

Audit Monitoring Report Quarter 2 2012/13

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1.0 INTERNAL AUDIT WORK COMPLETED IN QUARTER 2 2012/13

1.1 Final reports issued

- Commercial & bulky waste collection
- Final accounts
- Capital accounting
- Beacon Collection
- Bereavement Services
- Bereavement Services - investigation

2011/12 work carried forward

Following a meeting with the Head of Policy & Transformation & the IT Manager, a revised follow up report on Information Security was issued on 21 June but no reply has been received yet. The Head of Policy & Transformation explained that information security was a corporate issue and the draft report would therefore require a corporate response: Risks would need to be balanced against available resources. Copeland is to approach the County Council to seek further advice on this area.

2012/13 work

6 final reports have been agreed and a draft report has been issued on treasury management (loans & investments). Work has also been carried out on the Audit Commission Profile; a grant return (West Cumbria Arts Engagement) has been certified and preparations made for the National Fraud Initiative data upload. Work is ongoing on payroll, cash receipting and debt management (in year request).

1.2 Assurance on System Controls

The overall evaluation of the system controls is set out below together with a summary of audit conclusions and any key recommendations. Key recommendations are now shown beneath the relevant audit rather than in a separate appendix for ease of reference. Assurance levels have been assessed as good or satisfactory with the exception of Bereavement Services where controls were assessed as weak. A follow up audit has been requested by the S.151 Officer to ensure that agreed actions are effectively implemented and this is scheduled for March 2013.

1.2.1 Commercial and bulky waste collection

OVERALL AUDIT OPINION	SATISFACTORY
CONTROL DESIGN	SATISFACTORY
CONTROL EFFECTIVENESS	SATISFACTORY
RISK EXPOSURE PROBABILITY	MEDIUM
RISK EXPOSURE IMPACT	HIGH

The Waste and Enforcement department is undergoing a service review as part of the Choosing to Change programme and the department's services, structure and job roles are being reviewed.

The Waste Services Business Continuity Plan is renewed annually and links with the Copeland Borough Council Business Continuity Plan, General Emergency Plan and Coastal Pollution Emergency Plan. It covers the possible loss of access to the Moresby Depot, loss of plant, equipment and staff. The Waste Services Business Continuity Plan will need to be updated to reflect relevant changes once the current service review is completed. The Copeland Borough Council Business Continuity Plan identifies Trade Waste collections (alongside Black sack domestic refuse collections, Street cleansing and Public toilet cleansing) as a High Priority service, with Waste Services needing to be restored within one day. The Bulky Waste collection service is categorised as a Low Priority service.

Some issues identified in the Waste Services Business Continuity Plan and Waste Service Plan remain and will be monitored by the department:-

- The new fleet hire provider will be asked to provide a copy of their own business contingency plans;
- Further progression of Operatives to HGV drivers will be dependent upon training budgets; and
- Work continues so that drivers will complete the accredited training hours required by the Driver Certificate of Professional Competence by the deadline of Sept 2014.

Waste Services fees are reviewed annually as part of the budget build process. However, we identified a minor data quality issue with the information in the Revenue Budget Proposal Proposed Fees and Charges document submitted for inclusion in the Revenue Budget Proposal reports.

Commercial waste, trade sacks and large and bulky items collection customers pay in advance for the service. Commercial waste customers receive quarterly periodic invoices, and trade sacks and large and bulky items collection customers pay either at the point of ordering the service or request an All Pay invoice to be sent to them. The order is only processed once the payment has been received.

Budgeted income generation targets are set so that the costs of the service are covered. Setting the budgeted income is part of the annual budget build process which goes to Resource Planning Working Group, the Executive and Full Council.

The current economic conditions and the aggressive marketing by private sector competitors have affected income generation. The average number of trade bins serviced each week by the Council has fallen from almost 450 in 2009/10 to only 245 in 2012/13 with a consequent decline in income. The Waste and Enforcement department are working with colleagues at Cumbria County Council on a project to develop and grow the business to the benefit of both organisations.

The department uses an in-house database system to record and process orders for trade sacks and large and bulky items collections and a spreadsheet for trade waste customers. It is planned that the spreadsheet will be replaced with a database.

