



## **Interim Audit Action Plan Update 2009/2010 on External Audit Recommendations**

### **SUMMARY**

- 1.1 The interim audit report from Grant Thornton 2009/10, together with the action plan to address the observations/recommendations made in the report, was reported to this Committee in June 2010.
- 1.2 A detailed update on the progress made against these actions from the 2009/10 interim audit, together with a follow up of 2008/09 interim audit and ISA260 recommendations is reported to this committee (Appendix 2).

### **RECOMMENDATION**

- 2.1 To note the progress made on the Interim Audit action plan 2009/2010.

### **REASONS FOR RECOMMENDATION**

- 3.1 Under the Code of Audit Practice, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for making adequate arrangements to secure economy, effectiveness and efficiency in the use of its resources.

### **SUPPORTING INFORMATION**

- 4.1 Appendix 2 provides a detailed update on progress made against the actions. The majority of actions have been completed, some in advance of the deadlines set in June 2010, and all outstanding actions are expected to be completed by March 2011.

### **OTHER OPTIONS CONSIDERED**

- 5.1 Not applicable

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Martyn Marples, Director of Finance and Procurement
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<b>For more information contact:</b>  <b>Background papers:</b> <b>List of appendices:</b>	Chloe Kenny, Corporate Group Accountant, 01332 255219 e-mail: chloe.kenny@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Interim audit progress report
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<b>IMPLICATIONS</b>
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**Financial**

- 1.1 None directly arising

**Legal**

- 2.1 None directly arising

**Personnel**

- 3.1 None directly arising

**Equalities Impact**

- 4.1 None directly arising

**Health and Safety**

- 5.1 None directly arising

**Carbon commitment**

- 6.1 None directly arising

**Value for money**

- 7.1 None directly arising

**Corporate objectives and priorities for change**

- 8.1 The areas that are to be subject to external audit or inspection are generally relevant to delivery of corporate objectives and priorities.

Update on External Audit Issues/Recommendations

	<u>Issue</u>	<u>Recommendation</u>	<u>Management Response</u>
<u>Follow up of 08/09 Interim Audit and ISA260 Recommendations</u>			
1.	<p><b>Creditors - Oracle guidance</b> In 2008/09 it was noted that the guidance entitled 'How to use Oracle', which is available to employees on DerbyNet, was out of date.</p> <p>We therefore recommended that 'How to use Oracle' is updated to reflect current processes and that any amendments are reflected in the Creditors and Payments manual.</p> <p>Our follow up procedures have identified that the procedure notes are now almost complete, with the exception of the Cheque Replacement procedures. Once these have been completed, proof reading is still required of the completed guidance before it can be attached to the shared drive for Council staff use.</p> <p>Furthermore, we note that interactive training within Oracle has been developed (by DCC), with only purchasing training yet to be completed.</p>	<p>We recommend that the remaining sections of the procedures guidance are completed so that the completed guidance can be made available to all relevant staff as a matter of urgency.</p> <p>In particular, we also recommend that the Oracle interactive training for purchasing be completed as soon as possible and be made available to all relevant staff.</p>	<p><b>Agreed</b> The review of the “how to use Oracle” guidance will be completed by 15 July 2010. Responsible Officer: J Massey Deadline: 15 July 2010</p> <p><b>Updated Response as at September 2010:</b> Implemented John Massey, 8 September 2010</p> <p>The User Productivity Kit (UPK) user guide is being updated to cover the Oracle processes from purchase ordering to invoice entry. This will be completed and available to internal users by 30th July 2010. Making UPK available to external users is the subject of ongoing negotiations with our technical support partners. It should be noted that up to date user manuals covering the same processes are already available on Derbynet.</p> <p>Responsible Officer: Lynda Innocent Deadline: 30 July 2010</p>
2.	<p><b>Sundry debtors and income - procedures documentation</b> In 2008/09 we noted that the debtors procedures manual had not been updated for sometime. We therefore recommended that this be brought up to date and that a schedule be established for subsequent period reviews/updates.</p> <p>Our follow up procedures identified that the procedures documentation has still yet to be drafted.</p>	<p>We recommend that the debtors procedures manual be updated as a matter of urgency and made available to all relevant staff members as soon as possible.</p>	<p><b>Agreed</b> The debtors procedures manual will be updated and made available to relevant staff. Responsible Officer: Rob Williams / Julie Sadler Deadline: 15 July 2010</p> <p><b>Updated Response as at September 2010:</b> Implemented John Massey, 8 September 2010</p>

