Taunton Deane Borough Council

Corporate Governance Committee – 19th June 2018

Overdue high priority SWAP Audit Recommendations

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 **16 priority 4** priority actions which are overdue but **zero overdue priority 5** recommendations for Taunton Deane Borough Council.

4.9   A summary of the <u>overdue</u> 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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Audit Report	Finding	Priority	Recommendation	Management Response	Original Implementation Date	Progress Update	AD Responsible	Org
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	**May 18 - WORK IN PROGRESS**: No material progress has been made in the development of a new integrated database to hold all property records. However having invested in CAPITA Open Contractor within Housing it is the preference to use this system for the General Account as the asset database. Atrium will not provide the full functionality that is required (including interface with SAP) and no further action has been taken to load data into Atrium. Action has been taken however to hold asset data changes within a suite of spreadsheets held in folder on a local J Drive. These spreadsheets support the existing data records and provide a work around until a decision is made in the long term viability of Open Contractor.	Paul Carter	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)	**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.	Paul Carter	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	**September 2017** – A number of companies have now been identified and have demonstrated their systems at the crematorium. A scoping document has been created for the replacement system need and has been forwarded to both procurement and I.T. Presently we are awaiting to aee if this will be progressed. Not completed	Hall, Chris;	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.	Richard Sealy	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.	Richard Sealy	TDBC
TDBC Collection Fund 1718 Final Report	There has been no reconciliation carried out between Civica and E5 during the financial year. A reconciliation is being worked on to balance the two systems at year end. The process used to complete this is being created as they work through it. There is no reconciliation procedure in place for this because it is a new finance system and this has not yet been fully defined. The officers responsible for completing the reconciliations are primarily based at West Somerset Council and therefore the knowledge and experience of the E5 system is limited. This has caused additional difficulties in identifying a suitable reconciliation process as they were not clear on the codes used in E5 to reconcile against. Without a reconciliation there is a risk that there will be a delay is signing off the accounts at year end and the financial reporting could be incorrect.	4 - High	We recommend that the Principal Accountant ensures that monthly reconciliations are completed for cash and refunds between E5 and Civica from April 2018.	Agreed	30/4/18	**MAY 2018 - WORK IN PROGRESS**: Currently all invoices are raised on the TDBC finance system manually at the end of each month. The new crematorium system has not yet been procured. Other than one demonstration provided to the old Cemeteries and Crematorium Manager no action was taken on procurement of a replacement system until the new Manager was in post. Demonstrations of at least four industry specific systems have been completed and a detailed Business Requirements Specification document has been produced by the New Cemeteries and Crematorium Manager. This now needs final sign off by IT and procurement and for procurement to send it out for the formal process to begin. This has been delayed due to the transformation project being undertaken by the Council. Although the use of the Councils finance system has put controls in place for a number of the financial weaknesses identified the invoiced information is still being produced originally in the CAS system. The longer the procurement of a new system takes the longer these CAS system weaknesses will be reducing the assurance that all income has been raised in the Councils finance system (Revised Responsible Officer: Cemeteries and Crematorium Manager; Revised Implementation Date: 31/03/18).	Carter Paul	TDBC
TDBC Commercial Rents and Properties 1617 Follow Up Final Report		4 - High	I recommend the Asset Manager ensures a complete and up-to-date central record is maintained in relation to all commercial properties and leases.	The permanent solution is an integrated Asset Management System. A project is already advancing to identify requirements, identify suitable systems and then to procure and implement such a system. This has been and continues to be a complex and lengthy project. The interim solution (if necessary) is to bring together all datasets into Excel and migrate all key data into one spreadsheet.	April 2017	**Mar 18** - System to be implemented. Spreadsheets being maintained for now.	Paul Carter	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	**May 2018** **WORK IN PROGRESS**: Of the three recommendations made in the previous audit none have been completed, all are in progress. Full details for each one is shown later in the report (Revised Responsible Officer: Cemeteries and Crematorium Manger; Revised Implementation Date: 31/03/18).	Hall, Chris;#121	TDBC
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	**September 2017** - The service is currently waiting to see if the procurement for this new system will still take place in the short term. A scoping docement has been completed by the service and is currently with I.T. Once given the autorisation to go ahead with the update for the system we can then identify the best replacement software and implement the change. **Not Complete**	Hall, Chris;#121	TDBC

