

# Epsom and Ewell Borough Council

Internal Audit Progress Report

Committee meeting 23 June 2015

## Introduction

The internal audit plan for 2014/15 was approved by the Committee on 9 April 2014. This report provides an update on progress against that plan and summarises the results of our work to date.

## Summary of Progress against the Internal Audit Plan

### Final reports issued:

Assignment <i>Reports considered today are shown in italics</i>	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Income Collection Systems (1.14/15)	Amber / Green	-	4	4
Planning Income – s106 Agreements (2.14/15)	Amber / Green	-	3	4
Creditors (3.14/15)	Green	-	-	2
Data Quality (4.14/15)	Amber / Red	-	5	1
Procurement Arrangements - Agency staff (5.14/15)	Red	5	1	-
Electoral Registration (6.14/15)	Green	-	-	1
Housing Benefit and Council Tax Support (7.14/15)	Green	-	-	1
Playhouse - Security of Income (8.14/15)	Amber / Green	-	2	1
Revenues (9.14/15)	Green	-	-	-
Cash and Bank (10.14/15)	Green	-	1	2
Procurement (11.14/15)	Red	5	4	1
Governance and Risk Management (12.14/15)	Green	-	-	3
<i>Freedom of Information (13.14/15)</i>	<i>Amber / Green</i>	-	<b>1</b>	<b>1</b>
<i>Payroll (14.14/15)</i>	<i>Amber / Red</i>	<b>1</b>	<b>5</b>	<b>1</b>
<i>Emergency Planning/Compliance with Civil Contingencies Act (15.14/15)</i>	<i>Green</i>	-	<b>1</b>	<b>3</b>
Review of Anti-Fraud and Anti-Bribery Arrangements (16.14/15)	Draft Issued 7 May 2015			
Follow Up of Previous Internal Audit Recommendations (17.14/15)	Draft Issued 20 May 2015			

## Internal Audit Plan Performance

Assignment	Start Date	Debrief date	Draft report issued	Management responses received	Final report issued
Income Collection Systems (1.14/15)	18 Jun 14	27 Jun 14	28 Jul 14	17 Nov 14	17 Nov 14
Planning Income – s106 Agreements (2.14/15)	14 Jul 14	18 July 14	20 Aug 14	4 Nov 14	5 Nov 14
Creditors (3.14/15)	16 Sept 14	26 Sept 14	9 Oct 14	5 Nov 14	5 Nov 14
Data Quality (4.14/15)	23 Sept 14	2 Oct 14	24 Oct 2014	17 Dec 14	18 Dec 14
Procurement Arrangements - Agency staff ( 5.14/15)	2013/14	29 Oct 14	6 Nov 14	20 Jan 15	20 Jan 15
Individual Electronic Registration (6.14/15)	21 Oct 14	30 Oct 14	10 Nov 14	4 Dec 14	8 Dec 14
Housing Benefit and Council Tax Support (7.14/15)	23 Oct 14	31 Oct 14	12 Nov 14	12 Nov 14	17 Nov 14
Follow Up – Playhouse Theatre (8.14/15)	20 Oct 14	4 Nov 14	17 Nov 14	15 Jan 15	15 Jan 15
Revenues (9.14/15)	3 Nov 14	11 Nov 14	21 Nov 14	21 Nov 14	21 Nov 14
Cash Bank (10.14/15)	27 Nov 14	28 Nov 14	22 Dec 14	10 Mar 15	11 Mar 15
Procurement (11.14/15)	13 Nov 14	16 Dec 14	2 Jan 15	3 Feb 15	10 Feb 15
Governance and Risk Management (12.14/15)	16 Feb 15	5 Mar 15	11 Mar 15	11 Mar 15	11 Mar 15
Freedom of Information (13.14/15)	23 Mar 15	2 Apr 2015	14 Apr 2015	6 May 2015	6 May 2015
Payroll (14.14/15)	9 Feb 14	16 Apr 2015	23 Apr 2015	14 May 2015	14 May 2015
Emergency Planning/Compliance with Civil Contingencies Act (15.14/15)	17 Feb 15	16 Apr 2015	27 Apr 2015	18 May 2015	19 May 2015
Property Maintenance	9 Mar 15				
Follow up	30 Mar 15				
Post Implementation Review – CRM	7 Apr 15				
IT Security and Business Continuity	TBC				
Payment Card Industry Data Standards Compliance	TBC				
Non Benefit Fraud Risk Assessment	TBC				
HR – Workforce Change Management	Deferred to 2015/16				