<p>3.</p>	<p><b>Sundry debtors and income - debt recovery procedure</b>  In 2008/09 we noted that the Council has a generic debt recovery procedure in place which specifies the type of action required with timescales. From discussion, we noted that for some sections, such as nurseries and markets, this procedure does not reflect current working practices leading to a lack of consistency.</p> <p>We therefore recommended that the Council reviews the appropriateness of these procedures and, where necessary, introduces additional procedures to cover specific areas of debt recovery.</p> <p>Our follow up procedures identified that a meeting is scheduled for 23/02/10 for discussions to take place on the progress in setting/improving debt recovery procedures.</p>	<p>It is recognised that discussions to improve current debt recovery procedures are ongoing. However, it is recommended that the Council put in place a timetable, and a consultation process with all relevant Council staff, to ensure that the new debt recovery procedures are appropriate and delivered in a timely fashion, and relevant to the Council's current practices.</p>	<p><b>Agreed</b>  The procedures for sundry income debt recovery have been subject to ongoing discussions at a number of Accountancy Process Improvement Group (APIG) meetings. A revised paper will be presented to the next meeting of APIG on 19 May after which the recovery procedure will be formally redrafted. Subject to formal approval by Senior Management this will then become the template for recovery within the Authority, thus encouraging a consistent approach within Service areas.  Responsible Officer: Rob Williams  Deadline: 30 June2010</p> <p><b>Updated Response as at September 2010</b>  The Debt Recovery procedure has been approved by APIG &amp; Debtors User Group and went to the Control Review Group for ratification on 10<sup>th</sup> September. A few minor changes are required.</p> <p>New responsible Officer: John Massey  Revised Completion date 30.9.2010</p>
<p>4.</p>	<p><b>Fixed assets register - accuracy of schedules</b>  We recommended during our 2008/09 interim audit that the Council reviews procedures in this area and considers introducing additional checks to the integrity of the data captured.</p> <p>During our 2009/10 interim audit we ascertained the following:</p> <ul style="list-style-type: none"> <li>- The use of a joint spreadsheet by the Estates dept. and the Resources dept. has been abandoned - instead progress has been made in using the Evolution (or possibly an Access) database to hold all fixed asset information. (Evolution has already been used by the Property Maintenance Dept.)</li> <li>- Unique references (UPRN) have been assigned to most assets, with outstanding items to be investigated by Tao.</li> <li>- Reconciliation and control procedures are still in development to ensure accuracy of information held by the Estates dept. and the Resources dept. within the Evolution (or Access) database.</li> <li>- The Evolution database does not allow for depreciation</li> </ul>	<p>In light of the decision to change from utilising a joint spreadsheet to the use of either Evolution (or an Access) database as the Fixed Asset Register, the Council is recommended:</p> <ul style="list-style-type: none"> <li>- to put in place a strict timetable for population of the Evolution/Access database and complete a data entry review of the system to ensure information is accurate;</li> <li>- to ensure access restrictions are applied to the system and correct read only/write limits are applied to staff of both the Estates dept. and the Resources dept.;</li> <li>- to put in place reconciliation and other control procedures to maintain the accuracy of information between the</li> </ul>	<p><b>Agreed</b>  The council has developed an asset database which is currently being tested.  Timetable for population is as follows:  w/e 9<sup>th</sup> May completion of system, data cleansing and audit queries  w/e 16<sup>th</sup> May data upload to be ready together with reports written  w/e 23<sup>rd</sup> May All data in the system and verified  w/e 30<sup>th</sup> May all notes and entries complete  Access rights will be resources GA and PA capital read/write  Estates read only  All stages of data processing will be signed off by the estates department as being correct and complete  Responsible Officer: Nicola Goodacre  Deadline: 31 May 2010</p> <p><b>Updated Response as at September 2010</b>  Implemented</p> <p>The new fixed asset database has now been fully implemented and used successfully to deliver the 2009/10 Statement of Accounts. Access to</p>

