



# EPSOM AND EWELL BOROUGH COUNCIL

## Internal Audit Progress Report

Audit, Crime & Disorder and Scrutiny  
Committee Meeting

19 April 2018

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# 1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit, Crime & Disorder Scrutiny Committee in April 2017. Below provides a summary update on progress against that plan and summarises the results of our work to date.

This table informs of the audit assignments that have been finalised and the impacts of those findings since our last report to the Audit, Crime & Disorder and Scrutiny Committee.

The Executive Summary and Key Findings of the assignments below are attached to the end of this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Business Process Review (Project) Homelessness (9.17/18)	FINAL	Reasonable Assurance	0	3	0
Payroll (10.17/18)	FINAL	Reasonable Assurance	4	2	0
Planning Income (11.17/18)	FINAL	Substantial Assurance	3	0	0
Governance (12.17/18)	FINAL	Reasonable Assurance	1	3	0

## 2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Cyber Security	June 2017	Fieldwork deferred at management's request to 23 April <sup>1</sup> to allow for change in staff at Council
IT General Controls	December 2017	Fieldwork deferred at management's request to 23 April <sup>1</sup> to allow for change in staff at Council
Data Protection	November 2017	Fieldwork deferred at management's request to 9 April <sup>1</sup> to allow for change in staff at Council
Private Sector Leasing	October 2017	Fieldwork deferred at management's request to 23 April <sup>1</sup> to allow for change in staff at Council
Asset Management	Addition to plan	Scoping and dates under discussion
Housing Needs	September 2017	Management requested deferral to 2018/19 (refer 3.1 below)
Temporary Accommodation Initiatives	October 2017	Management requested deferral to 2018/19 (refer 3.1 below)
Follow Up	Throughout the year	Ongoing

<sup>1</sup> Any work completed in April 2018 will still inform our 2017/18 annual internal audit opinion.

## 3 OTHER MATTERS

### 3.1 Changes to the audit plan

As reported at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee we have received requests to defer two audits, both in the area of housing and relating to Housing Needs and Temporary Accommodation Initiatives as this area is going through a period of change at the current time. As also discussed at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee, we have arranged a review of Asset Management to provide further assurance regarding the Commercial Property Acquisition which will replace the deferred audits within the plan. There have also been some changes to timings in relation to the audits of private sector leasing and data protection and this has been to allow for changes in the areas concerned to be completed prior to our audits being completed.

### 3.2 Information and briefings

There have been no information briefings since the last Audit Committee

## FOR FURTHER INFORMATION CONTACT

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## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Joint Audit Committee and included for information purposes only:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Booking System and Income Collection (1.17/18)	FINAL	Reasonable Assurance	3	0	0
Emergency Planning (2.17/18)	FINAL	Reasonable Assurance	4	3	0
Property Management (3.17/18)	FINAL	Reasonable Assurance	5	0	0
Local Plan (4.17/18)	FINAL	Reasonable Assurance	1	1	0
Commercial Property Acquisition (5.17/18)	FINAL	Substantial Assurance	0	0	0
Transport - Contract Management (6.17/18)	FINAL	Substantial Assurance	3	0	0
Revenues (7.17/18)	FINAL	Reasonable Assurance	2	1	0
Benefits (8.17/18)	FINAL	Reasonable Assurance	0	1	0

# BUSINESS PROCESS REVIEW (PROJECT) HOMELESSNESS - EXECUTIVE SUMMARY

## 1.1 Background

A Business Process Review (BPR) was undertaken in 2015 surrounding homelessness support at Epsom and Ewell Borough Council (EEBC). Expenditure on ICT systems as part of the Business Process Review for homelessness were approved as part of a wider ICT capital budget programme split into two phases. The first phase would see a Housing Options Wizard implemented in December 2015, following by a second phase culminating in the implementation of the Council's housing needs register, which went live on 20 September 2016.

Key project outcomes anticipated that the Housing Options Wizard and Case Management System would be programmed to allow for the two systems to interface with each other, improving the ease of case management for Housing Officers with regards to homelessness at the Council. Furthermore, the introduction of SMS messaging with clients and improvements to the processing of large e-mails to ensure their secure transmission was to be considered.

The Council records all housing related matters (including homelessness) on the Abris Nova application software suite. The Council aimed to achieve a number of key objectives in relation to the Homelessness BPR following the introduction of the Abris system.

A number of key changes were presented as a means to driving cost savings going forward following the Homelessness BPR. These were:

- Introduction of interface between Housing Options Wizard and the Case Management System
- Introduction of interface between IDOX (Document Management System) and the Case Management System
- Central printing and posting for Housing correspondence to be implemented
- SMS messaging to be implemented
- Secure transmission of large e-mails
- Contact centre to be trained on the Housing Options Wizard

This review sought to examine evidence that project management processes clearly identified efficiencies and opportunities going forward which would improve performance and reduce costs for the Council and that these elements are being delivered.

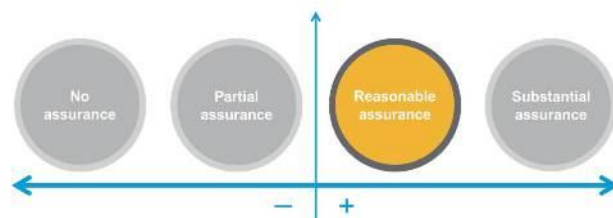
## 1.2 Conclusion

The project has been well implemented and received. There is tangible evidence of process efficiencies although the full range of benefits anticipated in the original business case have yet to be realised. In addition, although cost savings can be evidenced with regards to homelessness support, it is difficult to directly attribute these to the new actions that have been implemented as a result of the Business Process Review.



