

Oadby & Wigston Borough Council

Internal Audit Progress Report

October 2017



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1. Introduction

This report summarises the work of Internal Audit for the period to early October 2017. The purpose of the report is to update the Committee on progress made in completing the 2016/17 audit plan, delivering the 2017/18 audit plan, and to update in relation to management's implementation of internal audit recommendations.

2. Progress summary

The agreed internal audit plan for the 2016/17 year has been substantially completed, with a limited amount of work still remaining. This is dealt with further in the Head of Internal Audit Annual Opinion report separately on this agenda. Work on the 2017/18 internal audit plan is also ongoing; Section 5 provides details of all audit assignments included in the 2017/18 year, together with details of the point in the year at which each assignment is currently planned for delivery and an update on the current position.

The following 2016/17 audits remain to be formally reported:

Grant aid – Town Forums – in progress; delayed at request of Interim Section 151 Officer
Food Hygiene –draft report under discussion

In addition the following 2015/16 audit is still to be formally reported:

Community Safety/Anti-social Behaviour – we are revisiting the current position with management given recent changes in responsibility.

3. Reviews completed

The following reviews have been completed and final reports agreed with management since the last full Internal Audit progress report (July 2017 meeting):

Review	Status	Level of assurance
2016/17 Housing Rents	Final report issued	Significant
2016/17 Housing Responsive Repairs	Final report issued	Moderate
2017/18 Business Continuity Planning	Final report issued	Significant

At the request of the Committee at its February 2014 meeting, and as subsequently agreed with the Chair of this Committee, to ensure members are provided with further detail only on issues which may warrant their concern, we only report specific findings, recommendations and agreed actions arising from our finalised audits where these relate to matters we deemed to be high risk/priority. The following issues were raised in relation to the above finalised audits. Management has committed to action to address the issues highlighted.

Housing Rents

New arrears procedures came into effect from 8 May 2017 for current tenants. The Orchard System which processes rent debits and credits is being reconfigured to reflect these as currently the two are not aligned. The Council needs to monitor and test the alignment of these in the near future.

The Orchard system is not being used to its full potential in other areas. Currently manual processes are being performed where automated system capabilities are available. It was anticipated the reconfiguration commissioned by management would address this by the end of July 2017 (full confirmation of this by management is awaited).

There is a significant value (typically c.£45,000) reported by the Orchard system as 'Prepaid' accounts. Whilst this could be timing of credits from the Academy Benefits system there may be accounts with credit balances within these that require identification and refunding/ resolving.

The Council should consider more analysis and reporting of arrears to be able to understand the impact of the recent new arrears procedures.

Housing Responsive Repairs

Market testing of contractors is currently not consistently performed and evidenced;

The Council had an inconsistent approach to recharging eligible repairs to tenants;

The Council has not been undertaking post inspection works in accordance with a 2014 Policy although some were being done at the discretion of the Property Officer. The ones that were being done were not recorded;

Contractor performance data is captured but not analysed or reported upon.

4. Recommendation tracking

We provide a system for tracking the actioning of agreed Internal Audit recommendations, as a management assurance tool for the Council and specifically this Committee. Managers are responsible for updating actions taken and other key information directly on the system. The first table below represents the status of agreed actions due to be implemented by 30/09/17, the second table the age of the outstanding recommendations (based on the original date due for implementation). The status shown is as advised by the relevant manager/Head of Service and does not imply that Internal Audit has verified the status.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 30/09/17	-	54	260	75	389
Implemented	-	43	233	70	346
Closed (e.g. superseded or system changed)	-	-	9	2	11
Still to be completed	-	11	18	3	32

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	8	5	3	16
3 – 6 months	-	-	2	-	2
Greater than 6 months	-	3	11	-	14
Total	-	11	18	3	32

As previously requested we provide below details of all outstanding 'high risk' issues, and 'medium risk' issues outstanding for more than 6 months. (NB where these issues have been reported on previous occasions we have not restated the original recommendation or previous updates).