Trade Waste periodic invoice accounts were tested on a sample basis and the following was noted:

- 2 accounts had been incorrectly billed in relation to the service they received (one account billed for a weekly collection of a 360 litre container but contract is for a fortnightly collection and one account billed as a weekly collection of a 240 litre container but contract is for a 360 litre fortnightly collection);
- 1 invoice had VAT incorrectly charged. The invoice was subsequently cancelled by a credit note but a replacement invoice was not raised for the same period. This has left the account with an incorrect credit balance as the customer had paid the initial incorrect invoice;
- 1 account did not have a periodic invoice issued for the first quarter of 2012/13 because the periodic invoices had been incorrectly cancelled.

Trade Sack customers were tested on a sample basis and one customer had been charged the full fee even though they were entitled to a Schedule 2 reduced fee because they were a registered charity.

All of the issues found during our testing have been brought to the attention of the Waste and Parks Officer for rectification.

The main issues we have identified during the audit are:

- A minor data quality issue with the information in the Revenue Budget Proposal Proposed Fees and Charges document;
- Civica payments being recorded without a descriptive narrative;
- Card payments taken by Customer Services should be independently verified by the Waste and Parks Officer;
- The Agreement for Collection of Controlled Waste contract requires amendment to reflect changes in the treatment of VAT and the withdrawal of service clause for non-payment of fees;
- Independent verification of the stock of trade sacks.

Recommendations

That care is taken to ensure the data quality of information included in the Waste Management Proposed Fees and Charges for the Revenue Budget Proposal reports, so that the correct price for Trade Sacks per quantity is shown.

The template has been amended to reflect the correct unit rate in future.

To provide a clear audit trail a descriptive narrative must be added in Civica when Customer Services staff take payments over the phone or at the counter.

A weekly report will be run from the Cash Office and a generic format will be set out so that all CSO's are aware of the standard.

When card payments are taken by Customer Services for trade sacks and bulky items collections the Waste and Parks Officer should independently check Civica to confirm the payment has been received prior to processing the order.

Due to the reduction in staffing resources as a result of the recent service review implementation of this recommendation would be disproportionate to the minimal nature of the risk and the amount of income involved and so they will accept the risk.

The Agreement for Collection of Controlled Waste contract document is revised to remove the references to VAT to reflect that Local Authority commercial waste collection services are outside the scope of VAT.

As per recommendation.

The Agreement for Collection of Controlled Waste contract document is revised to remove the references to the withdrawal of the service for non-payment of fees, as this is not in line with the Environmental Protection Act 1990.

Further work to be done on legal clarification and appropriate debt management.

Due to trade sacks having a monetary value, independent verification of the monthly stock checks should be carried out to reconcile the stock issued against the Trade Sack Customer Database.

Implementation of this recommendation would be disproportionate to the minimal nature of the risk and the monetary amounts involved and so they will accept the risk.

1.2.2 Final Accounts

OVERALL AUDIT OPINION	GOOD
CONTROL DESIGN	GOOD
CONTROL EFFECTIVENESS	GOOD
RISK EXPOSURE PROBABILITY	LOW
RISK EXPOSURE IMPACT	HIGH

The final accounts process was well planned, progress regularly monitored and corrective action taken where appropriate to meet statutory deadlines.

The Unaudited Annual Statement of Accounts 2011/12 was signed and dated by the Section 151 Officer by the statutory deadline of 30 June 2012. The Accounts and Audit (England) Regulations 2011 no longer require the accounts to be presented to the Audit Committee by the statutory deadline.

Improvements have been made to the closedown process after a review of last year’s closedown. Control accounts have been set up to capture movements on reserve accounts and reconciliations have been carried out throughout the year to complete the notes, such as the audit fee disclosure and grant analysis. Improvements have also been made to the layout of the fixed asset template.

There was some slippage on the closedown plan with some individual deadlines not met on time. However, capacity for slippage was built into the plan and actual slippage was fully accommodated by this provision. A full review of the closedown process will be undertaken by the Finance Department / Manager, once the Statement of Accounts has been externally audited, to help identify and resolve possible pinch points for next year’s closedown process.