**Internal Audit Opinion:**

Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to implement the project have been suitably designed, consistently applied and operating effectively. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing weaknesses identified.



## 1.3 Key findings

### Action 1: Introduction of interface between Housing Options Wizard and the Case Management System

#### Implementation status: Complete

The purpose of this action was to improve the effectiveness and ease of the management of homelessness cases within the borough, by allowing the two systems to interface with each other. Following our review, we have confirmed an interface between the Council's Housing Options Wizard and the Case Management System has been introduced as a result of the Business Process Review.

### Action 2: Introduction of interface between IDOX (Document Management System) and the Case Management System

#### Implementation status: Complete

Similar to the previous action, the purpose of this action was to ensure the two systems could interface allowing for greater effectiveness and ease in the management of homelessness cases. Following our review, we have confirmed an interface between the Document Management System and the Case Management System has been introduced as a result of the Business Process Review.

### Action 3: Central printing and posting for Housing correspondence to be implemented

#### Implementation status: No longer being implemented

We confirmed that to date, the Central print and post function has not yet been implemented. Following discussion with the Head of Housing and Community, we confirmed that this action is now not planned to be implemented at the Council. At the time of the review, the Council was in the process of moving a number of functions postal requirements to a central printing and posting room. However, due to the fact that only a small number of homelessness cases are managed by the Housing team, the use of postage is less significant than other departments at the Council. Therefore, the printing and posting of correspondence has been kept within the Housing team.

#### **Action 4: SMS messaging to be implemented**

##### **Implementation status: Complete**

The purpose of this action was to assist with paper reduction and improve communications with clients. Following our review, we confirmed that the Abris system did not have SMS functionality. Rather, it has a similar client messaging system that has the functionality to automatically email correspondence to clients rather than printing. Therefore, this action has been implemented as instant messaging is still in effect following the upgrade to Abris.

#### **Action 5: Secure transmission of large e-mails**

##### **Implementation status: Complete**

We confirmed that Secure Egress is now rolled out across all Council services.

#### **Action 6: Contact centre to be trained on the Housing Options Wizard**

##### **Implementation status: Incomplete**

We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. If this planned action is not managed appropriately and implemented if still necessary, there is a risk that cost savings in line with this area of the BPR will not be achieved.

Accordingly, as a result of the above and our wider audit review, we have raised the following management actions:

- Following our review, we found there to be a lack of communication and dissemination of key BPR objectives and outcomes to management. Going forward, management who are to be involved in the implementation of key actions and the associated delivery of cost savings should be involved in final meetings and have clear sight of the findings of the original BPR. Without communication and clarity over the outcomes of the BPR, there is a risk that cost savings may not be delivered as necessary. **(Medium)**
- We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. Failure to implement actions in a timely manner may mean efficiency savings are not realised at the Council. **(Medium)**
- Although we can verify that there have been clear cost savings in recent years, there is no robust evidence to demonstrate that these can be directly attributed to the actions implemented as a result of the BPR. For example, annual expenditure on the Temporary Accommodation account code has decreased from £1,792,617.02 in 2015/16 to £1,287,717.67 in 2016/17. Following discussion with the Housing Operations Manager, we confirmed that 'anecdotally' efficiency gains have been experienced within the Housing team and that the more efficient management of cases has contributed to cost savings. Going forward, on a general note there is scope for future BPR's to attempt some measure of the expected savings outcomes, efficiency proposals may have. Without such quantification, there is a risk that cost savings achieved may not be as a direct result of actions implemented following the BPR. **(Medium)**

Notwithstanding the above, we have also identified the following examples of sound application of and good practice in relation to the Business Process Review exercise:

- We confirmed that an action plan was in place during the production of the Business Process Review, which appropriately detailed key actions to be implemented, associated implementation dates and leads.
- We reviewed the Homelessness model, which detailed potential cost savings calculated based on projected full time equivalent (FTE) savings at the Council. This document and its associated calculations were used to forecast potential savings that could be achieved following the introduction of the BPR's six actions.
- We confirmed that the BPR clearly detailed total potential savings of £196,054.16 per annum. This total was made up of process savings of £41,556.73 and also £154,497.43 cost savings on interim accommodation and storage costs.

## 1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
The BPR mapped current processes and clearly highlighted efficiencies and opportunities for improvement	0 (2)	0 (2)	0	0	0
Efficiencies identified were quantified in terms of cost, time saving or improved service delivery	0 (1)	0 (1)	0	0	0
The governance of the BPR prescribed responsibilities, timelines and accountability for actions going forward and provided oversight for the monitoring and challenge of implementation	1 (1)	0 (1)	0	1	0
There is clear evidence of service improvement and realisation of efficiencies and savings initially outlined	2 (4)	0 (4)	0	2	0
<b>Total</b>			<b>0</b>	<b>3</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
<b>Area: The governance of the BPR prescribed responsibilities, timelines and accountability for actions going forward and provided oversight for the monitoring and challenge of implementation</b>								
2.1	Original agreement and on-going project oversight through a project management group was maintained.  Project management principles of action planning, review and reporting are evidenced	No	N/A	Following our review, we found there to be a lack of communication and dissemination of key BPR topics to management. Going forward, management who are to be involved in the implementation of key actions and the associated delivery of cost savings should be involved in final meetings and have clear sight of the findings of the original BPR. Without communication and clarity over the outcomes of the BPR, there is a risk that cost savings may not be delivered as necessary.  With regards to the implementation of actions as a result of the BPR, we confirmed that one of the six stated actions had not been implemented as they had not been communicated to the Housing Operations Manager. This is detailed in 2.2 below.	Medium	For future Business Process Reviews, management responsible for the implementation of actions and the delivery of cost savings should be involved in a final meeting to establish the key actions they are due to implement going forward. At this stage, action owners can be decided upon by the manager and their team.  <i>Management Comment - Since this review there have been no further BPR's undertaken. However when reinstated we will ensure that actions are allocated and owned by the correct officer.</i>	30 June 2018 or when reinstated	Gillian McTaggart –Head of Corporate Governance & Leadership Team
<b>Area: There is clear evidence of service improvement and realisation of efficiencies and savings initially outlined</b>								