## **Other Matters**

### **Internal Audit Plan 2014/15 - Change Control:**

No further changes were required.

All IT time was reallocated to the CRM Project Review.

There were two inclusions made to the plan using contingency days available:

- Playhouse Theatre Security Review
- Payroll

The HR Workforce Change Management until 2015/16.

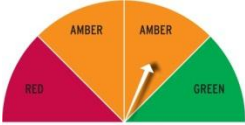
**Information and Briefings:** We have issued three update electronically since the last Audit Committee:

Local Government News Briefing – March 2015

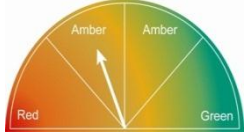
Local Government News Briefing – April 2015

Local Government News Briefing – May2015

## Appendix A: Key findings from internal audit work

<b>Assignment:</b> Freedom of Information (13.14/15)	<b>Opinion:</b>	
<p><b>Design and Application of control framework</b></p> <p>a) The Council's website provides a dedicated page that outlines the requirements of the Act and the obligations placed upon the Council to respond to FOI requests. Notification that costs may be charged (where applicable) and the limitations placed on the disclosure of information by the Data protection Act are also adequately highlighted.</p> <p>b) All requests are currently recorded on a spreadsheet and archived on networked servers backed up as part of corporate IT secure processes. Key fields are recorded to fully track the progression of each request. From an examination of all requests made in 14/15 we note that 97% were by email. The rest were either by letter or online form</p> <p>c) In addition a paper file is maintained that records a hardcopy print of the original request, copies of internal emails used to progress the response and the final reply to the requester. We specifically sampled 15 requests and found a complete 'paper' audit trail from the original email request, subsequent forwarding to internal managers (where appropriate) and final responses made. Sequential case numbering was evident on all paperwork examined.</p> <p>d) There are a number of provisions within the act which allow the Council to deny information held. The database maintained records all reason for information denial. Sections of the FOI act that allow for this are clearly recorded against such cases (S12, 14, 21, 31, 40 and 43). We satisfactorily sampled and reviewed 5 refusals and found a clear rationale in the paperwork held. We note that in total 9% of requests made in 14/15 were denied for reasons adequately specified in the FOI Act</p> <p>e) If a requester is unhappy with a decision not to disclose information there is an appeals process which a requester can progress through the national Information Commissioners office. There has been one appeal against an original Epsom decision not to disclose information. The Information Commissioner initially upheld the request but after a counter appeal by the Council to Tribunal a decision in agreement with the Council's original decision was obtained. We satisfactorily verified details of the tribunal outcome.</p> <p>f) There were 636 requests made in 2014/15. No income was received in this period. We were informed that when costs are referred to all requesters affected have subsequently failed to pursue their request.</p> <p>g) From our analysis of the 14/15 caseload 82% were responded to within the 20 day target, 15% were responded to after 20 days (on average 7 working days late) 3% were not responded to at all and are open requests (19) Delays are principally due to local officers not responding within the timeframe required. The Head of Legal &amp; Democratic Services sent an email to all managers in July 2014 reminding them of the imperative to meet the statutory reply deadline.</p> <p>h) Officers interviewed have indicated that the process of monitoring and chasing responses from nominated officers within the council is resource intensive. We have been informed that the FOYI database will migrate to the new CRM system in 2015. It is anticipated that this database will be able to provide workflow monitoring and automated emails to chase and remind responsible officers more efficiently.</p>		