Although staff have previously received the appropriate training from Sector on the new IFRS there will be an on-going training requirement to ensure that staff are kept up to date on any new or amended standards.

No recommendations made following this review.

1.2.3 Capital accounting

OVERALL AUDIT OPINION		GOOD
CONTROL DESIGN		GOOD
CONTROL EFFECTIVENESS		GOOD
RISK EXPOSURE	PROBABILITY IMPACT	LOW MEDIUM

The audit review of capital accounting focussed on the following key controls to complement work carried out by the Audit Commission on IFRS compliance and disclosure requirements.

- Assets included on TOTAL are the same as on the Fixed Asset Register
- Controls are in place to identify all acquisitions and disposals
- Addition and disposals to the asset register are completely and accurately recorded
- Assets recorded in the register actually exist

Based on the tests undertaken, as detailed above, adequate controls were found to be in place and operating effectively.

Controls are in place to identify all additions and disposals. As part of the final accounts process, managers are required to complete a manager’s pack, which includes returns on fixed asset purchases and disposals. Separate records for Vehicles and Land & Building additions/disposals are also submitted by the relevant officers. IFRS Certificates, Finance Charges and Accounting entries for vehicles are carried out by Sector. The additions and disposals identified were recorded completely and accurately.

Physical verification of a sample of assets was undertaken and results passed to the Audit Commission. No major issues arose from checks undertaken. Overall opening and closing balances recorded on the TOTAL Financial Management System were agreed to those recorded on the Asset Register.

The outstanding recommendation that procedures should be updated to support the annual processes has not yet been implemented in light of the proposed transfer of the asset register from spreadsheet onto TOTAL. An agreed extension to December 2012 has been given for the recommendation to be completed and the Covalent system has been updated to reflect this.

No recommendations made following this review.

1.2.4 The Beacon Collection

OVERALL AUDIT OPINION	SATISFACTORY
CONTROL DESIGN	GOOD
CONTROL EFFECTIVENESS	SATISFACTORY
RISK EXPOSURE PROBABILITY	MEDIUM
RISK EXPOSURE IMPACT	HIGH

The main findings of the review were in relation to the maintenance of the Beacon Museum Collection inventory (MODES). The Council's Financial Regulations include procedures for maintaining inventories which relevant staff at the Beacon have been made aware of, including the updated version of June 2012.

Access to MODES is restricted to three members of staff at the Beacon and only the Beacon Manager and the Curator have authority to maintain it. Backup copies are kept off site. On examination, it was found that the new Curator has not been consistently signing and dating each new page of the Accession Log Books to confirm agreement. The Curator has confirmed that this will be done going forward.

A full stock take of the entire collection takes place every three years. This is currently underway and is due to be completed by March 2013. The Collection is covered on the Council's "All Risks" insurance policy.

There are good controls documented for the maintenance and control of all items in the Beacon Museum Collection. Most items within our sample taken from the valuation list were located and accurately recorded, however, a small number had not been updated on MODES after being moved and not all display boards accurately or consistently reflected asset numbers or descriptions. The Beacon Manager is aware of these discrepancies and measures are being taken to rectify them.

A sample of assets from the Beacon Museum Collection was also traced from the physical locations at the Beacon to MODES. Discrepancies were found in relation to a display board not including an asset number and the item not being immediately traceable to MODES. Audit testing was also carried out on the Copeland Collection which similarly showed that in some cases records of location of specific assets had not always been updated in MODES.

The Collection Development Policy & Procedures documents were in line with guidelines and have been reviewed and updated in 2012. These were approved by the Executive in July 2012 to maintain Accredited Museum status. These documents outline procedures for the acquisition, disposal and transfer of assets which are in line with the Council's Financial Regulations and the SPECTRUM Minimum Standards. (SPECTRUM is recognised internationally as the leading standard for collections

management. It contains detailed procedures for managing the processes that an object goes through during its lifecycle in the museum).

It was found that one exit form for a loan out during 2012 did not have copy insurance documentation on file. The Curator was aware of this and contacted the relevant person for this information, which has now been received.