Report	Finding	Rating	Recommendation	Management Response	Target Date	Update	Officer	Org
TDBC Debtors Final Report 1718	Key Control: Reconciliation of the General Ledger to all material debtors codes Through discussion with the Senior Corporate Accountant, it was established that with the implementation of the e5 financial system, the Finance Team are only just getting to a position to commence various balance sheet reconciliations and an initial meeting to discuss this took place in December 2017. There is a target date of the end of February 2018 to complete all the reconciliations. Therefore, the Finance Team were not in a position to take part in testing at this stage as no reconciliations have been performed to date. If reconciliations are not performed there is a risk that discrepancies/items that do not balance would not be identified and acted upon.	4 - High	We recommend that the Principal Accountant ensures that the monthly balance sheet reconciliations are progressed and completed prior to the financial year-end.	Agreed	31/3/18		Paul Carter	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.	Richard Sealy	TDBC
TDBC Housing Compliance (Gas Safety) Final Report		4 - High	We also recommend that the Property Manager (M&E) ensures that if an LGSR is not received with a defined timeframe a second service is arranged to ensure this is completed.	Agreed. This will become even more dynamic and efficient as we increasingly utilise Gastag job allocation function. Out of the 26 properties identified without a valid LGSR certificate during the audit timespan, allowing more time, there were subsequently 7 properties that we could not identify a valid LGSR certificate for. Of those remaining 7, 5 were completed but paperwork was irretrievable and these properties required re-scheduling. A further 2 also required re-scheduling due to a combination of no access and data quality issues.	31/10/17		Paul Carter	TDBC
TDBC Housing Rents 2016-17 Final Report	We have not been able to test that these stepsare being followed and are unable to place assurance as to the effectivenessof these stages. As can be seen fromthe currenttenant arrears figures shown below, the debt position has increased. This could suggest that recovery processes and monitoring of debts need to be reviewed. However, there could also be an impact as a result of universal credit however without testing we are unable to verify this. Current Tenant Arrears • As at 3 April 2016 - £420,371.94 • As at 26 March 2017 - £538,716.21 We were able to see evidence of recovery records outlining current progress on each tenant's arrears for one Estate Officer – however these records have not been assessed for accuracy. A previous audit finding identified that debt recovery processes did not have full up to date system notes despite ongoing recovery actions, as we have not been able to complete testing in this area we have not been able to give assurance that the recommendation to remind staff has been implemented effectively. A recommendation has been made under 2.2a to reflect record keeping.	4 - High	I recommend that the Housing Services Lead ensures there is a clear line of responsibility for the management of current tenant arrears. Responsible officersshouldbe responsible for the recovery processes and management of arrears across all Housing stock.	Agreed	September 2017		Simon Lewis	TDBC

TDBC Open Spaces External Clients Final Report 16 17	Debt Management Process The level of aged debt is very high, the grounds maintenance debt is the second highest in the council following S106 debt. As at 29 March 2017, the amount of debt over 30 days was £108,021 (£25,000 of this is over a year overdue). This is a slight increase from a previous report provided as at 31 October 2015 which showed overdue debt was at £97,075. Since the return of services from South West One in December 2016, debt management has been assigned to the Assistant Technician to complete. The process to be followed should be the Council's Debt Management Policy, however this is not currently being followed. The Assistant Technician did not appear sure of the actual process to be followed and indicated that debts were not passed to legal if non-payment continued beyond a set point. Guidance and training for staff involved in the debt management process now services have returned from South West One would be essential to ensuring that processes are well managed and may prevent the debt position from increasing. The Open Spaces debts are currently not being chased until they are 60 days overdue for payment. The Open Spaces Manager informed us that this is a deliberate process in order to manage a known backlog of aged debts. When chasing debts there will be delays while queries raised are investigated and resolved. Depending on the query type this can take time to resolve and push the age of the debt up. There is also a risk that evidence needed to resolve queries has been lost or misplaced in the time between causing further delays. Debts should be chased much earlier, the Debt Management Policy states that the first chase would be no more than two weeks after the due date at the latest. The earlier queries can be identified and resolved, the greater likelihood that payments will be received and the aged debt position improved. The debt recovery processes currently being followed are not backed up with any centralised record although the Assistant Technician keeps a copy of the aged debt report with comments of the progress made and status of the invoices, this is not available to all staff. This record kept in her network folder and only shows information for the debts she has chased. Without a centralised record of action taken there is a risk that not all debts are being chased. There is also no detail available to inform staff of those debts needing a chase if an officer is off sick or on annual leave. There is a risk that without following a set policy and keeping a record of all action taken that the level of debt could keep increasing and the service becomes unsustainable as income is not being received.	4 - High	I recommend that the Open Spaces Manager ensures the following: • The Corporate Debt Policy is adhered to with outstanding debts being pursued from two weeks after the due date • Training on debt management and recovery is offered to those officers undertaking this role – ensuring that staff are aware of the importance of record keeping should a legal process need to be followed.	Agreed – however there is currently backlog that is being prioritised and efforts will be made to reduce the number of days going forward and target 14 days from October. Other points can be undertaken from May.	31/10/17		Chris Hall	TDBC