Recommendation	Management Comment	Agreed Implementation Date	Manager Responsible
<p>Rec 1.1 – Medium</p> <p>The number of FOI responses not meeting the 20 working day response target must be reported to the Management Team on a quarterly basis. Those that are more than 1 month late should be individually highlighted together with the name of the officer nominated to progress the response.</p>	<p>This will be reported to the Leadership Team, initially this will be monthly and then will be quarterly once embedded and action taken by Managers</p>	<p>June 2015</p>	<p>Danny Surowiak</p>
<p>Rec 2.1 – Low</p> <p>Migration of FOI request database to the CRM system must ensure that workflow efficiencies are obtained, automated prompts for late reply are tracked and that system reports can easily produce statistics and analysis regarding the FOI workload and exceptions going forward</p>	<p>Migration of FOI subject to development of CRM</p>	<p>June 2015</p>	<p>Joy Stevens</p>

<b>Assignment:</b> Payroll (14.14/15)	<b>Opinion:</b>	
<p><b>Design and application of control framework</b></p> <ul style="list-style-type: none"> <li>The Council has a procedure manual which provides guidance to the operation of the payroll and includes information on the following: Inputs to systems, Payroll Production, Pension Auto-enrolment, BACS, Payslips, Pension administration, HMRC and Periodic and Annual Processes. Additionally the Council has a monthly task sheet for all payroll processes to be completed.</li> <li>New starter information is input to the system by HR officers. This will key information such as start date, national insurance number, line manager, and salary budget code. All starter information is forwarded to Payroll. The Payroll Team activate the starter for the monthly payroll.</li> <li>Leaver information is captured by the HR Team via notification from line management. This will capture information on last day and any balances owed including annual leave. The Payroll Officer will activate the leaver information required for the payroll and make any necessary changes.</li> <li>Where contractual changes or other alterations to work patterns/remuneration are required for existing staff the HR will update the iTrent system. Changes are forwarded to payroll via the monthly changes spread sheet and payroll input the change.</li> <li>Payroll is informed of any employee deductions via the monthly changes spread sheet. Payroll process the change and as part of monthly payroll processing a net pay comparison is completed and differences over £50 (from the previous month) are investigated and explanation provided.</li> <li>Reconciliations with the general ledger are undertaken by the Finance Officer on a monthly basis. Reconciliations are reviewed by the Senior Accountant on a monthly basis.</li> <li>The Finance Team prepare salary monitoring and non-salaries costs reports which are issued to Corporate Management Board on a quarterly basis.</li> <li>Once the payroll has been finalised a BACS file is produced and the transmission approved by an authorised officer.</li> <li>On a month in arrears basis is an electronic 'pay over' to HMRC originates from EEBC. The calculated amount of 'pay over' is automated and reported by iTrent.</li> <li>The HR Advisor maintains a spread sheet of establishment listing. The establishment is updated on a monthly basis recording starters, leavers and contractual changes.</li> <li>The Payroll Bureau Manager, HR Business Advice Manager and the Director of HR and Communication have authority to submit the BACS payment file once appropriate authorisation has been received. However during discussions with the Payroll Bureau Manager it was noted that due to resources within the Payroll Team, other payroll officers can use the Payroll Bureau Manager, HR Business Advice Manager and the Director of HR and Communication BACS key card to submit the BACS payment file. The Council does not have assurance or clear accountability over who is submitting the payroll BACS file. In this respect we have raised a recommendation.</li> <li>Exception reports are available from the iTrent system. These are reviewed on a monthly basis by the payroll team prior to the BACS run.</li> </ul> <p><b>Application of and compliance with control framework</b></p> <ul style="list-style-type: none"> <li>From our sample of starters we found that; contracts were on file for each employee sampled and had been signed prior to employment. Identity checks and authorisation to recruit were additionally on file. Start dates as per iTrent were in agreement to that stated on contracts of employment.</li> </ul>		