There is an effective security system in place. The Arts Council National Security Advisor is due to visit in February 2013 to check security measures and make any recommendations for improvement if necessary.

Recommendations

MODES should be updated in a timely manner when items are moved to accurately reflect physical location of assets both at the Beacon and Copeland Centre.

Curator will ensure all new "moves" recorded within 5 working days. Major inventory check due to be completed March 2013 and MODES to be updated accordingly.

All asset details should be recorded accurately and consistently on display boards and MODES for ease of identification.

Errors found during audit to be rectified by end September 2012.

Copeland Centre Collection loans documentation should be reviewed and updated where applicable.

Inventory check to be completed by end September 2012.

1.2.5 Bereavement Services

OVERALL AUDIT OPINION	WEAK
CONTROL DESIGN	SATISFACTORY
CONTROL EFFECTIVENESS	WEAK
RISK EXPOSURE PROBABILITY	LOW
RISK EXPOSURE IMPACT	HIGH

Prior to completing this audit, Internal Audit was requested by the S.151 Officer to carry out an investigation into missing cash at the Crematorium. A separate report on this was provided to the Head of Service and to the S.151 Officer and control issues arising from the investigation have been incorporated into this audit. It was concluded that it was impossible to identify where the missing cash had gone or who might have been involved so no further action has been possible.

As a result of restructures, redundancies, and retirements, staffing at the Crematorium has radically changed over the past 6 months. Due to these changes

there are a number of areas where controls have become weak. Procedures have not always been followed and previous recommendations made during the course of the 2010/11 audit (although showing as completed on Covalent) have not been consistently applied.

There are procedure notes for the Cemetery and Crematorium but these procedures need to be updated to reflect current practices. These will need to be circulated to all staff on completion. Additional work will be carried out by Performance & Improvement during September 2012 and this should help with updating procedures and streamlining operations.

Fees and charges are set and approved by Full Council annually. These were correctly shown on the Council website for 2011/12 and for the current 2012/13 year. Fees charged for cremations and internments were checked on a sample basis and found to be in order.

Approximately 1 week after a cremation has taken place a letter is sent to the family of the bereaved. This includes information on requesting an entry in the Book of Remembrance. The fees charged for this service are included with the letter. A number of applications had been received after the fees had been increased with a fee relating to the previous year.

All income received (cash/cheques) at the Crematorium Office is logged in 2 analysis books, 1 for cremations, (this includes: fees; medical references; urns & caskets; postage & strewing; certificate of cremation; chapel of rest; book of remembrance inscriptions; mini books & cards and donations) and 1 for internments, (this includes: fees; purchase of burial rights and inscriptions). Cash/cheques are held securely in a locked receptacle in a lockable safe prior to banking. These are then paid into the bank using a paying in book. Due to costs of carbon copied paying in books, new paying in books were introduced in 2011, and these are free of charge from the Council's bank (Natwest). However, they are not carbon copied so staff were notified that the front and back of the paying in slip should be photocopied prior to banking to provide an accurate audit trail. This has not been consistently applied at the Crematorium. We also found that the paying in slips are not checked and countersigned by a second employee as evidence that monies to be banked have been reconciled to the analysis books.

There is no evidence that a second officer has reconciled income recorded on the analysis books to the paying in slip prior to banking. Reconciliations of monies banked for Cemetery and Crematorium income to the Financial Management System (TOTAL) is carried out by the Senior Accounting Officer (Technical & Reconciliations). It was confirmed that these reconciliations have been kept up to date throughout the year.

Petty cash held at the Crematorium office was found to be in order. The petty cash spreadsheet held by finance is reconciled annually for final accounts and monthly as part of the bank reconciliation process, by the Senior Accounting Officer (Technical & Reconciliations). Nominated officers for the Cemetery/Crematorium petty cash on the finance spreadsheet now need to be updated as the officers currently recorded are no longer employed by the authority.

