

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Overall system rating:

Satisfactory

Review of income

West Wiltshire District Council

Internal Audit Report 08/09

23rd December 2008

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1. Executive summary

Introduction to our review

We have undertaken an internal audit review of the Council's arrangements in respect of the receipt of income by the Building Control, Development Control, Environmental Health/Protection, Pest Control, and Licensing Departments. The aim of our review was to identify the barriers to the reduction of income received in the form of cash and cheques and to determine how these could be overcome.

Conclusion

As internal auditors of West Wiltshire District Council (the Council), we are required to give an annual overview of the systems of internal control, in accordance with the Code of Practice on Internal Audit in Local Government in the United Kingdom. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. These are the conclusions set out in the Government Internal Audit Standards. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

Overall rating	
Satisfactory	There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and /or effectiveness of risk management, control and governance.

Key findings

We have identified three areas for further development, in respect of facilitating the payment of fees and charges by means other than cash and cheque. More details are provided in section 4.

Recommendations	High	Medium	Low	Total
Made	-	3	-	3
Accepted	-	3	-	3
Not accepted	-	-	-	-

2. Introduction

Scope and objectives of our work

In 2007, the Council closed the cash office at its Bradley Road office. With its capacity to handle cash and cheques securely now significantly reduced, the Council is seeking to reduce the volume of income received in this form.

However, the Council has identified that a number of service departments continue to accept significant volumes of income in the form of cheques and, to a lesser extent, cash.

Consequently, we have conducted a review of income, to identify the extent to which certain departments are still accepting cash and cheques and to determine what actions can be taken to minimise the volume of income accepted in this form in the future.

The specific objectives of our review were to consider the methods of payments in place, for the revenue collection of the following service departments:

- Building Control;
- Development Control;
- Environmental Health/Protection;
- Pest Control; and
- Licensing.

Approach

Our approach to this audit was to:

- gain an understanding of how income is received and processed within these departments;
- identify the volume of income that these departments accept in the form of cash and cheque;
- identify any barriers to the reduction of income received by cash or cheque; and
- determine how the volume of income received from cash or cheque could be reduced.

Acknowledgment

We would like to take this opportunity to thank the Council's members and officers for their assistance and co-operation during our review.

3. Summary of findings

Areas of positive practice

We have identified a number of areas of positive practice:

- the Council's departments are well informed of the need to reduce income collection in the form of cash and cheques;
- the Council has succeeded in significantly reducing the volume and proportion of income collected in the form of cash;
- the Council is taking action to mitigate the risk posed by the closure of the cash office by immediate remittance of cash and cheque collections by service departments to the finance team, which has the facility to store cash and cheques securely prior to banking; and
- the Council is actively promoting payment of issued invoices using the online payment facility.

Areas for improvement and recommendations

We have also identified a number of areas which pose a barrier to the reduction of income received by cash and cheques:

- **the Council's web pages for individual services are not** up-to-date, as they do not communicate clearly to service users the payment options available. The Council's web pages should be updated to include the various payment method available to the public for payment of the Council's services, particularly those that can be used as an alternative to payment by cash and cheque.
- the **application forms** used by the Council for a number of its services, such as planning and building control applications, currently indicate only cash and cheques as payment options. This should be amended to include other payment methods, such as payment by phone via the Customer Service Unit.
- the Council's **business processes should be amended**, so that – to the greatest extent possible – cheque (and cash) payments are no longer accepted by the Council when an application form is received. Instead, the Council should develop appropriate procedures to accept payment by other means and to match this payment to the relevant application form.

4. Findings and Recommendations

We set out here our detailed findings in respect of those areas where risk management, control and governance arrangements could be further enhanced, together with our recommendations.

We have classified our recommendations as high, medium or low priority on the following basis:

- High priority - Significant barriers in the reduction of income received in the form of cash and cheques. Any recommendation in this category would require immediate attention.
- Medium priority - A potentially significant or medium level barriers in the reduction of income received in the form of cash and cheques
- Low priority - Recommendations which could reduce the existence of barriers in the reduction of income received in the form of cash and checks which are not vital to achieving the Council's strategic aims and objectives.