	<p>calculations - therefore this will need to be done outside of the Evolution database system (if Evolution is chosen as the way forward).</p> <p>Documented Procedures:</p> <ul style="list-style-type: none"> <li>- Tao has been in discussion with various offices to document processes around the maintenance of the FAR. The Disposals Policy is still in progress (and awaiting finalisation of the use of the Evolution software) before procedures can be documented and finalised.</li> </ul> <p>Integrated Asset Management System:</p> <ul style="list-style-type: none"> <li>- The Transformation Team (headed by Gordon Stirling) are looking at ways of developing an integrated FAR system - however this appears to be a longer term transformation objective, whereas the development of the Evolution (or Access) database for use by Estates dept. and the Resources dept. is an immediate objective.</li> </ul>	<p>Evolution/Access database and external information held by the Resources/Estates depts (eg. depreciation calculations).</p>	<p>the system is restricted to a small number of key accountancy staff only. Changes to the database are only carried out following instruction from the Council's Estates department. The completed data taken-on was signed off by the estates department as being correct and complete. Responsible Officer: Nicola Goodacre</p>
<b>Follow up of 09/10 Interim Audit</b>			
1.	<p><b>NNDR and Council Tax - Security Access Arrangements</b></p> <p>There have not been periodic reviews undertaken of user access arrangements for all staff within the Council Tax and Business Rates departments.</p>	<p>The Head of Exchequer Services should perform periodic reviews of user access arrangements for staff in both departments to ensure access rights to Oracle, Academy and other software is commensurate with their roles and responsibilities.</p>	<p><b>Partly Agreed</b></p> <p>Agreed to undertake six monthly reviews of access to Academy systems for all Council Tax and NNDR system. Access rights to Oracle are already reviewed through a separate control process.</p> <p>Responsible Officer: John Massey Deadline: First list has been produced &amp; will be completed by 30 June 2010</p> <p><b>Updated Response as at September 2010:</b> This work is currently ongoing Revised estimated completion date 30.9.2010 Responsible Officer: John Massey</p>
4.	<p><b>Council Tax - Suspense Account Review Procedures</b></p> <p>The Council Tax suspense account is managed by the Revenue Control Officer; however there is no second review or periodic assessment of suspense account management and clearance.</p>	<p>Periodic review procedures should be put in place to oversee the clearance of the Council Tax suspense account. The validity and timeliness of the clearance of suspense account items should be</p>	<p><b>Agreed</b></p> <p>Random checks will be performed monthly by the Income &amp; Post Manager to check that items cleared out of suspense have been correctly allocated. Relevant records will be kept.</p> <p>Responsible Officer: John Massey Deadline: Immediate</p>

