

Service Area: Council Wide

Audit Activity: Bankers Automated Clearing System (BACS)

Background

BACS is an electronic system used in the UK for making payments directly from one bank account to another. There are two types of bank to bank payments: Direct Debits and Direct Credits.

Direct Debits are typically used for taking regular or recurring payments such as household bills. Direct Credits are typically used for making regular payments such as salaries and supplier payments. These payments normally take three working days to clear through the system before they become available in the beneficiary's bank account.

During 2016-17 issues arose in respect of the collection of Council Tax and National Non Domestic Rates (NNDR) payments from residents and housing rents from council tenants using the BACS system. As a consequence of this issue with Council Tax and NNDR BACS Direct Debits, a management investigation was undertaken resulting in a report with an action plan for suggested improvements.

During 2017-18 Internal Audit undertook a review of the progress made against the agreed actions. The review confirmed that overall progress had been made on implementing the improvement / action plans, although further work was still required to strengthen the arrangements in respect of business continuity arrangements and back-up arrangements for the Direct Debit and Direct Credit system called BACSTEL, resulting in one high and two medium priority recommendations being made.

Scope

This audit sought to provide assurance that the remaining actions have been fully implemented.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Medium priority - recommendation 1: Procedure notes and BACS template document - implemented.

Procedure notes and the Request for Direct Debit Transmission Schedule were both updated in April 2018 by Revenue and Benefits and Tenant Services in accordance with Internal Audit's recommendations.

High priority - recommendation 2: Business continuity arrangements - implemented.

Each of the three Service areas has documented their business continuity arrangements on a Business Continuity Management Plan (BCMP), which is centrally held by Finance and by the individual Service areas. A review of each Service BCMP by Internal Audit, at the time of this audit, established that updates were required to the documents to ensure they were up to date and remained fit for purpose. Details of the issues were provided by Internal Audit to the appropriate officers who provided assurance that the appropriate updates had now been made to their BCMP.

Supporting arrangements for the primary BACSTEL unit operating from the Council's Ebley Mill office have been concluded with the standby BACSTEL unit being relocated and made operational from the Council's office from 14th September 2017.

While outside the scope of this review, it is noted there are still some other key risks that remain with the operation of the two BACTEL units and the Experian Payment Gateway (EPG) software, as the BACS server and hardware are all located in the Council's server room at Ebley Mill. Therefore in the event of a catastrophic incident resulting in some or all the Council's servers in the server room being destroyed, the Council may find it difficult to make timely payments or receipts, as well as performing and delivering other functions.

This issue has previously been highlighted in the Council commissioned independent review of the Council's ICT service (delivered by Socitm) and the IT Disaster Recovery Follow-up Internal Audit report (published in March 2018) as significant issues for the Council to consider and resolve.

Medium priority - recommendation 3: Risk register - not implemented.

The Council's risk register has not been updated for the operational and cross cutting risk relating to the unavailability of the BACSTEL unit to securely transmit Direct Debit and Direct Credit files to the BACS system. The Accountancy Manager advised Internal Audit that:

- Whilst this risk is not formally documented, it is known and being managed; and
- It is anticipated, from July 2018 that a full review of the Finance risks will be performed, including the identified BACS risk being updated to the Council's risk register Excelsis.

Conclusions

It is pleasing to report that the agreed management action to address the high priority business continuity recommendation emanating from the 2017-18 review has been implemented. However, it is important that those officers responsible for their BCMP regularly review, test and update the BCMP to ensure that it remains fit for purpose.

The medium priority recommendation relating to procedure notes and a BACS template document was implemented during the undertaking of this audit review, the other medium priority recommendation relating to the risk register still remains outstanding.

Management Actions

No additional recommendations were raised by the Internal Audit report. Management actions have been confirmed against the one outstanding Medium Priority recommendation regards the risk register (see Key Findings section above).