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.2	Actions to be implemented as a result of the BPR were not disseminated to key management staff within the Housing team.	No	N/A	We confirmed that to date, the Contact Centre are yet to be trained on the Housing Options Wizard. Through discussion with the Housing Operations Manager, we confirmed that this management action was not passed on to her and accordingly has not been implemented. If this planned action is not managed appropriately and implemented if still necessary, there is a risk that cost savings in line with this area of the BPR will not be achieved. This should be actioned after the Homelessness Reduction Act is introduced.	Medium	Following the introduction of the Homelessness Reduction Act, all Contact Centre staff should be given training on the Housing Options Wizard following its review in April 2018.  <i>Management Comment - Training will be arranged for June with the Contact Centre Manager.</i>	30 June 2018	Annette Snell – Housing Operations Manager;
2.3	Cost savings achieved should be linked and attributable, at least in part, to the actions implemented following the BPR.	No	N/A	Although we can verify that there have been clear cost savings in recent years, there is no robust evidence to demonstrate that these can be directly attributed to the actions implemented as a result of the BPR. Following discussion with the Housing Operations Manager, we confirmed that efficiency gains have been felt on the Housing team and that the more efficient management of cases has contributed to cost savings. Accordingly, there is a risk that cost savings achieved may not be as a direct result of actions implemented following the BPR.	Medium	Where possible future BPR;s will detail how proposed efficiency measures can be measured and linked to anticipated (and actual) cost reductions  <i>Management Comment - Again there have been no further BPR's but this is a useful recommendation to improve the process going forward and can be taken into account in measuring future outcomes. This will be</i>	30 June 2018	Gillian McTaggart Head of Corporate Governance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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*implemented when the next review is scoped although there is no specific date it can be implemented.*

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# PAYROLL - EXECUTIVE SUMMARY

## 1.1 Background

An audit of payroll was undertaken as part of the approved internal audit periodic plan for 2017/18.

In April 2017, Epsom and Ewell Borough Council (EEBC) discontinued their payroll provision for Mole Valley, Tandridge and Waverley councils. From this point onwards payroll was outsourced to MHR with Epsom solely responsible for its own payroll. Over the initial months, the Council encountered some serious issues regarding tax issues and tax uplifts not being correctly applied. This resulted in unreconciled balances between the payroll control accounts: net pay, PAYE and pensions. The Payroll team at the Council use the latest version of Midland Trent, a fully integrated Human Resource Information System. Responsibility for payroll is shared between the Epsom Ewell Borough Council Payroll Bureau, the Human Resources (HR) Team and MHR.

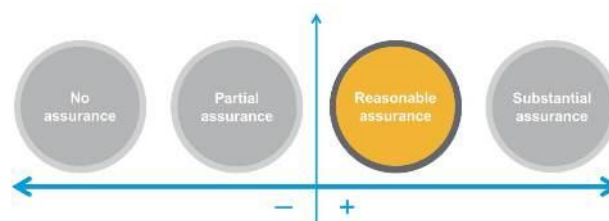
HR input new starters and amendments on the Council's HR system which is then sent to Payroll on a monthly basis. The Payroll Coordinator will then review the changes to mitigate the risk of an error being inputted to the system. From there, Midland input all of the data such as tax codes, NI and salary deductions onto the Payroll. The Payroll is then produced by Midland Trent and sent back to the Payroll Coordinator for review, before final amendments and corrections are made before the BACS submissions are signed off the Head of Payroll and HR

## 1.2 Conclusion

### Internal audit opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



## 1.3 Key findings

The key findings from this review are as follows:

### Design and Application of the control framework

We have raised two 'medium' priority management actions and four 'low' priority management actions in relation to the design and application of the control framework. Details of the 'low' management actions can be found in section two of this report. The 'medium' priority actions relate to:

- Since April 2017, payroll has been outsourced to MHR. Prior to this, Epsom would complete the payroll for Mole Valley, Tandridge and Waverley councils. No procedural document is in place to detail the changes to the payroll process since it has been outsourced. There is a risk that staff at the Council may not know their roles and responsibilities with regards to the new payroll process. **(Medium)**
- We confirmed that reconciliations should all be signed off by a preparer and then receive a second signature from the Senior accountant as evidence of review. From our review we selected a sample of five reconciliations from the main control accounts for a period from August 2017 until the time of audit. Whilst we found that all control accounts reconciled and these had been completed monthly, we established that there had not been any formal sign off by two signatories.