- From our sample of leavers we found that notification of leaving had been received by HR for the majority of the sample selected. One leaver did not have any notification of leaving on file. During discussions with the HR Business Advisor it was noted that this employment was AWOL (absent without leave) and therefore there was alternative termination documentation for this individual. Leaving dates as per notification were in agreement to iTrent.
- From our sample of contractual changes we found that; authorisation for change was on file and iTrent was in agreement to the authorisation for change.
- From our testing of deductions we noted that the Taste Card benefit had been made as a payment to employees' monthly salary rather than a deduction. This has since been rectified, however it was not found during the month net pay comparison checking. Additionally it was noted that due to resources within the Payroll team the payroll officer inputting the deduction may also complete the net pay comparison check. Without a clear segregation of duties the Council is at risk of non-identification of error or omission. In this respect we have raised a recommendation.
- Reconciliations between the general ledger and the payroll system are completed and reviewed on a monthly basis. However we noted that one reconciliation was not reviewed until 46 days after month end. By not completing and reviewing reconciliations in a timely manner, the Council is at risk of non-identification of error or omission. In this respect we have raised a recommendation.
- We confirmed that the salary monitoring and non-salaries costs report has been issued to CMT on a quarterly basis.
- The April 2014 Payroll BACS payment was submitted without appropriate authorisation. Relevant managers were made aware at the time and procedures notes have been developed to prevent this reoccurring. However it would be beneficial to amend current payroll authorisation procedure notes to include actions to take in the event of the absence of all authority signatories. In this respect we have raised a recommendation.
- We tested a sample of HMRC payments and found that although payments had been processed in timely manner as per payroll manual, we found that the majority of HMRC payments had been authorised after the payment had been processed. In this respect we have raised a recommendation.
- Exception reports had been produced on a monthly basis and that differences over £50 had been sufficiently been investigated and explanations provided for the sample selected.

#### **Questionnaire Responses**

- Responses to our survey with authorities for which EEBC provide payroll services, identified varying levels of satisfaction. ( Areas of dissatisfaction reported would indicate that regular dialogue and communication between all parties, beyond what is currently occurring, would be beneficial. Additionally there would be some merit in undertaking such a questionnaire survey with these partners on a 6 monthly basis. In order for this feedback to be fully objective this exercise should be undertaken independently of the Payroll Team.

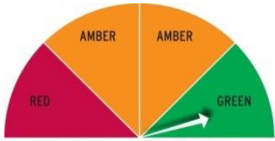
Further detail is at Appendix A.



Recommendation	Management Comment	Agreed Implementation Date	Manager Responsible
<p>Rec 1.1 - Medium</p> <p>The Council should either:</p> <ul style="list-style-type: none"> <li>• reduce the net pay exception amount to £25 to ensure that a greater percentage of differences are checked and variances explained. This would facilitate in the identification and resolving of errors; or.</li> <li>• Implement a secondary verification when inputting monthly changes. A segregation of duties should be evident between inputs of changes and checking of exception reports.</li> </ul>	<p>The issue affected approx. 15 people on a payroll of over 300. The Taste Card Benefit is a one off deduction and is not a regular monthly adjustment. Therefore the recommendation to reduce the net pay comparison to £25 seems to be disproportionate to the error that occurred.</p> <p>The second recommendation to aim for a secondary verification is accepted. Where possible and resources permitting this recommendation will be taken on board.</p>	<p>Immediate</p>	<p>Cynthia Gill</p>
<p>Rec 2.1 - Low</p> <p>The Council should ensure that all reconciliations are prepared and reviewed on a timely basis to prevent non identification of error or omission.</p>	<p>Due to delays with the final accounts audit, resources were stretched in Finance during August 2014. The Finance Team always aim to complete the reconciliations in a timely manner.</p>	<p>Immediately</p>	<p>Lee Duffy</p>
<p>Rec 3.1 – High</p> <p>The procedures should be amended to include the process to be followed in the event of an absence of all listed authorised signatories.</p> <p>The Council should remind all staff of the procedures in place for the authorisation of all BACS payment and ensure that they are held in a central location for all relevant staff to access.</p> <p>In no circumstances should a BACS file be transmitted without prior authorisation</p>	<p>The procedure will be updated to include the following statement:</p> <p>In the unlikely event that no approved signatory is available to authorise (by signature) the payroll, the Chief Executive should be contacted. The Chief Executive should be asked to send an email to the individual seeking authorisation confirming that the payroll can be sent without signature/authorisation.</p>	<p>Immediately</p>	<p>Shona Mason/ Cynthia Gill</p>