'High Risk' outstanding issues

Review	Recommendation	Risk Rating	Current status per Management
14/15 Street Cleansing & Grounds Maintenance	<p><u>Key Service Risks</u></p> <p>Original recommendation: It should be ensured that all the risk assessments identified by Audit and/or due for review are reviewed in a timely manner. Additionally new risks to the service should be identified and assessed. Based on the evaluated risks rating undertaken as part of these risk assessments (reviews and additionally identified risks), key service risks should be identified and included in a Risk Register which should then be kept under constant review.</p>	2	Ongoing with H&S Officer Rescheduled to 31/12/17
15/16 Budgetary Control/MTFS	<p><u>Budget Holder Training</u></p>	2	Unchanged - Senior Managers are briefed on the current financial position at the fortnightly managers meetings as appropriate. This will continue throughout 2017/18. Training - revised date 31/3/18.
15/16 Housing Register & Allocations	<p><u>Housing Applications</u></p> <p>All current applicants on the Housing Register should be reviewed to ensure that the</p>	2	Most recent management update: Senior Housing Options Officer has been appointed and with the extra resource random sampling of applications will be commence before 1 September Rescheduled to 1/9/17

Review	Recommendation	Risk Rating	Current status per Management
	<p>details and allocated bandings held on the Housing Register are correct.</p>		
<p>16/17 Budgetary Control/MTFS</p>	<p><u>Staff and member training</u></p> <p>It should be ensured that budgetary and other financial training sessions are arranged by Finance and it is made compulsory for all budget holders and other staff with budgetary responsibilities to attend these sessions. Appropriate regular training sessions should also be arranged for members.</p> <p><u>(NB going forward we will view this as superseding the previous recommendation on this matter – see above.</u></p>	<p>2</p>	<p>The Council's Financial Regulations have recently been reviewed and Contract Procedure Rules are currently being amended. Appropriate training on budget management, procurement and compliance will be incorporated into future training for staff and members.</p> <p>Chris Raymakers, by 10/8/17.</p>
<p>16/17 Housing – Repairs and Maintenance</p>	<p><u>Recharging tenants</u></p> <p>The Council needs to ensure relevant staff (Contact Centre and Property team) are clear on the Council's Policy in this area. All re-charges must be invoiced to tenants if the job has</p>	<p>2</p>	<p>Response: The comments relate to a period where customer service centre had not raised invoices in a timely manner and there were multiple disputes by customers. A draft policy was in place at the time of the audit and contained deadlines for raising invoices. This suggested that if these deadlines were not met the invoice should not be raised. The finance team had already indicated this was not acceptable and the draft will be amended. Draft to be amended and finalised by 30.09.2017.</p>

Review	Recommendation	Risk Rating	Current status per Management
	been flagged in the Orchard System as a re-charge.		John Stemp, Community Property Manager, by 30/9/17
16/17 Housing – Repairs and Maintenance	<p><u>Post-inspections of works</u></p> <p>The Council should ensure relevant staff are aware of the policy regarding inspections. The Policy should also state who approved it and when it is due to be reviewed and by whom. The Council should also consider and publish its policy on tenant recharges where contractors cannot gain access but are able to charge the Council to attend. This should be within the Tenant handbook and Customer Contact Centre process and training documents.</p>	2	<p>Response: Agreed. It should be noted however inspections will only ever be on a targeted sample basis unless we are to increase resources. The document referred to is a pragmatic operational approach agreed within the team because as far as we can tell there has never been a policy as such. (In 2016/17 we logged over 5500 jobs on Orchard - to give an idea of the scale of inspections and resources that would be required).</p> <p>JS - Procedure document was issued immediately to maintenance Officer and is to be updated and Orchard prompts set up for specific & sample based post inspections. All post inspections to be recorded on Orchard. To be operational by 30.09.17. We are likely to ask contractors to return no access cases after one broken appointment without charge as most do not charge anyway.</p> <p>John Stemp, Community Property Manager, by 30/9/17</p>
16/17 Housing – Repairs and Maintenance	<p><u>Market testing to ensure VfM in accordance with Contract Procedures.</u></p> <p>The council should ensure market testing is undertaken for works where spend levels on individual contractors undertaking these works</p>	2	<p>Response: The thresholds values for individual jobs/contracts are observed up to and including EU thresholds. This issue relates to aggregate values of smaller awards not triggering a higher band procurement. The examples given are responsive maintenance / relet contractors that have aggregate values over £75,000 in any period (up to 4 years). JS to prepare a report to SG by 30.09.17 to set out procurement options for the responsive maintenance service. Further clarity will be sought as to what constitutes an aggregate contract e.g. is it Council wide, by department, by defined activity ?</p>

