **zero overdue priority 5** recommendations for Taunton Deane Borough Council.
- 4.9 A summary of the overdue actions is provided in Appendix A.

## **5 Links to Corporate Aims / Priorities**

- 5.1 There are no direct links to corporate aims/priorities although good governance and robust controls and processes underpin good performance.

## **6 Finance / Resource Implications**

- 6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud.

## **7 Legal Implications**

- 7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims.

## **8 Environmental Impact Implications**

- 8.1 There are no direct environmental impact implications associated with this report.

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 There are no safeguarding implications associated with this report. There are Community safety implications in relation to public safety risks associated with tree surveys.

## **10 Equality and Diversity Implications**

- 10.1 There are no equality and diversity implications associated with this report.

## **11 Social Value Implications**

- 11.1 There are no Social Value implications associated with this report.

## **12 Partnership Implications**

- 12.1 The majority of Council services are delivered through shared services arrangements with West Somerset District Council.

## **13 Health and Wellbeing Implications**

- 13.1 There are no direct health and wellbeing implications associated with this report.

## **14 Asset Management Implications**

- 14.1 There are no direct asset management implications associated with this report.

## **15 Consultation Implications**

- 15.1 There are no Consultation implications associated with this report.

**Democratic Path:**

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

**Reporting Frequency: Twice yearly**

**List of Appendices (delete if not applicable)**

Appendix A	Summary of overdue priority 4 and 5 SWAP audit recommendations
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APPENDIX A

Audit Report	Finding	Priority	Recommendation	Management Response	Original Implementation Date	Progress Update	AD Responsible	Org
TDBC - Housing Voids - 12.11.2015	2.2a No performance monitoring is undertaken on the work undertaken by the DLO.	4 - High	I recommend that the Assistant Director – Property & Development introduces some performance measures to monitor the outputs and the quality of work carried out by the DLO.	Line management for DLO and Property Services will report to AD Property and Development from 1 Dec 2015 which will allow closer and more joined up working.	March 2016	Aug 2016 - Update from Interim Assistant Director of Property & Development: Restructure is currently being implemented and we are now in the recruitment stage.  Auditor Update: Once the restructure and the relevant personnel are in place, performance measures will be created to monitor the work carried out by the DLO. <b>Revised Implementation Date : SEPT 2016.</b>	May, Terry;	TDBC
TDBC - Housing Voids - 12.11.2015	3.3a The estimated cost of the works per property is not captured at the initial inspection within the Schedule of Works.	4 - High	I recommend that the Assistant Director – Property & Development ensures that, as part of the pre-void inspection, an estimated cost of the works is included within the Schedule of Works. This could be done by re-introducing a Schedule of Rates for the materials and labour used.	Property Services can prepare an estimated cost of works for certain void items.	April 2016	Aug 2016 - In Progress. Update from Interim Assistant Director of Property & Development: Review and options being investigated but dependant on the implementation of IT systems. <b>Revised implementation date: December 2016</b>	May, Terry;	TDBC
TDBC - Housing Voids - 12.11.2015	3.3b Monitoring is not undertaken between estimated cost and actual cost of works per property.	4 - High	I also recommend that the Assistant Director – Property & Development ensures that, as part of the weekly void meetings, the estimated and actual costs per property are reviewed with justified reasons for any significant overspends. Alternatively, the surveyor carries out a review of the estimated and actual costs on a sample of properties to justify any overspends.	Actions to be designed by TM once joint DLO and property services structure is in place.	April 2016	Update Aug 2016 - Update from Interim Assistant Director of Property & Development: Recharging the HRA directly for labour is being considered alongside different costing and charging arrangements to compliment changes in processes.  <b>Revised implementation Date : December 2016</b>	May, Terry	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	1.1a Asset Management Plan does not reflect the current role and responsibilities of the new integrated Property and Development function.	4 - High	I recommend that the Asset Manager refreshes the current Asset Management Plan to embrace the current role and responsibilities of the new integrated Property and Development function and reviews proposed actions for individual property to ensure they are still appropriate drivers of asset management.	The current Asset Management Plan, whilst needs refreshing, is still live until end of 15/16. In line with work plan, this is to be refreshed during early 2016 and will reflect subsequent Asset Strategy and new structure and responsibilities.	June 2016	Update Aug 2016 - Update from Asset Manager - Full Stock Condition Survey commissioned and results will be incorporated into a new Asset Portfolio Performance Model which will inform decision making and direction of travel. New Asset Management Plan will then follow incorporating current strategy and steps arising from the Performance Model. <b>Revised Implementation Date: February 2017.</b>	May, Terry;	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	2.1a The make-up of asset records for property has a number of components, none of which are integrated. Those that are computer based have some 'searchability'.	4 - High	I recommend that the Asset Manager in his review of property records ensures that property data is rationalised and collated into a readily accessible and searchable form and one which provides for appropriate document attachment.	Already committed to delivering as part of Commercial Rents SWAP Audit Management Action. Permanent solution will be the implementation and subsequent use of a new Asset Management System. As interim measure (if required) will collate core data currently from multiple sources into one spreadsheet but this will not enable document attachment.	December 2016 (for interim measure if becomes necessary)	Update Aug 2016 - Update from Asset Manager - Interim Measure on target for December 2016. The widened role of Asset Management and the increase in data available means 1 spreadsheet no longer viable but position will be greatly improved from previous position and there will be greater ability to cross reference between spreadsheets.	May, Terry	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	4.2a No formal structured building condition survey.	4 - High	I recommend that the Asset Manager seeks to establish a formal structured building condition approach across the council which can then inform the longer term maintenance programme and costs for inclusion within appropriate annual revenue and capital budgets.	Agreed. Will be introduced as part of a rolling programme based on perceived risk / cost and on existing data.	June 2016 (for rolling programme to be in place)	Update Aug 2016 - Update from Asset Manager - Programme commenced in July 2016.	May, Terry;	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	4.3a Traditionally data is not broken down sufficiently to allow individual ownership costs to be identified.	4 - High	I recommend that the Asset Manager progresses asset cost determination so that reliable cost data can be used for both internal and external comparisons which can then appropriately inform management decision making on the future suitability of such assets in service delivery.	Agreed. Processes and communication/ awareness to be in place to enable greater accuracy of data for 16/17 financial year.	March 2016	Update Aug 2016 - Update from Asset Manager - Improvements made where possible but requires dedicated asset management system to bring data together in consolidated manner. Improved data now available in 16/17.	May, Terry;	TDBC
TDBC - Creditors - 06.07.16	1.4a Procurement Controls: Normal controls were bypassed in two transactions with a high value.	4 - High	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.	Agreed. 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. Restrictions on usage will then be explored.	30/8/16	Sept Update - Not complete	Fitzgerald, Paul;	TDBC
TDBC - Crematorium and Burials - Final Report - 23.10.2015	1.3a CAS Replacement Software.	4 - High	I recommend that the Cemeteries and Crematorium Manager liaises with the procurement team to ensure that when tendering for replacement software the following issues are considered;Validation of plot references; I would recommend that the use of spaces is avoided, and consider populating the system with all available plots prior to roll out so that plot references can be checked and then selected when inputting new ownership details,Exception reporting functionality,Fields required by the LACO are made mandatory,Automatic daily back up to avoid loss of data,Document management and scanning of paperwork,Availability of burial details to be published on the internet to enable interested parties to search themselves.	Currently in process and all issues will be considered and discussed.	Current	An interim manger is in place until the newly appointed post holder arrives (dec '16). The interim manager has been tasked with creating a timeline for specifying, procuring, and implementing a new system and the capital budget required is in place. This IT project has to be considered alongside the replacement of SAP as not only do the systems need to talk to each other but the works demands on the IT service are going to be high in the lead up to go live,	Hall, Chris;	TDBC