	<p>Authorisation should be obtained as soon as possible by a signatory after the payroll has been sent and the email from the Chief Executive held on file.</p> <p>The updated procedure will be circulated to all payroll staff.</p>		
<p>Rec 3.2 - Medium</p> <p>The Council should ensure that there is a clear segregation of duties and audit trail in preparing and submitting the Payroll and HMRC payment BACS file. In no cases should BACS key cards be shared or used by other officers to maintain the integrity of the authorisation trail.</p>	<p>Agreement will be sought from all partners for additional BACS cards as follows:</p> <p>Jackie Edwards – BACS Card for EEBC &amp; Tandridge</p> <p>Jo Wright – BACS Card for Tandridge &amp; MV</p> <p>Angie Morton – BACS Card for MV</p> <p>Tracey Campbell – BACS Card for EEBC</p>	<p>Immediately</p> <p>Until the new cards are received only those individuals with a card will use them BACS</p>	<p>Shona Mason/ Cynthia Gill</p>
<p>Rec 3.3 – Medium</p> <p>The Council should ensure that all HMRC payments have been authorised by an authorised signatory prior to processing the BACS submission.</p> <p>This should be incorporated into a monthly payroll authorisation/processing timetable.</p>	<p>In the main all HMRC payments were authorised a month in advance of payment due with the exception of Dec and Jan two months when holidays impact on time available to ensure payments are authorised and made in a timely manner.</p> <p>All HMRC payments will be authorised prior to submission and current procedures reflect this.</p>	<p>Immediately</p>	<p>Cynthia Gill</p>
<p>Rec 4.1a - Medium</p> <p>The Finance Team and Payroll Team need to agree a list of all overpayments, to include information on when the overpayments occurred and the recovery action taken.</p>	<p>Overpayments list will be devised and added to monthly meetings for discussions.</p>	<p>Immediately</p>	<p>Cynthia Gill</p>