Review	Recommendation	Risk Rating	Current status per Management
	requires this as per the Contract Procedures.		John Stemp, Community Property Manager, by 30/9/17
16/17 Housing – Void Property Management	<p><u>Reasons for delayed void turnaround times</u></p> <p>Reasons for delays and unavoidable overruns should be recorded on the voids spreadsheet for future reference and learning. The spreadsheet details should be regularly monitored so that any actions required to address performance issues can be taken promptly.</p>	2	<p>Response: Agreed. We will seek to ensure all cases have brief but sufficient explanation to clarify circumstances during and after the events. These will be reviewed by managers periodically.</p> <p>John Stemp, Community Property Manager, by 1/7/17</p>
16/17 Housing – Void Property Management	<p><u>Housing Repairs Contractors</u></p> <p>Management should review the use of existing contractors and consider market testing to ensure that it is getting value for money from their services. Overall annual amounts spent with each contractor should be monitored.</p>	2	<p>Response: Discussions will take place with the finance department and Section 151 officer regarding requirements of contract procedural rules and aggregation of works to a single contractor. Data for expenditure per contractor for all activities of the housing maintenance team for 2016/17 is currently being compiled to inform this discussion.</p> <p>John Stemp, Community Property Manager, by 1/7/17</p>
16/17 Housing – Void Property Management	<u>Authorisation of works</u>	2	Response: A review of how orders are authorised will be undertaken but this cannot be signature based as suggested in the Contract

Review	Recommendation	Risk Rating	Current status per Management
	Contract Procedure Rules should be complied with in relation to there being an audit trail in relation to purchase orders being authorised/approved by the relevant officers with the appropriate authorisation limits.		Procedure Rules. John Stemp, Community Property Manager, by 1/7/17
16/17 Housing – Void Property Management	<u>Budgetary Control</u> The extent of cost variations for individual void jobs should be monitored and managed.	2	Response: Having considered the issue we feel our first response should be to increase awareness of the importance of these estimates and to improve accuracy where we can. We will set out what is required in.. revised procedures .. and issue guidance notes. An example would be, bandings for electrical work based on visual inspection. John Stemp, Community Property Manager, by 1/7/17

Medium (level 3) risks outstanding for over 6 months

Review	Recommendation	Risk Rating	Current status per Management
13/14 Equalities	To comply with the legislation the Council should consider enhancing the type of information presented in its workforce profile to include a profile of staff at different grade, levels and rates of pay, including part-time work etc	3	Most recent management update: Workforce profile data will be on the website by October 2017

Review	Recommendation	Risk Rating	Current status per Management
12/13 Risk Management	An exercise should be undertaken to review all existing partnerships and projects to establish what risk registers are currently in place. A review should then take place to standardise the format of partnership and project risk registers and ensure that all partnerships and projects maintain such registers.	3	Most recent management update: Zurich Municipal have now been contracted to revise the Council's risk strategy, register and roll out training to SMT and Service Heads with the possibility of further training to other key staff at a latter date. – revised date 31/12/17
14/15 Street Cleansing and Grounds Maintenance	Efficient working: It should be ensured that consideration is given to the maximisation of the efficient and effective use of staff and equipment (including procurement) across the Clean and Green Team and other Council Teams.	3	Most recent management update: Waiting for Council decision on Waste Collection service.
14/15 Refuse & Recycling Collection	<u>Recycling Strategy</u> The Recycling and Composting Strategy 2005 -2015 should be reviewed, updated and re-implemented.	3	Most recent management update: Awaiting consultants report – rescheduled to 31/3/18.
14/15 Refuse & Recycling Collection	<u>Vehicle Replacement/Procurement Programme</u>	3	Update - Awaiting Council decision on the method and frequency of collections; to be reported to Dec 2017 Council meeting.

Review	Recommendation	Risk Rating	Current status per Management
	<p>A vehicle replacement / procurement programme for the refuse and recycling fleet should be completed as soon as possible. KPIs should be introduced to enable the monitoring of the downtime of vehicles. This should highlight vehicles that are constantly or more regularly idle and enable investigation into the reasons. Relevant information from this monitoring should be used to update the vehicle replacement / procurement programme.</p>		
15/16 Council Tax	<p><u>Reporting of arrears</u></p> <p>Arrears reports showing the position and performance of the Recovery Team in collecting arrears should be produced periodically and considered by senior management. This could be monthly or quarterly and show information including/such as: the position to date; performance since the last report; comparative performance against prior year;</p>	3	<p>Update from Chris Raymakers: Scrutinizing and reporting on the recovery of arrears will be a performance target for the new Senior Recovery Officer and his team Revised date: 31 October 2017.</p>