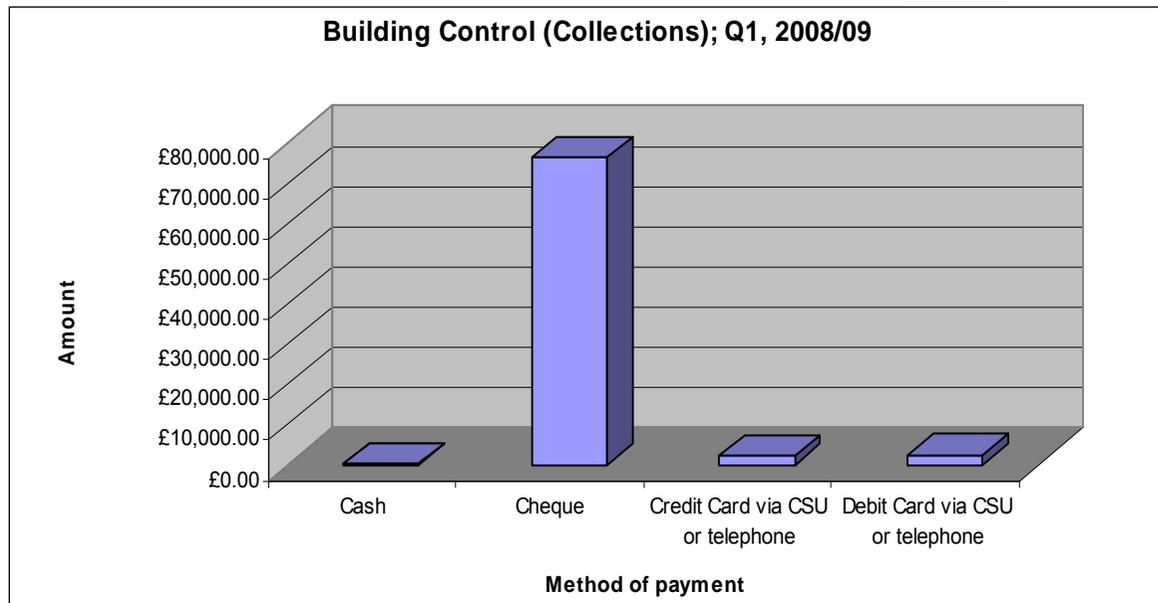
4. Findings and Recommendations

Ref	Issue and risk	Recommendation	Management response
1	<p>The Council's web pages for individual services are not up-to-date, as they do not communicate clearly to service users the payment options available.</p> <p>Risk</p> <p>Since the Council already closed its cash office, its capacity to handle cash and cheques security is significantly reduced. Continued acceptance of high volume cash and cheque transaction without having the appropriate facility/safeguard for the asset expose the Council to the risk of possible theft and/or loss of assets.</p>	<p>Recommendation 1</p> <p>The Council's web pages should be updated to include the various payment method available to the public for payment of the Council's services, particularly those that can be used as an alternative to payment by cash and cheque.</p> <p>Priority: Medium</p>	<p>The council's web page and forms will be reviewed and updated to clarify payment methods. There are a number of services that can not accept payment by telephone or web and the recommendation around processes will be forwarded to the LGR group developing the new arrangements for income collection.</p>
2	<p>The application forms used by the Council for a number of its services, such as planning and building control applications, currently indicate only cash and cheques as payment options.</p> <p>Risk</p> <p>Since the Council already closed its cash office, its capacity to handle cash and cheques security is significantly reduced. Continued acceptance of high volume cash and cheque transaction without having the appropriate facility/safeguard for the asset expose the Council to the risk of possible theft and/or loss of assets.</p>	<p>Recommendation 2</p> <p>Applications forms used by service departments should be amended to include the full range of payment methods available, such as payment by phone via the Customer Service Unit.</p> <p>Priority: Medium</p>	<p>The council's web page and forms will be reviewed and updated to clarify payment methods. There are a number of services that can not accept payment by telephone or web and the recommendation around processes will be forwarded to the LGR group developing the new arrangements for income collection.</p>