		reviewed by an independent person.	<b>Updated Response as at September 2010:</b> Implemented John Massey, 8 September 2010
5.	<b>NNDR - Suspense Account Review Procedures</b> From walkthroughs performed and meetings conducted with the NNDR Team Leader and the Revenue Control Officer, there would not appear to be a single person who has overall responsibility for clearance of the NNDR suspense account. It was noted that there were items on the suspense account dating as far back as 01/04/1994, with credit amounts uncleared of £62,129.00 and debit amounts uncleared of £84,175.66.	Responsibility for the clearance and management of the NNDR suspense account should be assigned to a specific officer. Periodic review procedures should also be put in place to ensure the validity and timeliness of the clearance of the NNDR suspense account.	<b>Agreed</b> A review will be undertaken to determine who should have responsibility for clearing the NNDR suspense account. Once agreed this person will have responsibility for undertaking regular reviews to check the validity and accuracy of monies moved from suspense. Responsible Officer: John Massey Deadline: 31 July 2010  <b>Updated Response as at September 2010:</b> Implemented John Massey, 8 September 2010
6.	<b>IT - Segregation of Duties</b> The Business Systems team perform financial reporting duties, security administration duties, and they also manage the interfaces. A transfer of some of the Business Systems team's duties to the core business has already been agreed. As a result of the lack of segregation of duties there is a possibility that a single person could be responsible for critical functions in such a way that errors or misappropriations could occur and not be detected in a timely manner and in the normal course of business	Whilst it is acknowledged that an agreed transfer of duties has been outlined, we would encourage the Business Systems team to ensure that this is implemented on a timely basis.	<b>Agreed</b> Control Review Group to agree individual officer responsibility and deadlines for implementation. Deadline 31 July 2010  <b>Updated Response as at September 2010</b> Implemented
7.	<b>IT - Security Setting</b> We noted the following during our review: <ul style="list-style-type: none"> <li>password complexity - the security policy states that when setting up passwords employees should use a minimum of 10 characters, ideally including a mixture of upper and lower case characters and numbers. However, this has not been enabled on Active Directory and on the Academy system</li> <li>account lockout - Active Directory settings provide for lockout after 20 failed login attempts</li> <li>screensaver password - the security policy states that if the user has a password protected screensaver function, they should use it. This is</li> </ul>	Password complexity should be more appropriately enabled within the Academy system. This should also be the case for the Active Directory. Whilst Active Directory settings are not yet set to require complex passwords, it is recommended that account lockout should be set to 3-5 attempts, as per best practice, i.e. ISO27001. It is also recommended that officers enable screensaver	<b>Agreed</b> It is not possible to increase the password complexity on Academy. We will however issue users with guidelines on using a mixture of upper and lower case characters and numbers to improve security. We are planning to move to a complex password by 01/10/2010. In the interim we are advising users that when their password expires, that they start to use a complex password immediately so there will be a gradual change to the password complexity. The Network, Internet and Email user policy already instructs users to use a complex password. We will investigate the feasibility of automatically implementing screensaver passwords. We understand that there may be some issues with a Group Policy implementation. Responsible Officer: Mike Thompson

	<p>not activated automatically</p> <p>Without adequate settings for password complexity and account lockout, security is not strong enough to prevent password compromise via brute force attacks. Without timeout facilities, unattended workstations are vulnerable to misuse and unauthorised access.</p>	<p>passwords, after 15 minutes, at Group Policy settings.</p>	<p>Deadline : 1 October 2010</p> <p><b>Updated Response as at September 2010:</b> We planned to implement complex passwords in line with the roll out of Quest, a user driven password reset product. Unfortunately we have had significant technical problems with the roll out of Quest which we have yet to resolve. We will now roll out complex passwords over the next few months as users passwords automatically come up for resetting.</p> <p>New responsible officer: Terry Tinsley Revised target date: 31 December 2010.</p>
8.	<p><b>IT - Audit Logs Monitoring</b></p> <p>There are no reviews undertaken of the audit logs created by the Active Directory and by the Oracle system. Without routinely reviewing audit trail data and event logs, detection of unauthorised access, attempted access or system misuse may go undetected.</p>	<p>Officers should develop procedures for regularly checking audit trails and event logs from all critical systems (including Network Active Directory, Oracle, and Academy), which would potentially identify suspicious and inappropriate user behaviour.</p>	<p><b>Agreed</b> We are currently developing the Audit Trails and should have these in place on Oracle by the end of September 2010. Government Connect network users already have pro-active management of the audit logs. We currently do not have any tools available to analyse AD logs outside of Government Connect network. We will need to investigate the feasibility with our outsourced partners, Serco, to identify options available to us. Responsible Officer: Mike Thompson Deadline: 30 September 2010</p> <p><b>Updated Response as at September 2010</b> We have just purchased a product called Nessus ProfessionalFeed which carries out vulnerability checks and compliance auditing relating mainly to servers and the posture of servers. We are also going to be purchasing the 'Tenable log correlation engine' which will monitor audit and event logs and includes protective monitoring, as required by Government Connect.</p> <p>New responsible officer: Miles Peters Revised target date for these: 31 December 2010</p>
9.	<p><b>Provision of Vans to Employees</b></p> <p>The Council does not currently report the provision of a van to an employee as a benefit in kind on the recipient's form P11D. This is on the basis that a benefit in kind does not arise and the Council should be in a position to demonstrate that this treatment is appropriate. The Council supports this position by undertaking usage</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• vehicle usage checks are further enhanced by the introduction an annual vehicle declaration form, for completion by all drivers, and the addition of checks to the information captured by the</li> </ul>	<p><b>Agreed</b> The Fleet Manager (FM) sent the annual vehicle declaration form to vehicle users for comment. He reports no objections so it will be introduced for the year ended March 2010. The FM has also instructed service managers to carry out random checks in order to try and identify private use. One vehicle per week will be chosen and the driving history for the 4 weeks prior will be checked, looking for</p>



