

**Executive Summary for Accounts Receivable****Assurance****High****Overview and Key Findings**

The Accounts Receivable (AR) review was conducted as part of the core audit programme for 2015/16 as approved by the relevant Audit Committees and Boards in March 2015.

This review will now be carried out over a 3 year cycle, with 2015/16 being the second year of this cycle. The focus of the review this year was on:

- Income Streams (Garden Waste, Trade Waste and Licensing processes)

The audit review also covered:

- The management of processes undertaken by GOSS on behalf of the client organisations
- That processes comply with Financial Rules and other Client based policies and standards
- An assessment of the GOSS performance levels and KPIs

Our review can confirm that sound processes and procedures are in place over the areas reviewed to ensure GOSS provides effective service delivery on behalf of the client organisations. We can also confirm that Financial Rules are being complied with as are client policies.

Examination of the Income Streams element of this review has identified that although processes undertaken by the GOSS AR team are sound, there are process inefficiencies for the administration of Green Waste Service. We also found errors made by client officers who have access to the Smart Client element of ABW. The relevant clients have been advised and the AR team are working to resolve the issues identified.

There are no KPIs in the 2015/16 GOSS Service Delivery Plan relating to the AR service, although there are internal performance schedules which form the basis for performance monitoring.

Other indications of GOSS performance is through (i) the monitoring/addressing of customer complaints; any performance concerns identified are reviewed and addressed for staff development, and (ii) the liaison meetings held between the GOSS AR Team and those service areas involved with the production of large subscription invoice runs. These discussions help to identify any issues / concerns to ensure the smooth running of the process. Our review of this area did not identify any areas of concern.

Based on the work completed, we can confirm that the control framework of the areas reviewed within GOSS AR is sound and that processes and procedures enable business objectives to be achieved. Several errors were identified within the client areas which The GOSS AR team are helping to correct to prevent further occurrences. One recommendation has been made that if addressed will add value and improve the overall control environment. Therefore, our opinion is that of a **High** level.

**Management Response**

We welcome the positive comments that have been made in relation to the current performance of the Accounts Receivable service.

The issues that have been raised relating to the service users are valuable points and we hope that these can be taken forward in future service specific audits to ensure that improvements can be made. GOSS AR will continue to support users and provide training when required. Some refresher training has already been arranged with staff at CBH.

The recommendation is in the process of being addressed. At present the system default is for the rounding to be on the last instalment. The user has to amend this to first at the point of setting up the payment plan. Advice is currently being sought from the System Administrator to see whether the default value can be amended from last to first. This would resolve the issue and the payment plan letter will display correctly.

<b>Executive Summary for Accounts Payable</b>	
<b>Assurance</b>	<b>Waiting for assurance score from SWAP</b>
<p><b>Overview and Key Findings</b></p> <p>The transactional testing for Accounts Payable (AP) was carried out as part of the core audit programme planned for 2015/16 as approved by the Audit Committees and Boards of the Audit Cotswolds' client organisations.</p> <p>The South West Audit Partnership (SWAP) are the auditors for the AP module (GOSS Controls) as AP is processed by GOSS based at the Forest of Dean District Council (FoDDC) they also test the controls in place for the BACS payment batches. At the point of issuing this memo we have been advised that SWAP plan to commence the AP testing in January 2016 and we will receive a copy of their report (including the assurance level for the GOSS controls) once this has been completed.</p> <p>In 2015/16 Audit Cotswolds performed AP transactional testing for:</p> <ul style="list-style-type: none"> <li>• Cotswold District Council (including GOSS)</li> <li>• Cheltenham Borough Council</li> <li>• West Oxfordshire District Council</li> <li>• UBICO</li> <li>• Cheltenham Borough Homes</li> <li>• Cheltenham Trust</li> </ul> <p><b>Outcome and Audit Comment</b></p> <p>The transactional testing completed by Audit Cotswolds included:</p> <ul style="list-style-type: none"> <li>• Payments are made in accordance with Financial Rules</li> <li>• Appropriate authorisation of purchase orders and supplier invoices</li> <li>• An assessment of the usage of Purchase Orders</li> </ul> <p>We reviewed a random sample of invoices for the period 1<sup>st</sup> April – 30<sup>th</sup> September 2015. Where the sample did not contain individual transaction amounts falling within each approval limit, as stated by the Financial Rules, one additional transaction was randomly selected for each limit.</p> <p>All supplier records are created in the Gold Client within ABW, which are the records used when AP process invoices for all GOSS clients. There were a number of incidences when the suppliers' payment terms differed on ABW to what was stated on the invoice.</p> <p>It's understood it is GOSS policy to make payment as soon an invoice is approved or matched to a purchase order. As part of this testing payments were deemed to be late if payment was made 30 days after an invoice was received by the service area.</p> <p>Of the 22 CDC invoices tested 21 were paid within the 30 days, although not always within the supplier's terms set out on the invoice. We can confirm invoices had been authorised in line with the Financial Rules.</p> <p>We are aware that a 'No purchase order, no payment' policy was approved by Senior Management Team at CBC (implemented April 2015), to increase the use of purchase orders and to ensure compliance with financial rules (although there are exceptions in the policy in respect of when a purchase order is not required e.g. utilities and subscriptions).</p> <p>We would suggest that CDC Officers consider moving towards adopting a similar policy for the procurement and payment of goods and services to the council.</p>	

