

**INTERNAL AUDIT PROGRESS REPORT – JUNE 2017**

**1. Purpose**

To receive the Internal Audit Progress Report of activity undertaken in line with the 2016/17 internal audit plan.

**2. Recommendations**

|   |
|---|
| 2.1 The committee is recommended to note the progress report. |
|---|

**3. Supporting information**

3.1 This report provides an update on the progress made against the 2016/17 Internal Audit Plan and includes information on:

- Summary of internal audit reviews completed and in progress.
- Overdue recommendations and follow up work
- 2017/18 internal audit plan and resource

3.2 The Committee requested that all internal audit reports are presented in full. These are included in Appendix 3.

**4. Reasons for Recommendations**

4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

**5. Resource Implications**

5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724  
Background papers: none



# **Internal Audit Progress Report**

June 2017

## Contents





|   |    |
|---|----|
| 1. Activity and progress .....  | 3  |
| Final reports issued since the previous Committee meeting.....          | 3  |
| 2016/17 internal audit plan work in progress.....                       | 5  |
| 2. Overdue recommendations and follow up work .....                     | 6  |
| 3. 2017/18 internal audit plan and resource .....                       | 7  |
| Appendix 1: Internal audit opinion and classification definitions ..... | 8  |
| Appendix 2: Internal audit plan and progress tracker .....              | 10 |
| Appendix 3: Internal audit reports .....                                | 12 |

# 1. Activity and progress

The 2016/17 internal audit plan was approved by the Audit Committee in March 2016. A summary of the plan is included in Appendix 1. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

Work has not yet started on reviews identified in the preliminary audit plan for 2017/18 agreed with the Audit Committee in March 2017. Further updates on the plan and progress will be shared at the July meeting.

## Final reports issued since the previous Committee meeting

| <i>Name of review</i>        | <i>Conclusion*</i> | <i>Date of final report</i> | <i>No of recommendations made*</i>  |   |   |   |
|------------------------------|--------------------|-----------------------------|---|---|---|---|
|                              |                    |                             |  |  |  |  |
|                              |                    |                             | <b>Critical</b>   | <b>High</b>   | <b>Medium</b>   | <b>Low</b>  |
| Accounts Payable             | Low                | 31 May 2017                 | -   | -   | -   | 3   |
| Council Tax & Business Rates | Low                | 31 May 2017                 | -   | -   | 1   | 2   |
| Contract Management          | Medium             | 31 May 2017                 | -   | -   | 3   | -   |
| Safeguarding                 | Medium             | 31 May 2017                 | -   | 1   | 1   | 1   |

*\* See Appendix 1 for the basis for classifying internal audit findings and reports.*

The full reports are attached in Appendix 3 and summarised below:

### Accounts Payable

Much work has been done to improve processes and controls relating to accounts payable since the prior year “high risk” internal audit report. Overall the controls in place are operating well in particular the work-flow to enable “three-way match” on the ledger system is set up and being utilised effectively. There has also been more robust monitoring of monthly performance information and this has led to a significant improvement in the speed of invoice payments and ensuring invoices received are connected to an approved Purchase Order.

We identified 3 low risk findings:

- Corporate credit card expenditure is not always supported by receipts and the expenditure is not promptly coded on the ledger system.
- Purchase orders and commitments are currently only assessed at the year-end. Best practice would be to perform this review on a quarterly basis to better support

decision making and assess future commitments. In addition, further work is still required to phase financial commitments for multi-year contracts over the life of the contract.

- Monthly key performance indicators should be expanded and reported to the Strategic Finance Manager.

### **Council Tax & Business Rates**

This report is classified as Low Risk. We raised one medium risk relating to control weaknesses around validating evidence provided when applying Council Tax discounts and inadequate follow up to assess whether the discount is still applicable.

Two low risks findings relate to:

- Collection rates of prior year arrears that are in arrangement are not reported and no write off procedures have been undertaken.
- No active monitoring of Valuation Office properties in temporary or no valuation (prior year finding re-raised).

After completion of our audit work but before finalising the report, the Council sent out the annual Council Tax letters. The original letters contained a numerical error in the precept calculation and whilst the error did not affect the final tax bill calculation for householders, the letters had to be resent to homes across the Vale at a cost of £24,000. We reviewed this issue and consider it to be a “one-off” oversight and not reflective of systematic failures in the annual council tax billing process. The Council should learn lessons from this and ensure that the review process for letters is robust to identify any errors in future.

### **Contract Management**

The review focused on the monitoring procedures for two of the Council’s contracts which are of significant importance both to the Council’s reputation and finances; Everyone Active (who manage two leisure centres) and Ambassador Theatre Group (ATG) (who manage the theatre). Arrangements are in place to ensure regular contract management takes place via monthly/quarterly meetings which hold contractors to account against conditions set out in agreed contracts.

We identified three medium risk areas of weakness which need to be addressed to strengthen the contract management control environment:

- Action plans post contract management meetings need to be documented more clearly and performance reports for scrutiny should be timetabled to ensure the Council receive them with sufficient time to scrutinise them
- There are no documented risk registers for either contract and no shared risk register in place to clearly identify responsible owners and mitigating actions for financial and reputational risks

- There is inadequate scrutiny of contractor reported information back to source evidence and the Council currently does not receive and/or have access to information which can be readily provided by contractors

## **Safeguarding**

This report is classified as Medium Risk.

The compliance rate for completion of the mandatory level 1 e-learning module during the past five years is 13% which, compares poorly to other councils with compliance rates above 90%. It should be noted that the Council's system has not been correctly recording when a staff member has completed their e-learning module so the actual completion rate is likely to be higher, but it is still expected to be low and has not been monitored.

The Council's safeguarding team previously discussed safeguarding matters in regular internal meetings but these meetings have not taken place for over a year, this is in part due to the Council wide restructure and staff changes. We also noted that many of the safeguarding related policies such as Whistle-blowing, Safeguarding Guidance, and Disciplinary policies have not been reviewed for more than three years.

There are inconsistencies over whether background checks are undertaken during the recruitment process for identical roles. The central log to record and follow-up background checks undertaken does not record important data such as when the background check was undertaken.

The Section 11 document that was submitted to the Buckinghamshire County in April 2017 is now not reflective of the Council's position post this review; this should be updated and re-submitted in the spirit of openness and transparency.

There have been changes to the Safeguarding Lead and Officer in the past few months and therefore the requirements of these roles are new. Now that the Council has these staff in place and along with this report, new impetus should ensure the control environment can be strengthened by the end of year.

### **2016/17 internal audit plan work in progress**

As at the date of preparing this report the following reviews are in progress:

| <i><b>Name of review</b></i>   | <i><b>Update on progress</b></i>  |
|--|---|
| Debt Recovery  | In response to internal audit recommendations arising from 2015/16 reviews, a project is underway to review the Council's strategic approach to debt management. Work is ongoing and the project board is monitoring progress via monthly meetings. This is not an assurance review and IA is supporting in an advisory capacity. |
| An update will be provided along with the Accounts Receivable internal |   |

| <i>Name of review</i> | <i>Update on progress</i>                                     |
|-----------------------|---|
|                       | audit report at the July 2017 meeting of the Audit Committee. |
| Accounts Receivable   | Work completed and report being prepared                      |
| Service Charges       | Work completed and report being prepared                      |

## ***2. Overdue recommendations and follow up work***

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

### **Update on financial systems**

Actions identified in the 2015/16 Accounts Payable and Council Tax & Business Rates internal audit reports have been followed up as part of the current year reviews included in this report. The actions identified supersede those from last year. Implementation of actions will be followed up and reported appropriately.

The Audit Committee will receive the results of the Accounts Receivable audit at the next meeting.

### **Overdue recommendations**

No recommendations have passed three months of their implementation date. A recommendation tracking tool needs to be developed to easily capture and report internal audit actions. This will be considered as part of the Business Intelligence Project.

### **3. 2017/18 internal audit plan and resource**

As part of the Commercial AVDC restructure, the Council’s model for the provision of internal audit was reviewed. To achieve the Council’s objectives the preferred model for delivery is a co-source arrangement with a retained Head of Internal Audit position, fulfilled by the Corporate Governance Manager, and buying-in resource to deliver the annual internal audit work programme. This model allows for the flexibility, insight and innovation achieved through using external suppliers who work with a range of other public and private sector organisations, and also retains the desired level of proximity to the issues and knowledge of AVDC.

Since the last Audit Committee meeting, this proposal has been approved and work has started to develop the scope of work and tender to procure the internal audit service. This is likely to be for a three year term, with options to extend.

Between now and the time at which a contract can be procured, we will continue to engage the services of BDO Internal Audit.

#### **2017/18 internal audit plan**

The internal audit plan for 2017/18 will be fully developed once the organisational structure has been agreed and this plan will come to the July Audit Committee meeting for approval.

During Q2 of 2017/18 the following reviews are planned.

| <b><i>Name of review</i></b>                | <b><i>Description</i></b>  |
|---|--|
| Company Governance                          | Review of governance arrangements over the Council’s owned or part owned companies: Aylesbury Vale Estates and Vale Commerce   |
| Commercial AVDC Programme/Project Assurance | Review focusing on the programme and project governance arrangements of the transformation programme including status of implementation of actions identified in the “critical friend” review. |
| Audit recommendation follow-up              | Follow up on the implementation of actions identified in internal audit reports  |



# ***Appendix 1: Internal audit opinion and classification definitions***

## **Individual reviews - Basis of classifications**

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                |
|-----------------|-----------------------|
| Critical        | 40 points per finding |
| High            | 10 points per finding |
| Medium          | 3 points per finding  |
| Low             | 1 point per finding   |

| Report classification |               | Points             |
|-----------------------|---------------|--------------------|
| ●                     | Critical risk | 40 points and over |
| ●                     | High risk     | 16– 39 points      |
| ●                     | Medium risk   | 7– 15 points       |
| ●                     | Low risk      | 6 points or less   |

Individual findings are considered against a number of criteria and given a risk rating based on the following:

| Finding rating  | Assessment rationale  |
|-----------------|---|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [<b>quantify if possible = materiality</b>]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>  |

## Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016. Progress and changes are reported below.

| Review                          | Description   | Status/Comment  | Risk Rating |
|---------------------------------|---|---|-------------|
| General Ledger                  | Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)       | Complete  | Medium      |
| Payroll                         |   | Complete  | Low         |
| Accounts Receivable             |   | In progress   |             |
| Accounts Payable                |   | Complete  | Low         |
| Treasury                        |   | Complete  | Medium      |
| Fixed Assets                    |   | Complete  | Medium      |
| HR - Recruitment                | Review recruitment processes and controls   | Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 2017/18.   | Defer       |
| Electoral & Democratic Services | Deferred from 15/16. Roll out of ModGov – review processes post implementation  | Implementation has gone well so far but not yet using full functionality. This is being considered as part of the Business Review. IA to consider once review has concluded.                          | Defer       |
| Contract Management             | Review of contract performance monitoring processes and controls  | Complete  | Medium      |
| Budget Management               |   | Complete  | Low         |
| Information Governance          | Information governance effectiveness review.  | Internal Audit has supported work on the Information Management Strategy and review of the IGG Terms of Reference. Further internal audit work will be considered as part of the 2017/18 annual plan. | N/A         |
| Health & Safety                 | Compliance with OHSAS18001; review of H&S Management System   | Audit deferred until H&S Officer is in post and Management systems are in place – Consider as part of the 2017/18 annual plan   | Defer       |
| Safeguarding                    | Review pre Sec 11 audit. Also consider vulnerable adults.   | Complete  | Medium      |
| Debt Recovery                   | Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams. | Work commenced July 2016 to support review of processes. This is IA advisory work.  | N/A         |
| My Account                      | Review security of payments, information and interfaces with other systems  | Not considered a key risk area for focus at this time.  | Remove      |

|   |   |   |                |
|---|---|---|----------------|
| Good Governance Framework for Local Government                    | Review compliance with new CIPFA code and implications for AGS 16/17  | CIPFA framework has been published and AGS prepared on this basis. Review of governance arrangements is ongoing.  | Ongoing        |
| Risk Management   | Continuous assurance over risk management process   | Corporate risk register reviewed and reported to Audit C'ttee.  | Ongoing        |
| Enterprise zones  | Processes governing management of E Z partnerships  | Not considered a key risk area for focus at this time.  | Remove         |
| Housing benefits  | Review of controls to ensure benefits are issued accurately and timely  | Complete  | High           |
| Council Tax & Business Rates                                      | Review of key controls around issue of bills and the calculation and collection of funds  | Complete  | Low            |
| Estates – Service Charges   | Basis for and calculation of service charges, collection processes  | In progress   |                |
| Business Reviews  | Ongoing   | Internal audit has supported Commercial AVDC reviews: <ul style="list-style-type: none"> <li>• Procurement &amp; Contract Management</li> <li>• Business Intelligence</li> <li>• Financial Systems and Processes</li> </ul> | Completed      |
| Vale Lottery  | The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.                           | Complete  | Low            |
| <b>Additional reviews agreed in response to identified risks:</b> |   |   |                |
| Company Governance – Aylesbury Vale Broadband                     | Review of the Council's governance arrangements over its investments in commercial companies. The first review focussed on AVB, subsequent reviews will consider AVE and Vale Commerce. | Complete – reported in March 2017   | N/A - Advisory |

## ***Appendix 3: Internal audit reports***

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Accounts Payable
2. Council Tax & Business Rates
3. Contract Management
4. Safeguarding



## Internal Audit Report 2016/17

### Accounts Payable

May 2017

FINAL



# Contents

|   |          |  |
|---|----------|--|
| <b>1. Executive summary</b>                                     | <b>2</b> | This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation. |
| <b>2. Background and Scope</b>                                  | <b>5</b> |  |
| <b>3. Detailed findings and action plan</b>                     | <b>6</b> |  |
| Appendix 1. Finding ratings and basis of classification         | 11       |  |
| Appendix 2. Terms of Reference                                  | 13       |  |
| Appendix 3. Management Information – Key Performance Indicators | 14       |  |
| Appendix 4. Follow-up of Previous Recommendations               | 15       |  |

## Distribution List

|                 |  |
|-----------------|--|
| For action      | Income Manager                               |
|                 | Strategic Finance Manager                    |
| For information | Andrew Small – Director, Section 151 Officer |
|                 | Audit Committee                              |

# 1. Executive summary

| Report classification* | Total number of findings |      |        |     |          |
|------------------------|--------------------------|------|--------|-----|----------|
|                        | Critical                 | High | Medium | Low |          |
| Low risk (3 points)    | Control design           | -    | -      | -   | 1        |
|                        | Operating effectiveness  | -    | -      | -   | 2        |
|                        | <b>Total</b>             | -    | -      | -   | <b>3</b> |

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Low Risk. We have issued 3 low risk findings. Much work has been done to improve processes and controls relating to accounts payable since the prior year “high risk” internal audit report.

