

INTERNAL AUDIT PROGRESS REPORT – MARCH 2018

1. Purpose

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2017.

2. Recommendations

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| 2.1 The committee is recommended to note the progress report. |
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3. Supporting Information

- 3.1 This report provides an update on the progress made against the 2017/18 Internal Audit Plan and includes information on:

- Internal audit reviews completed and in progress
- Changes to the 2017/18 internal audit plan
- Implementation of agreed audit actions

- 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

March 2018





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1. Activity and progress

The 2017/18 internal audit plan was approved by the Audit Committee in July 2017. A summary of the plan is included in Appendix 2. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

Final reports issued since the previous Committee meeting

<i>Name of review</i>	<i>Risk rating*</i>	<i>Date of final report</i>	<i>No of recommendations made*</i>			
						
			Critical	High	Medium	Low
General Ledger	High	15.3.18	-	1	3	3
Housing Benefits	High	15.3.18	-	2	-	2
Taxi Licensing	Medium	14.3.18	-	-	4	1
Building Control	Medium	14.3.18	-	-	3	4

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

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

General Ledger

A number of audit reports in recent years have highlighted issues with the Tech1 finance system including the initial implementation of the system, the design of processes and controls, and poor engagement and speed of response to requests for support. System improvements have also been hindered by internal factors, primarily the level of work required following restructure to remodel the finance structures in line with organisational change and an under resourced team with appropriate expertise. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control.

The report provides a summary of the issues and actions being taken to address them and concludes that whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a high risk around the operational performance and functionality of the finance system.

In addition to the above, we have raised the following issues with recommended actions:

- Balances within suspense accounts are not being cleared in a timely manner and there is a lack of clarity around responsibility and documented procedure for completing the process (Medium)
- Some interfaces are not reconciled to Tech1 including the Bartec system and some Uniform activity. Issues relating the Northgate/Tech1 interface have been reported in the Housing Benefits internal audit report (see below). A number of the system maps for the interfaces between the Tech1 system and the Council's other sub-systems remain incomplete, with regular reconciliation not being consistently performed (Medium)
- There is insufficient monitoring over Tech1 user accounts and supplier access to the Tech1 system. Staff leaving the Council are not consistently having their user accounts deactivated in a timely manner (Medium)
- There is a lack of knowledge and restrictions on who is able to access and make amendments to the chart of accounts (Low)
- Insufficient journal narrative and back-up documentation is being recorded for journals on the Tech1 system and there are cases where the same member of staff is preparing and approving the journal for posting (Low)
- There is a lack of documented procedure for managing any updates or changes required for the Tech1 system (Low).

The restructure over the past year, staff capacity and insufficient consultancy support has impacted on progress in implementing the controls recommended during our 2016/17 audit, and this is reflected in the increase in risk rating compared to prior year. There remain some fundamental processes and procedures that must be addressed.

Housing Benefits

Since the prior year high risk report significant improvements have been made to processes and controls. These improvements have led to the Council being paid back subsidy from the DWP as part of their 2016/17 subsidy return, instead of a significant subsidy loss in 2015/16. The key areas of improvement are around increasing the quality checks being performed each month and monitoring of monthly subsidy forecasts to quickly identify any financial concerns and take prompt action to rectifying benefit cases. This has been supported by full team training.

However, there are still challenges, with the biggest concern being around housing benefit overpayments. Consistent with the national picture, the total estimate of overpayment debt remains high, at £5.9m in February 2018 (2016/17: £6.5m). Of this, £4.12m relates to invoiced overpayment debt and £1.78m is being collected through on-going benefits. Two high risk issues were raised relating to housing benefit overpayments:

- As reported last year, there is a mismatch between housing benefit overpayment data held on Northgate (benefits system) and Tech1 (finance system). During the year significant resources have been invested to reconcile these two systems and redesign the automated interface processes. Progress has been made to the point where the residual unreconciled balance has been reduced to 0.6% of the debt

outstanding, but further work is needed to automate the matching process and establish ongoing reconciliation procedures.

- There are also insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt. A business case has recently been approved for additional resource to focus specifically on recovery of housing benefit overpayment.

Two low risk issues have been raised around training and more robust performance monitoring.

Taxi Licensing

The taxi licensing service has seen a significant increase in demand for both vehicle and driver licences following the introduction of the Deregulation Act 2015 with driver licence applications increasing five fold and vehicle applications three fold since the introduction of the Act. The organisational restructure resulted in 50% of the staff within the taxi licensing service moving into roles in other departments within the organisation and a related period of recruitment and staff training.

We tested a sample of 20 applications and 15 service requests/regulatory actions and sanctions for the period April 2017 to January 2018 and identified the following issues:

- A lack of supporting evidence and records of action is retained to demonstrate whether drivers and vehicles are fit and proper and safeguarding checks are sound for both applicant and service requests (Medium)
- Enforcement activities are not documented centrally or monitored and new joint working protocols are not yet working effectively (Medium)
- Insufficient management information is collated and/or provided for scrutiny of the performance of Taxi Licensing (Medium)
- Our sample identified 2 instances of error over penalty points and 2 instances of untimeliness over regulatory actions and sanctions. There was also an issue identified with licences associated with expired visas however, Management have accepted they cannot fully mitigate this risk in the short term (Medium)
- Not all Members of the Licensing Committee have been trained and the training provided does not include all of the key elements of safeguarding (Low)

Building Control

There is a national shortage of Building Control Inspectors and although the Council's shortfall is being covered by 1 full time and 0.5 consultant, the team is still under resourced as at February 2018. The restructure over the past year has left the staff with changes to responsibilities and team structures which are currently being embedded. Our testing identified the following areas of weakness:

- There is a lack of documented policies and procedures and inconsistent processes are followed (Medium)

- Key Performance Indicators have not been reviewed to establish whether they are still relevant (Medium)
- There is no evidence of fees being reviewed at the end of the financial year as per CIPFA Guidance and no evidence that the service is breaking even (Medium)
- Building Control Financial Statements, as set out in the CIPFA Local Authority Building Control Accounting Guidance for England and Wales, are not prepared and approved by the Section 151 Officer (Low)
- CPD and training maintenance and updates are not evidenced by Managers (Low)
- The manual process for matching invoices and payment is inadequate and should be automated. Our testing identified one certificate that was issued without payment of invoice, and one instance where duplicate payments were made (Low)
- A Marketing and Income Generation Strategy has not been documented, approved and disseminated (Low).

2017/18 internal audit plan work in progress

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

<i>Name of review</i>	<i>Update on progress</i>
Accounts Payable	Work is complete and will be reported to the Audit Committee in June 2018.
Payroll	Work is complete and will be reported to the Audit Committee in June 2018.
Governance & Risk Management	An advisory piece of work will be undertaken to review the draft 2017/18 Annual Governance Statement compared to the CIPFA Framework in June.

Changes to the 2017/18 internal audit plan

To remain relevant, the annual internal audit plan should be flexible to respond to emerging or changing risks. With budget constraints, there is also a need to ensure prioritisation is given to work which will achieve the greatest value to the organisation. With this in mind, since the plan was approved in July 2017, the following changes have been made:

<i>Name of review</i>	<i>Comment</i>
Accounts Receivable	Work is continuing to progress on implementing actions identified in prior year internal audit reports. Some of this is dependent on Tech1 system upgrades (as discussed in the General Ledger report). A consultant has recently been commissioned to boost capacity to drive forward process and control improvements. The Head of Internal Audit has been engaged in the “debt project” from the start, so can provide some level of assurance that issues are being addressed, but it is considered that a more valuable review will be delivered when the new processes are in place. The review has therefore been deferred and will be included in the 2018/19 plan.
Tech1	As highlighted in the General Ledger report, an action plan is in place to update the Tech1 system and improve operational functionality. A Tech1 “system review” will be included in the 2018/19 plan and an appropriate scope of work agreed.
Budget Management	The prior year actions relating to improved budgetary reporting are progressing but are dependent on the Tech1 upgrades outlined above. The Council has delivered a balanced MTFP and forecast outturn for 2017/18 so the overall risk is considered low at this stage. The need for a review will be reassessed as part of next year’s plan.
Aylesbury Vale Estates	A review of governance arrangements over the investment in AVE will be undertaken in 2018/19, drawing upon lessons learned from the review of Aylesbury Vale Broadband

In addition to the agreed internal audit plan for 2017/18, the Audit Committee commissioned an independent review of the Council’s governance arrangements for Aylesbury Vale Broadband. This commenced in January 2018 and is due to report in April/May 2018.

2. Implementation of agreed audit actions

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated, by internal audit.





Progress on implementing the prior year actions for General Ledger and Housing Benefits is set out in the attached reports.

A full report on outstanding actions will be presented at the June 2018 Audit Committee meeting.

Appendix 1: Internal audit opinion and classification definitions

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
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact [quantify if possible = materiality]; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact [quantify if possible]; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact [quantify if possible]; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation’s operational performance; or • Minor monetary or financial statement impact [quantify if possible]; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<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 2017/18 Annual Internal Audit Plan was approved by members of the Audit Committee in July 2017. Progress and changes are reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.	Complete	High
Accounts Receivable		Defer to 2018/19	-
Accounts Payable		Work completed – will be reported in June 18	
Payroll		Work completed – will be reported in June 18	
ITGC for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.	Will be considered in 18/19 after T1 upgrades	-
Budget Management	Deferred for consideration in 2018/19, with focus on completion of previous audit actions during current year.		-
Governance & Risk Management	Review of compliance with CIPFA framework.	AGS 2017/18 will be reviewed (June 18)	
Housing Benefits		Complete	High
Council Tax & Business Rates		Complete	Medium
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Complete	Medium
Building Control	Include fire safety checks.	Complete	Medium
Licensing	Focus on taxi licensing and safeguarding controls.	Complete	Medium
Commercial AVDC Programme Assurance	Focus on structures and processes to monitor and report savings & income commitments.	Complete	Advisory
Aylesbury Vale Estates	Assess governance arrangements for the Council's wholly or partly owned companies.	Defer to 2018/19 post AVB (Jan18) review	-
Vale Commerce		Company has been wound up	-
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	N/A
Disabled Facilities Grant	Grant compliance requirements	Complete	N/A
2016/17 reviews concluded and reported in 2017/18			
Commercial Property Service Charges		Complete	Medium

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. General Ledger
2. Housing Benefits
3. Taxi Licensing
4. Building Control “to follow”



Internal Audit Report 2017/18

General Ledger

March 2018

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Distribution List

For action	Nuala Donnelly - Strategic Finance Manager Andrew Small - Director & Section 151 Officer
For information	Andy Barton – Assistant Director Isabel Edgar Briancon – Assistant Director Amanda Williams – Transactional Finance Manager Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	1	2
High Risk (22 points)	Operating effectiveness	-	1	2	1
2016/17 – Medium (12 points)	Total	-	1	3	3

*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 high risk. We have raised 1 high, 3 medium risk and 3 low risk findings.