	<p>checks using tracking system data.</p> <p>From our discussions, we understand that usage checks have, on occasion, identified instances of abuse but that these cases have not been formally considered to determine whether the abuse has led to a reportable benefit. Such cases should reviewed and if appropriate disclosed to HM Revenue &amp; Customs (HMRC).</p>	<p>tracking system</p> <ul style="list-style-type: none"> <li>• any instances of abuse identified from usage checks are formally considered, to determine whether the abuse has led to a reportable benefit. If appropriate, such cases should be disclosed to HMRC</li> <li>• the Council seeks written clearance from HMRC that the processes and evidence available would be considered sufficient to demonstrate that a reportable benefit does not arise.</li> </ul>	<p>instances where it has been used outside normal operational hours, at weekends or in unexpected places. In the event of private use being discovered, details will be sent to the Taxation Manager for him to consider if a taxable benefit arises, and if so to report it to HMRC. The Taxation Manager will give the new procedures 3 months to bed in and then seek clearance from HMRC.</p> <p>Responsible Officer: Richard Kniveton Deadline: Immediate</p> <p><b>Updated Response as at September 2010</b></p> <p>Partially Implemented</p> <p>Drivers taking vehicles home have now signed a P11d “Council Van Driver Declaration”. Copies have been retained by the Fleet Manager and have been sent to the Taxation Manager. This confirms that they have not used the vehicle for private use and details the consequences should they be found to have done so. Since the Buildings Division have transferred to Derby Homes, the number of vehicles taken home by members of staff within the authority has reduced considerably.</p> <p>The vehicle tracker audit is under way and the Fleet Manager has implemented the checking of vehicle movements, one per week, since the beginning of June, based on 4 weekly periods for each of these reviews. Reviews currently cover Street Cleansing and Waste Management vehicles however Highways and Grounds vehicles are not currently fitted with Simplytrak and so cannot be checked.</p> <p>As a result of the above, the Taxation Manager will give the new procedures 3 months to bed in and then seek clearance from HMRC</p> <p>Responsible Officer: Keith Dalton Deadline: 31 December 2010</p>
10.	<p><b>Construction Industry Scheme - Materials</b></p> <p>We were advised that, where invoices are submitted that include an element for the cost of materials, this cost is accepted at face value.</p>	<p>Any costs relating to materials should be checked and challenged as necessary to ensure that the amount claimed is reasonable and reflect materials.</p> <p>As materials are not subject to a CIS deduction on payment of an invoice, failure to undergo this</p>	<p><b>Agreed</b></p> <p>A copy of the three recommendations has been sent to Heads of Finance and the Accounts Payable User Group for dissemination amongst staff who need to know so they can be incorporated into our workflow. The Taxation Manager will carry out spot checks with regard to adherence.</p> <p>Responsible Officer: Keith Dalton Deadline: Immediate</p>