There is a risk that the reconciliations are not being signed off in a timely manner or receiving adequate scrutiny from a separate member of staff. **(Medium)**

**We identified the following examples of sound control design and application of controls:**

- Employee contracts, starter forms and leaver forms are either held electronically on the Council's server or physically in a locked cupboard in the Payroll and HR office. Each employee has a separate folder with their respective information. When electronically held, payroll have restricted access to the personnel files and only HR can amend and change the contents of the files. There is no issue with the segregation of duties between HR and payroll.
- BACS submission is carried out on a monthly basis on the 20th of each by the payroll team at the Council and the file must be ready at least three working days prior to the submission on the 20th. For a sample of five months, we confirmed that all BACS submissions occurred in a timely manner and had been signed off by the Head of HR and Payroll.
- For a sample of five payroll runs we found that all five of the runs had been authorised by the head of HR or an appropriate member of the team. We confirmed that the review occurred prior to the payroll run being made in all five cases.
- From our sample testing we tested five HMRC payments and confirmed they had been appropriately authorised prior to the BACS payment being made. All BACS payments were processed by the Head of HR and Payroll.
- The Council has in place an overpayment recovery spreadsheet. The spreadsheet details where overpayments have been made. If possible, the overpayment is recovered via monthly deductions to their salary. If the employee has left the organisation they become a debtor to the Council and the chasing of the overpayment is passed onto the Finance Team at the Council. We identified that for the year to date there have been four overpayments by the Council. We identified that two had been generated as a sundry debtor at the Council and chased and collected by the Finance Team. The other two payments were being recovered via monthly salary deductions. We confirmed that the deductions are ongoing.
- A range of schemes are available for Epsom employees that require a salary sacrifice. Deductions are made before tax on a monthly basis from their salary. For a sample of five individuals we found that on review of their payslips, deductions were correctly made for each individual based on their deduction scheme.
- Through an electronic workflow generated by HR, starter, leaver and amendment information is forward to the Payroll Officer. From there, the officer will amend the payroll system as necessary. There was evidence of this monthly workflow being sent to the officer from April 2017 to date.
- There are a range of schemes that employees are entitled to and require a salary sacrifices, which is a monthly deduction. For a sample of five employees tested, their monthly deductions had been accurately made in their payslips.



## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Procedural documentation;	1 (1)	0 (1)	0	1	0
Authorisation of payment run and payments to HMRC	0 (3)	0 (3)	0	0	0
Authorisation and processing of starters and, leavers and changes made to the payroll standing data	0 (4)	3 (4)	3	0	0
Appropriate segregation of duties exist for processing payroll information and pay	0 (1)	0 (1)	0	0	0
Reconciliation between the general ledger and payroll and payroll and HR records	0 (1)	1 (1)	0	1	0
Exception reports are in place that monitor significant variances	1 (1)	0 (1)	1	0	0
Salary Deductions	0 (1)	0 (1)	0	0	0
Archiving / File Storage	0 (1)	0 (1)	0	0	0
Salary overpayments are monitored and are recovered in a timely manner	0 (1)	0 (1)	0	0	0
<b>Total</b>	<b>2 (14)</b>	<b>4 (14)</b>	<b>4</b>	<b>2</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: Procedural Documentation

1	The Council has in place policies for the processing of payroll at the organisation on a monthly basis. These policies however, are for the procedures that were in place last year.	No	No	There is currently no procedural document in place to explain the process of payroll, or the roles and responsibilities of individuals since the migration of payroll to an outsourcing faculty.  There is a risk that staff follow out of date procedures which results in staff facing delays in receiving their pay.	Medium	The Council will ensure a procedural document is in place to detail the roles and responsibilities and changes in process to the outsourcing of payroll since April 2017.	By October 2018	Shona Mason / Debbie Childs
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**Area: Starters, Leavers and Amendments**

2	<b>Starters</b>	Yes	No	For a sample of 20 new starters we found that:	Low	The Council will ensure that all contracts are signed by both the Council and the employee in a timely manner.	Currently in place	Shona Mason / Debbie Childs
	<p>The MHR system is an integrated IT system.</p> <p>New starter information is input into the system by HR officers. This will include salary, national insurance number, the individuals line manager etc.</p> <p>Through an electronic workflow all starter information is forward on to a payroll officer. The payroll officer will subsequently activate the account.</p>			<ul style="list-style-type: none"> <li>• For three of the new starters there was no starter form in place. This is because two were Election Assistants and one was an Election Canvasser who would be temporary staff and therefore require a less stringent process.</li> <li>• For five of the new starters there was no signed contract. Three of these instances were the same individuals who did not have a starter form. For the other two, one was an employee who had left the Council twice and the other was a Grounds Maintenance employee. The council are chasing the Grounds Maintenance employee for a signed contract as we were informed this is a common occurrence with that team.</li> <li>• There was no authorisation on starter forms from anybody at the council. However, the HR team create a spreadsheet with the employee's details in and the check occurs when the Payroll Coordinator creates a second spreadsheet verifying the employee's details.</li> </ul>		<p><i>Management Comment:</i></p> <p><i>The Payroll Administrator holds information on which contracts have been received and those that have not and will continue to chase for a period of time. However due to the limited resources within the team this will not be done indefinitely.</i></p> <p><i>We do not issue contracts for Election staff.</i></p> <p><i>We have measures in place to track whether contracts have been returned so I am happy to accept this recommendation on the basis that we will continue to do what we are doing and review in 6 months.</i></p>		

- We found that all new starters were added to the payroll system in a timely manner.

There is a risk that employees at the Council may not be fully aware of their roles and responsibilities, without having a signed contract in place.