A number of audit reports in recent years have highlighted issues with the Tech1 finance system including the initial implementation of the system, the design of processes and controls, and poor engagement and speed of response to requests for support. System improvements have also been hindered by internal factors, primarily the level of work required following restructure to remodel the finance structures in line with organisational change and an under resourced team with appropriate expertise. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control.

This report (Finding 1 – High) provides a summary of the issues and actions being taken to address them and concludes that whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a risk around the operational performance and functionality of the finance system.

In addition to the above, we have raised the following issues with recommended actions:

- Balances within suspense accounts are not being cleared in a timely manner and there is a lack of clarity around responsibility and documented procedure for completing the process (Finding 2 – Medium)
- Some interfaces are not reconciled to Tech1 including the Bartec system and some Uniform activity. Issues relating the Northgate/Tech1 interface have been reported in the Housing Benefits internal audit report. A number of the system maps for the interfaces between the Tech1 system and the Council's other sub-systems remain incomplete, with regular reconciliation not being consistently performed (Finding 3 – Medium)
- There is insufficient monitoring over Tech1 user accounts and supplier access to the Tech1 system. Staff leaving the Council are not consistently having their user accounts deactivated in a timely manner (Finding 4 – Medium)
- There is a lack of knowledge and restrictions on who is able to access and make amendments to the

chart of accounts (Finding 5 – Low)

- Insufficient journal narrative and back-up documentation is being recorded for journals on the Tech1 system and there are cases where the same member of staff is preparing and approving the journal for posting (Finding 6 – Low)
- There is a lack of documented procedure for managing any updates or changes required for the Tech1 system (Finding 7 – Low).

The restructure over the past year, staff capacity and insufficient consultancy support has impacted on progress in implementing the controls recommended during our 2016/17 audit, and this is reflected in the increase in risk rating compared to prior year. There remain some fundamental processes and procedures that must be addressed.

Good Practice Noted

- The Council has documented and published formal Financial Regulations & Procedures which are available on the Council website which provide high level information on the financial procedures and controls in place within the Council. We found that approval occurs in line with the Procedures and where there are individuals who are unable to approve a transaction, the system re-routes this either to a peer or to a more senior individual and therefore the Scheme of Delegation is not breached
- Monthly bank reconciliation processes are being carried out on a consistent basis to effectively ensure the accuracy and completeness of transactions, with appropriate approval being documented and stored on the Council's network.
- The Council has documented a scheme of delegation which sets out the financial approval limits for each of the budgetary authority delegates.

2. Background and Scope

Background

The Council uses Technology One (Tech1) financial management software which includes the General Ledger modules, and the accounts receivable and accounts payable functions. A number of other systems are used to process financial transactions including iTrent (Payroll), Northgate (Housing Benefits, Business Rates and Council Tax) and the on-line payments system to interface with Tech 1 to name a few.

Journals are raised and approved within the Tech1 system. Budget holders and finance management are required to use the Tech 1 to process and approve journals centrally within the finance team.

In response to the 2016-17 General Ledger Internal Audit, the Council commissioned a consultant to create system notes on how each sub-system interfaces with the Tech1 system due to concerns around the limited oversight of these processes. This 'Reconciliations Manual' was in draft and handed over to the incoming Strategic Finance Manager on 1 November 2017. The issues raised relating to reconciliations have been a regular agenda item for the Finance Steering Group over the last 6 months and prioritised against a background of other associated financial controls.

Those areas which relate to core Finance Team tasks i.e. monthly bank reconciliations or daily banking activities to upload data, appear to be complete. Those areas which relate to non-Finance Team tasks i.e. waste sub-system, environmental health, land charges and all sub-systems not on Tech 1 appear incomplete and therefore a greater focus of the review will be to support the completion of these system notes.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Enquiry and observation of the Tech1 system and the controls in place
- Reviewing a sample of 10 leavers from the October, November and December 2017 HR leavers reports to ensure their user accounts had been deactivated
- Selected a sample of 10 user accounts and reviewed the associated access request forms to verify the requests were appropriate and the accounts had been set up in line with the request
- Selected a sample of 20 journals from April 2017 – January 2018 to determine whether they had been raised and authorised appropriately
- Reviewed the processes for how the Council manages its suspense accounts
- Undertook a review of the reconciliation manual, confirming the processes for the two bank reconciliations were documented correctly and interviewed staff to map the reconciliation process for the Bartec system
- Reviewing the Council's procedures for delegation of financial approval authority and assessing whether this is applied correctly.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Tech1 performance improvement – Operating Effectiveness

Finding

The Tech1 finance system went live in June 2015. Since then, a number of audit reports have highlighted issues with the initial implementation of the system and the design of processes and controls. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control. Progress in implementing improvements has been hindered by:

- frustrations in the relationship with the supplier, including poor engagement and speed of response to requests for support
- the level of work required following restructure to remodel the finance structures in line with organisational change
- an under resourced team with appropriate system expertise and a new staff in the transactional finance team following the restructure who have no experience of using this system

In the recent months, AVDC has worked with the new Senior Management of Tech1 to address a number of issues and the need for increased support to enable the full power of the product to be realised has been recognised. A plan of action is in place to focus internal resource and the supplier on the most urgent issues:

- Updating the product to ensure that it runs the latest release and therefore mitigate any system issues. A March implementation date for 2017A upgrade has been agreed
- Work to improve financial reporting.
- The need to conclude the automation and integration between Tech1 systems to enable effective reconciliation of all financial information. This includes the Northgate/Tech 1 reconciliation interface (refer Housing Benefits report)
- Review of system functionality and redesign of invoicing and debt management processes and reporting
- Action the property ledger in Tech1 system to align with start of financial year; this will support commercial property financial management processes
- Polishing the deployment of Tech1 as a whole. We need support and knowledge in overcoming a number of user difficulties and want to learning from other experiences and good practice implementations
- Working to review how we can engage customers/users to actively use Tech1

The finance team regularly meet with Tech1 consultants, and the Account Manager to progress operational issues, undertake health checks and prioritise actions. A monthly review meeting now takes place to manage the Tech1 contract, and this is chaired by the AVDC Corporate Contracts and Procurement Manager. The need for additional internal resource to support Tech1 has also been addressed; a new post of System Support Officer has been appointed and will start early April 2018.

Whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a high risk around the operational performance and functionality of the finance system.

Risks / Implications

The finance system fails to meet the needs of the Council. Inefficient processes and weakened financial control.

Finding rating

Action Plan

High

- a) System upgrade to give stable environment.
- b) Automated system interfaces, reporting and system configuration. This includes a lengthy list of actions including new financial management reporting, debt management, Northgate system integration, property ledger, for example. Progress on actions should be regularly reported to the Finance Steering Group.
- c) Recruit System Support Officer to double existing resource.

Responsible person / title

Nuala Donnelly, Strategic Finance Manager

Target date

- a) 31 March 2018
- b) 30 June 2018 (some earlier)
- c) 31 March 2018

2. Insufficient of oversight of suspense accounts – Operating Effectiveness

Finding

Each day a Finance Officer downloads transactions from the bank account from the prior day and this is uploaded to Tech1. When the data is uploaded, it automatically codes each individual financial transaction to the relevant code on Tech1; the software identifies unique reference numbers and account details and from this allocates transactions accordingly. If the system cannot allocate a transaction it automatically places it into the suspense account. This can happen if the reference number against a transaction is not recognised by the system.

There are two suspense accounts, the details of which as of 8 February 2018 are:

- Revenue Suspense Account: £138,953 (£96,379 at April 2017) - holds items relating to council tax and business rates
- Bank Suspense Account: £230,971 (£69,379 at April 2017) - holds other general items

There is a lack of formal documented processes in place to manage and clear the balances on the suspense accounts and staff expressed a lack of clarity over what their responsibilities for managing suspense accounts were.

The team have undertaken basic procedures to identify and reallocate balances within the suspense accounts, but this was limited to clearing items in the short term and where the reallocation was relatively straightforward.

There has been a build-up of the balances in both suspense accounts which contain a significant number of aged balances. In the Revenue Suspense Account some items date back to May 2015 when the brought forward balance was £33,179. Since completing our work, we understand that the item within the Bank Suspense Account with a balance of £75k reported in last year's audit report has been reallocated.

There is a lack of oversight on the suspense account position; the recommendation from last year's audit for providing monthly reports on the suspense account position has not been implemented.

Risks / Implications

General ledger balances may be inaccurate or incomplete. Individual customer accounts may be misstated. The longer balances sit in suspense the greater risk they pose to remaining unidentified or being subject to write-off.

Finding rating

Action Plan

Medium

- Agree and document procedures for clearing suspense accounts including responsibility, frequency of review and escalation.
- The position on each suspense account should be reported to the Strategic Finance Manager on a monthly basis to enable oversight of the clearing of the balances. The reports should include details of ongoing investigations on any outstanding balances.

Responsible person / title

Nuala Donnelly, Strategic Finance Manager

Target date

- 31 May 2018
- 31 March 2018 (for year end then monthly thereafter)

3. Sub-systems reconciliations with Tech1 are not performed – Control Design

Finding

The accuracy, completeness and integrity of the information in the general ledger is dependent on established and well defined interfaces with the various sub systems (e.g. Northgate, Uniform, Salesforce, Bartec) and manual reconciliations to determine whether the data being transferred between systems is accurate and complete.