		process would leave the Council open to a challenge from HMRC where the cost are proved to have been inflated by the subcontractor.	<b>Updated Response as at September 2010</b> Implemented The Taxation Manager has carried out spot checks on the net CIS payments for August 2010. The labour/materials split looked reasonable in all cases, except for a payment where the supplier had declared his labour to be £1,200 out of a total bill for £18,276 ex VAT. The authorising officer has been asked to investigate this invoice further.
11.	<b>Construction Industry Scheme – Mixed contracts</b> We understand that the decision as to whether a payment falls within the scope of the Construction Industry Scheme is made at the time of payment and therefore based on the invoice rather than the contract itself. Where a series of invoices are submitted over a period of time from a contract that falls within the CIS, all payment arising from that contract should be subject to CIS. A general exception to this is calloff contracts.	The Council should review this process to ensure that individual invoices are being correctly treated based on the over arching contract.	<b>Agreed</b> A copy of the three recommendations has been sent to Heads of Finance and the Accounts Payable User Group for dissemination amongst staff who need to know so they can be incorporated into our workflow. The Taxation Manager will carry out spot checks with regard to adherence. Responsible Officer: Keith Dalton Deadline: Immediate  <b>Updated Response as at September 2010</b> Following a review, it appears that the reference to an overarching contract has not yet been fully implemented. Further reminder will be sent to the Project Engineers by the end of December.
12.	<b>Construction Industry Scheme - Small works</b> We understand that work commissioned directly by the Council's leisure centres does not follow the normal systems, of central commissioning by designated teams such as Corporate and Adult Services, in place to capture work falling within the scope of construction operations. There is a reliance on the Central Payments Team to identify relevant invoices when received. This increases the risk that invoices are not correctly treated which could lead to non-compliance with CIS requirements, potentially exposing the Council to liabilities and penalties.	The Council should consider extending its existing procedures to leisure centres to ensure compliance with CIS requirements and any other area where there is autonomy over the commissioning of small works. In addition, a review of historical payments should be undertaken, to assess any potential historic liabilities.	<b>Agreed</b> A copy of the three recommendations has been sent to Heads of Finance and the Accounts Payable User Group for dissemination amongst staff who need to know so they can be incorporated into our workflow. The Taxation Manager will carry out spot checks with regard to adherence Responsible Officer: Keith Dalton Deadline: Immediate  <b>Updated Response as at September 2010</b> Implemented – The Principal Sports Centre Manager advises that all property repairs will go through the Senior Maintenance Officer.
13.	<b>P11D completion</b> Forms P11D are completed based on information provided by the head of each department annually. The accuracy and completeness of the Council's P11Ds is therefore dependant on the quality of the submissions returned.	The Council should consider introducing sample checks to verify that this system is robust.	<b>Agreed</b> We will carry out some sample checks to determine the accuracy of departmental submissions. This will be built into the 2010/11 return process and timetable. Responsible Officer: Keith Dalton Deadline: For April 2011 return

			<p><b>Updated Response as at September 2010</b></p> <p>The Head of Internal Audit and Risk Management will ask departments to provide evidence of completeness of the 2009/10 P11d returns. This will be done during the March 2011 quarter so as to be a timely reminder for when departments prepare their 2010/11 returns.</p> <p>Responsible Officer: Keith Dalton</p> <p>Deadline: March 2011 - For April 2011 return</p>
14.	<p><b>Expense claims</b></p> <p>From discussion we noted that over 8% of claim forms are returned to the claimant by the expense claim team, due to the form being incorrectly completed, or incorrect information being provided. The forms are formally checked and authorised by a manager before submission to the team. The expense team are only required to undertake a 'reasonableness' check on receipt. This not only inefficient but also represents a risk the Council's tax compliance obligations, as well as raising concerns over the rigour of the review being undertaken by managers.</p>	<p>The Council should reinforce the importance and requirements of its expense policy compliance and, if necessary, should provide specific training in this area.</p> <p>Given the level of expense claims being returned to the claimant, we recommend that the Council undertakes a specific sample review of expenses. This should seek to ensure that the current standard of expense claim form completion and authorisation is at a level that would be acceptable to HMRC and within the terms and conditions of the Dispensation and that tax compliance obligations have been met. This sample should specifically include expenses that have been processed for payment to identify whether the existing system is consistently rejecting non-compliant claims.</p>	<p><b>Agreed</b></p> <p>Regular communication is provided to Managers reinforcing the importance of claiming and completing the claim forms correctly. Managers accept responsibility.</p> <p>From the 1 July 2010 a new policy which simplifies the conditions and a new claim form giving less choices and less personal information required thereby simplifying the whole process. The new policy and form are on Derbynet. New policy is based on the HMRC payments and allowances. Monitoring in place to track the performance. Simple guidelines issued with the new claim form on completion. Envoy Central is a specific travel and subsistence payment system set to ensure we meet HMRC guidelines. Some of the reasons the claims were returned was to ensure we met their requirements. With the new policy, the payments have been set at HMRC levels this will also ensure that we are fully compliant.</p> <p>Responsible Officer: Faye Dulon</p> <p>Deadline: 1 July 2010</p> <p><b>Updated Response as at September 2010:</b></p> <p>Implemented</p> <p>New conditions of service have been implemented, new claim forms have been issued and new guidelines for managers have also been issued, all simplifying the requirements and process.</p> <p>Faye Dulon, 8 September 2010</p>