3	<b>Leavers</b>	Yes	No	For a sample of 10 employees we found that:	Low	The Council will ensure that all leaver's checklists are completed, authorised by the appropriate individual(s) and stored on record.	Currently in place	Shona Mason / Debbie Childs
	<p>Leaver information is captured by the HR team via a notification from line management. A leavers form is completed to ensure all tasks relating to processing a leaving employee have been completed.</p> <p>Through an electronic workflow the payroll team are prompted to remove the leaver from the payroll system.</p>			<ul style="list-style-type: none"> <li>• For six leavers, there was no leavers form in place that had been authorised by a respective manager and to confirm date of leave.</li> <li>• For the remaining four leavers, there was a leavers form in place with supporting correspondence confirming the individuals leaving date. However, in one instance, there was no authorisation on the leavers form.</li> <li>• We found that all leavers were removed from payroll in a timely manner as per their leaving date.</li> </ul>		<p><i>Management Comment:</i> <i>During the last year the HR team has been significantly under resourced with the outsourcing of payroll to contend with. It is likely that these two factors will have impacted on processes.</i></p> <p><i>The leaver's checklist is not authorised by managers – it is completed by a member of the HR team to confirm all leaver's tasks have been completed.</i></p> <p><i>The "authorisation" would be the resignation letter and acknowledgement letter. This provides the</i></p>		
				<p>There is a risk that not having authorised leavers forms on file could result in leavers not being removed from payroll in a timely manner to prevent overpayment. In line with best practice, we would advise we would advise that all</p>				

completed leavers forms should be retained on file.

*confirmation that the employee is leaving.*

4	<b>Amendments</b>	Yes	No	<p>Until October 2017, changes to bank details were completed using a form. However, this has since changed as employees can now change this detail on the Council intranet. Once changed, the Payroll Coordinator is emailed confirming the change has occurred. MHR have supplied a standard form for employees that are not able to change their bank details on the intranet themselves.</p> <p>For a sample of five changes to the standing data on the system we found that:</p>	Low	<p>The Council will also ensure that correspondence between HR and the employee is kept on file, where an amendment has occurred.</p> <p><i>Management Comment:</i></p> <p><i>We will request a signed "acceptance" of the letter to be returned to be held on file.</i></p>	April 2018	Shona Mason / Debbie Childs
	<p>Amendments to standing data are made by a member of the HR team. A senior member of HR authorises the change, and an administrator carries it out. Exception reports detailing changes to salary are reviewed by the head of HR ensuring segregation of duties is in place.</p>			<ul style="list-style-type: none"> <li>• For three amendments selected there was a clear segregation of duties between the requester and authoriser.</li> <li>• For one amendment to a decrease in contract hours, a letter was sent to the employee informing them of the change. However, the Council did not receive any confirmation of the employee receiving this letter nor did the council issue a new contract to confirm the change in hours.</li> <li>• For one amendment to an employee signing up for £243 of childcare vouchers each month, the Council should have received a notification from the suppliers so that HR could</li> </ul>				
	<p>A 'monthly changes' spreadsheet is sent to payroll so they can carry out the change of standing data on the system.</p>							
	<p>As with starters and leavers, once HR have updated the information a member of the payroll team activates the changes on the account.</p>							

authorise the change. This would update the system and notify the employee that they would now be charged monthly for the vouchers. There was no audit trail to evidence this.

- We found that all amendments had been sent to the Payroll Coordinator as per the monthly changes spreadsheet.

We found that all amendments were reflected in the monthly payroll in a timely manner.

By not keeping an audit trail of HR authorising amendments, there is a risk that employees of the Council are not aware of any changes to their payroll.

#### Area: General Ledger, Payroll and HR Records

5	<b>Reconciliations</b>	Yes	No	<p>Reconciliations should all be signed off by a preparer and then receive a second signature from the Senior accountant as evidence of authorisation.</p> <p>After the transfer of the payroll service has 'calmed down', it was agreed that the key control accounts: net pay, PAYE and Pensions would be formally signed off by two separate signatories.</p> <p>However, we selected a sample of five reconciliations from the main control accounts for a period from August 2017 until the time of audit</p>	Medium	<p>Management will ensure that, as agreed, reconciliations should continue to be performed on a monthly basis. They will be calculated by the Financial Accountant before being signed off by the Senior Accountant. The signed copies will be stored on file.</p>	April 2018	Chris Morgan
	<p>Reconciliations between payroll and the general ledger are undertaken by the Council's finance team.</p> <p>Control accounts exist for the main payroll, pensions and PAYE postings. The reconciliation is undertaken by the Exchequer Team Leader and is checked</p>							

by the senior accountant.

and whilst we found that all control accounts reconciled and these had been completed monthly, we established that there had not been any formal sign off by two signatories. There is a risk that the reconciliations are not being signed off in a timely manner and are not receiving adequate scrutiny from a separate member of staff.

6	<b>Exception Reports</b>	No	No	<p>We established that the payroll exception reports get computed by MHR, the outsourced payroll provider, before sending to the payroll co-ordinator for corrections and amendments.</p> <p>We selected the three months from August (payroll co-ordinator hired) to the time of audit and confirmed that a condensed spreadsheet of net pay differences had been computed by the payroll co-ordinator.</p> <p>Currently there is no limit on the differences checked by the co-ordinator. There is a risk that key differences are missed because of variation in checking separate months.</p>	Low	<p>Management should consider whether to implement a set limit on the differences that have been computed by MHR. This will assist speed and scrutiny of review by the payroll co-ordinator.</p> <p><i>Management Comment:</i></p> <p><i>We will consider implementing a set limit when we are writing the new policies and procedures</i></p>	October 2018	Shona Mason / Debbie Childs
	<p>Previously exception reports were produced by EEBC payroll officer with any variances over £50 getting reported to the Head of HR.</p> <p>Since the migration to an outsourced payroll, exception reports are sent to the Payroll co-ordinator with all element differences from previous month to current month.</p> <p>The payroll co-ordinator, then computes a condensed version of this report and focuses on differences in net pay. This will be checked by the payroll coordinator, with no exception limits. This is currently done</p>							

without checking over a set limit (e.g.£50 as it used to be).