In response to the concerns around the limited oversight of these processes in the 2016/17 General Ledger Internal Audit, the Council commissioned a consultant to create system notes on how each sub-system interfaces with Tech1. This 'Reconciliations Manual' was in draft and handed over to the incoming Strategic Finance Manager in November 2017. At the time of our review we found the status of the various sections of the Reconciliation Manual to be as follows:

Sub-System	Processes documented in Reconciliation Manual	Audit review
iTrent (payroll)	Yes	Yes – no issues
Uniform (planning, building control)	No	Yes – issues raised below
Bartec (garden waste)	No	Yes – issues raised below
Si-Dem (parking)	No	No
Northgate (revenues & benefits)	No	This was covered in the internal audit of council tax in which it was identified that reconciliations were not taking place consistently. At March 2018, council tax and Tech 1 are reconciled as far as the end of January 2018.
Banking – Main Bank Account	Yes	Yes – no issues
Banking – Council Tax Account	Yes	Yes – no issues

Bartec - Each quarter the Bartec team create a file, which lists each invoice they want to be raised; this relates to activity in the prior quarter. This file is passed onto the Finance Team who then upload the information into Tech1 so that invoices are issued. However, there is no reconciliation to ensure what is posted into Tech1 has been done in full and/or to the correct account codes. The Bartec team did inform us that they were provided the Reconciliation Manual however, have not taken any steps to complete information missing in the manual, or implement a reconciliation process.

Uniform - Information held on Uniform is not routinely reconciled to Tech1 and there are sporadic approaches across different departments i.e. Planning do reconcile however, parts of Licensing do not. Each area is unique and have reasons as to why information is not reconciled. The Council need to identify each of these sub-areas, map the system processes and develop system notes. As the roll-out of Salesforce to replace Uniform for each area continues, financial transaction interfaces between Salesforce and Tech1 should be mapped and reconciled.

Risks / Implications

Inaccurate information may be transferred from the sub-systems to Tech1 which may not be identified due to a lack of reconciliation process

Finding rating Action Plan

Medium

- a) The reconciliation manual should be completed, identifying frequency and responsibility for each financial reconciliation.
- b) Officers with responsibility for reconciliations should be trained to ensure process are carried out.
- c) Reconciliations should be completed and documented for sign off, with evidence of completed reconciliations being retained centrally. Where reconciliations are not completed then this should be escalated accordingly.

Responsible person / title

Nuala Donnelly, Strategic Finance Manager

Target date

30 June 2018

4. Tech1 User access not monitored sufficiently post set-up – Operating Effectiveness

Finding

Access to the Tech1 system is managed by the Strategic Finance Team, with access requests being submitted via the Hornbill system using a standard template. Once a request has been submitted, the team are required to review the request to ensure it is appropriate and if so, set up the account per the description. The team is also responsible for deactivating accounts when users leave the Council. HR provide listings of staff leaving employment which the team must review to determine whether any of the leavers hold active accounts, and if so these must be deactivated.

Deactivating accounts and reassignment of workflow

We reviewed a sample of 10 users on the HR leavers reports sent through to the Finance team in October, November and December 2017 to determine if their accounts had been deactivated. We found two instances where individuals who have left the Council still had active accounts on the system. When raised with the Finance Team, we were informed that one of these accounts was being held active as there were some workflows which operated through the account which had not been allocated to a different user.

Supplier (Tech1) access

We looked at how the Council manages supplier access to the Tech1 system. During our prior audit of the general ledger we identified that there were 9 system supplier accounts with full access to the Tech1 system and that there was a lack of oversight and management of these accounts. We recommended that access restrictions be placed on supplier accounts, with accounts being set up as and when needed for limited periods of time. However, this year's testing identified that there remain 8 supplier accounts with full access to the Tech1 system; the limited management over the use of these accounts remains a concern.

Access reviews

The prior year audit recommended introducing procedures to carry out annual reviews of user access to ensure it was appropriate. We found that the initial post restructure review recommended within the prior report is yet to be completed and there is currently no procedure for carrying out annual reviews.

Risks / Implications

Individuals may gain inappropriate access to the financial systems.

Finding rating

Action Plan

Medium	a) Carry out at least quarterly reviews of changes to user access to the system to ensure access is set up accurately and restrictions remain appropriate	<i>Responsible person / title</i> Nuala Donnelly, Strategic Finance Manager
	b) The HR leavers reports provided to the Finance Team should be reviewed and actioned within 3 working days to ensure that access is deactivated. Responsibility for this should be formally assigned to an individual, with reviews being documented on the HR leavers report to evidence what changes were made. Any workflows which operate through an account requiring	<i>Target date</i> 30 June 2018

deactivation should be assigned to other users and accounts should not remain active in a dormant state to continue the workflows.

- c) Access restrictions be placed on supplier accounts, with accounts being set up as and when needed for limited periods of time (prior year action re-raised)
- d) Introduce procedure to carry out annual reviews of user access to ensure it was appropriate (prior year action re-raised)

5. Modifications to the Chart of Accounts not monitored – Control Design

Finding		
<p>The chart of accounts details the various accounts set up within the general ledger. Changes to the chart of the accounts in the form of addition or deletion of accounts or amendments to the accounts should be restricted to appropriate personnel. Furthermore, changes should be subject to approval by management, with regular review of all changes made within each period.</p> <p>We discussed with the Strategic Finance Team what controls are in place to ensure the chart of accounts is only subject to appropriate and authorised amendments. From our discussions we found there to be a lack of clarity with regards to who was able to access the chart of accounts and make amendments, with access restrictions not being documented.</p> <p>We also identified that there is a lack of oversight with regards to changes to the chart of accounts, with changes to the chart not requiring any approvals prior to being actioned and no periodic reviews of the changes to the chart of accounts taking place. This issue was highlighted in last year’s audit report, where anybody allocated to the ‘Finance’ access group in Tech1 was able to make amendments to the chart of accounts, with no review process in place to verify that the changes made were appropriate, an issue which is yet to be addressed.</p>		
Risks / Implications		
<p>Inappropriate amendments to the chart of accounts may be made with management having insufficient oversight of the changes made.</p>		
Finding rating	Action Plan	
Low	Run reports from the Tech1 system on a quarterly basis listing all changes made to the chart of accounts within the period and review these reports to confirm all changes are appropriate and accurate.	<i>Responsible person / title</i>
		Nuala Donnelly, Strategic Finance Manager
		<i>Target date</i>
		30 June 2018

6. Journal preparation and approval needs strengthening – Operating Effectiveness

Finding

Journals are prepared by a member of the Finance Team before being sent to a different individual within the team for approval prior to being posted to the system.

We tested a sample of 20 journals posted between April 2017 and January 2018 to determine whether they were prepared and approved appropriately and whether supporting documentation was in place. From this we found that there is a lack of oversight over the journals that are posted. Our testing identified that it is routine to post journals without attaching any supporting documentation to the system, with the narratives to support the journal often lacking detail, indicating the possibility of journals being approved without sufficient scrutiny.

On four of the 20 journals tested the journal was prepared and approved by the same individual. The type of journal varied, with two being general ledger journals relating to suspense accounts and the other two being accounts receivable journals relating to control account postings.

Discussions with members of the Finance Team found that there are no restrictions on who is able to approve a journal, with the system allowing journals to be sent to any member of the team irrespective of the nature of the journal or its value.

Last year's audit also identified that there is no regular review of high-risk journals that are posted to the system to identify any inappropriate or inaccurately posted journals. A recommendation was raised to implement and document a quarterly review of high value and high-risk journal types. On discussion with members of the Finance Team we were informed that no such review has been implemented.

Risks / Implications

Inappropriate or inaccurate journals may be posted to the general ledger which will not be identified and rectified in a timely manner.

Finding rating

Action Plan

Low	a) Ensure that all journals include a sufficiently detailed narrative to allow the journal reviewer to effectively determine the appropriateness and accuracy of the journal.	<i>Responsible person / title</i> Nuala Donnelly, Strategic Finance Manager
	b) Undertake quarterly reviews or spot checks of high risk journals to ensure documentation and review processes for journals are taking place appropriately.	<i>Target date</i> 30 June 2018
	c) Establish control procedures to ensure high risk (non standard) journals are not prepared and approved by the same individual	

7. Tech1 update procedure needs establishing – Control Design

<i>Finding</i>		
<p>There are times at which the Tech1 system will need to undergo changes or updates to maintain its functionality and security. As such, sufficient procedures must be in place to facilitate these updates and to minimise any disruption they may cause.</p> <p>We discussed with the Finance Team what procedures are in place to manage updates to the Tech1 system. From these discussions we were informed that there have yet to be any updates to the system and there are currently no documented procedures in place to manage any future updates.</p>		
<i>Risks / Implications</i>		
<p>Updates to the Tech1 system will be poorly managed, resulting in failure to successfully carry out efficient and effective financial processes.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	<i>Responsible person / title</i>
Low	Document procedures for the steps staff must take in preparing for and carrying out updates to the Tech1 system.	Nuala Donnelly, Strategic Finance Manager
		<i>Target date</i>
		30 September 2018

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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● Low risk	6 points or less