A number of data quality issues have been highlighted during the course of the audit and these relate to:

- Incorrect method of payment recorded when inputting e returns to CIVICA Cash Receipting
- Duplicate entry of 1 payment for £2,466; once in cash and once by BACS [this has been addressed]
- Applications for Book of Remembrance entries not recorded in the analysis book and no evidence that the payment was banked. [4 occasions totalling £546]
- Applications for Book of Remembrance entries recorded in the analysis book and paid for by family members, however we were unable to trace the application and one payment [£53]
- Not recording whether payments received have been by cash or cheque in the analysis books, making reconciling income time consuming
- Incorrect calculation of Cameo Scheme income [a scheme authorities join to provide information on abatement and burden sharing, information is collated and passed to DEFRA. Current fee at Copeland £45 per cremation passed on to customer]

Stock records were checked to physical stock to ensure they were correct and agreed. The fuel ledger held at the site seemed to be approximately accurate, however, the officer stated that he had been off work recently and he thought fuel had been delivered and used and not written in the ledger. Other members of the Parks and Waste team are drafted in if the officer is on leave/sick, and the officer is not sure if they would record in the ledger any fuel delivered or used. The last spot check of fuel to fuel ledger records was carried out in October 2011. Previous recommendations have required that spot checks should be carried out every 6 months. There was no evidence that this had taken place in April 2012 when it was due.

The stock of urns was also checked against what was recorded in the ledger. Overall stocks were up by 8. However the stock of plastic urns could only be confirmed as correct as the officer had recorded issues of urns in his own diary rather than in the ledger provided. He has been advised that receipts and issues of urns should be recorded in the ledger provided. The last spot check of urns to the ledger records was carried out in October 2011. 1 error was recorded at that time and this related to 1 urn short. Previous recommendations have required that spot checks should be carried out every 6 months. As at 2.9 above there was no evidence that this had taken place in April 2012 when it was due.

Building access procedures are in place, however these are not followed in practice. Access to the Crematorium Office and main work areas including the music room should be strictly controlled and accessed by authorised personnel only. However, on 2 occasions during the course of this audit we noted breaches in these procedures.

All Funeral Directors (FD) have access to the booking system introduced in April 2011. They can only see their own bookings on their log in and availability of future "slots" on the calendar. A batch of bookings (123 slots over 25 days) were recorded

under headings "CBC, Copeland Borough Council, Distington Hall", instead of the FD name. These time slots have been booked out at the request of managers for maintenance works; bank holidays etc. this stops FD's being able to book in at these times; for clarity all officers should use the same coding to identify this kind of entry, for example: Copeland BC, unavailable.

Waste & Parks Officers and the Admin Officer are new to their posts. It has not been possible for a full handover of duties to be carried out so Training & Development programmes need to be established to support these Officers.

Recommendations

Policies and procedures are updated following the work carried out by Performance & Improvement. These should be circulated to all staff who undertake duties at the Crematorium and Copeland Cemeteries.

To be completed by end January 2013

Standard letter sent to families should not include Book of Remembrance application fees. Instead, customers should be directed to the CBC website or advised to call the office for current applicable fees.

Revised letter, taking out application fees and direct to website, will be prepared and used from 1 November 2013

Income received via the Crematorium office should be recorded immediately and "cash" income should be identified on the analysis sheets to aid the reconciliation process.

Now in place. Instructions for all staff to follow in case of absence to be written

If the 20 missing application forms cannot be traced management need to consider what to do. This could be contacting family members now or waiting until family members cannot find the entry and contact the Crematorium office.

If not located by 31 December 2012 to decide with Head of Service how to proceed

There should be an independent check of Book of Remembrance (BOR) application requests to actual completed entries in the BOR.

Independent check to be undertaken by Waste & Parks Officer.

Complete the transfer of monthly accounts for Funeral Directors to the Sundry Debtor System as soon as possible

Head of Service to arrange by end December 2012

Look at all options for the collection of income for Book of Remembrance applications.

Options to be reviewed with Finance

All paying in slips should be photocopied (back and front) prior to banking to provide an accurate audit trail. The copy should be held on file for future reference.

Procedure now in place

Paying in slips should be checked for accuracy against the ledger/spreadsheet prior to banking; the paying in slip should be countersigned by a second officer as evidence of the check (P1)

Now in place, checked and countersigned by Waste & Parks Officer. Instructions to be written

Ledgers and or spreadsheets when in operation should be reconciled to income received prior to banking. This should be checked by a second officer and signed as evidence of the check (P1)

Now in place, Waste & Parks Officer to check and sign.

