

Taunton Deane Borough Council

Corporate Governance Committee – 20th March 2017

Overdue high priority SWAP Audit Recommendations

This matter is the responsibility of Cllr Richard Parrish, Portfolio Holder for Corporate Resources

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

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 Taunton Deane Borough Council, where the agreed remedial action is overdue. On this occasion there are **21 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 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	Feb 2017 - new KPI's have been developed to focus on performance management. These will be fully operational from April 17. Performance management is now our main focus.	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	Feb 17 - Pre Void officer now in post allowing Area works Managers to concentrate on performance management. Void work are about to be added to OC to enable job logging and costings of voids going forward. We still have to recruit to the other pre void officer. This is currently out to advert. I have also revisited the scorecard and developed a new one that identifies more comprehensive KPI's necessary to run the business. This will ensure we can understand both estimated and completed void costs.	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	Work commenced January 2017 with Savills out to survey 6th March 2017 with draft survey report to assist development of a new strategy due mid May 2017. Timetable for consultation and ratification to be scheduled and agreed alongside relevant committee cycles.	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 Jan 2017 – Work in progress: 20.01.17 Asset Manager Comments – Spreadsheets now stored centrally to assist but this is only an interim solution. The permanent solution is now agreed as being Open Assets which is part of the existing Capita suite. An Open Asset Project Group is now set up. A demo from Capita has been arranged for 24.01.17 and we are now starting a programme of process mapping workshops. Progress of this project will be reported to the Property & Development Senior Management Team via me through a project dashboard.	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 Jan 2017 - WORK IN PROGRESS: A new team is being established to manage future survey work. 20.01.17 Asset Manager Comments – New Team is in place and undertake rolling programme of stock condition surveys to cover all assets every 5 years and to ensure Savills data remain current. Inspections use a standard proforma and data is then captured on an excel spreadsheet and in due course will be migrated onto Open Assets. Inspections also deal with compliance management.	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 Jan 2017 - WORK IN PROGRESS: A commitment has been made to progress this issue in order to recognise the full costs of property ownership but not yet fully in place. 20.01.17 Asset Manager Comments – Those most significant costs will be known by March 2017 once Savills Stock Condition Survey is complete. Lesser cost items such as utilities and insurance will form part of a commitment within the new Asset Strategy.	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 manager 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, 10.08.16 - Not completed – research only completed. Funding for a new system has been approved and the funds are now available. A list of potential suppliers was requested from Southwest One. A demonstration of one potential system has been made to all office staff and the CCMR is attending a conference in July where other potential suppliers will be present. Actual decision is being withheld until a new CCMR is in place to allow them to implement the new system as part of their role. As a temporary measure the CCMR has been double checking all graves each day and each grave that is purchased to ensure the issue is not repeated. He has also discussed additional training with the bereavement manager.	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	02.03.17 Testing to take place in Q2 2017	Carter, Paul;	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	02.03.17 South West One exit process has clearly identified assets brought across from South West One. ICT are implementing as part of transformation a complete register of ICT hardware and software assets and data.	Carter Paul;	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	02.03.17 As part of the South West One exsit process we have identified the licences required from South West One and that this has been fully funded by SW1. Awaiting formal transfer agreement with South West One.	Carter Paul;	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	It was identified during testing that there are no documented procedures in place for any tasks that the officers perform. For example:Income collection Invoice raising Booking cremations Banking Aged Debts 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.	4 - High	I recommend that the current Cemeteries & Crematorium Manager all procedures are documented for the main tasks completed by the officers.	As reported there are no documented procedures in place. This is due to the fact that the majority of administrative tasks are relatively straight forward, there is a team of four who are all long serving members of staff and two other trained members of staff who could be called upon in an emergency. I am also not aware of any other crematorium that provides documented procedures, but there may be some as this is to be considered as good practice. 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.	31 st August 2016	14.09.16 Ongoing discussions with staff. To minimise opportunity for errors when purchasing Deeds of Grant etc all graves in "live" section of new cemetery extension are being added to database instead of as required. Additional sections will be added as they are brought into use.	Chris Hall	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	During testing it was seen that an additional charge entered as miscellaneous had been deleted from the CAS system and no record of the entry was 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. The audit trail can only help identify who deleted the record if you know when the event occurred as it does not record information against the record but just as an event log for the whole system. This makes locating the event record in the audit trail very difficult unless you know when it occurred. As items can be deleted from the system, there is a risk that entries are deleted fraudulently and invoices are not raised. Findings 3.2, 3.3, 3.4, 3.5 and 3.8 all address weaknesses with the CAS software's financial management including budget monitoring and raising invoices. Financial management controls within TDBC are normally managed through the council's Financial Management System (SAP) and the weaknesses identified would be substantially mitigated through developing processes to incorporate SAP.	4 - High	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.	CAS audit trail, 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.	31 st December 2016	14.09.16 Interim measure, pending replacement of CAS, invoices produced by CAS can be recreated on SAP and issued (This requires setting up Sales Offices etc and Customers – see 3.3a)	Chris Hall	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	As stated in finding 3.1, changes can be made to records on the CAS system after invoices have been generated. To make these changes a password has to be entered. Currently the password is known by all officers with access to the CAS system. As a control, the password does not work as all officers can still make changes once an invoice has been generated. The system does not record additional entries as outstanding and if entered for a previous period they will not be picked up and included in the next invoice run. There is a risk that not all income is being collected.	4 - High	In combination with recommendation 3.1a. 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:Interface with the TDBC finance system so that manual input is minimise or no longer required · Record all invoice numbers and datesProvide clear audit trails allowing simple searches to find required informationAllow 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.	CAS audit trail, 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.	31st December 2016	14.09.16 Meeting requested with IT (FK) and Procurement (DC) to discuss procurement timetable and potential Spec. Early investigations identify only a handful of systems are available in the marketplace for this specialist work.	Hall, Chris;#121	TDBC