Individual finding ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Critical impact on operational performance; or ● Critical monetary or financial statement impact [quantify if possible = materiality]; or ● Critical breach in laws and regulations that could result in material fines or consequences; or ● Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Significant impact on operational performance; or ● Significant monetary or financial statement impact [quantify if possible]; or ● Significant breach in laws and regulations resulting in significant fines and consequences; or ● Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Moderate impact on operational performance; or ● Moderate monetary or financial statement impact [quantify if possible]; or ● Moderate breach in laws and regulations resulting in fines and consequences; or ● Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Minor impact on the organisation’s operational performance; or ● Minor monetary or financial statement impact [quantify if possible]; or ● Minor breach in laws and regulations with limited consequences; or ● Minor impact on the reputation of the organisation.
Advisory	<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
Policies and procedures	<ul style="list-style-type: none"> The general ledger is inappropriately managed due to a lack of documented policies and procedures. 	<ul style="list-style-type: none"> Policies and procedures are clear, understood and followed to ensure the objectives of activity are met
Access	<ul style="list-style-type: none"> Inadequate management of system access and data resulting in data manipulation 	<ul style="list-style-type: none"> Access to the system is controlled to manage unauthorised manipulation of data
Reconciliations/ Interfaces	<ul style="list-style-type: none"> Inaccurate and incomplete Interfaces to/from Tech 1 	<ul style="list-style-type: none"> Reconciliations Manual is accurate and complete Reconciliations are performed in a timely manner and are subject to review to ensure data held is accurate and complete Reconciliations are accurate, complete and undertaken in the correct period, with reconciling items being followed up and cleared in a timely manner
Upgrades	<ul style="list-style-type: none"> Inadequate arrangements to prepare for any changes Tech 1 	<ul style="list-style-type: none"> Sufficient arrangements are in place to facilitate for smooth changes and upgrades to the Tech 1 software
Chart of Accounts	<ul style="list-style-type: none"> Insufficient procedures to add or remove entries into the chart of accounts 	<ul style="list-style-type: none"> There are clear procedures in place to create, amend or remove entries into the chart of accounts
Suspense Accounts	<ul style="list-style-type: none"> General Ledger balances are inaccurate or incomplete due to insufficient clearance of suspense accounts 	<ul style="list-style-type: none"> Suspense accounts are cleared on a timely basis
Journals	<ul style="list-style-type: none"> Inaccurate, incomplete, invalid or fraudulent journals are posted to the general ledger due to a lack of scrutiny and approval of journals 	<ul style="list-style-type: none"> Journals are appropriately approved by delegated personnel and processed in a manner which maximises efficiency
Prior year agreed actions		<ul style="list-style-type: none"> Prior year agreed actions are implemented.

Appendix 3. Follow-up of previous audit actions

#	Finding (risk)	Agreed Action	Original Target Date	Action Taken	Complete
1	Oversight of key reconciliations is not sufficient (Medium)	<p>The Finance Team need to :</p> <ul style="list-style-type: none"> • Revisit each individual area process notes and decide whether a reconciliation is required • Issue a standard reconciliation document to each area where a reconciliation is required – see appendix 3 as an example • Establish a central shared electronic document which records the expected frequency for each reconciliation and a record of when all reconciliations took place. This central record should also note the balance of any unreconciled items along with an explanation. • Reissue the revised system notes to areas and ensure these are agreed with the key lead from the area; a central log should be held for when the area should be revisited to review the process notes, at least annually. 	May 2017	A reconciliation manual plan has been developed which details the reconciliations required, the frequency they should be carried out and who is responsible for this.	No – See Finding 3
2	Frequency and consistency of reconciliations to the General Ledger (Medium)	<p>As part of implementing the actions agreed in Finding 1, all systems including Uniform and Waste should be included to ensure appropriate reconciliation is performed. Thereafter escalation should take place as needed.</p> <p>Northgate reconciliations:</p> <ol style="list-style-type: none"> Reconciliations must occur on a monthly basis Reconciliations not occurring on a monthly basis and significant unreconciled balances must be escalated to the Strategic Finance Manager. 	May 2017	A reconciliation plan has been developed but is not complete and many systems are not reconciling information to Tech1.	No – see Finding 3

3	User access review (Medium)	<p>a) Suppliers who have full access to the system should be reviewed and restricted and their accounts must be locked by the Council's system administrator</p> <p>b) Suppliers who require access to the system must request permission from the system administrator and their account must be locked immediately after use. The access should only be granted for a specific time limit i.e. 12 hours</p> <p>c) A review of users access rights should be undertaken for all Tech1 users on conclusion of the Council's restructure and thereafter at least annually</p>	<p>April 2017</p> <p>April 2017</p> <p>July 2017</p>	<p>a) Supplier accounts remain open with full access to the system</p> <p>b) Supplier accounts remain open with full access to the system. No time limits are imposed on supplier accounts.</p> <p>c) The post-restructure user access review has begun but is yet to be completed.</p>	<p>No – See Finding 4</p> <p>No – See Finding 4</p> <p>In progress</p>
4	Insufficient central oversight by Finance Team of key risk areas (Low)	<p>Finance should run the following reports and document a quarterly review as follows:</p> <ul style="list-style-type: none"> • Journals – A report listing all journals in the quarter should be run. The Finance Team should determine the criteria for filtering the report to identify those journal types/values most at risk and then document their assessment over whether the identified journals are reasonable • Chart of Accounts – A report listing all changes to the chart of accounts in the quarter should be run. The Finance Team should review all changes and confirm if they are reasonable • Last User Login – A report listing all users in order of last login date should be run every quarter. Those with last logins greater than nine months should be reviewed as to whether their access is still reasonable. <p>All of the above quarterly reviews should be documented to show review by the Finance Team and the process should be approved by the Strategic Finance Manager or Director of Finance.</p>	June 2017	The recommended reviews are not currently taking place.	No – See Findings 4, 5 & 6

5	Suspense Accounts (Low)	<ul style="list-style-type: none"> Suspense account positions must be reported to the Finance Team in the first week of each month. This must set out the movement in suspense account values from the prior period and explain reasons for significant balances which remain outstanding Upon receipt the Finance Team has responsibility to take appropriate action to ensure suspense account balances are cleared timely <p>The procedures for suspense accounts should be documented and approved by Finance, including the daily/weekly process, monthly reporting and escalation procedures to bring long or large balances to the Director of Finance.</p>	April 2017	Regular reports on suspense account balances are not taking place and balances are not being cleared in a timely manner, with balances having continued to increase over time. There remains a lack of clarity of the procedures and responsibilities for clearing suspense accounts	No – See Finding 2
6	Limited Narrative Retained on System for Journals (Low)	Appropriate journal narrative should be recorded against every journal transaction and the Finance Team should be informed regarding what the expectations are.	April 2017	The narratives posted with journals still do not provide an appropriate level of information to enable an effective review of the journal	No – See Finding 6



Internal Audit Report 2017/18

Housing Benefits

March 2018

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Distribution List

For action	Emily Fymruk – Team Leader, Customer Relationship
	Hazel Hutt, Group Manager, Customer Relationship
	Gary Wright, Rating and Recovery Manager
For information	Jeff Membery, Assistant Director, Customer Fulfilment
	Andrew Small, Director
	Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	-	2
High risk (22 points)	Operating effectiveness	-	2	-	-
2016/17 - High risk (39 points)	Total	-	2	-	2

*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 high risk. We have identified 2 High and 2 Low risk issues

Since the prior year high risk report (39 points) significant improvements have been made to processes and controls. These improvements have led to the Council being paid back subsidy from the DWP as part of their 2016/17 subsidy return, instead of a significant subsidy loss in 2015/16. The key areas of improvement are around increasing the quality checks being performed each month which has led to consistently at least 5% of all cases being reviewed with at least 95% of these passing quality checks. This has been supported by full team training and monitoring of monthly subsidy forecasts to quickly identify any financial concerns and take prompt action to rectifying benefit cases.

However, there are still challenges, with the biggest concern being around overpayments. Consistent with the national picture, the total estimate of overpayments remains high, at £5.9m in February 2018 (2016/17: £6.5m). Of this, £4.12m relates to invoiced overpayment debt and £1.78m is being collected through on-going benefits. As reported last year, there is a mismatch between housing benefit overpayment data held on Northgate (benefits system) and Tech1 (finance system). During the year significant resources have been invested to reconcile these two systems and redesign the automated interface processes. Progress has been made to the point where the residual unreconciled balance has been reduced to 0.6% of the debt outstanding, but further work is needed to automate the matching process and establish ongoing reconciliation procedures.

There are also insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt. A business case has recently been approved for additional resource to focus specifically on recovery of housing benefit overpayment.

Low risk issues have been raised around training and more robust performance monitoring.

System updates for changes in legislation

It was identified in December 2017, after the completion of the external audit of the annual Benefits Certification for 2016/17, that there had been two changes to benefit legislation that had not been fully implemented on the Northgate system. The changes were restrictions to the family premium in May 2016

and further measures to limit the additional benefit granted to claimants with more than 2 dependant children in May 2017. In both cases the impact was on new cases with protection extended to existing benefit claimants.

In both cases the changes to legislation were handled differently by the software provider than the usual for legislative change. As well as the expected amendments to system parameters these changes also required the purchase of specific new pieces of software which are then issued via a “licence key” which the user needs to input into the system. Although the parameter changes were made, the proper licence keys were not entered onto the system.

This problem highlighted a number of issues, which have since been addressed, including lack of technical expertise/resource; need for Technical experts and System Admin to work together more closely; shortcomings in the checking and testing arrangements; and the need to provide the caseworkers with more advanced training.

Once identified the fix was promptly put in. All effected claimants have been contacted and the impact has been minimised with additional support if appropriate. The majority of any overpayments created by this fix were classified as LA error for subsidy purposes. This has an impact on the level of subsidy estimated to be around £91,000; this will offset some of the positive reduction in overpayment in the final 2017/18 subsidy calculation.

The issue was highlighted to internal audit as soon as it was identified, and we had insight to the actions being taken. Subsequently we have reviewed and tested the new processes to identify, log, implement and test national legislation changes and conclude that these are adequate.

Summary of findings

- Manual reconciliation of overpayments has not been fully completed and the automation of the reconciliation process, whilst commissioned, has not yet been established (Finding 1 – High)
- Insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt (Finding 2 – High)
- All procedure notes and training plans need to be completed so that all staff have clear instructions on benefits activity (Finding 3 – Low)
- Performance monitoring of benefits needs formal senior oversight (Finding 4 – Low)

Good practice noted

- Quality checks are now an integral part of day-to-day activities with a Quality Officer in place who sample checks at least 5% of cases each month. The Council has met the target of ensuring over 90% of these samples pass quality checks, exceptions are discussed at a monthly meeting with appropriate action taken where quality concerns are raised
- Overall processing times for new applications have improved on the prior year which is reflective of a more efficient approach and these are considered reasonable. The focus of the last year has been on quality over timeliness however, improvement on processing has still been made
- Good controls exist around the annual updating of parameters in the system (the issue noted above is consider to be an exception due to the nature of the change). We sampled 5 parameters from the

DWP circulars and matched them to the system with no exceptions

- From our sample of five housing benefit recipients (a mix of new claims and change in circumstances) which were tested for eligibility, accuracy and timeliness, we found no exceptions, indicating operational effectiveness in the processing of claims
- The payment run is set up to automatically run at regular intervals each month, allowing payments to occur in a timely manner
- Controls around data protection are in place with a clear Data Security Policy, adequate training for staff and the use of AppCheck which mandates further data protection training before it is used by the Department of Work and Pensions.