Overall the controls in place are operating well in particular the work-flow to enable “three-way match” on the ledger system is set up and being utilised effectively. There has also been more robust monitoring of monthly performance information and this has led to a significant improvement in the speed of invoice payments and ensuring invoices received are connected to an approved Purchase Order. We did however note issues with receipts not being attached to all corporate credit card expenditure and the expenditure relating to these transactions not being allocated to a ledger code in a timely manner. Without receipts it does not allow the Council to readily justify credit card expenditure being valid and reasonable.

Currently the Council undertakes a year-end process to review all purchase orders that have not been matched against an invoice and determine whether the PO should be cancelled, accrued in the current year or reflected in the subsequent year. Best practice would be to perform this review on a quarterly basis to better support decision making and assess future commitments. In addition, further work is still required to phase financial commitments for multi-year contracts over the life of the contract.



With regards to performance indicators, whilst significant improvement has been made, the suite of indicators should be expanded and formally reported to the Strategic Finance Manager to ensure there is sufficient oversight and scrutiny of performance.

### **Summary of findings**

- Corporate credit card expenditure is not always supported by receipts and the expenditure is not promptly coded on the ledger system (Low – Finding 1).
- Purchase Orders and commitments are currently only assessed at the year-end which impedes decision making during the year. Further work is still required to phase financial commitments for multi-year contracts over the life of the contract (Low – Finding 2).
- Monthly key performance indicators should be expanded and reported to the Strategic Finance Manager (Low – Finding 3).

### **Good practice noted**

- Following the prior year audit, the Council has updated the Financial Regulations and Procedures to provide the framework for managing the authority's financial affairs in line with standards.
- A report monitoring all changes made to bank details is run from Tech1 and reviewed by the Income Manager at the end of each week.
- Appropriate evidence is obtained to support changes made to existing suppliers standing data in line with Council procedures.
- Purchase orders were present for a sample of invoices tested. All PO's are raised through the Tech1 workflow system and authorised by line managers. Where goods are received, this is noted on TechOne. The Council now operates a 'no purchase order, no pay' policy whereby if an invoice is received by a third party and a corresponding purchase order has not been raised, the Council will not pay the invoice until a purchase order has been raised and authorised. All invoices tested within our sample were paid within 30 days of receipt.

### ***Management comments***

Much work has been done following last year's internal audit report to strengthen the payables process. We welcome the three low risk findings and agree

with the recommendations and actions proposed.

## ***2. Background and Scope***

### *Background*

Accounts Payable is managed through their main financial system, TechOne. The Accounts Payable Team set up new customers, make changes to accounts, process payments with valid purchase orders. Budget holders are responsible for approving purchase requisitions, purchase orders and receipting goods/services prior to payment.

The activities within accounts payable are underpinned by the Council's financial instructions.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including a review of the use of corporate credit cards, the payment run process and change controls for changes made to supplier bank details. We reviewed the Council's procedures for raising a new supplier and a sample of payments made to supplier.

Our testing in these areas included:

- Testing a sample of 5 new/existing supplier forms raised, reviewed and inputted appropriately and accurately
- Correct use of credit cards, receipting and approval. Declaration forms authorising the use of credit cards
- Testing a sample of 10 transaction entered, obtaining purchase order forms, invoices and confirmation of the goods received
- Review the procedures around amending supplier bank details on TechOne. Obtaining appropriate supporting evidence for a sample of changes.

This does not represent a comprehensive list of tests conducted.

### ***3. Detailed findings and action plan***

#### ***1. Corporate credit card expenditure is not always supported by receipts – Operating effectiveness***

##### *Finding*

As at 1 May 2017 there are 44 active corporate credit cards within the Council. An average of £12,000 is purchased on corporate credit cards in any given month. Corporate credit cards are available to all operational and managerial staff; in order to apply for a credit card a declaration form must be signed by the applicant and also approved by the individual's line manager. All corporate credit cards have an initial base limit of £2,500 however, these limits can be increased or decreased upon management discretion. The current limits on corporate credit cards range from £2,500 to £20,000.

At the end of the month, all purchases are posted from the Council's Lloyds Bank credit card statement to TechOne. An email is automatically sent to the card holder to require them to allocate a cost centre and expenditure code to the transaction. The card holder must upload a receipt to provide evidence of the purchase prior to approval by the cost centre manager.

##### Receipts

We reviewed a sample of 10 purchases made by credit cards from 1 April to 30 October 2016 and found 2/10 transactions did not have a receipt or a valid explanation for not attaching the receipt. A further 3/10 purchases were classified as VAT re-coverable, however, the incorrect receipt type was attached.

##### Allocation of Expenditure

There have been instances where credit card holders have not assigned an expenditure code to a transaction. A report is run by the credit card officer to review all transactions that have not been allocated to an expenditure code, followed by a reminder email to all staff with unaccounted transactions. The procedure notes, last updated November 2016, do not contain a timeframe in which credit card holders are expected to upload receipts and assign an expenditure code. This has led to card holders completing these actions as and when they want and often in an untimely fashion. Should card holders appear on the report of outstanding unassigned transactions three times in a year, they must meet with the credit card officer and discuss the issue and agree actions to stop future reoccurrences.

| <i>Risks / Implications</i>                                  |   |                                   |
|--|---|-----------------------------------|
| Invalid, unauthorised expenditure. Inability to reclaim VAT. |   |                                   |
| <i>Finding rating</i>  | <i>Action Plan</i>  |                                   |
| Low  | <ul style="list-style-type: none"> <li>Remind all credit holders of the importance of attaching receipts to purchases, with the need for a suitable explanation for any transactions not supported with a receipt. Credit card holders that continually do not attach receipts should be suspended from using their corporate credit cards for a limited time period and cards cancelled if issues continue.</li> <li>Remind approvers to review receipts and ensure these are in line with the procedures for the type of transaction, i.e. standard receipt for non-VAT items and VAT receipts for VAT inclusive items. Purchases where a VAT receipt is required, but not attached, should not be approved unless a justification has been included in the comment box.</li> <li>Update procedure notes to include a time-frame detailing when staff are expected to upload a receipt and assign an expenditure code. Roll out the new procedures to all credit card holders, highlighting the repercussion for appearing on the 'exception list' three times in 12 months.</li> </ul> | <i>Responsible person / title</i> |
|  |   | Strategic Finance Manager         |
|  |   | <i>Target date</i>                |
|  |   | June 2017                         |

## 2. Future purchase commitments are not regularly assessed – Operating effectiveness

### Finding

Prior to the financial year end close the Finance team is required to review all purchase orders that have not been matched against an invoice and communicate to the affected teams whether the PO in question is a pre commitment which is to be adjusted and reflected in the current or subsequent financial year or whether the PO is required to be cancelled. Finance will then either adjust the PO to be reflected within the current or subsequent financial year or the PO will be cancelled from the TechOne system. Currently this process happens at year-end principally driven by the need to ensure accruals are correctly recorded in the Council’s financial statements.

It is good practice that a regular review of Purchase Orders against which an invoice has not been raised takes place as it allows the Council to understand the level of commitments it has which can support effective budget management and financial stewardship.

In the 2015/16 internal audit report we noted that “future commitments” in TechOne included £20 million relating to multi-year contract commitments. At that time it was not possible to phase the contract spend in TechOne. This work is still outstanding and a manual process is required to review each contract and update the expenditure profile over the life of the contract.

### Risks / Implications

Inability to effectively manage future commitments. Poor budget management.

### Finding rating

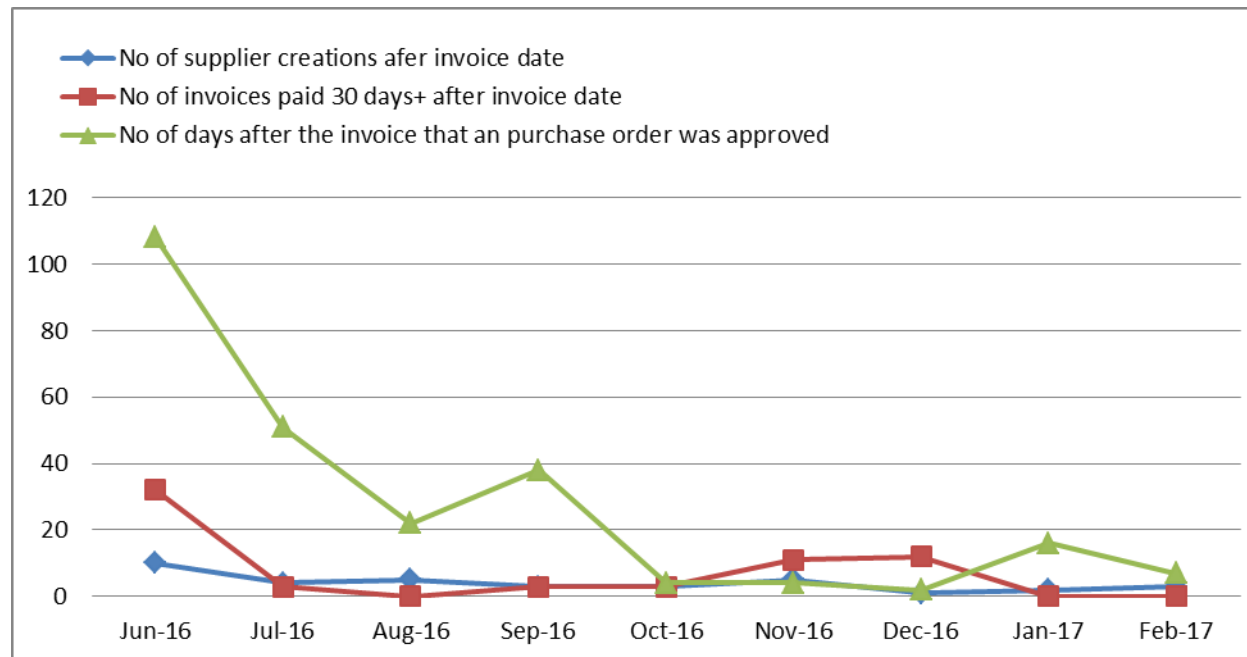
### Action Plan

|     |   |                                   |
|-----|---|-----------------------------------|
| Low | <ul style="list-style-type: none"> <li>The current year-end Purchase Order and commitment review process should occur on at least a quarterly basis.</li> <li>Multi year contract expenditure should be appropriately recorded and phased over the life of the contract to enable future financial commitments to be assessed.</li> </ul> | <i>Responsible person / title</i> |
|     |   | Income Manager                    |
|     |   | Contracts Manager                 |
|     |   | <i>Target date</i>                |
|     |   | TBC                               |

### 3. Insufficient indicators are assessed and not reported to Finance – Control design

#### Finding

Key Performance Indicators are a useful tool which aid in evaluating how effectively the Council is achieving targets and objectives. Since June 2016 the Income Manager has produced monthly management information which has helped to improve performance for example, in June 2016 there were 110 purchase orders which were approved after an invoice had been received, compared to recent months when there are very few. This also follows the introduction of the “No P.O., no pay” policy. Every month the Income Manager emails individuals if an exception was identified and this process has proven to work as all three indicators are now performing well – see the graph below.



The above graph demonstrates the improvements that can be made by monitoring and undertaking action on monthly indicators; by continuing to only monitor the current set of performance indicators other opportunities for improvement and efficiency savings might be missed. The Council should::

- Expand the suite of indicators assessed monthly – please see Appendix 3 for examples of other indicators, used at other Councils, which could be

considered

- Report the indicators to the Strategic Finance Manager.

*Risks / Implications*

Opportunities for improved compliance and greater financial efficiencies might be missed.

*Finding rating*

*Action Plan*

Low

- Expand the key performance indicators and assess the performance of these monthly. This will be considered as part of the “In-phase” business intelligence project.
- The performance should be reported to the Strategic Finance Manager to ensure they have oversight of trends and performance. The Income Manager should continue to take action on poor performing indicators.

*Responsible person / title*

Income Manager

Strategic Finance Manager

*Target date*

July 2017 – Develop suit of KPIs

Ongoing – Analyse KPIs and report/discuss monthly



## Appendix 1. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                |
|-----------------|-----------------------|
| Critical        | 40 points per finding |
| High            | 10 points per finding |
| Medium          | 3 points per finding  |
| Low             | 1 point per finding   |

| Overall report classification |               | Points             |
|-------------------------------|---------------|--------------------|
| ●                             | Critical risk | 40 points and over |
| ●                             | High risk     | 16– 39 points      |
| ●                             | Medium risk   | 7– 15 points       |
| ●                             | Low risk      | 6 points or less   |

### Individual finding ratings

| Finding rating  | Assessment rationale   |
|-----------------|--|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [quantify if possible = materiality]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>   |

## Appendix 2. Terms of Reference

The key risks and objectives agreed in the Terms of Reference are set out below.

| Sub-process             | Risks  | Objectives   |
|-------------------------|--|--|
| Policies and procedures | Inadequate financial regulations, policies and procedures to support the payables function | <ul style="list-style-type: none"> <li>• Policies and procedures in place to support accurate, complete and timely transactions</li> </ul>                                 |
| Access                  | Data may be amended without appropriate approval   | <ul style="list-style-type: none"> <li>• Access to systems managed appropriately</li> </ul>  |
| Change controls         | Incorrect payments to new and existing suppliers   | <ul style="list-style-type: none"> <li>• New and existing supplier change controls are appropriate to ensure accurate and complete changes to supplier accounts</li> </ul> |
| Transactions entered    | Payments made to fraudulent invoices   | <ul style="list-style-type: none"> <li>• Transactions are raised, approved and paid in an accurate, complete and timely manner</li> </ul>                                  |
| Management Information  | Accounts payable performing at an unacceptable level without oversight                     | <ul style="list-style-type: none"> <li>• Management information is reported and key performance indicators are assessed to monitor activities undertaken</li> </ul>        |
| Payment Run             | Inaccurate payments made   | <ul style="list-style-type: none"> <li>• Procedures in place to confirm the validity of data and approval of payment runs</li> </ul>                                       |
| Purchase Cards          | Fraudulent payments made without appropriate oversight                                     | <ul style="list-style-type: none"> <li>• Credit card payments are monitored, verified and approved to ensure accuracy and validity of transactions</li> </ul>              |

## Appendix 3. Management Information – Key Performance Indicators

We have included a list of key performance indicators relating to the payables function and examples of useful monitoring schedules.