15.	<p><b>Payments in Lieu of Notice</b></p> <p>We understand that when the Council makes a termination payment that includes a payment in lieu of notice (PILON) it is standard practice for the payment to be subject to PAYE and National Insurance Contributions (NIC).</p> <p>In certain circumstance it is possible to make such payments without the PILON be subject to PAYE and NIC which would result in a tax saving for the individual and the Council.</p>	<p>The Council should explore this opportunity further.</p>	<p><b>Agreed</b></p> <p>Responsible Officer: Keith Dalton Deadline: 30 September 2010</p> <p><b>Updated Response as at September 2010</b></p> <p>Implemented</p> <p>The Taxation Manager has reviewed the potential barriers to making tax free PILON's and suggested some ways of overcoming them. The Taxation Manager met with the Solicitor - Civil Litigation and the Director of Human Resources to discuss the Grant Thornton recommendations.</p>
16.	<p><b>Key Personnel Risk</b></p> <p>The Taxation Manager is the sole person responsible for compilation of the VAT returns. He has the requisite knowledge within the Council's accounting systems to, not only source all of the data required but also to check its accuracy upon arrival.</p> <p>Whilst this ensures consistency it also brings with it a Key Personnel risk.</p>	<p>The Council should consider training an alternate person to be able to take on this role in the event of an emergency. This could be to the level of their acquiring sufficient knowledge regarding the location of the differing data sources used to compile the return which would be adequate to assist an external VAT specialist if this type of cover was required.</p> <p>Alternatively, the Council could consider subsequently widening the training to amass the technical knowledge necessary to check the accuracy of the information provided from the system, providing full internal cover.</p>	<p><b>Agreed</b></p> <p>This is currently being considered as part of the decision as to the most appropriate finance team for the Taxation Manager post to be part of.</p> <p>Responsible Officer: Keith Dalton Deadline: 30 September 2010</p> <p><b>Updated Response as at September 2010</b></p> <p>Implemented</p> <p>The Taxation Manager post is now combined with Internal Audit and Risk Management. The Head of Internal Audit and Risk Management will therefore provide adequate cover.</p>
17.	<p><b>VAT Training</b></p> <p>The Taxation Manager is the main repository of VAT knowledge within the Council. We understand that this is disseminated on an "as required" basis to the various personnel responsible for entering the VAT data onto the system.</p>	<p>Staff should have access to an in depth technical repository for VAT issues. This could be in the form of a physical VAT manual or by electronic resource. In either case, staff would then be able to resolve some of the more common queries arising and this would release some of Taxation Manager's time in not having to deal with such questions. The</p>	<p><b>Agreed</b></p> <p>We already have an in depth technical repository on Derbynet. It can be found on Corporate Info/Tax/VAT. The Taxation Manager updates it and reminds staff of its existence at regular intervals. A reminder was sent out In May 2010. Recurrent issues and questions will be monitored with a view to developing further targeted guidance and training.</p> <p>Responsible Officer: Keith Dalton Deadline: Immediate</p> <p><b>Updated Response as at September 2010</b></p> <p>Implemented</p>

		<p>Taxation Manager would then be responsible for ensuring that the "VAT manual", in whatever form it took, was up to date and accurate.</p>	<p>Further guidance on carbon trading, community infrastructure levy and exhibitions has been added to our technical repository.</p>
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