Management comments

We have been working hard to upskill the team and tighten the processes and procedures. Whilst we recognise there are still some areas which require attention, for each of these there are now clear plans in place, with timeframes, to address them. Once these changes are embedded, ongoing risks will be minimised.

2. *Background and Scope*

Background

Aylesbury Vale District Council (the Council) uses Northgate as its revenue and benefits software, with Iclipse as the information retention system. The benefits team is led by the Group Manager and supported by three team leaders, who together manage revenue and benefits activities. The benefit entitled to an applicant is calculated through obtaining evidence of all declared income and landlord rent agreement. Overpayments are created through Local Authority error or when an applicant's circumstance changes and backdated payments are recovered.

In 2016/17 the Council was restructured which resulted in significant changes to the benefits administration team. A high risk internal audit report for 2016/17 was issued, which reflected the lack of resource and gaps in knowledge and experience of staff because of the restructure, as well as a lack of performance monitoring and reporting of key housing benefit metrics. Processing times had grown and overpayments were not effectively monitored.

The purpose of this audit is to review the design of controls and their operating effectiveness with regards to housing benefits since 1 April 2017.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Discussions with the Contact Team Manager and Group Team Manager
- A sample of 5 benefit recipients (new claims and change in circumstances), testing for evidence of eligibility and timeliness and accuracy of payments
- Review of monthly quality checking processes and whether this is discussed and actioned in an appropriate manner
- Review of process documents, data protection documents and evidence of training
- Review of the overpayments reconciliation and recovery processes
- Review of appeals related to Housing Benefit during the financial year and the processes surrounding this

We also reviewed progress against prior year recommendations. This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Reconciliation of housing benefit overpayment debt is incomplete – Operating effectiveness

Finding

When an overpayment has been identified the Council's first approach is to recover the debt by reducing the on-going benefit the individual receives for a period of time until it is recovered. However, in some circumstances, if the debt cannot be recovered this way due to the individual no longer being eligible to receive benefits, then an invoice will be raised via Tech1. In these circumstances, the Northgate system "sends" the debt to Tech1 for an invoice to be raised, and any payments received are recoded on Tech1 and should be updated on Northgate. The "invoiced" overpayment figures on the two systems should match.

Last year, internal audit reported a high risk issue with the Tech1 and Northgate interface for housing benefit overpayment and also some weaknesses in manual processes which require data to be entered into two systems. During summer 2017 work started to reconcile Northgate and Tech1 Housing Benefit Overpayment debt and clear any discrepancies between the two systems; involving manual checks of each unmatched item and investigation of both systems to correct the difference. The Finance and Benefits teams also engaged the software providers to address the underlying issue around the interface between Tech1 and Northgate.

This process is yet to be completed. We note the following status and issues:

- **Backlog of overpayments - manual reconciliation.** The Overpayments Officer is reviewing listings of unpaid balances on Northgate debtors and reconciling each item to Tech1. This involves manual matching of invoices, payments and credit notes. Once the genuine debt has been identified, appropriate recover action should then be taken (see finding 2). This process began in August 2017 and will continue until it is complete. Current completion rates as at 27 February 2018 are:
 - **Landlord invoices:** 86% have been reconciled (£14,100 unreconciled)
 - **Claimant invoices:** 98% have been reconciled (£11,900 unreconciled)
- **Backlog of overpayments - automatic reconciliation.** The manual process can only ever operate to a defined point in time, and individual claimant accounts are constantly changing as circumstances change. The Benefits and Finance teams have been working on an automated process to reconcile Northgate and Tech1 but have not yet established a full reconciliation via automatic interface which will give an exact figure on a transaction by transaction basis.

At the time of this report, the coding has been added to Northgate to allow the bespoke reconciliation job to run; this has been tested and also now run in the live environment. The Finance System Accountant is working to create an automated data matching process from Tech1 to highlight any differences to investigate. This will enable ongoing reconciliation of the two systems. This task is extensive and requires additional support from the software supplier. This automatic process, once established, will replace the manual process, with monitoring controls in place to ensure it is working.

In the meantime, reports from Northgate and Tech 1 can be run manually to identify and monitor

the difference at a summary level. Currently the difference between the two systems is £120,000, representing unreconciled debt.

- **Benefit Officers assessment of overpayments.** Each day the Overpayments Officer reviews a listing of overpayments which have been raised in Northgate debtors; this review is to check: 1) Is the debtor genuine and what recovery method is best; 2) Is it for the right amount; 3) Is the payee the correct person/organisation; and 4) Is it the right address on the invoice. This daily check has been in place since 25 August 2017 and in the period to 3 January 2018, 719 overpayment invoices have been raised on Northgate debtors of which 84.6% pass the quality checks performed by the Overpayments Officer. This is below the benchmark of 95%. Whilst those rejected overpayment invoices raised by Benefits Officers are not issued to payees, this does increase the quality checking time of the Overpayments Officer which reduces their time to manage the backlog of overpayments.

Whilst the Group Manager and Team Leaders have made good progress in recent months in resolving these weaknesses, there remains a degree of risk around the accuracy and validity of housing benefit overpayment. This will be resolved once the backlog of reconciling items is cleared and the automated process is established and operating.

Risks / Implications

Debt may be misstated.

Debt may not be recovered and/or customers may be inappropriately chased for outstanding payments.

Finding rating

Action Plan

Finding rating	Action Plan	Responsible person / title	Target date
High	a) Complete the manual reconciliation of the backlog of overpayments	Hazel Hutt, Group Manager (a,c,d,e)	
	b) Complete the necessary steps to implement the Northgate/Tech1 automatic data matching interface	Nuala Donnelly, Strategic Finance Manager (b)	
	c) When the automatic process is established, determine frequency of reporting and investigation of any differences (at least monthly)		a) 31 March 2018
	d) Until the automatic interface is working, continue to monitor the value and movement of the unreconciled balance at a summary (total) level		b) 30 April 2018 c) 30 April 2018 d) 31 March 2018
	e) Overpayments checked daily by the Overpayments Officer need to achieve the 95% benchmark by reporting compliance and feeding back any consistent errors to Team Leaders.		e) 30 June 2018

2. Insufficient recovery of housing benefit overpayment – Operating effectiveness

Finding

In December 2017 the recovery of housing benefit overpayment debt moved to the Ratings and Recovery Team. It was envisaged that by centralising with other recovery activity it would standardise and improve efficiency. The recovery team receive reconciled debt information and raise invoices against this. Invoiced housing benefit overpayment currently stands at £4.12m but there is little to no activity to monitor this and take recovery action.

This is primarily due to a lack of capacity in the recovery team; there is currently no single designated officer to work on recovery of overpaid housing benefits including proactive recovery methods, such as attachment to earnings. In March 2018, approval has been given to engage a dedicated resource to accelerate the recovery of this debt. Under the “debt project”, work is also progressing to report and monitor collection rates, but this is yet to be embedded and is reliant on Tech1 upgrades and accurate reconciliation outlined in Finding 1.

Risks / Implications

Housing benefit overpayment is not recovered. Increased debt write-offs.

Finding rating

Action Plan

High

- a) Identify sufficient /additional resources to enable effective recovery of housing benefit overpayments. This should include proactive measures such as “attachment to earnings” and profiling of balances to ensure those with most chance of recovery are prioritised. Target recovery rates should be agreed to justify the return on any additional financial investment in resource.
- b) Produce monthly/quarterly monitoring reports of overpayment benefits debt issued and recovered, including reports of aged debt to the Finance Board.
- c) Debts deemed irrecoverable should be written off in accordance with the new debt policy.

Responsible person / title

Gary Wright, Ratings and Recovery Manager

Target date

- a) 30 June 2018
- b) 30 June 2018
- c) 30 June 2018.

3. Process and procedure documentation and training – Control design

Finding

The Customer Relationship Team as at December 2017 is staffed with 2 Team Leaders, 16 permanent staff and 11 temporary staff; there are also 3 permanent vacancies which are unfilled.

On-the-job training is delivered to staff upon joining. Those staff who were employed in April 2017 would have undergone a week long training programme covering all the key aspects of revenues and benefits and subsequent to this, local training has been delivered by Team Leaders on particular areas of risk i.e. how to document 'earned income'. We identified two areas for improvement:

- Updating procedures notes. The team have invested time to create and update procedure notes and placing these onto Box so they are accessible to staff. This includes procedure notes on how to manage overpayments, raise credit notes and run reports, amongst other areas. There are still some procedure notes to be finalised and shared with staff to ensure these can be disseminated and embedded into daily practices. The team are creating a calendar which will set out all future training for team members to ensure the correct frequency and breadth of training is delivered
- Temporary staff. Temporary staff are not given training on overpayments or Northgate when they join. As they are recruited because of their skills there is an assumed level of knowledge however, this will not pick up local processes. Whilst on-the-job training is given and new starters have their calls monitored, procedures around particular local challenges i.e. overpayments, are not covered in specific training.

To help address the issues relating to housing benefit overpayments, the Team Leader has a plan in place to ensure new and existing staff receive training. This will ensure that officers understand what housing benefit overpayments are, why they have occurred, what the impact is on the customer and authority and how to correctly action these on Northgate in line with legislation.

Risks / Implications

Benefit cases may be incorrectly assessed. Inaccurate and/or inefficient processing of claims.