### Accounts Payable Key Performance Indicators

- Invoices processed per FTE
- Processing cost per supplier invoice
- % of invoices with Purchase Order
- % of invoices paid within agreed payment terms
- Total cost of the Accounts Payable process per £1,000 revenue
- Total cost of the Accounts Payable process per £1,000 purchases
- Total number of active vendors in the Masterfile per £1,000 purchases
- % of invoices under query
- % of low value invoices (less than £x)
- % of invoices received electronically
- % of invoices paid electronically
- % of prompt settlement discounts that are taken
- % of time spent resolving queries
- Number of duplicate supplier accounts as a % of total

|                                  |                  |              |
|----------------------------------|------------------|--------------|
| Period from:                     | 201601           |              |
| Period to:                       | 201606           |              |
|                                  |                  |              |
| <b>Category</b>                  | <b>No of POs</b> | <b>Ratio</b> |
| PO Raised Before Invoice Arrival | 2,046            | 77.97%       |
| Retro-PO                         | 578              | 22.03%       |
| <b>Total:</b>                    | <b>2,624</b>     |              |

| Type          | YTD / Full Year Totals |             |                   |             |
|---------------|------------------------|-------------|-------------------|-------------|
|               | Count                  | %           | Value (£'000)     | %           |
| NON_PO        | 677                    | 28%         | -2,064,334        | 50%         |
| PO            | 1,636                  | 68%         | -2,022,537        | 49%         |
| Utility       | 95                     | 4%          | -43,070           | 1%          |
| <b>Total:</b> | <b>2,408</b>           | <b>100%</b> | <b>-4,129,940</b> | <b>100%</b> |

| Supplier Payment Terms           | Invoice Due Date vs Invoice Payment Date |               |               |               |
|----------------------------------|--|---------------|---------------|---------------|
|                                  | In Time                                  | Over Due      | Total         | % Over Due    |
| Pay within 0 days from inv date  | 32                                       | 4,641         | 4,673         | 99.32%        |
| Pay within 14 days from inv date | 308                                      | 2,843         | 3,151         | 90.23%        |
| Pay within 15 days from inv date | 10                                       | 35            | 45            | 77.78%        |
| Pay within 21 days from inv date | 25                                       | 50            | 75            | 66.67%        |
| Pay within 28 days from inv date | 15                                       | 34            | 49            | 69.39%        |
| Pay within 30 days from inv date | 1,847                                    | 7,432         | 9,279         | 80.09%        |
| <b>Total:</b>                    | <b>2,237</b>                             | <b>15,035</b> | <b>17,272</b> | <b>87.05%</b> |

| Classification | 201601     |                |                     |                | 201602     |                |                     |                |
|----------------|------------|----------------|---------------------|----------------|------------|----------------|---------------------|----------------|
|                | Count      | %              | Value               | %              | Count      | %              | Value               | %              |
| Per Email      | 795        | 97.67%         | 2,361,996.24        | 98.03%         | 751        | 95.18%         | 1,850,968.47        | 94.69%         |
| Per Post       | 19         | 2.33%          | 47,496.90           | 1.97%          | 38         | 4.82%          | 103,805.17          | 5.31%          |
| <b>Total:</b>  | <b>814</b> | <b>100.00%</b> | <b>2,409,493.14</b> | <b>100.00%</b> | <b>789</b> | <b>100.00%</b> | <b>1,954,773.64</b> | <b>100.00%</b> |

| Classification | 201607 |         |       |         | 201608 |         |       |         |
|----------------|--------|---------|-------|---------|--------|---------|-------|---------|
|                | Count  | %       | Value | %       | Count  | %       | Value | %       |
| Per Email      | 0      | #DIV/0! | -     | #DIV/0! | 0      | #DIV/0! | -     | #DIV/0! |
| Per Post       | 0      | #DIV/0! | -     | #DIV/0! | 0      | #DIV/0! | -     | #DIV/0! |

## Appendix 4. Follow-up of prior year recommendations

As part of this review, we followed up on the four recommendations raised in the previous Accounts Payable internal audit report.

| # | Finding   | Agreed Action   | Original Date                                  | Action Taken  | Complete |
|---|---|---|--|---|----------|
| 1 | <p>Robust processes to ensure that changes to supplier bank details are legitimate are essential for the purposes of preventing fraud and misappropriation of Council funds. Other Councils have lost considerable sums as a result of this simple type of fraud.</p> <p>There are no documented process notes setting out the procedures required when a request to change supplier details is received.</p> | <p>1) Prior to making changes to bank details, the Finance Officer should evidence that they have checked the legitimacy of the requested change.</p> <p>2) Changes should be reviewed and approved by another member of the finance team, outside the accounts payable process, to ensure segregation of duties</p> <p>3) There should be a review of all changes made to supplier data on a monthly/ quarterly basis.</p> | (no date set – part of Management Action Plan) | <p>1) A process document is now in place and was approved in March 2016. This details the checks that need to take place.</p> <p>2) The originator department complete the new supplier form which is reviewed by Finance and uploaded to Tech1 where it is counter approved. Therefore segregation now occurs.</p> <p>3) The Income Manager runs off a report each month and sense checks new suppliers. No issues have been identified during the year.</p> | Yes      |
| 2 | The introduction of T1 has resulted in some significant changes to how the Council's financial activities operate, particularly around authorisation of   | The Finance Team should develop reports to enable the P2P process to be monitored. In particular monitoring of  | (no date set – part of Management Action Plan) | A year since the prior review the process is now working effectively and updates to Tech1 have corrected previous issues. This year's Internal  | Yes      |

|  |   |  |  |  |
|--|---|--|--|--|
| <p>expenditure. 'Workflow' now underpins the process of setting up suppliers, placing orders and paying for goods and services.</p> <p>- further support from T1 is needed to fully utilise the reporting functionality of the system to enable effective monitoring of the P2P process.</p> <p>- some instances when new supplier requests have been raised after goods/invoice have been received, but there are currently no established monitoring controls in place to ensure that the system controls are operating effectively. We would expect this to include monitoring of reports to ensure all expenditure can be reconciled back to an approved purchase requisition (raised prior to receipt of the invoice), that there is sufficient authorisation of the purchase requisition and that goods received and invoice values are in accordance with the original authorised values.</p> <p>Monitoring should also include review for duplicate orders, invoices and payments.</p> | <p>invoices paid with no purchase requisition and where the purchase requisition isn't being approved in advance of the goods/services being ordered.</p> |  | <p>Audit tested 10 transactions and found the three-way match worked effectively and also the Income Manager does perform monthly review of where invoices were received prior to a Purchase Order was received; this process has significantly reduced cases where this happens.</p> <p>Duplicate Invoices – when an invoice is entered onto Tech1 a check is automatically performed by the system where a dialogue box warning will appear disallowing the finance team to complete the raising of the invoice as the invoice number already exists on the system. The TechOne system will not allow the finance team member to continue further until the a new invoice number is not created. The Finance team do not review duplicate invoices any further as they are reliant on the TechOne system that the controls embedded within TechOne work effectively.</p> |  |
|--|---|--|--|--|

|   |   |   |  |  |  |
|---|---|---|--|--|--|
| 3 | <p>There is currently no process in place for monitoring outstanding commitments. This is a standard control to support cash flow and budget forecasting.</p> <p>We obtained reports detailing the following;</p> <ol style="list-style-type: none"> <li>1. Purchase Requisitions (requests to commit expenditure) that had not been approved.</li> <li>2. Purchase Orders that have not resulted in confirmed goods received or an invoice/payment.</li> </ol> <p>As at December 2015, within T1 there was approximately £20 million showing as having a purchase order but with no corresponding invoice i.e. commitments that are due to be paid. We understand that this figure includes all P2P and multi-year contract commitments over the life of the contract.</p> <p>The requisitions outstanding within T1 without a corresponding approved purchase order amounted to £200k.</p> <p>Samples of the purchase orders were</p> | <p>1) The Finance Team should be actively monitoring the Purchase Orders that are pending further action. Managers should be alerted to outstanding commitments that could impact their budgets.</p> <p>The Finance Team should be able to profile by date when future commitments will impact on budgets.</p> <p>2) Testing should be performed to ensure that the software issues that were preventing POs from reaching suppliers have been resolved. Monitoring processes should be developed to flag whether emails have failed to be delivered.</p> | (no date set – part of Management Action Plan) | <p>Commitment Review - A year-end process occurs as part of the Council's financial statements close down. To be effective this needs to occur on a more regular basis.</p> <p>Further work is still needed to phase contract expenditure over the life of the contract. This action has been delayed due to TechOne function and further hindered due to lack of resource to manually review and update each contract.</p> <p>Purchase Order Despatch – This is no longer an issue. Whilst there is no mechanism to verify if Purchase Orders reach their destination there are no known issues identified during the year and invoices are quoting Purchase Order numbers and therefore they must be reaching their destination.</p> | <p>Not fully implemented - See Finding 2.</p> <p>Yes</p> |
|---|---|---|--|--|--|

|  |  |  |  |  |
|--|--|--|--|--|
| <p>reviewed and although they were all genuinely outstanding, officers were generally unaware that they were. Whilst the system has the functionality to alert users to outstanding requisitions, we understand that this was causing performance issues with the software, so this functionality was switched to inactive.</p> <p><b><u>Purchase Order Despatch</u></b> Finance Officers made us aware during the review that there have been recent issues with emails from the T1 system not reaching their destination due to restrictions on the software suppliers email servers. It is not known whether this issue has been fully resolved although the software supplier has told the Council that it has. Currently AVDC has no mechanism for monitoring whether emailed Purchase Orders fail to reach their intended destination.</p> |  |  |  |  |
|--|--|--|--|--|



|   |   |  |   |   |                                |
|---|---|--|---|---|--------------------------------|
| 4 | <p>No performance indicators have been established to monitor the overall performance of the accounts payable process, for example, whether suppliers are being paid on time.</p> <p>The Finance Manager acknowledged that whilst the system was embedding, there were some significant delays in processing invoices for payment. Whilst he believes that this has now improved, there are no statistics to substantiate this.</p> | <p>Key Performance Indicators around the P2P workflow will be developed, monitored and reported monthly.</p> | <p>(no date set – part of Management Action Plan)</p> | <p>The Income Manager since June 2016 has been reviewing three indicators and this has shown significantly improvement.</p> | <p>In part – see Finding 2</p> |
|---|---|--|---|---|--------------------------------|



Aylesbury Vale  
District Council

Internal Audit Report 2016/17

## Council Tax and Business Rates

May 2017



# Contents

|   |          |   |
|---|----------|---|
| <b>1. Executive summary</b>                             | <b>2</b> | This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation. |
| <b>2. Background and Scope</b>                          | <b>4</b> |   |
| <b>3. Detailed findings and action plan</b>             | <b>5</b> |   |
| Appendix 1. Finding ratings and basis of classification | 11       |   |
| Appendix 2. Terms of Reference                          | 13       |   |
| Appendix 3. Follow-up of Previous Recommendations       | 14       |   |

## Distribution List

|                 |  |
|-----------------|--|
| For action      | Debbie White - Group Manager<br>Gary Wright – Rating & Recovery Manager  |
| For information | Jeff Membery – Assistant Director, Customer Fulfilment<br>Isabel Edgar Briancon – Assistant Director, Business Support<br>Strategic Finance Manager<br>Andrew Small – Director, Section 151 Officer<br><br>Audit Committee |

# 1. Executive summary

| Report classification*     | Total number of findings |          |          |          |          |
|----------------------------|--------------------------|----------|----------|----------|----------|
|                            | Critical                 | High     | Medium   | Low      |          |
| <b>Low risk (5 points)</b> | Control design           | -        | -        | -        | 2        |
|                            | Operating effectiveness  | -        | -        | 1        | -        |
|                            | <b>Total</b>             | <b>-</b> | <b>-</b> | <b>1</b> | <b>2</b> |

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Low Risk. We have issued one medium and two low risk findings.

The medium risk relates to control weaknesses around validating evidence provided when applying Council Tax discounts and inadequate follow up to assess whether the discount is still applicable.

After completion of our audit work but before finalising the report, the Council sent out the annual Council Tax letters. The original letters contained a numerical error in the precept calculation and whilst the error did not affect the final tax bill calculation for householders, the letters had to be resent to homes across the Vale at a cost of £24,000. We reviewed this issue and consider it to be a “one-off” oversight and not reflective of systematic failures in the annual council tax billing process. The Council should learn lessons from this and ensure that the review process for letters is robust to identify any errors in future.

### ***Key Findings***

- In our sample, we identified cases where council tax discounts were applied without appropriate evidence to demonstrate eligibility for a discount and there was a lack of follow up to see if the discount was still applicable (Finding 1 – Medium).
- Collection rates of prior year arrears that are in arrangement are not reported and no write off procedures have been undertaken (Finding 2 – Low)
- No active monitoring of Valuation Office properties in temporary or no valuation (prior year finding re-raised) (Finding 3 – Low).

### ***Good practice noted***

- Adequate procedure documents are in place for the council tax and business rates payment process.
- Controls ensuring the application of gross costs to council tax and business rate demands were found to perform well with demands agreeing back to Valuation Office agency data.
- The Council has a comprehensive and approved council tax discount scheme.

## 2. *Background and Scope*

### *Background*

In 2015/16 the Council collected Council Tax and Business Rates totalling £107m and £50m respectively. The purpose of this audit is to assess the design and operating effectiveness of controls and processes to ensure that all properties are identified, correctly valued and billed so that Council Tax and Business Rates revenues are maximised and are accurately reflected in the accounts.

Council tax and business rates are overseen by separate lines of management however the system used for both council tax and business rates is the same.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including inaccurate application of discounts and inaccurate banding of properties.

We reviewed the Council Tax and Business Rates procedures by speaking to various staff across the Council. Our testing included:

- Review of monthly reports that set out overall position of Council Tax and Business Rate collection/arrears
- Obtaining a sample of six transactions from Council Tax between April 2016 and January 2017 and testing them for accurate application of discounts
- Obtaining a sample of 5 transactions between April 2016 and January 2017 that are in debt recovery and testing them for sufficient action from the Council to recover payments.

This does not represent a comprehensive list of tests conducted.

# 3. Detailed findings and action plan

## 1. Evidence and follow up of discounts – Operating effectiveness

### Finding

A Council Tax Discount Scheme is in place that allows tenants discounts based on their circumstances. We reviewed six council tax accounts between April 2016 and January 2017 to ensure that discounts are applied in accordance with the Scheme, are supported by sufficient evidence and applied accurately to payment requests sent to customers. From the sample of six accounts we found:

- Two out of six accounts did not have the appropriate evidence to demonstrate that they were eligible for a discount
- Three out of six accounts were not followed up to see if the discount was still applicable.