Review	Recommendation	Risk Rating	Current status per Management
	<p>and Detailed reports on the oldest and highest risk debtors outlining what has been done and other potential recovery actions that need to be considered including ongoing write-offs.</p>		
15/16 Housing Rents	<p><u>Rent roll and reconciliation to property records</u></p> <p>An annual reconciliation should be undertaken of the properties on the rent system and the Council's asset register, and that this agrees to legal services records.</p>	3	<p>Most recent management update: Will be completed when new rent roll is updated in February-Chris Raymakers, Interim Accountancy Manager 28/2/17.</p> <p>Update - Further reconciliation will take place in October 2017.</p>
15/16 Building Control	<p><u>Identifying costs</u></p> <p>Management should review the basis for calculating and allocating costs within the various Building Control budgets to ensure these accurately reflect the service and its chargeable and non-chargeable work.</p>	3	<p>Original response: Agreed Chris Raymakers By 31/1/17</p> <p>Update: Following on from the recent restructuring of the Planning and Regeneration Division and the increase in administration support provided there is now an opportunity to look at the time allocation and recharge of all officers in the division including building control. Rescheduled to 31/8/17</p>
15/16 Housing Register and Housing Allocations	<p><u>Management Review</u></p>	3	<p>Original response: All applications on the Housing Register are reviewed annually through a 'rolling review' process administered by Technical</p>

Review	Recommendation	Risk Rating	Current status per Management
	<p>Management should undertake a full review of the current Housing Register. Management should ensure that rolling annual reviews of applications on the Housing Register take place and re-validation is performed at that point, sample checked by the Housing Services Manager.</p>		<p>Officers at Customer Services. This process involves writing to all applicants (usually April / May) on the Housing Register inviting them to notify the Council of any changes to their circumstances. It is proposed that the process will be amended to incorporate the Customer Services officers considering, based on responses received, whether a review of the existing banding decision is required and if so, to refer to the Housing Options Team for a full review of the banding. Note the chances of incorrect banding are minimised by the fact that applicants are written to explaining the reasons for the banding decision and have the opportunity to challenge it.</p> <p>Steve Nash, Housing Services Manager by 28/2/17</p> <p>Update: A reasonable level of assurance will be provided through sampling by the roll out of the new CBL system. Revised date 6/4/18</p>
<p>16/17 Health & Safety – Depot Services</p>	<p><u>1.1a Health and Safety -Service Level Guidance (1)</u></p> <p>It should be ensured that appropriate health & safety procedural guidance is made available to all operatives working at / from the Depot by the end of the 2016/17 financial year as intended.</p>	<p>3</p>	<p>Original response: agreed</p> <p>Paul Evans, Corporate Health & Safety Officer – by 31/3/17</p> <p>Update: Approximately 15% of the booklet has been completed.</p> <p>Revised date 31/10/17</p>
<p>16/17 Health & Safety – Depot Services</p>	<p><u>3.3a External Consultant - Structural Survey of Recycling Facilities- Recommendations(1)</u></p>	<p>3</p>	<p>Original response: agreed</p> <p>Brian Kew, Operational Services & Street Scene Manager – by 31/3/17</p>

Review	Recommendation	Risk Rating	Current status per Management
	It should be ensured that timely action is taken to deal with the recommendations in the Structural Survey of Recycling Facilities report.		Update: "measured on a monthly basis."

5. 2017/18 Internal audit plan

Review	Scheduled Start*	Status	Level of assurance
Performance Management	Oct – Dec 2017	Scoping	
Business Continuity	By September 2017	Final report issued	Significant
IT & Information risk assessment	November 2017	Scope agreed	
Capital Programme	Oct 2017 – March 2018		
Anti Fraud & Corruption-targeted fraud prevention/detection work	Oct 2017 – March 2018	Scope agreed	
Project assurance (eg Housing Company, System Support, Asset Management)	To be ascertained dependent on project progress		
Procurement	Jan – March 2018		
Budgetary Control	Oct – Dec 2017	Letter of Engagement issued	
Financial systems (ledger, creditors, debtors, treasury management, income management & cash receipting-key controls	Dec 2017 – Jan 2018	Scope agreed	
MTFS – key risk areas/savings plans	Oct – Dec 2017	Letter of Engagement issued as will be combined with	

Review	Scheduled Start*	Status	Level of assurance
assurance		Budgetary Control review	
IT contract assurance	November 2017	Scope agreed	
Payroll & Expenses	Oct 2017 – Mar 2018		
Taxi and Hackney Carriage Licensing	By Dec 2017	Letter of Engagement issued	
Council Tax	Nov 2017	Scope agreed	
Business Rates	Oct 2017	Scope agreed	
Benefits/Council Tax Support	Oct 2017	In progress	
Management of Section 106 agreements and related contributions	Oct – Dec 2017	Scoping	
Housing Rents	Jan – Mar 2018		
Repairs & Voids key controls/follow-up	Jan – Mar 2018		
Fuel and valuable asset control	By Sept 2017	In progress	
Additional – General Data Protection Regulation preparedness	By Sept 2017	Draft report issued	

- Timings either agreed with management where relevant or proposed by us.