Finding rating

Action Plan

Low	a) A schedule identifying every member of the Team should be kept listing the training they have received. For future training, the calendar currently being developed should be finalised so that there is a clear picture of future training to be delivered. These schedules should be monitored and action taken to ensure all staff have training in overpayments and wider benefits training needed is assessed and acted upon.	<i>Responsible person / title</i>
		Hazel Hutt, Group Manager
		<i>Target date</i>
		a) 30 April 2018 b) 30 April 2018.
	b) Complete the process of creating and updating all procedure notes and sharing these on Box. There should be a schedule created of all procedure notes recording when they were last updated and ensuring they are reviewed on an at least annual basis to ensure they are still valid and complete.	

4. Performance monitoring of benefits needs formal senior oversight – Control design

Finding

Performance monitoring arrangements for Housing Benefits have improved significantly compared to the prior year. These improvements include: monthly meetings to monitor quality checks and taking appropriate action, a forecast of subsidy outturn to mitigate any unexpected financial loss and reviewing headline key performance indicator information on processing times.

Whilst monthly performance meetings are taking place at an operational level, this does not involve the Assistant Director – Customer Fulfilment, and updates to him are more ad-hoc. Key performance indicators should be regularly reported to senior management for oversight and Members for scrutiny (in consultation with Strategic Finance Manager around wider financial performance reporting).

Risks / Implications

Housing benefit performance is not monitored, impacting the subsidy claim and ability to collect debts. Poor service delivery to claimants; increase in complaints.

Finding rating

Action Plan

Low

Establish a standing meeting involving the Group Manager and Assistant Director – Customer Fulfilment at least quarterly to discuss the performance of revenues and benefits covering at a minimum: overall performance times, current position on quality checks and subsequent actions, monthly subsidy forecasts, team training, team staffing and position on overpayments. These meetings should be minuted or supported by an action plan.

Responsible person / title

Hazel Hutt, Group Manager

Target date

31 May 2018

Appendix 1. Terms of Reference

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

Sub-process	Risks	Objectives
Parameters	Inaccurate benefit pay	<ul style="list-style-type: none"> Parameters entered onto the system are in line with national DWP circulars and sufficient verification checks are conducted to ensure the validity, accuracy and completeness of parameters entered
Eligibility	Fraudulent/invalid claims	<ul style="list-style-type: none"> Eligibility is assessed and agreed back to evidence which is recorded clearly on the system and case notes to ensure compliance with local and national guidance
Approval and payment	Fraudulent/invalid claims	<ul style="list-style-type: none"> Approval of cases is in line with local procedures and clearly evidenced in a timely manner Payments are made in line with eligibility and local/national guidance in a timely manner
Processing speed	Claimants waiting for payment. Admin delays can reduced subsidy	<ul style="list-style-type: none"> Processing times for new claims and changes of circumstance are routinely monitored and reported to maximise efficiencies
Overpayments	Inaccurate payment. Cost of non-recovery	<ul style="list-style-type: none"> Overpayments are identified in a timely manner, monitored and appropriate action taken Evidence to support decisions where overpayments are identified are recorded and approval is received Processes are in place to recover overpayments, in line with legislation, and monitor arrears. Write-offs are in line with Council procedure
Errors	Inaccurate payment, impact on subsidy claim	<ul style="list-style-type: none"> Quality checks are performed Claimant error and Local Authority Error is identified, monitored and rectified
Appeals	Cases not managed adequately	<ul style="list-style-type: none"> Policies and procedures for appeals are clear Appeals are managed in accordance with policy and monitored effectively
Data Protection	Adequate controls and Data breach	<ul style="list-style-type: none"> There is clear guidance on how to manage data in line with the Data Protection Act and local policies Data breaches or near misses are reported correctly with action taken Sufficient support and training to staff is provided to meet requirements
Reconciliations	Inaccurate financial data	<ul style="list-style-type: none"> Reconciliations between Northgate and T1 are performed and reviewed on a regular basis
Follow up of prior year agreed actions		<ul style="list-style-type: none"> External audit recommendations following the subsidy audit and have been addressed Prior year internal agreed actions have been implemented

Appendix 2. Follow-up of Previous Recommendations

#	Finding (risk)	Agreed Action	Original Target Date	Action Taken	Complete
1	Staff structure, team knowledge and training (High)	<p>The structure of the Customer Relationship Team and the impact this has on supervision, training and team resilience needs to be reviewed as part of the restructure process, and regularly thereafter</p> <p>A periodic review of training needs should be performed with an action plan set out to implement the training required on a one-off and on-going basis</p>	<p>March 2017 – for review of team structure and experience</p> <p>June 2017 – training needs review</p>	<p>The whole team went through training in April 2016 and the use of temporary staff has reduced. The Team Structure process has completed with a new Team Structure chart in place</p> <p>Training has commenced and plans being developed</p>	<p>Complete</p> <p>In progress – see finding 3</p>
2	Quality checks are insufficient. (High)	<p>The results of quality checks undertaken must be reported to individuals on an on-going basis by at least the end of the following month which they related to, including trends being reported to the team as a whole. Action must be taken to respond to errors identified for example</p> <p>The Council should continue to test at least 5% of all cases each month and set a target accuracy rate i.e. 95% and above. The target accuracy rate should be reported and monitored</p> <p>Council should embed the review and approval (using notepad) control for cases which are greater risk until such time a new system or tool is devised.</p> <p>To assess and decide whether to purchase the DWP risk verification software. If this is not purchased, the Council should document the risk of not prioritising cases effectively and undertake an alternative arrangement.</p>	<p>April 2017 – to set a target for accuracy rates for quality checks</p> <p>May 2017 – all other actions</p> <p>June 2017 – provide targeted feedback to individuals</p>	<p>A monthly quality checking meeting is in place with checks being taken daily.</p> <p>Reviewing at least 5% of cases and achieving at least 95% compliance</p> <p>Targeted feedback is now given and this shows in the high levels of compliance and the fact the 2016/17 DWP subsidy return led to receiving money instead of paying it as in 2015/16</p> <p>Risk verification “AppCheck” is in place</p>	Complete
3	Performance monitoring of	Monthly KPI reports should be produced and reviewed by	April 2017 – agree KPIs and	A monthly meeting takes place which	Complete

<p>benefits is inadequate (High)</p>	<p>management. A quarterly a meeting should take place involving the Group Manager, Assistant Director for Customer Fulfilment and with escalation to the Director of Finance as needed.</p>	<p>develop reporting pack May 2017 – agree terms of reference of senior meeting and arrange first meeting</p>	<p>focusses on the quality checks and subsidy return attended and led by the Group Manager A quarterly meeting involving the Assistant Director, Customer Fulfilment is not in place.</p>	<p>Not complete – see Finding 4</p>
<p>4 New claims processing times (Medium)</p>	<p>Council should continue the recently established weekly process of the Duty Officer to follow-up benefit case reminders until such time a new approach is devised To promptly implement the Information at Work software onto Northgate. If delays continue beyond the revised implementation date, the risks need to be assessed and alternative solutions considered. Monthly review of misallocated Salesforce emails should take place to identify any unallocated emails.</p>	<p>May 2017</p>	<p>The weekly Duty Officer process is in place and the Council have implemented AppCheck software to risk assess cases on a trial basis. Processing times have also significant reduced from 28 for new claims in the prior year to 18 days There is no longer any issues with misallocated Salesforce emails</p>	<p>Complete</p>
<p>5 Data protection needs to be supported via completion of e-learning modules and system reconciliations (Medium)</p>	<p>The list of those who have conducted the E-learning module on data protection should be mapped to the current staff in the Customer Relationship Team. This should identify individuals who have not undertaken the training and those who have undertaken the training more than 12 months ago. Training should be completed and thereafter undertaken at least annually A data matching exercise between iClipse and Northgate must take place at least monthly.</p>	<p>March 2017 – undertaking mapping exercise April 2017 – ensure 100% compliance with E-learning module April 2017 – undertake data matching exercise between iClipse and Northgate</p>	<p>The Council are now 100% compliant. As part of joining AppCheck every staff member had to undergo extensive DWP data training. All staff have undertaken this and records retained</p>	<p>Complete</p>
<p>6 Overpayments data is not fully understood to support effective decision making (Medium)</p>	<p>The Council must understand the current position on overpayments and whether sufficient resource is in place to reconcile the two systems data and then take appropriate action to improve the control environment. These issues are being addressed through the</p>	<p>June 2017</p>	<p>The position on overpayments is still on-going</p>	<p>Not complete – see Finding 1.</p>

Corporate Debt Project but need to be overseen and actioned by the Housing Benefit team.

As part of Quality Checks undertaken, the Council should review whether Case Officers are flagging overpayment cases effectively and taking appropriate action.

Appendix 3. 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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● Low risk	6 points or less

Individual finding ratings

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



Internal Audit Report 2017/18

Taxi Licensing

March 2018

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Distribution List

For action	Lindsey Vallis, Group Manager - Regulatory Services Nicola Metcalf, Interim Licensing Team Manager
For information	Jeff Membery, Assistant Director Customer Fulfilment Tracey Aldworth, Director Andrew Small, Director Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	2	1
Medium Risk (13 points)	Operating effectiveness	-	-	2	-
	Total	-	-	4	1

*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 raised four medium and one low risk issues.

We tested a sample of 20 applications and 15 service requests/regulatory actions and sanctions for the period April 2017 to January 2018. Testing demonstrated an overall weakness on record keeping and evidence retention. In addition, we have also identified a lack of effective documented enforcement activities and management oversight and scrutiny of the performance of taxi licensing.

Our review assessed cases on the Council's platform Uniform; this has recently been replaced by Salesforce which went live in November 2017. We assessed the capabilities and functions of Salesforce in light of any design gaps we found in Uniform to assess whether Salesforce would adequately mitigate these – overall Salesforce will substantially improve the ability to retain evidence and compliance however, this will not cover all design gaps identified in this review.

The taxi licensing service has seen a significant increase in demand for both vehicle and driver licences following the introduction of the Deregulation Act 2015 with driver licence applications increasing five fold and vehicle applications three fold since the introduction of the Act. In 2017/18 AVDC underwent an organisational restructure which resulted in 50% of the staff within the taxi licensing service moving into roles in other departments within the organisation and a related period of recruitment and staff training. The Licensing Service has been subject to interim management arrangements pending a review of the service which is due to be consulted on within the next 3 months. The findings of this report should be considered within this context.