A further investigation to determine whether any invoices had been paid twice was undertaken for each client. Testing identified, in almost all incidences, duplicate payments were due to AP receiving duplicate copies of the invoice a few days apart, generally four to seven days; caused by service areas emailing the invoice and also submitting a paper copy. In all but one instance the invoice number on the second processed invoice was different to the first invoice number, which allowed the payment of the second invoice. The other invoice was processed twice as a different supplier ID had been used.

CDC duplicates - IA testing identified five duplicate payments and the officers were informed. At the point of testing three duplicate amounts had been recovered and the other two were outstanding. In four of the cases the duplicate payment occurred due to the emailing of invoices and the submission of a paper copy to AP. The other payment request was sent twice to AP by the requesting officer and was paid on each of two reference numbers shown on the payment request. It was found that in all of the cases the duplicate was approved by the same officer.

Consideration should be made into running a report from ABW, on at least a quarterly basis, to identify potential duplicate payments and ensure the prompt recovery of monies to the authority.

### **Conclusion**

We can confirm that transactional testing has shown that invoices are paid in a timely manner, they are authorised appropriately and payments are made in accordance with the Financial Rules. Testing has identified there is still a need to increase the use of purchase orders by all clients to ensure compliance with Financial Rules.

There is a risk of making duplicate payments caused by AP receiving duplicate invoices, which could be avoided if all invoices are emailed rather than posted as discussed above.

### **Management Response**

Since the inception of Accounts Payable being co-located in Coleford, performance levels of the timeliness in paying supplier invoices has improved year on year.

GOSS Management have put significant resource into training and reviewing processes for the use of purchase orders – it is therefore disappointing that this resource has not been rewarded with an improvement in the level of take-up in the use of purchase orders. Over the coming months, reports will be written to help establish which areas are not using the purchase order management element of the system to its full extent in order for Management Teams at clients to be able to 'police' the use more effectively.

**Executive Summary for Main Accounting System & VAT Processes****Assurance****Main Accounting System – High  
VAT Processes - High****Overview and Key Findings**

The review on the Main Accounting System including VAT processes was conducted as part of the core audit programme for 2015/2016 as approved by the relevant Audit Committees and Boards of the Audit Cotswold client organisations.

The focus of the audit was on:

- The management of processes undertaken by GOSS on behalf of the client organisations: Cheltenham Borough Council (CBC), Cotswold District Council (CDC), West Oxfordshire District Council (WODC), the Cheltenham Trust, Ubico, and Cheltenham Borough Homes (CBH).
- Compliance of processes with Financial Rules and other client based policies and standards
- A follow up recommendations from the previous year's audit
- Review of Key Performance Indicators (KPIs) of GOSS performance

Based on the work completed we have concluded that there are sound controls operating within GOSS for the Main Accounting System, and with regard to VAT processes.