Report	Finding	Priority	Recommendation	Management Response	Date		Responsible Officer	Council
TDBC WSC Discretionary Housing Payments_ Final_2017-18	All TDBC and WSC applications for DHP are processed by the Discretionary Payments and Welfare Reform Officer. Cover is not provided by another officer when the Discretionary Payments and Welfare Reform Officer is on leave. The Council aims to process applications for Discretionary Housing Payments and notify applicants in writing of the decision made within fourteen days of receipt of the application being received. This is not an official target and is therefore not monitored. If the unofficial target of processing, deciding upon and notifying the applicant of a Discretionary Housing Payment within fourteen days is not made official and monitored there will be no measure of success. It will also be more difficult to identify peaks, troughs and anomalies related to processing. Out of the sample of twenty applications reviewed (ten each for TDBC and WSC) nine applications (45%) took longer than fourteen days to decide upon. When analysed further by each Council out of the ten applications tested for TDBC, six (60%) took longer than fourteen days to decide upon, the shortest of these took 25 days and the longest 54 days. At WSC three applications (30%) took longer than fourteen days to decide upon, the shortest of these took 24 days and the longest 47 days. The reason for the delays in deciding upon these applications were looked into and it was established that these include but are not restricted to in April 2017 the Discretionary Payments and Welfare Reform Officer took two weeks annual leave. With the addition of bank holidays this extended her absence from work. It took three months to catch-up with all outstanding applications. While it is acknowledged that having one officer deal with Discretionary Housing Payments can ensure a consistent approach is applied it creates backlogs during times of absence. It is also appreciated that all awards are 'discretionary', however if the Council takes, what could potentially be viewed as an unreasonable length of time to decide upon an application, this could place the applicant in financial hardship to the extent that they cannot meet their rent payments, which in turn may affect their emotional and physical wellbeing. As a consequence, customer expectations are not met which impacts on the Council's reputation.	4 - High	We recommend that the Principal Benefits Officer ensures that: The 14 days notification period includes a statement, 'or as soon as reasonably practicable thereafter'.	On review of future policy we may need to look at what is a reasonable timescale for dealing with a DHP. I recognise the balance between a timely award and the vulnerability of the customer. However the nature of our customer has changed. All universal credit customers making their initial claim will have a wait of more than 1 month. For these claims where we receive a discretionary application we are not legally bound to make a decision even if it meant overrunning the 14 day timescales. For renewals of a DHP again many of these are submitted well ahead of time – the DHP and Welfare Reform Officer will monitor and manage the prioritisation of these. One recommendation I will make to the Discretionary Payments and Welfare Reform Officer is to consider the award period and to ensure the review period is spread throughout the year – this will minimise peaks and troughs. Each case is treated individually and as far as I am aware we have received no complaints from our customers due to delays in making an award. I recognise we have only 1 officer responsible for the administration of DHP's and this will have an impact when she is taking leave – this is not ideal but the structure determines she is the responsible officer. I may discuss if there are opportunities outside of the structure to support an officer to carry out these duties. This may be more pertinent as we look to maximise our spending through proactive review activity.	31/3/18		Paul Carter	BOTH
TDBCWSC User and Access Management Final Report	Removal of Audit Trail WSC AD users are removed from the directory after a varying length of time, usually 6 months. Other sub-systems such as Acolaid and Northgate also follow the same pattern. This means that their audit trail is also removed. In the event of a dispute or investigation in the future, absence of audit trail would mean resolution is difficult. There is also a requirement to keep audit trail for some transactions under Data Protection legislation. This risk will be made greater in the future when potentially a single point of access will become the norm.	4 - High	The Assistant Director ensures accounts are suspended, not delete until necessary audit trail is no longer required. Guidelines should be created which reflects these requirements and system administrators instructed to follow it.	On the assumption that this finding applies to individual business systems access rather than AD accounts, a 6 monthly review will be carried out of all system accounts, with the individual system owners being required to authorise on going access.	30/04/17		Sealy, Richard;#108	TDBC