Summary of findings

- A lack of supporting evidence and records of action is retained to demonstrate whether drivers and vehicles are fit and proper and safeguarding checks are sound for both applicant and service requests (Finding 1 – Medium)
- Enforcement activities are not documented centrally or monitored and new joint working protocols are not yet working effectively (Finding 2 – Medium)
- No management information is collated and/or provided for scrutiny for the performance of Taxi Licensing (Finding 3 – Medium)

- Our sample identified 2 instances of error over penalty points and 2 instances of untimeliness over regulatory actions and sanctions. There was also an issue identified with licences associated with expired visas however, Management have accepted they cannot fully mitigate this risk in the short term (Finding 4 – Medium)
- Not all Members of the Licensing Committee have been trained and the training provided does not include all key elements of safeguarding (Finding 5 – Low)

Good practice noted

- Taxi Policy and procedure notes are in place and provide a clear framework for the taxi licensing service
- The Council has clearly defined its standards regarding Safeguarding and 'Fit and Proper Persons'
- A competency framework is used to assess officer's ability prior to being given the authority to approve applications and to revoke licences
- All Officers in the Taxi Licensing Team have received training in Data Protection and are expected to attend GDPR training in the coming months
- Officer roles and responsibilities have been defined
- Complaints are acknowledged within 3 days
- System access is sufficiently restricted and Salesforce has been designed to implement further restrictions within sensitive data records and more efficient working practices.

Management comments

Taxi Licensing is a busy demand driven service with public safety at it's core. Areas of good practice have been identified which is positive and we will seek to build on this going forward. Following the audit an action plan has been implemented to address the issues raised and this has been actively progressing since the audit date.

This review is timely in that the findings will inform the further implementation and development of our new Salesforce database system and feed into the pending review of the Licensing Service.

2. Background and Scope

Background

AVDC is responsible for the licensing and enforcing of hackney carriages and private hire vehicles under the Town & Police Clauses Act 1847, the Local Government (Miscellaneous Provisions) Act 1976 and Transport Act 1985. It has set public safety as paramount importance in respect of the taxi service.

Any vehicle which can carry up to 8 paying passengers must be licensed as must the driver and the operator.

Types of taxi: Hackney – Black cab	White plate	Aylesbury Town – Taxi ranks in Aylesbury “For hire” in Aylesbury	Max 50
Hackney – White cab	Red plate	Rural – Buckingham taxi ranks. “For hire” outside Aylesbury	No Limit
Private Hire	Yellow plate	Not allowed in taxi ranks. Must be pre booked	No Limit

Applicants must apply for a licence and meet basic requirements of being at least 21 years old and a holder of a full EU driving licence. There are a number of additional checks that must also be undertaken including an enhanced Criminal Records Bureau, Group 2 medical test, DVLA checks and driver competence tests.

AVDC is responsible for the enforcement of vehicle standards and operators’ licences and undertakes regular checks. This includes enforcement officers undertaking roadside checks late at night, early in the mornings and during weekends.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- A sample of 20 licence applications from April to November 2017 to check that: procedure was followed, applications were reviewed in a timely manner, and appropriate evidence was retained
- A sample of 15 service requests and regulatory sanctions from April to November 2017 to check that: appropriate communication was made to the complainant, investigations were undertaken and evidenced, and appropriate remedial actions were taken on a timely basis
- Review of the Taxi Policy and Licensing Committee Minutes.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Retention of evidence and action records – Operating Effectiveness

Finding

Both licence applications and complaints require relevant and sufficient documentary evidence to support actions and decisions taken. Up until November 2017, all relevant evidence was uploaded and retained on Uniform, the Council’s integrated software. Since November 2017, Uniform has been decommissioned and replaced by a new system, Salesforce. Data covering the period April 2017 to November 2017 was migrated to Salesforce and all new application and complaints records have since been uploaded and retained on Salesforce.

During the migration process from Uniform to Salesforce, any gaps identified in Uniform to support the retention of evidence were flagged up and addressed. Licensing Officers are in the process of recommending sufficient and relevant configuration of key fields to support enhanced data control in Salesforce.

The findings identified below relate to processes and documentation on Uniform. We have highlighted what further action is needed to ensure the risks are addressed in Salesforce, and where this is not possible, compensating controls should be implemented.

During our sample testing of 20 applications and 15 complaints for the period April to November 2017, we found insufficient evidence and records of actions were retained on Uniform. This included, but not limited to:

Issue identified	Samples affected	Consequence	Salesforce requirement
Medical Report signed by Doctor missing for licence renewals – should be received within 3 months of licence renewal	2	No evidence that the driver issued with a licence is medically fit	<p>This will be uploaded by Licensing Officers. The field is mandatory for new applications but not for renewals.</p> <p>Management reports will identify medical reports that have not been received within 3 months of renewal but these will require management oversight.</p> <p>Residual gap: Salesforce will not fully resolve the issue identified</p>
MOT testing for external vehicles not uploaded to UNIFORM	1	No evidence that the vehicle is roadworthy	<p>Salesforce is automatically linked to MOT records carried out by the Council, however external MOTs will still need to be manually uploaded by the officers.</p> <p>Residual gap: this will not fully</p>

			resolve the issue identified.
Correspondence with third parties, such as the Home Office, complainants and other local authorities is not consistently recorded on UNIFORM	3	Driver may not have right to work; or may not be fit and proper Complaints may not be investigated in a timely manner	Officers will be prompted to review any blank fields in Salesforce when reviewing and updating an application, including adding comments. However, the comments box where correspondence could be added is not mandatory Residual gap: The system will always be dependent on the information that officers input into it and this issue is therefore also dependent on staff training and user processes.
DBS and DVLA checks are recorded on UNIFORM using a tick box. However, there is nowhere to record any comments to set out any unsatisfactory information identified during checks, offences, or licence points	All applications for licence – evidenced by a sample test of 5	Driver may not be fit and proper and historic offences and points are not recorded	There is comment box for the officers to record DBS and DVLA checks and associated findings. Access to the DBS data will be restricted so only certain Officers can input/access it Resolved: this will resolve the issue identified
Actions carried out by Officers in relation to investigating service requests are not fully recorded in chronological order and action logs are not held	11	Actions taken by Officers cannot be evidenced and this increases the risk of incomplete and/or duplicate checks being made	The system provides an action log and timeline for Officers to complete Residual gap: The system will always be dependent on the information that officers input into it and this issue is therefore also dependent on staff training and user processes.

In addition, any template such as confirmation of successful application letter will be generated from Salesforce and they will be time-stamped and automatically transferred to the Salesforce record. This will eliminate the risk of evidence retention for some of the above mentioned documents.

Risks / Implications

Inaccurate and/or incomplete records result in insufficient evidence to support applications and investigation. The evidence fails to provide a clear audit trail for licence approval, investigation and regulatory sanction.

Finding rating

Action Plan

Medium	a) Training to be provided to Officers in order to standardise record requirements for both applications and service requests	<i>Responsible person/title</i>
	b) Management conducts sample testing on at	a) Nicola Metcalf, Interim Licensing Team Manager b) Nicola Metcalf, Interim Licensing

least a quarterly basis to confirm whether applications and service request records on Salesforce contain appropriate and sufficient evidence and action records. Evidence of check must be retained and exceptions must be recorded and communicated to the Group Manager – Regulatory Services.

Team Manager

Target date

a) Complete

b) 30 June 2018

2. Enforcement activities lack centralised record and monitoring – Control Design

Finding

The Taxi Licensing Team carries out various proactive and reactive enforcement activities. There are no legal or regulatory requirements for proactive enforcement and it is therefore for AVDC to determine the level of proactive enforcement undertaken. Based on our review of individual officer's calendars and discussion, it was found that the following proactive enforcement activities have been undertaken during 2017/18:

Enforcement action	Latest date of proactive enforcement	Frequency expected by Taxi Licensing Team
Joint operation with Thames Valley Police	October 2017	Quarterly but subject to third party availability
Joint operation Bucks County Council	July 2017 as December 2017 visit was cancelled due to snow	Quarterly but subject to third party availability
Test Purchase (the Council employs a volunteer who will request taxi service and observe whether the driver and the taxi are complying with the standard set out in the Taxi Policy)	The last test purchase happened in June 2017	Quarterly but subject to third party availability
Annual operator inspections	There were 25 inspections between November 2016 and November 2017. There are a significantly greater number of operators than 25 and therefore this level of inspection is considered low/insufficient	Annual
Penalty point monitoring	March 2017	Monthly
Joint Taxi and Private Hire Enforcement Protocol with Milton Keynes Council A positive arrangement was agreed via a Memorandum of Understanding between AVDC and Milton Keynes Council (MKC) which came into force in October 2017.	To January 2018, 234 AVDC licensed vehicles working in Milton Keynes have been identified with defects by MKC. The agreement requires MKC to follow-up the defect actions but due to teething issues in the arrangement these were passed back to the AVDC for follow-up; the capacity to follow these up is limited. The MoU is seen as a positive arrangement and expected to significantly improve cross-border enforcement when fully established.	Monthly

Discussion with Officers confirmed that not all proactive enforcement activities were recorded on the central database and penalty point monitoring was not conducted on a regular basis. In addition, with the exception of operator visits, evidence of enforcement activities was seldom retained on Uniform unless a

penalty was issued.

The Council has made contact with other neighbouring authorities with the aim to agree a consistent enforcement protocol and to work in partnership. This has proven difficult as each area has its own unique way of working.

Risks / Implications

Enforcement is not appropriately targeted. Enforcement activity may be ineffective and may not best inform future decision making around licence issue.