Officers nominated as responsible for petty cash on the spreadsheet held by finance should be updated to reflect current staffing

The records held by finance are not a control procedure for who holds petty cash, they are a method of verifying that what we say are petty cash balances at year end are actual petty cash balances and records are changed when signatures are obtained. There is currently no process for departments to notify us when a person leaves and the petty cash duties are handed to someone else, the responsibility lying with department heads.

Ensure that the correct method of payment is recorded when e returns are entered on the CIVICA Cash Receipting system

Now in place.

Ensure that e returns are accurate and complete before submitting, including correct Cameo tax income.

Now in place

Stocks of fuel and urns should be recorded in the ledger provided. All incoming stock and all issues of stock should be signed by a second officer.

Memo to all staff and Waste & Parks Officers issued

Stock should be checked on a monthly basis by the Waste & Parks Manager, any discrepancies identified should be investigated.

Memo to all staff and Waste & Parks Officers issued

Building access procedures should be followed at all times, with no exception

All staff made aware of procedures

Unauthorised persons should never be left unattended in restricted areas.

Investigating fitting of enquiry hatch in main office

When officers are blocking out time when cremations/internments cannot take place e.g. Bank holidays, maintenance, meetings etc. this should be done in a consistent manner. For example: Copeland BC, unavailable

Agreed

Training & development programmes should be put in place for all officers with duties at the Crematorium/Cemeteries. These should be designed to meet the Corporate and service needs of the authority and improve overall performance.

Agreed

1.3 Overdue actions arising from audit reports

1.3.1 Priority 1 and 2 recommendations still outstanding, with a target date for completion by 30 September 2012, are set out at Appendix A. There are 30 overdue recommendations overall. For completeness the summary now includes recommendations made by the Audit Commission as well as Internal Audit.

1.3.2 There are 3 Priority 1 recommendations which comprise:

- Recommendation on partnership risk management and governance. An update report from the Head of Regeneration & Community was presented to the last Audit & Governance Committee setting out a process to implement this recommendation by March 2013.
- Recommendation on payroll resilience and discontinuation of a key control. The HR Manager has advised that the key reconciliation control has now been re-introduced following the resolution of software issues in the payroll system (Sage). Work is ongoing to enable adequate segregation of duties and independent review of payroll tasks.
- Audit Commission recommendation to require improved accuracy of benefit calculation. The Revenues & Benefits Shared Service has appointed an additional Quality Officer to ensure that accurate calculations are made.

One other Priority 1 recommendation has been cleared during the period. This related to contracts for work funded from the Disabled Facilities Grant being between the client and contractor, rather than between the Council and the contractor.

1.3.3 Priority 2 recommendations outstanding have decreased from 37 to 27 since the last quarter end. The main reason for the decrease is that 12 outstanding recommendations relating to the review of Information Security in 2010/11 have been cancelled as these have been consolidated into 8 new recommendations (not on Covalent as not yet agreed). The consolidated recommendations are based on the need for the Council to implement a robust information security framework following the guidelines provided by HMG Security Policy Framework (April 2012). The framework should incorporate appropriate policies, processes, roles and responsibilities, controls, training and awareness. The Head of Policy and Transformation is in the process of completing the action plan and is liaising with relevant staff at the County Council on the most effective way to take this forward within the Council's available resources.

1.3.4 Overdue recommendations previously allocated to the Director of Resources and Transformation have now been reassigned to relevant members of the Corporate Leadership Team (or cancelled if relating to Information Security – see 1.3.3 above).

2.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN

2.1 Internal Audit performance is set out at Appendix B. Delivered days for Quarter 2 are less than target as it has not been possible to start planned audits in all cases.

3.0 CONCLUSION AND RECOMMENDATION

3.1 It is recommended that Members note this report.

List of Appendices: Appendix A – Outstanding Key recommendations due by 30 September 2012
Appendix B – Performance Indicators

Background papers: None

Consultees: Senior Leadership Team
Leadership & Management Group [Appendix B]