### Eligibility evidence and follow-up

Case 1 – A representative on behalf of the customer called the Council to confirm they had been admitted to hospital in October 2016 and a note on the system confirms the Council requested to be notified when the individual returned home so the discount can stop being applied. At the time of review in February 2017, the discount was still applied on the account with no evidence of further communication between the customer and the Council to verify whether they returned home.

Case 2 - A representative on behalf of the customer called the Council to confirm they had been remanded in custody in June 2014; from this point a discount was applied to the account. In August 2015 (14 months later) the Council wrote to the household to request an update on the customer's position and confirmed should no communication be received that the discount would end within 21 days. At the time of this review in February 2017 the discount was still applied to the account with no evidence of further communication between the customer and the Council to verify the position since August 2015.

It is recognised that it is not possible for a Council to verify every discount to evidence but more could be done to validate and ensure action is taken to follow up. The Council's system has the ability to set an 'event date' against a case which acts as a reminder to call a customer to obtain an update however, this process is not working effectively as either event dates are not set or if they are, follow-up does not occur and the event dates are overlooked.

| <i>Risks / Implications</i>   |   |                                   |
|---|---|-----------------------------------|
| The Council may be incorrectly applying discounts and under-collecting Council Tax revenue. |   |                                   |
| <i>Finding rating</i>   | <i>Action Plan</i>  |                                   |
| Medium  | <ul style="list-style-type: none"> <li>The Council should ensure that appropriate evidence is obtained before applying discounts. Procedures should include guidance on what type of evidence to obtain, sample checks and the need for follow up when circumstances are expected to change.</li> <li>Northgate has a feature that enables an event date to be set. This should be utilised to prompt the Council Tax team to follow up on accounts to ensure that discounts are still applicable.</li> </ul> | <i>Responsible person / title</i> |
|   |   | Debbie White – Group Manager      |
|   |   | <i>Target date</i>                |
|   |   | July 2017                         |



## 2. Reporting does not capture prior year arrears – Control design

### Finding

The recovery team monitors monthly collection rates for council tax and business rates which are then reported to the Strategic Finance Manager – see graphic below. Targets have been set for each month throughout the year and monitored to check if they have been achieved. The report also details the balance outstanding for the year. The reporting has improved on the prior year as it now sets a target collection rate which has been exceeded in every month during 2016-17. The Council's current performance is to recover 98-99% of bills issued, this is in line with other local authorities.

| <u>Council Tax</u>             | <u>May</u>    | <u>June</u>   | <u>July</u>   | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|--------------------------------|---------------|---------------|---------------|---------------|------------------|----------------|-----------------|-----------------|
| Target % Collection            | 18.4          | 27.6          | 36.8          | 46            | 55.2             | 64.4           | 73.6            | 82.8            |
| Balance Outstanding (Millions) | £89.74        | £79.46        | £69.34        | £58.61        | £ 48.46          | £ 37.64        | £ 27.02         | £ 16.51         |
| % Collected                    | <u>20.37%</u> | <u>29.63%</u> | <u>38.83%</u> | <u>48.23%</u> | <u>57.53%</u>    | <u>67.11%</u>  | <u>76.52%</u>   | <u>85.81%</u>   |

The Council does not review or report on prior year arrears. After the normal debt recovery procedures have been exhausted the balance remains outstanding with no write-off procedures undertaken. As at 9 May 2017 the value of debt associated with non-payment was £4.6 million. As part of the Councils "Debt Project", an analysis has been undertaken which concludes that £1.5 million of this is deemed irrecoverable and therefore should be subject to write-off. Whilst the debts have been provided for and this is largely a "housekeeping exercise", the reason this has not been written off in the past is in-part due to lack of policy and procedures for debt write off. Once this initial write off has taken place, the Council needs to set up a write off procedure and a mechanism to monitor these balances to ensure they do not escalate to such large levels again.

### Risks / Implications

Money owed to the Council may not be recovered leading to financial loss for the Council.

| <i>Finding rating</i> | <i>Action Plan</i>   |   |
|-----------------------|--|---|
| Low                   | <ul style="list-style-type: none"> <li>• Prior year arrears need to be reported and tracked by status in the monthly report with appropriate action taken when all avenues for debt recovery have been exhausted.</li> <li>• Write off procedures should be produced and approved for future use.</li> </ul> | <p data-bbox="1435 268 1771 304"><i>Responsible person / title</i></p> <p data-bbox="1435 325 1989 362">Gary Wright - Rating &amp; Recovery Manager</p> <p data-bbox="1435 387 2096 461">Policies and procedures are in scope for the “Debt Project”</p> <p data-bbox="1435 501 1594 537"><i>Target date</i></p> <p data-bbox="1435 555 1563 592">July 2017</p> |

### 3. No active monitoring of Valuation Office properties in temporary or no valuation status – Control design

| <i>Finding</i>  |  |   |
|---|--|---|
| <p>For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is a key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values).</p> <p>The reconciliations only include those properties that have a valuation but not those with a temporary or no valuation status (101 domestic properties with temporary status in each of the months we sampled). The VOA has 90 days in which to resolve these cases and bring them into a proper valuation but this is not actively tracked by the council tax and business rates teams.</p> <p>N.B This issue was raised in the previous year’s audit.</p> |  |   |
| <i>Risks / Implications</i>   |  |   |
| Council tax and business rates may be billed incorrectly, or properties omitted if they do not agree to VOA data.   |  |   |
| <i>Finding rating</i>   | <i>Action Plan</i>   |   |
| Low   | <ul style="list-style-type: none"> <li>A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a “temporary” or “no valuation” status</li> <li>Any properties that are not valued in the usual timeframe should be formally notified to the VOA.</li> </ul> | <i>Responsible person / title</i>       |
|   |  | Gary Wright - Rating & Recovery Manager |
|   |  | <i>Target date</i>                      |
|   |  | July 2017                               |

#### 4. Advisory - Reconciliations and suspense accounts

##### *Finding*

Internal Audit conducted a review of the Council's General Ledger in 2016-17 and the following two findings were raised which have implications for council tax and business rates. These are noted in this report reference but the risks have been captured in the General Ledger report.

##### **Reconciliations**

We raised the issue of the reconciliations between the general ledger and council tax/business rates not being performed in the prior year audit. Improvement has been made, but they are still not performed consistently, and delays have occurred which in part are due to staff absence and reliance on key individuals. We requested reconciliation information for the period April to December 2016 for both the business rate and council tax modules within iWorld respectively. Our findings can be summarised as:

- Reconciliations are often conducted 1 or 2 months later than expected
- There are unreconciled items with council tax which are understood to be due to a technical issue with TechOne however, this is yet to be determined.

##### **Suspense Accounts**

A Revenues Officer oversees the Council Tax/Business Rates suspense account. On a daily basis the items in the suspense account are printed. Each item is reviewed line-by-line with an audit trail documenting action taken against each.

- The process for clearing suspense accounts is not documented. This should be documented to support the continuity of the control taking place should the identified members of staff not be available. When speaking with the Revenues Officer and querying the value of items in suspense which related to the period before 31 March 2016, it was found that due to unexpected loss of staff in the past twelve months and capacity to clear these items, the balance is higher than what may be considered reasonable.
- There is limited oversight by the Finance Team over the progress to clear suspense accounts. Whilst Finance have access to TechOne and can monitor progress, there is no formal review at set intervals. If Finance had oversight they would have been aware of the levels of prior year suspense account balances and could have considered whether additional resource was required to clear these items promptly.

##### *Recommendation*

##### **Advisory**

To implement the recommendations as set out in the 2016-17 Internal Audit General Ledger report.

## Appendix 1. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                |
|-----------------|-----------------------|
| Critical        | 40 points per finding |
| High            | 10 points per finding |
| Medium          | 3 points per finding  |
| Low             | 1 point per finding   |

| Overall report classification |               | Points             |
|-------------------------------|---------------|--------------------|
| ●                             | Critical risk | 40 points and over |
| ●                             | High risk     | 16– 39 points      |
| ●                             | Medium risk   | 7– 15 points       |
| ●                             | Low risk      | 6 points or less   |

### Individual finding ratings

| Finding rating  | Assessment rationale  |
|-----------------|---|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact <b>[quantify if possible = materiality]</b>; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact <b>[quantify if possible]</b>; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>  |

## Appendix 2. Terms of Reference

The key risks and objectives agreed in the Terms of Reference are set out below.

| Sub-process  | Risks  | Objectives  |
|--|--|---|
| <b>Billing and Valuation</b>                         | Inaccurate billing and valuations of properties                  | <ul style="list-style-type: none"> <li>Properties are correctly identified, valued and accurately billed to maximise revenue. This information should reconcile to the Valuation Office Direction</li> <li>All bills raised agree to the banding for the property and is correctly adjusted if necessary</li> </ul>   |
| <b>Account Coding</b>                                | Inaccurate banding of properties                                 | <ul style="list-style-type: none"> <li>Property bands are correct and agree to the property type/value expected</li> <li>System and procedures allow correct identification and recording of bill payer</li> </ul>  |
| <b>Discounts and Exemptions</b>                      | Inaccurate application of discounts                              | <ul style="list-style-type: none"> <li>Clear approved policies for discounts are in place</li> <li>Any discounts agree to the approved policies</li> <li>Billing accurately reflects evidence of meeting policy conditions</li> </ul>   |
| <b>Reconciliations</b>                               | Inaccurate/ incomplete financial data                            | <ul style="list-style-type: none"> <li>Reconciliations between the Revenues system (Northgate) and the Financials system (Tech1) are performed and reviewed on a regular basis to ensure data is accurate and complete</li> <li>Reconciliations between the Revenues system and cash collection system are performed and reviewed on a regular basis to ensure data is accurate and complete</li> </ul> |
| <b>Income Collection, Recovery &amp; Enforcement</b> | Ineffective action against non-tax payers<br>Loss of revenue     | <ul style="list-style-type: none"> <li>Maximise income collection through effective and prompt action</li> <li>Ensure arrangements with customers made are in line with expected procedures/policy</li> </ul>   |
| <b>Governance</b>                                    | Insufficient reporting of council tax and business rate activity | <ul style="list-style-type: none"> <li>Regular monitoring and review of performance information</li> <li>Information is reported at appropriate levels to provide scrutiny and support decision making</li> </ul>   |
| <b>Follow up of audit recommendations</b>            | All  | <ul style="list-style-type: none"> <li>External and Internal Audit recommendations have been addressed</li> </ul>   |

### Appendix 3. Follow-up of Previous Recommendations

| # | Finding   | Agreed Action  | Target date | Action Taken  | Complete  |
|---|---|--|-------------|---|---|
| 1 | <p>The reconciliation of council tax and business rates in iWorld (revenue) and the Technology One (T1) financial system (cash) is a key control that ensures the integrity of the iWorld database and the customer balances it holds.</p> <p>During 2015/16 the reconciliation process hasn't been carried out consistently and whilst this review was being undertaken the reconciliations are several months behind for both Council Tax and Business Rates. Good practice would be to reconcile these balances on a daily basis, with review at a senior level performed at least monthly.</p> <p>There are suspense accounts held in T1 and also iWorld that contain significant amounts of revenue that should be posted to the relevant council tax or business rate accounts. As at the end of 2015/16 there is approximately £50k in payments that are unallocated in the T1 suspense account and a further £60k on the iWorld account. We understand that there are some issues with the interface between T1 and iWorld, which Finance and the service are trying to resolve.</p> <p>Reconciliation and suspense clearance is the responsibility of a single officer in the revenues team with no cover during times of absence; this is a contributory factor to lack of timely suspense clearance and reconciliation during 2015/16.</p> | <p>Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual.</p> <p>Standard procedures should be documented and implemented.</p> <p>Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer.</p> <p>Suspense accounts should be reviewed and cleared daily as routine.</p> <p>Finance and the service area will need to work together to map the processes and flow of information between the T1 and iWorld systems to ensure the interfaces are operating accurately. There may be opportunity to improve efficiency by using more automated reconciliation checks.</p> <p>Note - This finding and related actions have also been raised in the internal audit report for General Ledger.</p> | -           | <p>There is no procedure document in place for reconciliations. There is only one individual who currently does reconciliations (See Detailed Finding 1).</p> <p>There are daily reconciliations done between Tech one and Northgate. This is signed off by the Recovery manager monthly.</p> | No – has been raised in the 2016-17 General Ledger Internal Audit Report. |



|   |  |   |   |  |                 |
|---|--|---|---|--|-----------------|
| 2 | <p>We reviewed the processes that govern the way in which council tax and business rate refunds and write-offs are authorised, validated and actioned. These processes are not documented and there is no corporate policy on writing off debts.</p> <p>For write offs, the established processes within the revenues team require a different person to request and authorise the write off in iWorld but the system control does not enforce authority levels so anyone can authorise, including non-management.</p> <p>This issue was also raised in the 2014/15 internal audit report.</p> | <p>The processes for council tax and business rates refunds should be clearly documented and communicated, including responsibilities for review and authorisation.</p> <p>The process for council tax and business rate write off should be formally documented and communicated. Approval limits should be set in line with corporate policy and controls established to ensure that these are adhered to.</p> <p>It is recognised that this is part of a wider process to review at a Corporate level the policies and procedures for debt write-off. This should be addresses as part of the Commercial AVDC Finance Process and Systems Review project.</p> <p>Corporate Board / Transition Board, as a matter of routine should be made aware of the levels of current and historic debt being written off by Revenues.</p> | - | <p>There is a document in place that explains how to do refunds for both Council Tax and Business Rates.</p> <p>However there is no corporate policy on writing off debts.</p> | No - Finding 2. |
|---|--|---|---|--|-----------------|

|   |  |   |           |  |  |
|---|--|---|-----------|--|--|
| 3 | <p>Monthly reports are prepared for council tax collection, showing current and prior month collection rates, these are reviewed at director level.</p> <p>For business rates, collection performance is reviewed within the team but monthly performance information is not reported .</p> <p>Over the last few years, the Council has achieved collection rates for both council tax (2015: 98.3%) and business rates (2015: 99.5%) slightly above the national average. See Appendix 3 for 2014 and 2015 statistics (2016 results will not be published until June 2016).</p> <p>We reviewed council tax collection rates for the final quarter of 2016:</p> <p>Dec 2015 - 85.79% Feb 2016 - 96.81%</p> <p>Mar 2016 - TBA</p> <p>Annual 2016 - TBA</p> <p>These monthly rates are lower than the prior year annual average. There is no target collection rate against which to compare actual performance. If collections levels were to decline this could have a significant impact on AVDC's resources to deliver services.</p> | <p>A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates.</p> <p>Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda.</p> | June 2016 | <p>The Council has implemented a monthly report that monitors collection performance against target set. This is reviewed by the Finance Director.</p> | <p>Partially – collection rates are now monitored and reported but reporting does not capture prior year arrears – Finding 2</p> |
|---|--|---|-----------|--|--|

|   |   |  |           |  |                    |
|---|---|--|-----------|--|--------------------|
| 4 | <p>For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values).</p> <p>The reconciliations only include those properties that have a valuation but not those with a temporary or no valuation status (approx. 100 domestic properties with temporary status in each of the months we sampled). The VOA has 90 days in which to resolve these cases and bring them into a proper valuation but this is not actively tracked by the council tax and business rates teams.</p> <p>Council tax and business rates may be billed incorrectly, or properties omitted if they do not agree to VOA data.</p> | <p>A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a “temporary” or “no valuation” status.</p> <p>Any properties that are not valued in the usual timeframe should be formally notified to the VOA.</p> | July 2016 | <p>There is no process to monitor temporary or no valuation properties. The Council also doesn’t tend to notify the VOA of delays if they take over 90 days to provide a valuation</p> | No – see Finding 4 |
|---|---|--|-----------|--|--------------------|