Finding rating

Action Plan

Medium	a) A pro-active enforcement activity programme to be created. It must document the planned activities.	<i>Responsible person / title</i>
	b) Records of enforcement activities and outcomes should be documented on the salesforce system	<i>a) Simon Gallacher, Principal Licensing Officer</i>
	c) This programme must be reviewed and monitored on at least a quarterly basis. Progress and changes to the programme must be recorded in Officer meetings	<i>b) Nicola Metcalf, Interim Licensing Team Manager</i>
	d) Penalty points monitoring should happen on a monthly basis. All licences with 12 points should be reviewed by Officers as set out in the Policy. Any sanction or decision must be recorded in Salesforce	<i>c) Nicola Metcalf, Interim Licensing Team Manager</i>
	e) Building on the recent enforcement protocol with Milton Keynes, the Council should progress similar arrangements with other neighbouring authorities.	<i>d) Nicola Metcalf, Interim Licensing Team Manager</i>
		<i>Target date</i>
		<i>a) 30 June 2018</i>
		<i>b) 31 March 2018</i>
		<i>c) 30 June 2018</i>
		<i>d) 30 April 2018</i>
		<i>e) 31 December 2018</i>

3. Management Information is not collected or reported – Control Design

Finding

Our review of the Licensing Committee minutes and discussion with Officers found that management information on performance of processing applications and decisions is not captured and reported appropriately. Discussion with the Group Manager – Regulatory Services noted management information/KPIs are currently being drafted and the followings are initial ideas:

- Number of applications received by type - driver, vehicle, operator
- Number of refusals for vehicles and drivers
- Number of revocations for vehicles and drivers
- Number of suspensions for vehicles and drivers
- Length of time between valid application received to issue by type - driver, vehicle, operator
- Average waiting time waiting for a call to be answered
- % of income received against annual target by type - driver, vehicle, operator
- Number of enforcement sanctions undertaken for vehicles
- Number of drivers given points (and type)
- Number of operators visited
- Number of complaints received regarding taxi issues
- Caseload by Officer.

There should also be a data quality KPI and monitoring report around critical fields on Salesforce which, if incomplete, may indicate that inadequate safeguarding checks have been undertaken.

Risks / Implications

Lack of monitoring increases risk of errors and/or bad practice not being identified and result in poor data quality and decrease in efficiency and effectiveness

Finding rating

Action Plan

Medium	a) KPI/Management information to be finalised and agreed. This must then be reported on a monthly basis to the Licensing Team Manager	<i>Responsible person / title</i>
	b) Variance in KPIs must be investigated and causes/reason must be recorded and provided to the Licensing Team Manager	a) <i>Lindsey Vallis, Group Manager – Regulatory Services</i> b) <i>Nicola Metcalf, Interim Licensing Team Manager</i>
	c) Any agreed remedial action should be recorded and communicated to the relevant Officer	c) <i>Nicola Metcalf, Interim Licensing Team Manager</i>
	d) KPIs used for management information must incorporate age of service requests and outstanding checks. The outstanding checks should focus on DBS, medical report and right to work. This will help to identify instances when service requests are not attended to in a timely manner; and the latter will help to ensure that checks are completed to ensure that drivers are fit and proper.	d) <i>Lindsey Vallis, Group Manager – Regulatory Services</i>
		<i>Target date</i>
		a) <i>30 April 2018</i> b) <i>30 June 2018 and ongoing</i> c) <i>30 June 2018 and ongoing</i> d) <i>20 April 2018</i>

4. Errors and timeliness in regulatory sanction, inability to monitor UK visa status – Operating Effectiveness

Finding

Regulatory actions, such as investigation and panel decision, and sanctions, such as penalty points, suspension and revocation of licences, must be actioned in line with policy and in a timely manner.

We tested a sample of 15 complaints and regulatory sanctions for the period April 2017 to January 2018 and identified the following issues:

6 instances resulted in penalty points being issued to licences. Of these, there were 2 where an incorrect number of points had been issued. These 2 instances related to a new member of staff and therefore this is considered to reflect a training requirement and not a systematic concern.

6 instances resulted in suspension or revocation of licence. Of these, there were 2 where there was a significant gap (more than one month) between actions carried out by the Officers.

- In the first instance, the issue was reported by the Police on 19 March 2017 and the investigation and interview were completed by May 2017. However, the Taxi Licensing Panel did not meet until 4 July 2017 when a decision of suspension was made. The delay may have been because Officers were awaiting intelligence or background checks, whilst it may have been justified, a lack of supporting information on the Uniform system made it difficult to understand the reasons for delay
- In the second instance, the sentence of a court case was issued on 26 May 2017. The Council did not request an interview with the respective driver until 11 July 2017 and the licence was not revoked until 8 August 2017.

We also tested a sample of 15 foreign passport holders which identified 2 licences that had been issued for a period that exceeds the expiration of their UK Visa. There is currently no way to record on Uniform the origin of the applicant. After our testing, the Licensing Team undertook a further sample of 20 and found 1 error.

Whilst this presents a risk that individuals have licences beyond a visa expiration date, Management concluded that they cannot undertake an exercise go through each application to rectify this. Each licence last for 3 years and to go through every licence over that period would mean reviewing c. 4000 applications of which c. 25% relate to those with foreign passports. This would be an extensive exercise and even if those cases were identified, the evidence held (see Finding 1) may not be sufficient to identify whether the visa had expired or not.

The current risk is accepted by management in the short term as the new process within Salesforce will, over the next 3 years, lead to 100% compliance. New applications will be documented correctly or old applications would expire and when they do, be loaded onto Salesforce in the correct way. Salesforce will also produce a dashboard on this which gives live information.

Risks / Implications

Drivers may be operating with a licence that should have been withdrawn, posing risk to public safety. Drivers may be operating under licence without valid visa or right to work in UK, for which AVDC can be fined.

<i>Finding rating</i>	<i>Action Plan</i>	
Medium	a) Set out standard timeline parameters for processing decisions and protocols for where the Council diverge from these timelines.	<i>Responsible person / title</i>
		a) Nicola Metcalf, Interim Licensing Team Manager
	b) Ensure Salesforce functionality enables monitoring of Visa status so that oversight of eligibility to work in the UK can be maintained, and where necessary licences cancelled on a timely basis.	<i>Target date</i>
		a) 31 May 2018

5. Licensing Committee members training and awareness incomplete – Control Design

Finding

The LGA Taxi and PHV Licensing Councillor Handbook issued in late 2017 requires that Councillors who are members of a Licensing Committee, as a minimum, are trained in:

- Licensing procedures
- Natural justice
- Understanding the risks of child exploitation
- Disability equality
- Local issues.

The Handbook also recommends that training covers difficult and potentially controversial decisions. Please note that whilst the Handbook sets out potential difficult and controversial decisions around the issue of licences, these activities are delegated to Officers and Committee Members are not involved in these decisions.

Whilst all elected members on Committee have received Licensing training this training does not reflect the recently issued LGA Taxi and PHV Councillor Handbook and should be updated to reflect this.

Risks / Implications

Members may be unaware of the new LGA Handbook in terms their role in developing suitable Licensing frameworks and policies.

Finding rating

Action Plan

Low	a) Licensing Committee Member training should be reviewed to ensure that all requirements in the Councillors Handbook are sufficiently covered b) A summarised hand out of training notes should be provided to Members for future reference.	<i>Responsible person / title</i>
		a) <i>Simon Gallacher, Principal Licensing Officer</i> b) <i>Simon Gallacher, principal Housing Officer</i>
	<i>Target date</i>	
	a) <i>31 July 2017</i> b) <i>31 July 2017</i>	

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	Overall report classification	Points
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Individual finding ratings

Finding rating	Assessment rationale
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High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Significant impact on operational performance; or ● Significant monetary or financial statement impact [quantify if possible]; or ● Significant breach in laws and regulations resulting in significant fines and consequences; or ● Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Moderate impact on operational performance; or ● Moderate monetary or financial statement impact [quantify if possible]; or ● Moderate breach in laws and regulations resulting in fines and consequences; or ● Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Minor impact on the organisation’s operational performance; or ● Minor monetary or financial statement impact [quantify if possible]; or ● Minor breach in laws and regulations with limited consequences; or ● Minor impact on the reputation of the organisation.
Advisory	<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. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Policy and Strategy	Inadequate strategy or policy in place not setting our protocols and/or is unapproved	<ul style="list-style-type: none"> • Taxi Policy in place, including the checks which need to be undertaken to ensure a person is “fit and proper,” which is reviewed on a regular basis and approved by the Licensing Committee. • Procedures are documented
Application processing	Inaccurate/incomplete records and evidence to support applications including inadequate approval	<ul style="list-style-type: none"> • Applications are received and reviewed in a timely manner • Appropriate evidence is retained to demonstrate completion of checks and basis for decision. Including for each applicant: <ul style="list-style-type: none"> • details • that all required checks have been undertaken • assessment of each case with a decision recorded • date of expiration including follow-up • revoking and cancelling invoices.
Safeguarding	Inadequate safeguarding arrangements leading to licences being wrongly awarded and/or poorly monitored	<ul style="list-style-type: none"> • Policy in place covering “fit and proper” person standards. • Full record of applications clearly evidencing the safeguarding checks on individuals has been undertaken. • Links in place with appropriate agencies to help identify relevant convictions which occur during the life of a licence.
Enforcement	Ineffective enforcement as it is not targeted appropriately and/or effective	<ul style="list-style-type: none"> • Enforcement should be targeted to areas of known risk. • Enforcement activity must be evidence and comply with legislation.
Roles and responsibilities	Ill-defined roles and responsibilities which are ineffective	<ul style="list-style-type: none"> • Officer’s roles and approval ability are clearly identified through job descriptions and operational processes. • Officers who approve applications have been licenced and therefore evidence to prove they have the skill set for completion of their role in the team.
Complaints	Inadequate arrangements over complaints and appeals	<ul style="list-style-type: none"> • Complaints are acknowledged within 3 days and appropriate progress communicated to applicants • Investigations are undertaken, evidenced and outcomes communicated to applicants. • Once investigation completed appropriate action is taken on a timely basis.
Data Protection	Inadequate storage of information securely, and made available to unauthorised persons.	<ul style="list-style-type: none"> • All personal information is held in accordance with the Data Protection Act and only shared in accordance with the Act. • System access is in accordance with the officer’s role in the team.
Management information	Inadequate/ineffective management information irregularly reported and not acted upon	<ul style="list-style-type: none"> • Performance of processing applications and decisions is captured and reported appropriately with relevant action taken • Statutory reporting data, as required, is validated and reported timely.