TDBC - Disaster Recovery - 28.08.2015	1.2a The scope of the DR test provided proof of concept but did not demonstrate business operations could be recovered.	4 - High	I recommend that the scope of future testing be expanded to ensure the applications and business activities can be recovered and made operational using the Disaster Recovery and planned Business Continuity facilities.	Agreed. We will agree the scope of future testing with the SWO ICT Service by 30 Sep 2015 and undertake a further test by 31 Dec 2015	28.08.2015	<b>08.09.16</b> The SWO Exit activities have prevented this years test from going ahead as we are implementing a new Backup / DR solution. This will be in place in Nov. 2016, and testing of the DR capability will be included as part of the commissioning process. A more formal test will take place in Q2 2017 <b>24.02.16</b> The scope of the future testing has been agreed - the actually testing has been delayed, but is expected to be completed this Qtr (Q4 15/16)	Sealy, Richard;	TDBC
TDBC - Disaster Recovery - 28.08.2015	1.3a The Disaster Recovery Plan is in draft and is incomplete.	4 - High	I recommend that the ICT and Information Manager review and update the Disaster Recovery Plan to include the disc space that will be provided, the expected minimum recovery times, a schedule of critical applications (recommendation 29250) and contact details for ICT. Once the details have been defined the draft DRP document should be formally approved by both TDBC and Southwest One.	Agreed	28.08.15	<b>08.09.16</b> The SWO Exit activities have prevented this years test from going ahead as we are implementing a new Backup / DR solution. This will be in place in Nov. 2016, and testing of the DR capability will be included as part of the commissioning process. A more formal test will take place in Q2 2017 <b>24.02.2016</b> The scope of DR service has been agreed. Formal sign off will follow testing. However the SWO Succession plan may force a changed approach.	Sealy, Richard;	TDBC
TDBC - Software Asset Management - 18.09.2015	1.1a Software asset management strategy: There is no documented plan and defined aims for the management of software assets.	4 - High	I recommend the ICT and Information Manager work with Southwest One and Somerset County Council to establish a timeframe for producing a documented software asset management strategy and once created that this strategy is readily available, and is subject to periodic review.	We will work with SWOne to establish the terms on which such a strategy would be created, and subject to a satisfactory outcome of this process will proceed to develop the strategy. In the meantime other actions in this report provide a sound basis for a more robust approach to software asset management.	April 2016	<b>08.09.2016</b> The SWO exit process is identifying TDBC's software assets and TDBC is designing and implementing it's own asset management process. This activity has superseded this action	Sealy, Richard;	TDBC
TDBC - Software Asset Management - 18.09.2015	2.4a Renewal of the Microsoft ESA: We are unable to confirm that the Council is a named affiliate and can benefit in its own right from the renewal or buy out options.	4 - High	I recommend that the ICT and Information Manager confirm with Southwest One that the Council is a named affiliate to the Microsoft ESA and can maintain its Microsoft licensing beyond the end of the Southwest One contract. If necessary the Council should be added as an affiliate to the ESA.	Agreed. We will work with SWOne to ensure that TDBC is a named affiliate on the Microsoft ESA	October 2015	<b>08.09.2016</b> The SWO exit process is identifying and transferring TDBC's allocation of MS licences to TDBC. This activity has superseded this action <b>24.02.2016</b> SWOne have raised the paperwork to included TDBC on the ESA. This requires a signature from SCC and they have not yet agreed to sign it. In the meantime we have obtained written confirmation that we are legally licenced for the software we are running and we continue to press SWO/SCC to finalise the paperwork for the ESA.	Sealy, Richard;	TDBC