Since the migration to outsourced payroll, and the departure of the payroll officer, the Council found they were not verifying the exception reports and so the payroll co-ordinator was brought in, during August 2017.

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# PLANNING INCOME - EXECUTIVE SUMMARY

## 1.1 Background

An audit of Planning Income was undertaken at Epsom and Ewell Borough Council (EEBC) as part of the approved internal audit plan for 2017/18.

At the time of the audit, the Planning Team consisted of the Planning Development Manager, two full time Officers, one part time Officer, one Graduate (ending July 2018) and two contractors who provide ad-hoc support to the whole department. It was also noted that the current Head of Place Development would be leaving the Council at the end of March 2018, and EEBC are currently in the process of recruiting a successor.

EEBC had received c1,700 planning applications for the period 1 April 2017 - 12 March 2018. Fees in relation to planning applications are determined by the Town and Country Planning Regulations, which were originally enforced in 2012, with an update to the fee structure provided in the 2017 amendment to the statute. Whilst planning fees are set by these regulations, EEBC have the ability to determine fees for pre-application advice and these are currently reviewed by the Environment Committee on a yearly basis.

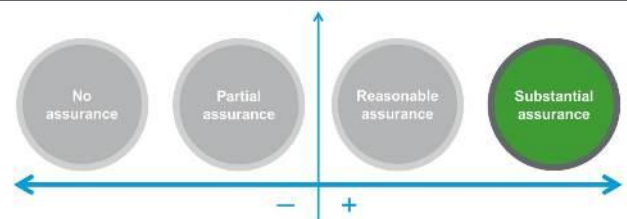
As at the end of period 11, £320k YTD (budget £348k) of planning income had been received, however since this date a further c£30k of planning fee income has been received against a full year budget of £380k. It was also noted per the period 11 budget monitoring report that £24.6k of income had been received in relation pre-applications against a full year budget of £25k.

## 1.2 Conclusion

Our review identified that the design of control framework in operation at EEBC was sound. However, our testing identified a low number of exceptions in relation to the application of these controls, as such we have agreed a number of management actions to address these concerns.

### Internal audit opinion:

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



## 1.3 Key findings

The key findings from this review are as follows:

### Design, Application and Compliance with the Control Framework:

We have identified three '**Low**' priority issues requiring management actions in relation to the application of control framework in operation, which can be seen in section 2 below.

We have also identified the following examples of sound design and application of control framework in operation:

- Fees and charges in relation to planning applications are set by the Town and Country Planning Regulations and are updated periodically, with the last update to fees in January 2018. We reviewed the EEBC website and confirmed that the latest fees were available to applicants and were in line with the regulations.

- Fees and charges in relation to the Pre-Application Advice are subject to review and approval by the Environment Committee annually.  
We confirmed that the fees for the current and next fiscal years (2017/18 & 2018/19) were reviewed and ratified by the Environment Committee in January 2017 and January 2018 respectively.
- Fees in relation to applications are determined based on the application submitted, and are due at the time of submission. As part of the validation process undertaken by Case Officers, receipt of payment is confirmed.
- Crystal reports detailing income received are run daily by finance, and a member of the support team reconciles payments to applications, confirming receipt of payment within Uniform prior to the validation process.
- Exchequer Services post planning income received either in Planning Application Fees (db030) or Pre-Application Advice Fees (db057), within the finance system, Civica.
- For a judgemental sample of 25 determined applications for the period 1 April 2017 – 12 March 2018, we confirmed:
  - All had been verified by the Case Officer as complete prior to a decision being made and planning permission being provided.
  - All income had been correctly posted within the finance system to Planning Application Fees / Pre-Application Advice Fees.
- Quarterly performance review meetings between the Head of Place Development and Finance Account Manager are in operation.
- A review of planning income is undertaken as part of the monthly Leadership Team meetings. We reviewed the minutes from the Leadership Team meetings, and whilst Planning Income is not discussed in detail, a high level review of the budget statement for the Head of Place Development is discussed.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Fees and Charges	0	(2)	0	(2)	0	0	0
Income Due Calculations	0	(1)	1	(1)	1	0	0
Accounting for Income	0	(2)	1	(2)	1	0	0
Pre-payments	0	(1)	0	(1)	0	0	0
Debtor monitoring	0	(1)	0	(1)	0	0	0
Performance Monitoring	0	(2)	1	(2)	1	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: Income Due Calculations