<p>Rec 4.1b - Medium</p> <p>To ensure that there is clarity over the position of overpayments and timeliness of the RTI submission Periodic meetings should be held between the Payroll and the Finance team to ensure that both teams are fully aware of any updates or concerns that may arise in relation to the Payroll function.</p>	<p>Monthly operational meetings take place between Finance and Payroll – this will continue.</p> <p>The HR Business Advice Manager &amp; Head of Finance will arrange to meet monthly initially with a view to reducing meetings to quarterly helping to improve communications</p>	<p>Immediately</p>	<p>Shona Mason/ Cynthia Gill/ Lee Duffy</p>
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<p><b>Assignment:</b> Emergency Planning/Compliance with Civil Contingencies Act (15.14/15)</p>	<p><b>Opinion:</b></p>	
<p><b>Design of control framework</b></p> <ul style="list-style-type: none"> <li>The Council has a clear framework of emergency planning documentation which is kept under review. The emergency contact details are restricted to a Call Out Cascade which is therefore the only document that requires frequent updates. It can also be issued to officers with emergency responsibilities as an A4 document which can be easily carried.</li> <li>A framework document lists all plans and strategies and has hyperlinks to copies. These include Surrey-wide plans or strategies for a specific area, such as for flooding and for Derby safety.</li> <li>Back-up locations to establish the Borough Emergency Control Centre (BECC) and a Rest Centre are identified. However teleconferencing is used before the decision to establish the BECC and can be used as a virtual BECC either to respond more quickly or if travel is made difficult by the emergency situation.</li> <li>Plans and documentation are available online either from the Council's network or from the national extranet Resilience Direct. Hard copy versions of the Call Out Cascade are provided to all officers with Emergency roles, as foldable versions and as laminated versions.</li> <li>The resources set aside for emergencies have been minimised. Reliance is placed on food being already at the Rest Centre locations as these are in Day Centres and the facility to purchase any requirements as needed.</li> <li>Exercises are used to develop experience and test the plans. Post exercise reports are used to report on what went well and any learning points or improvements. We recommend a process of follow up to ensure actions are implemented.</li> <li>Partners are invited to exercises and copies of documentation are made available to them. Partner roles are clearly set out in the emergency planning documentation.</li> </ul> <p><b>Application of and compliance with control framework</b></p> <ul style="list-style-type: none"> <li>There has been no BECC exercise carried out since 2011 and no actual emergencies requiring the BECC to be established. Two officers with co-ordinator responsibilities did not attend the 2011 exercise. There are risks that skills and knowledge will be lost or that any issues with the arrangements may not be identified except in a real emergency, with consequent risks. We recommend a BECC exercise should be arranged and an ideal frequency for these agreed.</li> <li>We reviewed the scenario papers and post-exercise reports for the BECC exercise in May 2011 and a Rest Centre exercise in April 2014. They set out reasonable exercises and processes for feedback and learning issues.</li> <li>The restructuring in April 2015 has meant two BECC Co-ordinators have left. It is planned to recruit replacements.</li> </ul>		

<ul style="list-style-type: none"> <li>We reviewed the key emergency planning documentation and found it contained appropriate detail and responsibilities are clearly defined. We recommended some minor amendments and updates. Otherwise we found the documentation had been satisfactorily kept under review.</li> <li>We confirmed from records of distribution that the most recent version of the Callout Cascade was distributed to officers with an Emergency role.</li> <li>We confirmed that all Incident Liaison Officers have received training, although not since 2011 and 2012. BECC Co-ordinators are not provided training other than the BECC exercises as their emergency role is seen as an extension of their normal duties.</li> </ul>			
<b>Recommendation</b>	<b>Management Comment</b>	<b>Agreed Implementation Date</b>	<b>Manager Responsible</b>
<p>Rec 1.1 – Low</p> <p>The emergency planning documentation should be revised to:</p> <ul style="list-style-type: none"> <li>remove the Integrated Emergency Planning Framework from the Emergency Management Strategy;</li> <li>set out the new governance arrangements for emergency planning reporting when these have been finalised;</li> <li>include a planned review date in the Borough Emergency Control Centre Plan; and</li> <li>Remove out of date emergency planning documentation from IRIS.</li> </ul>	The amendments will be included within the Emergency Planning documentation when next updated	September 2015	Gill Marchbank
<p>Rec 1.2 – Low</p> <p>There should be a process for reviewing priority actions identified from emergency planning exercises to ensure they are implemented.</p>	This will be added to exercise timetable	September 2015	Gill Marchbank
<p>Rec 2.1 – Low</p> <p>As planned, a full complement of Borough Emergency Control Centre Co-ordinator roles should be recruited.</p>	Due to the recent restructure, there have been a number of changes to responsibilities. The new roles will be discussed at the Leadership Team on 11 <sup>th</sup> May 15 and will be finalised by September	September 15	Gill Marchbank
<p>Rec 2.2 – Medium</p> <p>The Council should decide on the required frequency of emergency planning exercises and training, taking account of best practice in other authorities.</p> <p>A training programme should be considered which can provide refresher training even if an exercise is not possible.</p>	A suitable training programme in line with available resources will be discussed at the Leadership Team on 11 <sup>th</sup> May 2015 and needs to be approved by the Chief Executive	December 15	Gill Marchbank

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