## Internal Audit Report 2016/17

# Contract Management

May 2017



# Contents

|   |          |  |
|---|----------|--|
| <b>1. Executive summary</b>                               | <b>2</b> | This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation. |
| <b>2. Background and Scope</b>                            | <b>4</b> |  |
| <b>3. Detailed findings and action plan</b>               | <b>5</b> |  |
| Appendix 1. Finding ratings and basis of classification   | 16       |  |
| Appendix 2. Terms of Reference                            | 18       |  |
| Appendix 3. Contract Management Self-Assessment Checklist | 19       |  |

| <b>Distribution List</b> |  |
|--------------------------|--|
| For action               | Paul Marston-Weston – Partnerships and Projects Manager                |
|                          | Teresa Lane – Assistant Director, Commercial Property and Regeneration |
| For information          | Andrew Small - Director  |
|                          | Audit Committee  |
|                          | Cllr Angela Macpherson   |

# 1. Executive summary

| Report classification* | Total number of findings |      |        |          |   |
|------------------------|--------------------------|------|--------|----------|---|
|                        | Critical                 | High | Medium | Low      |   |
| Medium risk (9 points) | Control design           | -    | -      | 2        | - |
|                        | Operating effectiveness  | -    | -      | 1        | - |
|                        | <b>Total</b>             | -    | -      | <b>3</b> | - |

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Medium Risk. We have issued three medium findings, we have also raised three advisory findings.

This review focused on the monitoring procedures for two of the Council's contracts which are of significant importance both to the Council's reputation and finances; Everyone Active (who manage two leisure centres) and Ambassador Theatre Group (ATG) (who manage a theatre). Arrangements are in place to ensure regular contract management takes place via monthly/quarterly meetings which hold contractors to account against conditions set out in agreed contracts.

We identified three areas of weakness which need to be addressed to strengthen the contract management control environment. Actions plans from contract meetings are not documented sufficiently and there are no risk registers in place. The data provided by contractors is not sufficiently checked back to source information and greater access to this information should be set up to ensure greater scrutiny can be applied.

### **Summary of findings**

- Action plans post contract management meetings need to be documented more clearly and performance reports for scrutiny should be timetabled to ensure the Council receive them with sufficient time to scrutinise them (Finding 1 – Medium)
- There are no documented risk registers for either contract and no shared risk register in place to clearly identify responsible owners and mitigating actions for financial and reputational risks (Finding 2 – Medium)
- There is inadequate scrutiny of contractor reported information back to source evidence and the Council currently does not receive and/or have access to information which can be readily provided by contractors (Finding 3 – Medium)
- Contractors performance packs are not as easy to digest as other approaches used across the Local Government Sector (Finding 4 – Advisory)
- The attendance of the Lead Member at a contract management meeting on an annual basis should be considered (Finding 5 – Advisory)
- The Council should work with contractors to set up an at least annual survey of customers to assess performance of the service (Finding 6 – Advisory).

### **Good practice noted**

- The Council has staff continuity in that the Partnership and Projects Manager was involved with the tender process and now manages the contracts
- The Partnership and Projects Manager also has a number of years' experience in the area of contract management in the leisure sector
- Payments made to contractors were supported by invoices and in-line with schedules agreed
- Through observation and discussions with both parties at a contract management level, good relationships have been forged and continue to be developed
- The Everyone Active contract key performance indicators are well defined and particularly those relating to building/maintenance defect resolution, these are documented on the Helpdesk software to which the Council has access

### ***Management comments***

Recording of actions and minutes has always been undertaken from ATG monthly contract meetings. However, actions and minutes resulting from contract meetings with Everyone Active have only been routinely issued since March 2017.

The recommendations contained in this report are noted and agreed and will help strengthen contract monitoring and performance.

## 2. *Background and Scope*

### *Background*

This review will assess the adequacy and effectiveness of contract performance monitoring and management arrangements for two of the Councils significant contracts

1. Aylesbury Waterside Theatre (AWT)
2. Two leisure centres namely, Aqua Vale Swimming and Fitness Centre and Swan Pool and Leisure Centre.

A designated Partnerships and Projects Manager is assigned to manage both of these contracts. Until December 2016, this post was supported by a Technical and Monitoring Officer but this individual no longer works for the Council and the post has not been subsequently filled. The contracts set out the performance framework in greater detail including service expectations and key performance indicators which are subject to monitoring and reporting throughout the lifetime of the contract.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including a review of the governance arrangements on both-sides, to assess the robustness of the monitoring arrangements and consider how the respective risks are managed.

Our testing in these areas included:

- Attending a monthly contract management meeting for both contracts
- Review of key performance indicator data back to source evidence and assess whether these are applied to contracts correctly
- Attend the Overview of Scrutiny Committee in April 2017 and speak with the Lead Member.

This does not represent a comprehensive list of tests conducted.



### ***3. Detailed findings and action plan***

#### ***1. Performance reports are not issued timely for scrutiny and actions plans are not documented sufficiently – Control design***

##### *Finding*

As part of the review a monthly contract management meeting was attended for each contract.

##### Issue of papers

- Everyone Active – For the 21 March 2017 monthly catch-up the papers were received 16 March 2017 (allowing two working days for review). Furthermore, additional items were presented at the meeting itself
- ATG - For the May 2017 monthly catch-up the papers were provided the day before the meeting.

The Partnerships and Projects Manager has previously instructed the contractors to supply all contract monitoring documents 5 days prior to the contract review meetings, but sometimes the contractors fail to supply all documentation in accordance with the agreed timescale. If suppliers do not provide papers for monthly meetings with sufficient notice it impedes the level of scrutiny the Partnership and Project Manager can apply. At other authorities it is common practice to have an agreed timetable i.e. 9 working days after the previous calendar month all agreed reports must be issued from the supplier to the Council. A contract meeting would take place 5 working days after the issue of this information.

##### Agenda/Minutes

The Everyone Active contract meetings do not have a formal agenda and minutes have only recently been routinely taken. Each meeting goes through the performance report and this becomes the agenda however, minutes should be taken or an action plan agreed. After each meeting, the minutes/actions should be written up and distributed to both parties. Each meeting should have a formal agenda and the first item should be to review and approve the prior minutes/actions.

It should be noted that on 31 March 2017 the Partnership and Projects Manager circulated minutes/actions from the 21 March 2017 monthly Everyone Active

meeting to all attended – this was the first occasion that this took place.

#### Action plan unclear

Both monthly meetings results in a variety of actions post discussions; whilst these are captured to some extent, they are not documented to the level where each action designates the:

- Responsible individual to clear the action
- Original action start date
- Expected completion date.

The risk of not documenting these is that actions may roll from one month to the next and sufficient focus may not be given to long outstanding queries.

#### Scrutiny Committee

The Council's Overview and Scrutiny Committee – Finance, have the right to request suppliers in for scrutiny. In the case of Everyone Active they were instructed to attend annually with the last meeting taking place in April 2017. At this meeting it was suggested that Everyone Active return in six months (instead of annually) to present progress made in their performance. Everyone Active also offered to send a monthly performance report to all Scrutiny Committee Members to ensure transparency of performance reporting was improved.

Governance and Communication Lines - Whilst the communication lines are not complex, there would be benefit in mapping out the key personnel for each party. This would benefit those who are not involved with the day-to-day of the contract i.e. Members. This is particularly the case with Everyone Active because they underwent significant staffing change in March 2017 to support the contract. This mapping process would not only include those who attend monthly meetings but also those who have regional or national roles at the suppliers.

#### *Risks / Implications*

Lack of ability to perform effective scrutiny. Agreed actions and improvements may not be implemented.

| Finding rating  | Action Plan  |  |
|---|--|--|
| Medium  | <p>a) A timetable has been agreed for or the 2017-18 financial year which includes the dates of contract meetings. This should be further formalised to include dates for when papers must be provided prior to this for scrutiny. Any failures to meet this should be discussed and minuted at contract performance meetings.</p> | <p><i>Responsible person / title</i></p>                       |
|   |  | <p>Paul Marston-Weston - Partnerships and Projects Manager</p> |
|   | <p>b) High level minutes and an action log after each monthly contract performance meeting must be updated and distributed to all relevant parties. The action log must include the action, responsible individual/party, date of action first being identified and expected completion date.</p>                                  | <p><i>Target date</i></p>                                      |
|   | <p>c) A live document of the key personnel for both contracts should be drawn up and updated as soon as a change occurs and should be updated at least annually.</p>   | <p>a – c) July 2017.</p>                                       |
| <p>d) The Council has already invited Everyone Active back to Overview and Scrutiny Committee for October 2017 and they accepted their offer of receiving the monthly performance report outside of Committee. Both these commitments should occur.</p> | <p>d) Invited to Overview and Scrutiny in October 2017.</p>  |  |

## 2. There are no documented risk registers – Control design

### Finding

To facilitate good contract management, the establishment, regular review and easy access to three key documents is considered important – these documents are:

- Shared/non-shared risk registers
- Business Continuity Plans.

This review found:

- Risk Register - There are no shared risk registers in place and the Council does not have a working risk register for either of the two contracts. These contracts hold significant financial and reputational importance for the Council and to safeguard this, a list of risks should be identified with clear mitigating actions set out. Importantly, these risks should be shared with and agreed with each supplier to ensure that responsibilities are agreed – best practice is for the Risk Register to be reviewed quarterly and approved by the Contract Sponsors. N.B The Council does hold risk registers for both contracts however these are two years old. These should be brought back into use and updated
- Business Continuity Plan - Whilst the suppliers have continuity plans in place for their sites, these do not form part of the 'Annual Service Specification Requirements Checklist'. This Checklist sets out a range of documents the supplier must provide annually to the Council. The Council would benefit from reviewing this document for its adequacy to provide assurance that, in the event of a major incident, the suppliers have clear instructions on how to continue their activity and recover sites in the most effective manner.

### Risks / Implications

Without these important documents under regular review the Council may incur unnecessary financial and reputational loss.

### Finding rating

### Action Plan

|        |  |                                   |
|--------|--|-----------------------------------|
| Medium | a) A shared risk register should be drafted and discussed. This should receive approval from the Contract Sponsors. This should be subsequently reviewed on at least a quarterly basis | <i>Responsible person / title</i> |
|        |  | Paul Marston-Weston               |
|        |  | <i>Target date</i>                |

b) The Business Continuity Plan should be requested and reviewed immediately. This should then be added as part of the Annual Service Specification Requirements Checklist.

a) August 2017 – drafted and discussed  
September 2017 – approved.

b) July 2017.

### 3. Quality and breadth of data and access to validated reported information impedes contract management – Operating effectiveness

#### Finding

Both contracts are designed to be ‘self-monitoring contracts’ – by this, the contractor is responsible for reporting against the specification to prove their compliance with the conditions set out. Whilst this is the case, the reliance the Council can place on this information must be validated to some extent to ensure comfort can continue to be gained from the information reported. Currently the Partnership and Projects Manager attends monthly contract performance meetings and undertakes ad-hoc inspections of the various sites, this acts as the Council’s validation of performance.

#### Reported information not validated

For both contracts the suppliers provide performance packs with a variety of information ranging from customer complaints, financial performance and energy usage. Through observation of meetings and discussions with personnel, this information provided is not validated back to original reports to ensure that it is complete and accurate. For example, Everyone Active report the number of complaints each month per the below screenshot. We ask for evidence to confirm where the figures were derived – it was found that the information reported to the Council only includes complaints which come through the Everyone Active website; it does not include email, verbal or social media complaints.

| Complaints                          | Aqua Vale | Swan Pool |
|-------------------------------------|-----------|-----------|
| 100 - premises / parking            | 0         | 0         |
| 101 - equipment defects             | 0         | 0         |
| 102 - pool water temp / air defects | 1         | 0         |
| 103 - health & safety               | 0         | 1         |
| 104 - customer care / service       | 0         | 0         |
| 105 - cleanliness / housekeeping    | 2         | 2         |
| 106 - lifeguarding / supervision    | 0         | 0         |

As part of this review we raised bogus complaints through the Everyone Active website and can report that these were promptly resolved within 3 hours of them being raised.

#### Access to information

Having read-only access to contractor systems or regular contractor system reports is important as it allows verification of contractor data at any time. It was identified that with exception to the WAM system (Everyone Active repair and maintenance system), the Council does not have access to any other contractor systems. Through discussions with contractors it was identified the following information was available and when this was raised with the Partnership and

Projects Manager, it was agreed that receiving this information would be beneficial:

- Everyone Active Footfall – the monthly performance report confirms the total footfall for each site in the last period and year-to-date. This can be a good indicator of whether the contractor is increasing its customer base or if demand is falling. The footfall is calculated based on customers who swiped in or purchased one-off tickets. Estimates are also made for events where these mechanisms are not used and this is reported to the Council. These reports should support the monthly packs the Council receives as it also provides breakdowns of genders, age-groups and whether visitors are members or non-members – this is all useful information to scrutinise when assessing the contractor performance and achievement of wider objectives (e.g. Equalities).
- Everyone Active Single Customer View Report – This is a report which downloads all the complaints raised on Everyone Actives system. It would be useful to reconcile this to what is reported to the Council. The Council could also build in ad-hoc bogus complaints to test the system and ensure these are reported. This report should support each monthly performance pack.
- Everyone Active Utilisation Report – This sets out for each part of the sites and classes run, the capacity that can be held vs. the amount of people who attended. This report should support monthly packs to allow an assessment of the success of the sites in terms of utilisation. It should be noted that the Everyone Active sites are utilised slightly above the Everyone Active national target.