1.1	<p>Planning application fees are due on submission, and payment can be made via:</p> <ul style="list-style-type: none"> <li>• The EEBC Portal;</li> <li>• Card; or</li> <li>• Cheque.</li> </ul> <p>As part of the validation process, the Case Officer will review the information provided to ensure that all</p>	Yes	No	<p>We reviewed a judgemental sample of 25 determined applications, and identified that in all cases, a Case Officer had validated the application prior to a formal decision being made.</p> <p>However, in one instance where a fee was not taken / required, we were unable to ascertain the rationale of why a fee was not required. EEBC believe upon investigation this was due to Article 4 direction (permitted development rights removed).</p>	Low	In instances where fees are not required to be paid by applicants, a rationale will be documented within Uniform to explain why.	30 April 2018	Planning Officers
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>documentation and fees have been submitted.</p> <p>Where these have not been submitted correspondence will be submitted to the applicant informing them why an application is invalid.</p> <p>Where an application has been validated, this is confirmation that the Case Officer is satisfied that the correct fee has been paid.</p>			Where the rationale for not taking a fee is not clearly documented, this is a potential loss of planning income to the Council.				
<b>Area: Accounting for Income</b>								
2.1	<p>Crystal reports detailing all payment receipts are run daily by finance and a member of the support team reconciles receipt of payments to the relevant applications within Uniform and confirms payment has been received.</p> <p>Case Officers will review Uniform to confirm payment has been received as part of</p>	Yes	No	<p>We reviewed a judgemental sample of 25 determined applications, and we identified:</p> <ul style="list-style-type: none"> <li>In one instance (£172), the fee was not confirmed as received but the application had been validated and a decision made (Permitted). We were unable to locate payment through the Crystal reports. </li></ul> <p>We could also not identify any communication had been sent to the applicant chasing payment at any time.</p>	Low	<p>Case Officers will verify that receipt of payment has been made by the Support Team prior to working on applications.</p> <p>Prior to informing the applicant of the decision, a review to confirm payment will be undertaken.</p>	30 April 2018	Case Officers / Planning Development Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	the validation process noted above.			If Case Officers review and determine planning applications prior to payment, EEBC will incur loss of income to which they are due.				
<b>Area: Performance Monitoring</b>								
3.1	<p>Quarterly performance meetings are in place between the Head of Place Development and the Account Manager within Finance.</p> <p>As part of these meetings, a line by line review of the revenue and capital budget is undertaken.</p> <p>No formal minutes / actions are taken to record the result of discussions, however the respective action owner is expected to follow up any actions and provide feedback.</p>	No	N/A	<p>During the review we were provided with an example of where the Head of Place Development had followed up an action arising from the Q3 (December 2017) Meeting.</p> <p>However, a lack of a formalised process for determining actions, owners and dates for implementation increases the risk that these are not completed and fed into the information reported to management / Board to enable effective decision making.</p>	Low	<p>Actions arising from the Quarterly meetings between the Account Manager and the Head of Place Development will be documented to ensure each party is aware of the actions arising from the meeting.</p>	30 June 2018	Account Manager / Head of Place Development (Successor)

# CORPORATE GOVERNANCE - EXECUTIVE SUMMARY

## 1.1 Background

Governance relates to those leadership systems and structures that together determine and control the way in which the Council manages its business, formulates its strategies and objectives and sets about delivering its services to the Public.

The Accounts and Audit Regulations 2011 require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is known as the Annual Governance Statement (AGS).

This audit reviewed the content of the AGS in light of the CIPFA/SOLACE guidance on delivering good governance which was refreshed and updated in 2016. We also examined in further detail processes within the organisation for recording, responding to and monitoring formal complaints.

## 1.2 Conclusion

Corporate Governance controls are well defined and evidenced within the AGS

We note that the formal complaints system has gone through a process of revision and update in 2017/18. Going forward there is scope to introduce controls that report upon complaint analysis and trends on a more regular basis together with training for all staff in the revised complaints procedure.

### Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



## 1.3 Key findings

The key findings from this review are as follows:

We have raised three '**medium**' and one '**low**' priority management actions. Detail of the '**low**' priority management action can be found at section 2 below. The '**medium**' actions relate to:

- The complaints system was amended from January 2018 and was reduced from a three stage internal escalation process to a simpler 2 two stage process. In addition, a narrower requirement for a formal complaint was to be adopted. We note however that in order to maintain consistency and clarity across the organisation this narrower definition of a formal complaint must be defined in writing and communicated to all staff. This will differentiate between a standard rectification request in respect of a service failure and a 'formal complaint'. In addition, 'complaint' training for staff will be provided to provide an overview of the new stage process and narrower definition. **(Medium, 2.1)**

- On a monthly basis, the overall number of complaints received is captured and recorded on the EEBC corporate dashboard for Leadership Team review and scrutiny. We confirmed that the last 'detailed' report to the leadership team regarding the departmental source of complaints occurred in December 2017 and referred to the October/ November 2017 period. A previous report in July 2017 referred to complaints for the period January to March 2017. Going forward six-monthly reports will be provided to the leadership team within two months of the end of the quarter to provide detail and comparison with previous periods regarding the number of complaints received by department / the type of complaint received / the stage level reached and the percentage responded to within the 15 day target response time. **(Medium, 2.3)**
- A monitoring update on complaints received has not been provided to the Audit, Crime & Disorder and Scrutiny Committee in the last 12 months. Officers have agreed that an annual monitoring update will be provided to members through a report to the Audit Committee. It will report upon year on year trends in complaint numbers overall and at a department level. It will also feature commentary on the number of complaints reaching stage 2 and Local Government Ombudsmen level and on overall compliance with the 15 day response target. **(Medium, 2.4)**

Notwithstanding the above we noted the following examples of well designed and applied controls:

- The annual statement of Corporate Governance is approved and signed by the Chair of Strategy and Resources and the Chief Executive. In order to demonstrate adherence to the CIPFA / SOLACE guidance on delivering good governance, the Head of Corporate Governance completes a checklist of those areas that support the overall Annual Governance Statement and these areas of assurance are listed in the statement itself. These reported areas of control assurance are commensurate with our own observation of governance systems within the organisation.
- Individual divisional service area governance statements are required from each Head of Service. These statements require the Head of Service to sign a statement declaring that services have been delivered in accordance with legislation, local financial regulations, standing orders, contract procedure rules and that efficient and effective processes are in place. In particular, control weakness and risks which impact on service delivery are listed in this statement together with actions intended to mitigate their outcome. We satisfactorily verified the signed and completed divisional statements of assurance for 2016/17 and these statements clearly set out responsibilities and accountability for service delivery and the reporting of control weaknesses and known risks from individual heads of service. In addition, the 2016/17 Annual Governance Statement includes a gap analysis that highlights six areas for further control and governance improvement.
- Our review this year also examined the management of formal complaints. A complaints process has been clearly prescribed and is available on the EEBC website. There is now a potential two stage internal complaint process depending on how far the complainant wishes to escalate the issue. As a third stage the complainant can go the Local Government Ombudsman to lodge the complaint. Formal complaints are captured and managed on the Microsoft Dynamics database. We satisfactorily confirmed that the system provides robust controls and records details relating to complaints received. In respect of all of our five sampled cases we found:
  - that the case had been assigned a unique reference number
  - Officers responsible for responding were clearly flagged
  - Key dates accurately recorded the receipt and closure/ escalation of the complaint
  - Links to key documents (original receipt / responses etc)
- Complaints recorded on the system are satisfactorily monitored on a day to day basis by the Business Support Supervisor and automated prompts within the system ensure officers within responsible departments are reminded of deadline times for responding to the resident.
- We verified that in the last published year (2016/17) the Local Government Ombudsman reported that six referred cases were investigated in detail. Two of these were upheld and four were rejected.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
The annual governance statement is supported by an evidence based assessment in accordance with guidance provided by CIPFA and Solace.	0	(2)	0	(2)	0	0	0
Clear processes efficiently capture formal complaints, record their progress and the corresponding response from Council Officers.	1	(2)	0	(2)	1	0	0
Target times for response are set and measured.	1	(1)	0	(1)	0	1	0
Aggregated performance data is routinely monitored for developing trends in specific services to ensure lessons are learnt and that services improve.	0	(1)	1	(1)	0	1	0
Members are routinely informed of complaint statistics together with explanatory narrative.	1	(1)	0	(1)	0	1	0
<b>Total</b>					<b>1</b>	<b>3</b>	<b>0</b>



## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: Clear processes efficiently capture formal complaints, record their progress and the corresponding response from Council Officers;

2.1	A complaints process has been prescribed and is available on the EEBC website. There is a potential 2 stage internal complaint process (with a third stage to the LG Ombudsman).	Yes	To be improved	<p>A two stage complaints process was implemented from January 2018 and replaced a three stage internal process. In addition, from January a narrower definition of a complaint was determined. The intention was to remove those routine areas of service failure where tenants simply requested rectification; this related particularly to missed bins from the weekly refuse collection service.</p> <p>We note from discussion with officers that there has been no recent training for staff across the organisation regarding complaint</p>	Medium	In order to maintain consistency and clarity across the organisation the new written definition of a complaint will be provided and communicated. This will differentiate between a standard rectification request in respect of a service failure and a 'formal complaint'. In addition, 'complaint' training for staff will be provided to give an overview of the new two	31 July 2018	Emma Jeffery Contact Centre Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				handling and that there is no written guidance regarding the new narrower definition of a complaint. There is a consequent risk that complaints may be inconsistently recorded and processed going forward.		stage process and narrower definition.		
<b>Area: Target times for response are set and measured;</b>								
2.2	The Complaints Procedure and Customer Charter are both published on the EEBC website. However, these refer to different target times for complaint responses, with the procedure suggesting 15 working days and the Charter ten working days.	No	N/A	Where timescales are not consistent there is a lack of clarity for residents and therefore a risk of confusion and unrealistic expectations.	Low	Correction is required to the Customer Charter currently available to view on the Council's website. This will be updated to reflect that the new target time for responding to formal complaints is now set at 15 working days.	Implemented in March 2018	Emma Jeffery Contact Centre Manager
<b>Area: Aggregated performance data is routinely monitored for developing trends in specific services to ensure lessons are learnt and that services improve;</b>								
2.3	The Leadership Team is routinely updated with overall complaint numbers and detailed reports relating to source departments.	Yes	No	We confirmed that the last detailed report to the leadership team regarding the departmental source of complaints occurred in December 2017 and referred to the October/ November 2017 period. A previous report in July 2017 referred to complaints for the period January to March 2017.  As well as highlighting the departmental source of complaints it	Low	Going forward, quarterly reports will be provided to the leadership team within two months of the end of the quarter to provide detail and comparison with previous periods regarding the number of complaints received by department / the type of complaint received / the stage level	31 July 2018	Joy Stevens Head of Customer Services & Business Support

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>also categorised complaint by type and stage level reached. It did not record the percentage of complaints responded to within the target timeframes.</p> <p>We did not identify any further detailed monitoring reports to the leadership team for complaints received within 2017/18.</p> <p>Prompt and full complaints monitoring provides a key monitoring indicator and overall assurance that an organisation is delivering effective quality services. Its 'routine' absence weakens governance processes.</p>		reached and the percentage responded to within the 15 day target response time.		
<b>Area: Members are routinely informed of complaint statistics together with explanatory narrative</b>								
2.4	A monitoring update on complaints received has not been provided to the Audit, Crime & Disorder and Scrutiny Committee in the last 12 months.	No	N/A	Complaints monitoring provides a key monitoring indicator and assurance function that the Council is delivering effective quality services. Its absence weakens governance processes.	Medium	An annual monitoring update will be provided to members through a report to the Audit Committee. It will report upon year on year trends in complaint numbers overall and on a department level. It will also feature comment on the number of complaints reaching stage 2 and Local Government Ombudsmen level and	June 2018	Joy Stevens Head of Customer Services & Business Support

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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on overall compliance to the 15-day response target for complaints.