4. Findings and Recommendations

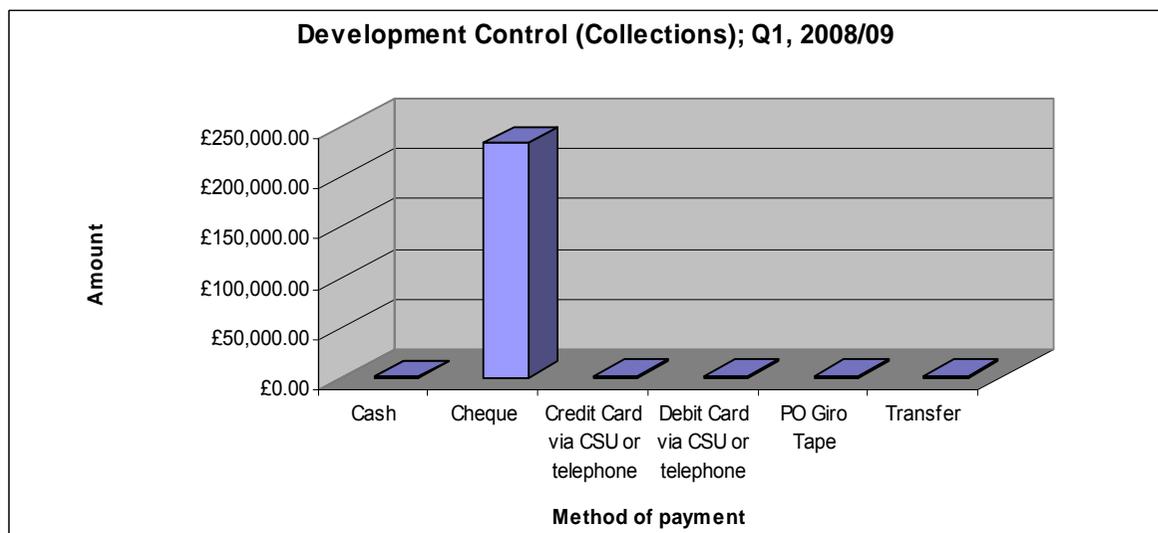
Ref	Issue and risk	Recommendation	Management response
3	<p>Overall, while the Council has made considerable efforts to reduce the volume of income received in the form of cash and cheques, there remain certain areas where the payment of fees by cheque is the norm.</p> <p>We set out in appendix one an analysis of how income is received in the five service departments reviewed, which serves to highlight this.</p> <p>It is clear, therefore, that if the Council wishes to reduce further the volume of income received in the form of cash and cheques, it will need to do more to address those areas where large volumes of cheque payments continue to be received. This may mean refusing to accept cash and cheque payments in certain circumstances. However, in order to be able to do this, the Council will have to ensure that alternative payment mechanisms are available. This may, in turn, require the reconfiguration of the relevant payment processes.</p> <p>Risk</p> <p>Since the Council already closed its cash office, its capacity to handle cash and cheques security is significantly reduced. Continued acceptance of high volume cash and cheque transaction without having the appropriate facility/safeguard for the asset expose the Council to the risk of possible theft and/or loss of assets.</p>	<p>Recommendation 3</p> <p>The Council should consider reconfiguring its income collection processes so that to the greatest extent possible cheque (and cash) payments are no longer accepted by the Council when an application form is received. Instead, the Council should develop appropriate procedures to accept payment by other means and to match this payment to the relevant application form.</p> <p>Some options in this regard are:</p> <ul style="list-style-type: none"> ■ to issue an invoice for application forms received, so that payment can be made via the Customer Service Unit; ■ to permit up front payment of charges (e.g. licensing charges), for which a reference number will be issued that can be included on the application form by the applicant; ■ to include the Council’s bank details on application forms (e.g. planning application forms) so that funds can be transferred electronically. <p>The Council should seek to ensure, however, that its processes remain cost effective, particularly where transactions of a relatively low value are involved.</p> <p>Priority: Medium</p>	<p>The council's web page and forms will be reviewed and updated to clarify payment methods. There are a number of services that can not accept payment by telephone or web and the recommendation around processes will be forwarded to the LGR group developing the new arrangements for income collection.</p>

Appendix 1 – Breakdown of collections



Income in FY07/08	£399k
% to total income FY07/08	10.5%
Income FY08/09 (1 st Quarter)	£134k
% to total income FY08/09 (Q1)	8.0%