### Inspections

The Partnership and Projects Manager undertakes ad-hoc inspections and site visits. During these visits, if any issues are identified they are raised i.e. a health and safety issue identified. The Partnership and Projects Manager was supported by another member of staff until December 2016 however, this individual left the Council and their role will not be filled. The risks here are that when the Partnerships and Projects Manager is unavailable i.e. due to leave, no inspections of sites are undertaken. In addition to this the role of the Partnership and Projects Manager is changing and expanding to Contract Performance, Partnerships and Funding Development Manager; this will involve reviewing other contracts and therefore there will be greater pressure on their time. To manage these two contracts with one member of staff can be achieved however; the Council does need to consider new ways to hold contractors to account (as set out in this report) in order to ensure this can be achieved with reduced capacity levels. N.B In the past year when the Partnerships and Project Manager was absent due to leave sufficient arrangements were made to re-arrange meetings and should an emergency occur the Assistant Director - Commercial Property and Regeneration becomes the key liaison for the contractor.

### *Risks / Implications*

Insufficient scrutiny to ensure that financial, operational and reputational objectives are met

| Finding rating | Action Plan   |   |
|----------------|---|---|
| Medium         | a) The monthly contractor performance packs should be reviewed and it should be determined where reported information could be supported by source reports. These reports should accompany monthly performance packs.   | <i>Responsible person / title</i><br>Paul Marston-Weston                                  |
|                | b) Everyone Active must ensure that reported complaints includes emails, verbal and social media instances and this should be verified back to the Single Customer View Report.   | <i>Target date</i><br>a) July 2017<br>b) July 2017<br>c) September 2017<br>d) March 2018. |
|                | c) The Council should ensure they have read-only access to contractor systems (or regular reports), particularly those which record customer complaints. All contractor systems should be identified and discussions held where access would be practical and beneficial. |   |
|                | d) The Council should undertake a self-assessment of its contract management arrangements at least annually to ensure that the current capacity, processes and controls are sufficient to hold providers to account – see appendix 3.                                     |   |



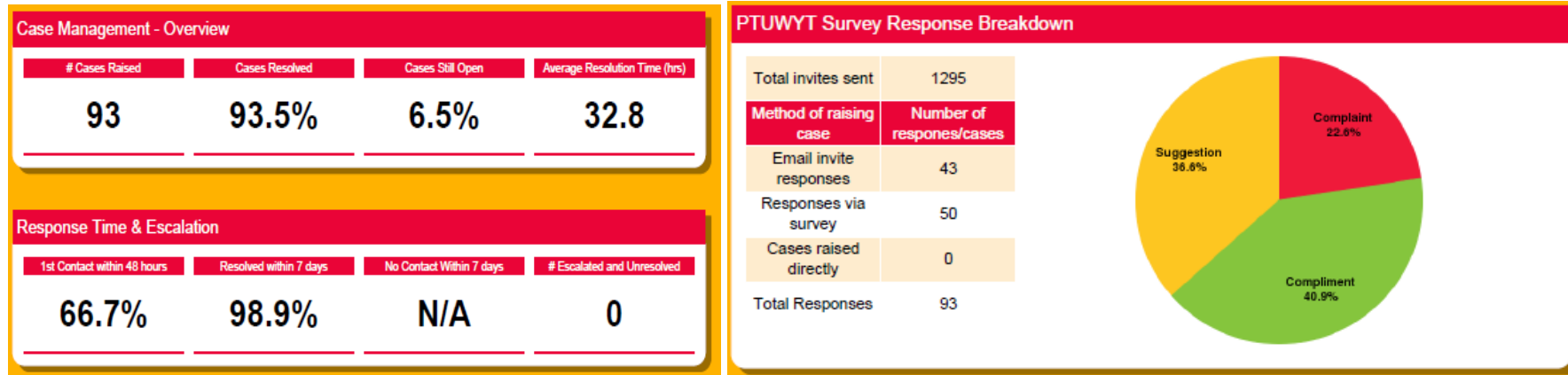
**4. Performance packs are currently not presented in a user friendly way although some improvement has been made - Advisory**

**Finding**

The reporting packs received by the Council from both contractors are received in a variety of PDF and Excel documents. From review of packs received by other local authorities, there are more visual ways to report information such as the screenshot below.

Everyone Active has developed a Performance Pack since March 2017 which brings together the variety of documents they previously provided and summarises key information. This is a good starting point and should be further developed in agreement with the Partnership and Projects Manager.

Sample high level contractor report (not AVDC)



**Recommendation**

**Advisory** The Council should engage with contractors to move towards improving the way performance packs are presented to bring them in line with best practices seen elsewhere in the sector.

## 5. Lead Member engagement in contract oversight and participation in networking forum – Advisory

### Finding

Members are currently involved in contract management as follows:

- Designating a Lead Member for Leisure, Communities and Civic Amenities
- Annual invitation to suppliers to the Overview and Scrutiny Committee (Everyone Active attended in April 2017)
- Inviting Members for site tours (Members were invited in January 2017 to Aqua Vale)
- Annual meeting between AVDC lead members and officers and senior ATG managers (last meeting held 18 October 2016)

We reviewed the arrangements at other local authorities and identified that the Lead Member is invited annually to attend contract performance meetings – this idea was discussed with the Lead Member who considered this an appropriate suggestion.

Note - in May 2017 Member portfolios were reassessed and it is expected that the portfolios will be redistributed to ensure they are smaller to allow greater oversight, engagement and scrutiny. This change alone should help improve Member engagement.

### Benchmarking

The Council also has the opportunity to attend forums where other Council's meet who have the same contractors to discuss their perspectives on performance. This would be a good opportunity to learn about practices across the industry.

### Recommendation

#### Advisory

The Partnerships and Project Manager should discuss the appropriate balance for Lead Member engagement.  
The Partnerships and Project Manager should attend appropriate benchmarking forum.

**6. An annual customer survey would benefit the assessment of how contracts are performing – Advisory**

*Finding*

For both contracts, customer satisfaction is monitored through reports on compliments and complaints. However, within customer facing industries it is common practice to undertake an annual customer satisfaction survey. This would be a good barometer of customer interaction with the service. The Council should work with contractors to develop this process and plan to receive first results within the 2017-18 financial year.

*Recommendation*

Advisory

An annual customer satisfaction survey is developed for both contracts with results obtained and reported within the current financial year.

## Appendix 1. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                |
|-----------------|-----------------------|
| Critical        | 40 points per finding |
| High            | 10 points per finding |
| Medium          | 3 points per finding  |
| Low             | 1 point per finding   |

| Overall report classification |               | Points             |
|-------------------------------|---------------|--------------------|
| ●                             | Critical risk | 40 points and over |
| ●                             | High risk     | 16– 39 points      |
| ●                             | Medium risk   | 7– 15 points       |
| ●                             | Low risk      | 6 points or less   |

### Individual finding ratings

| Finding rating  | Assessment rationale   |
|-----------------|--|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [quantify if possible = materiality]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>   |

## Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below.

| Sub-process             | Risks   | Objectives   |
|-------------------------|---|--|
| Governance              | Inadequate structures are in place to ensure operational, financial and reputational risks are managed      | <ul style="list-style-type: none"> <li>• Clear owners are set and contract governance is transparent and understood</li> <li>• Relationship management procedures are set out clearly with regular effective communication held.</li> </ul>  |
| Financial Recording     | Inaccurate and/or incomplete payments made in breach of the contract  | <ul style="list-style-type: none"> <li>• Payments are made in line with contract agreements.</li> </ul>  |
| Monitoring arrangements | Failure to deliver services in accordance with contract specification, poor value for money                 | <ul style="list-style-type: none"> <li>• Success criteria is understood, effective and clear</li> <li>• Success criteria is monitored effectively and contractor data is validated</li> <li>• Performance is discussed and reported on a regular and consistent basis involving the relevant personnel.</li> </ul> |
| Risk Management         | Inadequate risk management arrangements are in place to ensure financial and reputational risks are managed | <ul style="list-style-type: none"> <li>• Both individual and shared risks have been identified and appropriately updated and managed.</li> </ul>   |

### Appendix 3. Contract Management Self-Assessment Checklist

The below table is a contract self-assessment checklist. For each part of the checklist we have assessed the Council’s position and where applicable, made reference to a relevant finding in the report.

| Planning and Governance   | Assessment for AVDC  | Reference to Finding |
|---|--|----------------------|
| There is a planned transition from the tendering/contract award phase to the contract management phase, and a handover to contract manager.   | The Council have the same individual from the tender stage to the contract management phase.   | N/A                  |
| Contract ownership is clear, with the budget holder, senior responsible owner (SRO), and contract manager clearly defined; there is continuity of governance as far as possible.                                    | The contract ownership is clear and sponsors are set out in the contract. A finding however, has been raised with ensuring a live document is kept mapping out all key personnel.  | Finding 1            |
| Overall ownership of contract management across the organisation is clear, with a ‘contract management senior responsible owner’ with responsibility for driving organisation wide contract management performance. | Overall ownership is clear and set out in the contract; this extends to the identification of a Lead Member too.   | N/A                  |
| Contract management issues and performance are reported through the governance structure with senior level engagement.  | In addition to monthly contract monitoring meetings, more senior representation is made at quarterly and annual meetings from both parties. Contractors also report to Members as necessary via the Overview and Scrutiny Committee. | N/A                  |
| Regular assessment and evaluation takes place to ensure that the cost of contract management activities is justified and proportionate to the benefits obtained.  | Contract management meetings take place monthly to assess this. This report has identified issues with improvements in actions plans needed to better document discussions.  | Findings 1           |
| Knowledge management is embedded, capturing key data and lessons from contract management process and experience both within the organisation and more widely.  | The Partnerships and Project Manager has a strong knowledge of each contract however, should they be unavailable this knowledge would be lost.   | Finding 1            |

| People  |  |            |
|---|--|------------|
| The contract manager has continuity (ideally through involvement during the tendering/contract award processes) and a handover from the staff responsible for the tendering/contract award.   | The Council have the same individual from the tender stage to the contract management phase.   | N/A        |
| The contract manager has a detailed knowledge of the contract and other relevant issues, such as service level agreements, and ongoing supplier performance.  | The Partnerships and Project Manager has a strong knowledge of each contract and many years' experience.   | N/A        |
| The contract manager has the appropriate skills (both specific contract management skills and more general commercial awareness and expertise), with access to relevant training and development. Experience contract managers are utilised on key contracts. | The Partnerships and Project Manager has a strong knowledge of each contract and many years' experience. No specific training has been identified as necessary.  | N/A        |
| Contract managers have accurate job descriptions, roles are positioned at an appropriate level and salary, and there is a career path for contract management staff.  | The role and requirements of Partnership and Projects Manager is appropriate to meet the objectives of contract management.  | N/A        |
| Contract managers have clear objectives and reporting lines and their performance is managed through review and appraisals.   | The Partnerships and Projects Manager has a clear reporting line to the Assistant Director of Commercial Property and Regeneration.  | N/A        |
| The contract manager has appropriate delegated authority to manage the contract effectively.  | The designated individual has appropriate delegation to make decision and take action to ensure performance is adequate.   | N/A        |
| The organisation has a contract management 'community' allowing contract managers to share good practice.   | The two major contracts are those managed by the Partnerships and Project Manager and therefore a 'community' within the Council is not feasible. However, contractors do provide annual forums to meet other Council's the provider is engaged with to share information – this however, has not been attended. | Advisory 5 |
| Administration  |  |            |
| Hard copy contracts are stored and logged, and are easily accessible when required; for complex contracts, a summary and/or contract operations guide is  | Copies of contracts were readily provided and accessible. Both Council and contractor were content with the  | N/A        |



|  |  |            |
|--|--|------------|
| produced.  | conditions in the contract.  |            |
| Contract management software is used for recording key information, to give, for example, search capability; relevant ongoing contract management information and documentation is retained and managed.       | There is software that contractors use to record, report and monitor contract performance. However, there are concerns around access to source contract management data.                           | Finding 3  |
| There are mechanisms in place for identifying key contract 'trigger points', such as notice periods.   | The contract set out clauses regarding early-exits and notice periods.   | N/A        |
| There is regular and ad hoc reporting of contract management information.  | There is monthly reporting of performance information which is supported by monthly meetings. Ad-hoc reporting also takes place post on-site inspections.  | N/A        |
| <b>Managing Relationships</b>  |  |            |
| The contract manager understands his/her own role and has clear visibility of well-structured roles and responsibilities on the supplier side.   | The contract ownership is clear and sponsors are set out in the contract. A finding however, has been raised with ensuring a live document is kept mapping out all key personnel.                  | Finding 1  |
| The respective responsibilities of the contract manager and the supplier are clear, and potentially defined in a 'joint statement of intent' or similar document.  | There is no joint statement of intent however; the report identifies the lack of a shared risk register for either contract which should be developed.   | Finding 2  |
| Continuity of key supplier staff is desirable (ideally through involvement during the sales process); where this cannot be achieved, there is a handover from the staff responsible for the tendering process. | There has not been continuity of key supplier staff particularly with Everyone Active. This report has therefore raised a finding to ensure a live document is kept mapping out all key personnel. | Finding 1  |
| Both regular structured and informal communication routes between the contract manager and supplier are open and used; customer and supplier staff are co-located where appropriate.                           | There is no co-location however; this is not considered appropriate in this arrangement. Regular structured and information communication routes are in place.                                     | N/A        |
| Users are given clear expectations and an understanding of the contract and the services/performance to be delivered (for example, through newsletters or briefings).  | There is communication with users regarding the service and this is reported to the Council i.e. with ATG Theatre this involves the Annual Programme. However, this report                         | Advisory 6 |