<p>TDBC Crematorium and Burial Services Final Report 10.08.16</p>	<p>A further weakness was identified during testing relating to the use of the CAS system to generate invoices as there are no payment terms shown on invoices raised. Therefore there is no information provided to the debtor on how soon invoices must be paid or how they should be paid. Furthermore, when discussed with the Bereavement Manager audit were informed that no payment terms are 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. A control could be implemented by raising debts through the Accounts Receivable team, and could be considered when identifying the requirements for the new system.</p>	<p>4 - High</p>	<p>Use of SAP will generate invoices on the standard TDBC template that will include payment terms.</p>	<p>CAS audit trail, 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>31st December 2016</p>	<p>14.09.16 MasterData have created the customers on SAP.</p>	<p>Hall, Chris;#121</p>	<p>TDBC</p>
<p>TDBC Crematorium and Burial Services Final Report 10.08.16</p>	<p>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 below information: - 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 Services provided at the Crematorium are a mix of vatable and non-vatable services. Therefore VAT invoicing 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.</p>	<p>4 - High</p>	<p>Raising invoices through the SAP system will ensure invoices are raised on the standard TDBC which includes required VAT information</p>	<p>CAS audit trail, 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>31st December 2016</p>	<p>14.09.16 If initial invoice is to be raised through CAS all VAT issues within CAS need to be sorted. JDL spoken to IAM Consulting (CAS developer). More work to be done. SAP "customers" have been created to enable invoices to be raised from SAP instead of CAS, a number of other aspects have yet to be resolved, creation of "sales offices", training of employees etc.</p>	<p>Hall, Chris;#121</p>	<p>TDBC</p>
<p>TDBC Crematorium and Burial Services Final Report 10.08.16</p>	<p>At point of testing there was £121,413.40 outstanding on invoices prior to April 16. Of these £87,677.90 is owed by one company. Although the overdue debts are followed up by the bereavement manager three main issues were identified which could be contributing to the amount of overdue income: 1. There are no payment terms in place which makes chasing payments difficult if you cannot prove that they are overdue. 2. There are no overdue letter templates in place to be sent out as part of the debt recovery process. 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. 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. For the customer with a debt of £87,677.90. This debt had been chased however the customer was not able to locate the invoice on their system and the Bereavement Manager was unable to confirm the invoice numbers and amounts that had been unpaid. During the testing period a cheque was received for a portion of this debt but a large value is still outstanding. The normal process for TDBC debtors are recorded and monitored through SAP. Unpaid invoices would then be followed up by the AR team. The system in place is not a feeder system and therefore only income is recorded in SAP. It is also unlikely that any old debts will be recorded and reported to JMT as part of the top 20 debtors as they are not captured on SAP.</p>	<p>4 - High</p>	<p>Invoices raised through SAP will be subject to the TDBC debt recovery procedures employed by SWOne. 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 feel 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>31st December 2016</p>	<p>14.09.16 Debt statement (CAS accounts for funerals 01.04.2014 to 31.05.2016 not receipted as at 13.09.16) 2014/15 £4,514.50 (3 x FD) 2015/16 £7,052.00 (5 x FD) 2016/17 £8,124.00 (4 x FD) £19,680.50 outstanding in total. Comprises 32 funerals over 10 individual Funeral Directors. (2 x FD owe £11,500 between them) Crem staff taking positive action to chase these and will discuss with Legal Services if necessary. Other local Crematoria business terms are equal to or less than TDBC 30 day policy. Letter going to all FDs on 16 Sept bringing in 30 day policy for funerals taking place after 1 October.</p>	<p>Hall, Chris;#121</p>	<p>TDBC</p>

TDBC Crematorium and Burial Services Final Report 10.08.16	During testing, the previous audit recommendations were discussed with the Cemetery and Crematorium Manager to identify what progress had been made. There were two priority three recommendations previously and one priority four recommendation regarding replacing the CAS software. None of the recommendations had been completed at point of testing, the Cemetery and Crematorium Manager stated that the procurement of new software had been put back until his replacement was appointed.	4 - High	I recommend that the Assistant Director – Operational Delivery ensures that audit recommendations are completed by the responsible officers.	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.	31st December 2016		Hall, Chris;#121	TDBC
TDBC Disaster Recovery Follow Up Final Report 201617		4 - High	I recommend that the Assistant Director review the Disaster Recovery capabilities provided by SWOne and through review and agreement with Section Heads identify the six critical applications that should be recovered. In addition the capabilities and timeliness of the services provided should be reviewed for appropriateness, and shared with Business Continuity planners in order that their expectations can be adjusted accordingly. Although it is not stated in the Disaster Recovery plan, SWAP understands that the first application could take three or more business days to recover from the time the Disaster is declared to SWOne.	Agreed	March 2015	March 2017 At the point of Southwest One exit, TDBC implemented Dell AppAssure Rapid Recovery. This particular tool improves recovery times for critical systems as well as providing a DR copy of critical data at Chelston. A DR test is planned for Q4 2017.	Carter Paul	TDBC
TDBC DLO Stores	Invoices have been incorrectly processed resulting in items being issued on jobs at the incorrect price.	4 - High	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		Chris Hall	TDBC
TDBC DLO Stores	Authorisation not received in advance of items being sold on eBay.	4 - High	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.	6/6/16		Hall, Chris;#121	TDBC