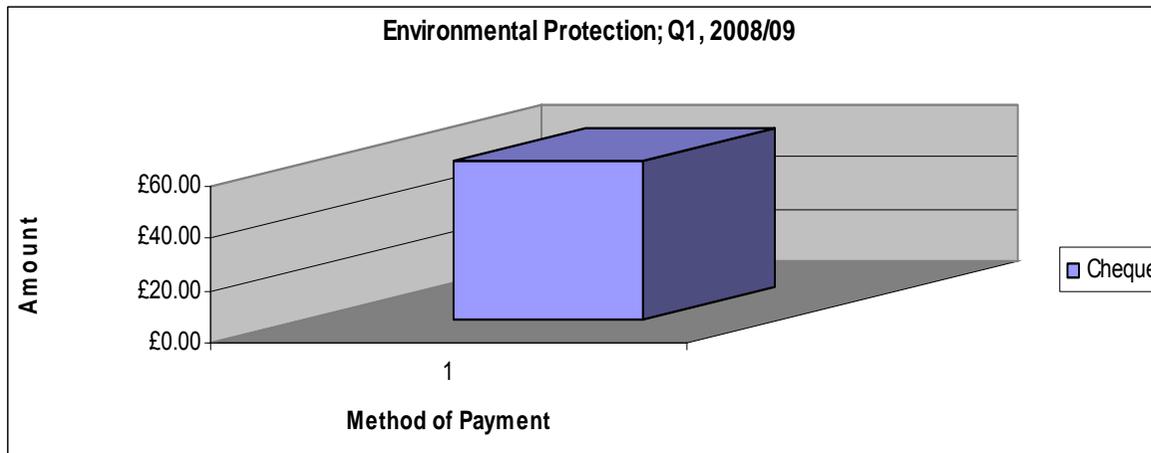
* Total FY07/08 income used excludes Council tax and NNDR income



Income in FY07/08	£772k
% to total income FY07/08	20.4%
Income FY08/09 (1 st Quarter)	£261k
% to total income FY08/09 (Q1)	15.7%

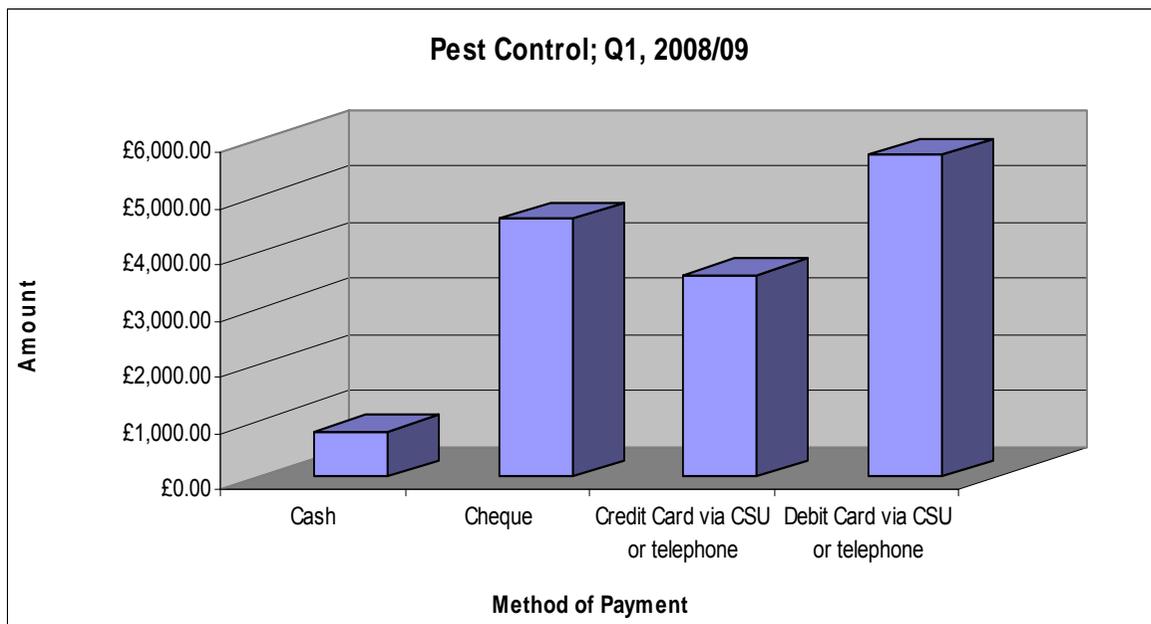
* Total FY07/08 income used excludes Council tax and NNDR income

Appendix 1 – Breakdown of collections (continued)



Income in FY07/08	£ 26k
% to total income FY07/08	<1.0%
Income FY08/09 (1 st Quarter)	£0.06k
% to total income FY08/09 (Q1)	<1.0%