|  |   |           |
|--|---|-----------|
|  | does note greater engagement with customers would benefit from an annual survey.  |           |
| Problem resolution processes are well defined and used, and are designed to ensure minor problems do not escalate and cause relationship issues; a 'blame culture' is avoided (for example, through the use of a 'relationships charter' or similar document).   | Such a document is not in place but dispute resolution is set out in the contract. From observations and even through difficulties, a blame culture does not appear to be present. However, if contractors make regular financial losses on the contracts this could surface. | N/A       |
| <b>Managing Performance</b>  |   |           |
| Service management is well structured; baselines are understood by both parties, and suppliers understand the service they are required to deliver. The contract manager ensures that the customer organisation provides the supplier with the information and contacts needed to deliver the service. | There is a defined performance management framework.  | N/A       |
| A performance management framework is in place when the contract is signed. The framework is comprehensive, objective and provides incentives for the supplier to meet or exceed agreed performance standards  | There is a defined performance management framework.  | N/A       |
| Service levels agreements are in place, and are linked to business needs, understood by the supplier, and monitored by the contract manager and/or end users.  | This is not applicable.   | N/A       |
| Supplier performance is assessed using clear, objective and meaningful metrics, aligned to the organisation's priorities and goals.  | There is a defined performance management framework.  | N/A       |
| Reporting is as far as possible on a focused, 'by exception' basis, with supplier self measurement and reporting where appropriate but with independent checking mechanisms to alert the customer to performance issues (for example, user feedback).  | The level of independent checking is a challenge as this rests with one individual. This report concludes that other methods could be used to receive greater source information to support independent checking.   | Finding 3 |
| Clear processes are in place to handle operational problem resolution and resolve issues as quickly as possible.   | The relationships in place from observations are good and disputes are discussed openly. The contracts also set out dispute resolution processes.   | N/A       |
| Where appropriate, user compliance with the contract is monitored and managed to ensure maximum operational effectiveness and value for money.   | There is a defined performance management framework.  | N/A       |

|   |  |           |
|---|--|-----------|
| Regular and routine feedback is given to suppliers on their performance.  | Monthly performance meetings take place in addition to ad-hoc meetings which meets the definition of regular and routine.  | N/A       |
| Changes in user requirements are captured and considered as part of formal change and contract management processes.  | There have been no requirements thus far to amend contracts.   | N/A       |
| There are formal performance reviews with suppliers, with documented improvement plans agreed where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security. | Formal performance reviews occur every month. A finding has been raised about the methods to capture actions and monitor these.  | Finding 1 |
| <b>Payments and Incentives</b>  |  |           |
| The costs of the services delivered and contract management costs are mapped against budgets and allocated appropriately.   | There are no issues with the services delivered against and payments made. These are set against specific codes on the ledger.   | N/A       |
| Payment changes after the contract is let, for example from contract variations or benchmarking/market testing, are made using contractual provisions and demonstrated to provide value for money.                            | There have been no contract variations for payments.   | N/A       |
| Incentive structures (financial or non-financial) relate clearly to desired outcomes, and are well managed and governed, with appropriate checks and approval mechanisms.   | The contracts are considered to be structured appropriately to safeguard the Council's risk (as they receive money) and contractors are incentivised to make a profit and therefore retain profit share amounts. | N/A       |
| Service credits or equivalent mechanisms are well managed and governed, and proportionate to supplier profitability.  | These are set out in the contract.   | N/A       |
| Where open-book or similar financial/pricing mechanisms are used, the process is managed professionally and fairly.   | The access to information could be strengthened alongside the provision of more source reports.  | Finding 3 |
| <b>Risks</b>  |  |           |
| Risks are formally identified, assessed for importance and monitored regularly, with mitigating actions developed and implemented where possible, and 'obsolete' risks removed from consideration where appropriate.          | There is no risk register or shared risk register in place.  | Finding 2 |

|   |   |                 |
|---|---|-----------------|
| Escalation and reporting routes are in place for risk governance.   | Escalation routes are clear and contractors do attend Overview and Scrutiny Committee.  | N/A             |
| Contingency plans are developed to handle supplier failure (temporary or long-term failure/default); exit strategies are developed and updated through the life of the contract.                  | The Council do not receive or assess the contractor's contingency plan. There is no risk register or shared risk register in place to pick up the Council's contingency plan. | Finding 1 and 2 |
| Contractual terms around termination are understood and monitored by the contract manager.  | The contract terms are clear surrounding termination.   | N/A             |
| Dispute resolution processes are in place, including agreed adjudication procedures, mediation, and arbitration.  | Dispute resolution processes are in place.  | N/A             |
| The contract manager monitors the supplier's compliance with contractual 'non performance' issues (for example, on tax and sustainability targets).   | Annual request for these types of documents is made and assessed.   | N/A             |
| <b>Contract Development</b>   |   |                 |
| The contract is regularly reviewed (with a view to updating where necessary) to ensure it meets evolving business needs.  | The contracts have built in review dates which often involve the Council commissioning the services of specialist consultants to assess contractors.                          | N/A             |
| Processes are in place that clearly lay out the governance of contractual change – who needs to approve what and how it will happen – with a focus on effective and prompt change implementation. | Contractual conditions surrounding this are in place.   | N/A             |
| There are clear processes for the management of minor changes and contract variations, with a focus on the cost/effort being proportionate to the importance and value of the change.             | The relationships in place are good and discussions around minor changes occur.   | N/A             |
| There are more rigorous processes to handle major contractual changes, including clear approval mechanisms and accountabilities, and controls to demonstrate that changes offer value for money.  | There are clear contract conditions around this however; it has not been required thus far.   | N/A             |
| Where appropriate, value for money testing of existing services takes place through benchmarking or other processes.  | There is a forum for Council's to meet to discuss contractors they share however, this is not attended.   | Advisory 5      |
| There are processes to cover the introduction of new services under the contract,   | These are set out in the contract however, thus far have  | N/A             |

|   |                                      |     |
|---|--------------------------------------|-----|
| including market testing where necessary.   | not been required.                   |     |
| Price changes are managed fairly and effectively with the use of mechanisms such as benchmarking, competitive tendering (for example, for major additional works), or other techniques such as open book pricing as appropriate, to test value for money. | This has not been required thus far. | N/A |



## Internal Audit Report 2016/17

# Safeguarding

May 2017



# Contents

|   |          |   |
|---|----------|---|
| <b>1. Executive summary</b>                                 | <b>2</b> | This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation. |
| <b>2. Background and Scope</b>                              | <b>4</b> |   |
| <b>3. Detailed findings and action plan</b>                 | <b>5</b> |   |
| Appendix 1. Finding ratings and basis of classification     | 14       |   |
| Appendix 2. Terms of Reference                              | 16       |   |
| Appendix 3. BCC Safeguarding Risk Reduction/Removal 2015-16 | 18       |   |

## Distribution List

|                 |   |
|-----------------|---|
| For action      | Will Rysdale – Assistant Director and Safeguarding Lead |
|                 | Chris Oliver – Community Safety Officer                 |
|                 | Ella Palmer – HR Manager                                |
| For information | Tracey Aldworth - Director                              |
|                 | Cllr Angela McPherson – Member Lead for Safeguarding    |
|                 | Audit Committee   |

# 1. Executive summary

| Report classification*  | Total number of findings |          |          |          |          |
|-------------------------|--------------------------|----------|----------|----------|----------|
|                         | Critical                 | High     | Medium   | Low      |          |
| Medium risk (14 points) | Control design           | -        | -        | 1        | 1        |
|                         | Operating effectiveness  | -        | 1        | -        | -        |
|                         | <b>Total</b>             | <b>-</b> | <b>1</b> | <b>1</b> | <b>1</b> |

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Medium Risk. We have issued one high, one medium and one low risk finding.

The compliance rate for completion of the mandatory level 1 e-learning module during the past five years is 13% which, compares poorly to other councils with compliance rates above 90%. It should be noted that the Council's system has not been correctly recording when a staff member has completed their e-learning module so the actual completion rate is likely to be higher, but it is still expected to be low and has not been monitored. Also note the compliance rates are particularly low for casual staff and Members.

The Council's safeguarding team previously discussed safeguarding matters in regular internal meetings but these meetings have not taken place for over a year, this is in part due to the Council restructure and staff changes. We also noted that many of the safeguarding related policies such as Whistle-blowing, Safeguarding Guidance, and Disciplinary policies have not been reviewed for more than three years.

There have been changes to the Safeguarding Lead and Officer in the past six months and therefore the requirements of these roles are new. Now that the Council has these staff in place and along with this report, new impetus should ensure the control environment can significantly improve by the end of year.

The Section 11 document that was submitted to Buckinghamshire County Council in April 2017 is now not reflective of the Council's position post this review; this should be updated and re-submitted in the spirit of openness and transparency.



### ***Key Findings***

- The Safeguarding Awareness Training compliance rates are low and are not monitored. Furthermore, Council policies which have links to safeguarding are not updated and monitored regularly (Finding 1 – High)
- A previously established internal safeguarding group who met to discuss safeguarding issues and share good practices, no longer meets. Also the Council's self-assessment section 11 submission no longer reflects the Council's position given the outcome of this report (Finding 2 – Medium)
- There are inconsistencies over whether background checks are undertaken during the recruitment process for identical roles. The central log to record and follow-up background checks undertaken does not record important data such as when the background check was undertaken (Finding 3 – Low).

### ***Good practice noted***

- The Council discusses safeguarding matters externally in the Community Safety Partnership meetings with presence of Bucks County Council, Bucks Fire and Rescue, Thames Valley Police, and Aylesbury Vale Clinical Commissioning Group
- The Council has a good relationship with the Thames Valley Police.

### ***Management comments***

We welcome this timely review and are committed to implementing the recommendations raised. Since the findings of this report have been shared, action has been taken to include Safeguarding awareness in the training day for all Managers on 20 June 2017.

## ***2. Background and Scope***

### *Background*

District Councils have a duty to promote and safeguard the wellbeing of Children, Young People and Vulnerable Adults. The Council has a nominated 'Designated Senior Manager' for safeguarding; this role is discharged to Will Rysdale - Assistant Director Community Fulfilment.

The Council is represented on the Buckinghamshire Safeguarding Children Board (BSCB) and Buckinghamshire Safeguarding Adults Board (BSAB) and also works with other District Councils in Buckinghamshire on a shared basis by actively participating in relevant sub committees.

These Buckinghamshire wide safeguarding boards oversee and coordinate the effectiveness of the safeguarding work of its member and partner agencies which include the Council. In accordance with the Children's Act 2004, the Council is subject to a regular 'Section 11 Audit' which is reported to BSCB. It is a self-assessment tool which focuses on senior management commitment to the importance of safeguarding, to the establishment of policies, training programmes and effective vetting of staff and volunteers.

The purpose of this audit is to assess and review the design of controls and their operating effectiveness with regards to safeguarding controls during the period April 2016 to date.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). We reviewed the Council's safeguarding arrangements by reviewing the existing policies and procedures and also discussions with staff. Our testing in this area and others included:

- Reviewing Council's Safeguarding, Whistle-blowing, and volunteer policies
- Determining the compliance rate on completion of the safeguarding e-training for the past two, three, and five years
- Comparing the Council's safeguarding framework and approach to other local authorities.

This does not represent a comprehensive list of tests conducted.

### 3. Detailed findings and action plan

#### 1. Inadequate monitoring of safeguarding awareness training and review of policies – Operating effectiveness

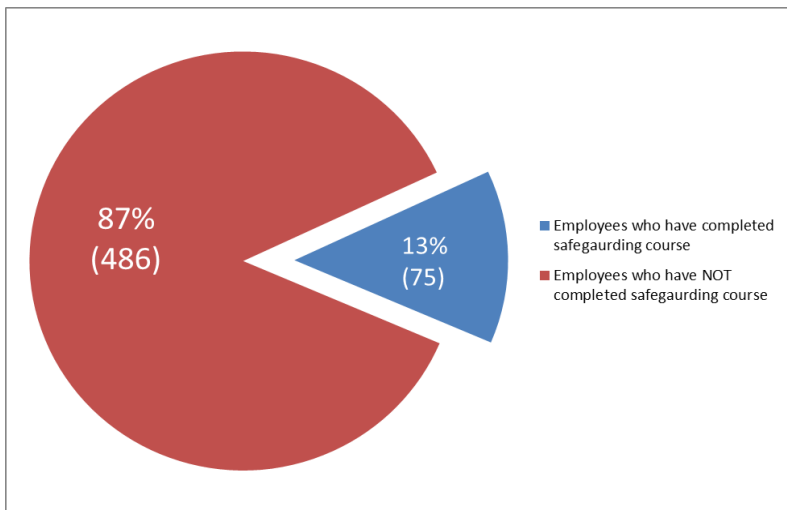
##### Finding

The Council has established a process whereby employees with different levels of exposure to vulnerable adults and children are required to undertake and complete up to 4 different levels of training. Each employee is required to complete a refresher training every three years.

- All staff (permanent or casual) are required to complete a mandatory safeguarding e-learning module around signs of abuse, neglect and exploitation
- All staff are also required to complete a mandatory equality and diversity e-learning module
- Staff working more closely with children and vulnerable adults “Level 4 Exposure” category and are required to complete four different safeguarding trainings
- Workshop to Raise Awareness of Prevent (WRAP) is provided for all frontline staff.

##### Low Compliance of Level 1 safeguarding training

The Safeguarding awareness training is mandatory for all staff and refresher trainings are needed to be completed every three years according to the Council’s guidelines. We compared a list of all employees as of 10 March 2017 to the employees that have completed the awareness online training. We found that the compliance rate (see diagram below) over the past five years was 13%; for the past three and two years compliance was 8.3%, and 2.7% respectively.



It is understood that compliance rates may be higher than the data presented. When an individual starts the e-learning module it will only show as complete if they click the 'print certificate' prompt at the end of the training. Therefore it may be the case that more people have started and completed the e-learning training however, they have not clicked the print certificate prompt and therefore it appears incomplete.

Without requesting every individual to click the 'print certificate' prompt, it is not possible to obtain a more accurate figure at the time of this review. It should be noted that even once this process is run, it is expected the compliance rate to still be low i.e. less than 50%.

It must also be noted that our analysis showed that all seven full time employees working at communities centres (as a high risk area) have completed their e-learning module in the last three years. However, the two casual employees working at these centres are yet to complete their training course.

Level 4 refresher training frequency

Particular staff working more closely with children and vulnerable adults within AVDC including those that sit on the AVDC Safeguarding Group and Sector Leads are placed in the "Level 4 Exposure" category and are required to complete four different safeguarding trainings and to repeat them every 3 years. Given that they have the highest exposure to children and adults at risk, and also based on the routine/best practice at other Councils, we believe the Council would benefit from requiring Level 4 staff to undertake their refresher training every two years.

Safeguarding training for casual staff and Members.

According to the Safeguarding Policy, all staff including casual workers are required to complete the safeguarding e-learning module and to receive refresher training every three years. We noted that over the past five years only three casual employees (out of 105) have completed the module. It was also identified that Members have not undertaken this training and given they interact with vulnerable people, they should do so.