Our only comments relate to:

- the signing of VAT returns by the checking officer to evidence the check, and
- the development of ABW guidance resources and design of training materials

We have been able to issue High Assurance Level opinions for both the Main Accounting System and VAT processes. Other than the two issues mentioned above there are no other matters to which we need to draw the attention of management.

**Management Response**

Recommendations agreed, as per action plan.

**Executive Summary for Treasury Management and Bank Reconciliation**

<b>Assurance</b>	<b>Treasury Management - High Bank Reconciliation - Satisfactory</b>
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**Overview and Key Findings**

The review on Treasury Management and Bank Reconciliation was conducted as part of the core audit programme for 2015/2016 as approved by the relevant Audit Committees and Boards of the Audit Cotswold client organisations.

The focus of the audit was on:

- The management of processes undertaken by GOSS on behalf of the client organisations
- Compliance of processes with Financial Rules and other client based policies and standards
- A follow up recommendations from the previous year's audit

Based on the work completed we have concluded that there are sound controls operating within GOSS over Treasury Management activities and are able to offer a 'High' assurance opinion.

Original testing undertaken in October 2015 found that formal monthly bank reconciliation statements were not being completed although staff were identifying, examining and correcting un-reconciled items on an on-going basis. We were advised that a bank reconciliation template was being developed which has the facility to be signed off by the compiler and the verifier/certifier and would be shortly implemented. We revisited this in early January 2016 and found that work was still in progress. We subsequently revisited at the beginning of March 2016 and can confirm that monthly reconciliations are now being completed and there is evidence to support these reconciliations. But there is no evidence to support independent sign off of them. We understand the Corporate Finance Team are addressing this and will ensure a clear audit trail is progressed.

Due to the work now being undertaken by the Corporate Finance Team and our recent testing we are able to offer an assurance opinion to that of a 'Satisfactory' level. However, it must be noted that independent sign off of the bank reconciliation is a key financial control against fraud and error, so must be undertaken to provide assurance that the system is working effectively.

**Management Response**

Processes within the Treasury Management function are well established and are operating well. The recommendations made with regard to the Bank Reconciliation function are accepted and will be implemented shortly to further strengthen processes.

## Executive Summary for Social Media

**Assurance**

**Limited**

### Overview and Key Findings

This audit was carried out as part of the risk based audit programme planned for 2014/15 as approved by Audit Committee in April 2014.

The purpose of the audit review is to provide Members and senior officers with sufficient levels of assurance that the social media risk management process and internal control framework are effective. Our work has identified certain areas of control weakness, therefore we have suggested recommendations to strengthen the overall control environment.

### Background

Social media is the term used for online tools, websites and interactive media that enable users to interact with each other by sharing information. Social media increases the Council's audience, improves the accessibility of our communication and increases our community engagement. There are multiple examples where the use of social media by public sector organisations has had a positive impact on both community engagement and organisational reputation. CDC and WODC have a combined following on all social media platforms of approximately 5000 'followers/subscribers'. With this level of reach there are increased reputational risks for the Council which if not controlled, have the potential to escalate beyond the Council's existing risk management procedures.

### Conclusion

Based on testing completed, we offer an audit assurance opinion level of: Limited Assurance.

*The system of controls falls below expectation as weaknesses are increasing system objective risks.*

Summary of key control issues:

- Non-compliance with Social Media Guidance document.
- Lack of documented business case for social media accounts.
- Inconsistent approach to 'liking' and 'following' of other social media users.

The implementation of recommended actions within this report will increase the assurance level of the Council's risk management and control of social media.

### Management Comments - Head of Joint Business Information and Change Service

As the use of Social media across both Councils is still limited to a small number of Officers, many of which are senior managers the actual exposure and risk overall is not currently significant, however as the importance of this channel increases the recommended changes to the guidance/controls will help ensure the Councils enjoy the benefits without increased reputational risk.