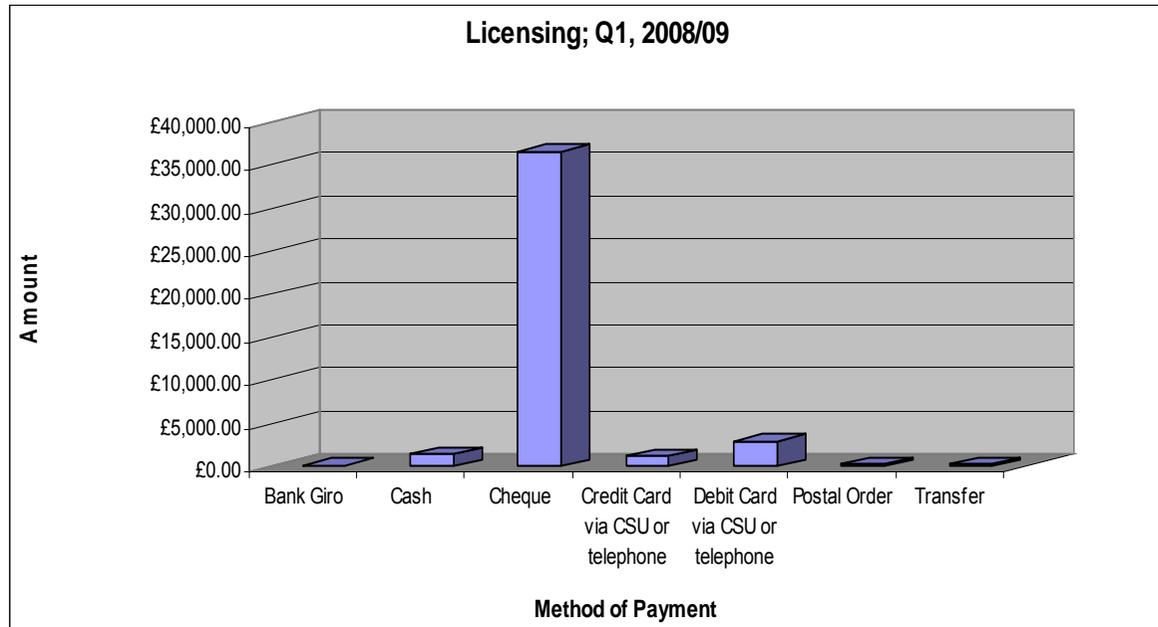
* Total FY07/08 income used excludes Council tax and NNDR income



Income in FY07/08	£ 67k
% to total income FY07/08	1.8%
Income FY08/09 (1 st Quarter)	£ 28k
% to total income FY08/09 (Q1)	1.7%

* Total FY07/08 income used excludes Council tax and NNDR income

Appendix 1 – Breakdown of collections (continued)



Income in FY07/08	£205k
% to total income FY07/08	5.4%
Income FY08/09 (1 st Quarter)	£ 45k
% to total income FY08/09 (Q1)	2.7%

* Total FY07/08 income used excludes Council tax and NNDR income

Appendix 2 - Summary of work done and risks reviewed

Review objective	Risks	Work undertaken
Gain an understanding of how income is received and processed	Since the Council already closed its cash office, its capacity to handle cash and cheques security is significantly reduced. Continued acceptance of high volume cash and cheque transaction without having the appropriate facility/safeguard for the asset expose the Council to the risk of possible theft and/or loss of assets.	We held discussions with the member of relevant departments in order to obtain an understanding of the revenue receivable cycle.
Identify the volume of income that they accept in the form of cash and cheques		We obtained a income report, covering the period from April to July 2008, which gave a detailed breakdown of the method of payment made by the customers.
Identify any barriers in the reduction of income received by cash or cheques		<p>We held discussions with the members of the aforementioned departments in order to understand what they perceived as the reasons for cash and cheque payments.</p> <p>We inspected the Council's web page and related application forms (and other documents) to determine various alternative payment methods and possible reason why these are not taken advantage by the customers.</p>
Determine how the volume of income received by cash or cheque could be reduced		<p>We held discussions with the members of the aforementioned departments in order to understand what they considered possible methods of reducing payments received by cash and cheque.</p> <p>We have compared the collection method of the Council to other Council to determine what options are available</p>