Outdated Policies

We reviewed some of the Council's policy documents where safeguarding features. The below table sets out the date each policy was last revised and updated on Council's website as well as the associated concern with it.

| Policy Type   | Date Last Updated        | Concerning Issue   |
|---|--------------------------|--|
| 1. Guidance for Safeguarding and Protecting Children & Venerable Adults | Amendments in April 2014 | The latest Care Act was introduced in October 2014 and needs to be reflected in Council's safeguarding policy. The latest version of the policy on website was dated January 2012                    |
| 2. Disciplinary Policy  | January 2011             | The policy has not reviewed for over six years   |
| 3. Whistle-Blowing Policy   | March 2014               | The Policy is three years old  |
| 4. Safe Recruitment Practice  | N/A                      | The Council does not have a Recruitment Policy. It has a Safe Recruitment Practice which was created in March 2009 whereas BSAB & BSCB safer recruitment toolkit was published later in October 2014 |
| 5. Volunteer Policy   | N/A                      | The Council currently does not have a Volunteer Policy. It instead has a "volunteering agreement" that is sent to the volunteers via emails.   |

#### Risks / Implications

Staff are not trained to understand and deliver safeguarding standards and insufficient monitoring/updating of policies is being undertaken

#### Finding rating

#### Action Plan

|      |   |   |
|------|---|---|
| High | a) The Council should improve its compliance rate to at least 75% by September 2017   | <i>Responsible person / title</i>                   |
|      | b) The training records for each employee and their safeguarding level should be linked to their profile in the HR system. Moreover monthly reports should be generated and sent to managers to raise awareness of the compliance rate of each unit | Ella Palmer – HR Manager – b) e) and f)             |
|      |   | Will Rysdale – Safeguarding Lead – a), c) d) and f) |
|      |   | <i>Target date</i> December 2017                    |

- c) The Council should ensure that casual employees and Members have access to the training materials and that they complete them in a timely manner
- d) Employees in the Level 4 Exposure list are advised to receive refresher trainings on a more frequent basis (every two years)
- e) Non-compliance with training should be noted in individuals' performance appraisal discussions.
- f) Policies should be reviewed and updated to reflect the latest guidance.

## **2. Inadequate internal communication and recommunication of section 11 submission needed – Control design**

### *Finding*

#### Internal communication

The Council previously had an Internal Safeguarding Group consisting of safeguarding leads representing: Communities, Licensing, Housing, Human Resources and LEAP. The group met regularly to receive safeguarding updates, discuss and share issues, and good practice with the relevant teams. From discussions with representatives of this meeting, it was seen as an important discussion point and forum. Lack of communications between the different teams at the Council can result in limited communication of important safeguarding issues and national/regional review cases that may be going on within the Council as well as the County. The Council should go back to establishing a well-organised safeguarding meeting schedule.

Moreover, Buckinghamshire County Council (BCC) is proactive in reducing/removing safeguarding risks (please refer to Appendix 3) and this methodology, outcomes, and lessons learnt should be shared with Council's different services through these internal meetings.

#### Section 11 submission

Section 11 of the Children Act 2004 places duties on a range of organisations and individuals to ensure their functions, and any services that they contract out to others, are discharged having regard to the need to safeguard and promote the welfare of children. As a result, the Council should have in place arrangements that reflect the importance of safeguarding and promoting the welfare of children.

We reviewed the latest Section 11 self assessment that the Council submitted to the BCC in April 2017. As summarised in the table below, we have recorded what we believe the revised rating should be with references the findings of this report.

| Section 11 Requirement   | Council's Rating<br> | Audit Rating<br> | Rational/Finding  |
|--|----------------------|------------------|---|
| 1. Inadequate responsibility defined and ineffective oversight   |                      |                  | The internal safeguarding meeting have not been held for more than a year. <b>Finding 2</b>   |
| 2, 6, 8. Inadequate policies and/or procedures which are not followed/and learning from reviews  |                      |                  | Safeguarding, Volunteers and Whistle-Blowing policies as well as Recruitment Practice of the Council are all outdated. <b>Finding 1</b> |
| 3. inadequate recording and reporting  |                      |                  | Inconsistency in DS/DBS checks was noted in 14 positions. <b>Finding 3</b>  |
| 4-5. Insufficient arrangements to vet, monitor and supervise staff/volunteers and Staff not trained to understand and deliver safeguarding standards | 4  5                 |                  | Level 1 e-learning compliance rate of 8.3% for the last three years. <b>Finding 1</b>   |

The Council is currently undergoing major restructuring and a number of staff have left or changed roles, this helps explain the discrepancies in the Section 11. It is advised that different services in the Council contribute to completion of the form at least 8 weeks before its submission. The Council should also consider making each member of the Internal Safeguarding Group, and others, 'safeguarding champions' to help promote and communicate safeguarding across the Council.

### Risks / Implications

Without regular safeguarding meetings of Council staff from key departments, sufficient safeguarding discussions will not take place to review and take action against safeguarding risks

### Finding rating

### Action Plan

|        |   |   |
|--------|---|---|
| Medium | a) The Council should re-establish its internal safeguarding meetings at least quarterly with representation from: safeguarding leads, Communities, Licensing, Housing and Human Resources as a minimum   | <i>Responsible person / title</i><br>Ella Palmer- HR Manager – a) |
|        | b) The Section 11 should be amended to reflect this report and resubmitted  | Will Rysdale – Safeguarding Lead – b) and c)                      |
|        | c) Based on best and common practice at councils with strong safeguarding controls, the Council should assign safeguarding "champions" who take part in completing the Section 11 and communicate safeguarding matters to their respective teams. | <i>Target date</i> December 2017                                  |



### 3. Inconsistent recruitment checks – Control design

#### Finding

The Council performs security checks (both Disclosure Scotland and Disclosure and Barring Service) on employees who are considered to come into contact and communicate with children and adults at risk. Disclosure Scotland (DS) is a basic disclosure certificate that shows any 'unspent' criminal convictions a given person may have in the UK. On the other hand, Disclosure and Barring Service (DBS) is a more in-depth check which helps employers make safer recruitment decisions and prevent unsuitable people from working with vulnerable groups, including children.

We analysed the consistency of these checks across a range of positions. We considered 606 people in 303 different positions and noticed that there was variation in the DS and DBS checks that were performed in 14 positions.

Although our enquiry with the HR team suggests that these variations stem from the fact that not all employees do exactly the same job even though they are given the same job title, we strongly recommend that the Council sets out clear guidelines about the criteria for a DBS check and how often it needs to be re-performed for a given job role. The employees may be assigned to a given "exposure level" (similar to that for training) that would dictate the type of security check that needs to be carried out for them. We also noted that the DS/DBS records we reviewed lacked the date on which the checks were carried out.

#### Risks / Implications

Insufficient arrangements to vet, monitor and supervise staff/volunteers

#### Finding rating

Low

- a) The Council should define the DS/DBS check criteria for a given job role and ensure it is consistently applied in the 'new structure'
- b) The DS/DBS check records should include the date of each check and the date it needs to be re-checked.

*Responsible person / title*

Ella Palmer – HR Manager

*Target date* September 2017

#### 4. Implementation of a Countywide rejection list and raising awareness at community centres– Advisory

##### Finding

###### Local database

A recent “Serious Case Review” into child sexual exploitation in Buckinghamshire has examined all reports of incidents in the county between 1998 and 2016. It said a number of cases involved taxi drivers who “picked young people up from schools and children’s homes and some drivers were directly involved in the abuse of young people”. However, the review said complaints about drivers were not always shared with licensing officers and Bucks’ four district councils, including South Bucks, should improve information sharing with Thames Valley Police, with a specific point of contact. Finally the review says: “Currently information is not shared well between the four district councils and the county council” and mentions that although creation of a national database of all licensed drivers is recommended - to pick up any record of past wrongdoing – it is unlikely to happen.

The Council currently performs verification checks with other councils where the taxi licencing applicant resides however, the Council would not have any information about any previous applications and the outcomes at adjacent councils. If this information was shared the Council could develop a list of individuals rejected from other councils to support their decision making process when assessing applications.

The Council should contribute to the creation of a countywide database where local records are shared and accessed with ease by the district councils, with appropriate regard to data protection and sharing protocols.

More details can be found at [http://www.bucks-lscb.org.uk/wp-content/uploads/Serious\\_Case\\_Reviews/CSE-Serious-Case-Review.pdf](http://www.bucks-lscb.org.uk/wp-content/uploads/Serious_Case_Reviews/CSE-Serious-Case-Review.pdf)

###### Raising awareness

Through our discussions with the community centres lead, we noted that the centres could circulate additional safeguarding information (on the notice boards for instance) to help raise awareness for the children, adults at risk, and other people who may be in a position to help when needed.

###### Taxi licencing policy

Based on the latest taxi licensing policy (October 2016) and our discussion with the Licensing Team, we identified the following minor errors that need to be rectified:

- The applicants are required to hold a valid UK driving license whereas on Council’s website it is stated that both UK and EU licenses are acceptable.

DBS disclosures will not include detail of any foreign convictions or cautions unless they have been recorded on the UK National Computer. According to the taxi licensing policy, any applicant who has resided outside the UK for period longer than 3 months within the preceding three years will be required to

produce a certificate of good conduct from the relevant countries which details any cautions or convictions arising against the applicant while resident in that country. Our enquiry with the taxi licensing team revealed that this is currently not being followed (as it is difficult to know whether the applicant has resided outside UK for longer than three months) and requires further clarifications in the policy.

*Recommendation*

Advisory

The above matters should be considered and addressed appropriately.

## Appendix 1. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

| Findings rating | Points                |
|-----------------|-----------------------|
| Critical        | 40 points per finding |
| High            | 10 points per finding |
| Medium          | 3 points per finding  |
| Low             | 1 point per finding   |

| Overall report classification |               | Points             |
|-------------------------------|---------------|--------------------|
| ●                             | Critical risk | 40 points and over |
| ●                             | High risk     | 16– 39 points      |
| ●                             | Medium risk   | 7– 15 points       |
| ●                             | Low risk      | 6 points or less   |

## Individual finding ratings

| Finding rating  | Assessment rationale   |
|-----------------|--|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [quantify if possible = materiality]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>   |

## Appendix 2. Terms of Reference

The objectives and key risks agreed in the Terms of Reference are set out below.

| Sub-process                      | Risks  | Objectives   |
|----------------------------------|--|--|
| <b>Governance</b>                | Inadequate responsibility defined and ineffective oversight              | <ul style="list-style-type: none"> <li>Clearly identified lead for safeguarding with responsibility for arrangements</li> <li>Clear accountability framework which enables all staff to understand their role in safeguarding</li> <li>The Council takes an active part in BSCB/BSAB meetings and sub groups</li> <li>Safeguarding issues are routinely discussed at relevant internal meetings.</li> </ul>  |
| <b>Policies and Procedures</b>   | Inadequate policies and/or procedures which are not followed             | <ul style="list-style-type: none"> <li>Approved policies in place disseminated effectively, easily accessible and understood on how to recognise and respond to possible abuse or neglect</li> <li>There are clear written procedures for dealing with situations where allegations of abuse are made against someone working within the organisation</li> </ul>   |
| <b>Recording &amp; reporting</b> | Inadequate recording and reporting                                       | <ul style="list-style-type: none"> <li>Allegations are escalated and referred in line with procedures</li> <li>There are processes for recording incidents, concerns and allegations.</li> </ul>   |
| <b>Recruitment and Vetting</b>   | Insufficient arrangements to vet, monitor and supervise staff/volunteers | <ul style="list-style-type: none"> <li>Safe recruitment practices are in line with the advice set out in the BSCB Safer Recruitment Toolkit to ensure the proper selection of staff who will have regular contact with children</li> <li>If an individual (paid worker or volunteer) is removed from work which involves children then a referral is made to the Disclosure and Barring Service (DBS)</li> <li>The organisation has a register of all volunteers including a clear record of all those who require DBS checks</li> <li>Supervision arrangements are in place for all volunteers working with children and young people.</li> </ul> |
| <b>Training</b>                  | Staff not trained to understand and deliver safeguarding standards       | <ul style="list-style-type: none"> <li>Mandatory training in place for all staff/volunteers working with children and vulnerable adults</li> <li>Training records are maintained and can be monitored / audited on request</li> <li>Training and its impact on safeguarding is evaluated</li> <li>Appropriate supervision and support is available for staff working with children and vulnerable adults</li> </ul>  |
| <b>Contracting</b>               | Inadequate contract arrangements   | <ul style="list-style-type: none"> <li>Safeguarding is integrated into all contractual processes with clear expectations and reporting requirements to prevent abuse and neglect.</li> </ul>   |

|                                   |   |   |
|-----------------------------------|---|---|
| <b>Data Protection</b>            | Ineffective arrangements to share and store data                    | <ul style="list-style-type: none"> <li>• Arrangements which set out clearly the processes for sharing information with other professionals to protect children and vulnerable adults from harm</li> <li>• Records are stored securely and safely and there are clear processes in place to ensure that records are retained as required.</li> </ul> |
| <b>Service Specific Processes</b> | Inadequate oversight arrangements to identify and manage high risks | <ul style="list-style-type: none"> <li>• A framework is in place to ensure high risk activities are identified, and that there are sufficient oversight arrangements to ensure that higher risk areas have adequate process in place (e.g. taxi licensing)</li> </ul>   |
| <b>Lessons Learned</b>            | Learning from reviews   | <ul style="list-style-type: none"> <li>• There are clear processes for taking part in review of cases; including gathering evidence, completing action plans and embedding any learning.</li> </ul>   |

### Appendix 3. BCC Safeguarding Risk Reduction/Removal 2015-16

For benchmarking measures, we used the data in “Safeguarding Adults 2015-16 England Experimental Statistics” document published by the government which reports on councils safeguarding activity in the period of 1 April 2015 to 31 March 2016. We compared the position of the Buckinghamshire County Council (BCC) in England with respect to the actions and results of risks that were reduced or fully removed (Section 42 Enquiries were used). The BCC is compared to the nearest 13 councils that are selected according to the Chartered Institute of Public Finance and Accountancy (CIPFA) Nearest Neighbour Model, which identifies similarities between councils based on a range of socio-economic indicators. As can be seen from the chart below, BCC has performed very well and has managed to reduce/remove 92% of safeguarding risks, performing well above the national average of 67%.

Given the pro-activeness of the BCC in reducing and removing safeguarding risks, it is important that the information and lessons learnt are well communicated with different services within the District Council.

